DESTRUCTIVE LEADERSHIP
and
MANAGEMENT HYPOCRISY

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The Dark Side of Nonprofit Leadership: Cases, Causes and Consequences[1]

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Abstract

This chapter reviews ethical challenges confronting nonprofit administration in relation to organizational managerial practices and leadership behaviors. Through a theoretical model of nonprofit specific toxic leadership, it reviews the dynamics of destructive leaders, susceptible followers, and conducive environments in cases of unethical and corrupt nonprofit organizational behaviors. It provides a case for prioritizing oversight responsibilities of the Board of Directors, board supervision, promoting ethical culture in organizational leadership, and implementing policies for addressing destructive and corrupt nonprofit leaders. It reflects on how nonprofit toxic leadership primarily erodes public trust in the nonprofit sector and

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concludes with practical recommendations for re-centering positive behaviors congruent with the nonprofit's social and public good mission.

Keywords: nonprofit ethics; toxic leadership; unethical cases; nonprofit organizations

Introduction

Leadership has become crucial in the study of public, private, and nonprofit organizations facing volatility, uncertainty, complexity, and ambiguity (VUCA) (Elkington, et al, 2017). Yet, most of the studies focus on "good" and "inspiring" leadership examples ignoring the lessons that can be learned from "bad leaders" or "dark", "toxic" and "unethical" leadership practices (Higgs, 2009). Since the beginning of leadership research in the twentieth century (King, 1990), a significant quantity of empirical research has been conducted supporting the strong correlation between constructive leadership styles and positive organizational outcomes (Ko et al., 2018). As a result, leadership education is often one-sided and fails to address the negative aspects of leadership and management. Establishing an understanding of the theoretical concepts surrounding constructive leadership practices is important, however, since there has been a historical prevalence of leaders who have abused positions of authority, inflicted indescribable damage and harm to their nations, organizations, companies, and communities (Brown & Mitchel, 2010), and it justifies the need for a greater understanding of the 'dark side' within leadership and management education.

Throughout 'dark side' literature, various terms have been utilized to describe a variety of unethical leadership behaviors including "toxic", "destructive", "tyrannical", "abusive" and "dysfunctional" (Monahan, 2012). A growing body of empirical research discusses the characteristics of unethical leadership, nonetheless, narratives of "destructive" or "toxic" leadership concepts are given increasing attention. Reviews of empirical literature have identified no substantial distinctions between destructive and unethical leadership (Lašáková & Remišová, 2015). Unethical leadership combines both violations of ethical principles and legislative rules and infiltrates beyond the leaders' own actions, encouraging and manipulating others to engage in unethical conduct (Lašáková & Remišová, 2015). It can be argued that destructive leadership is unethical, and unethical leadership is destructive (Brown & Mitchel, 2010). The 'dark side' of leadership manifests within all sectors of society, and toxic leaders are a painful but common reality within many organizations (Tavanti, 2011). Throughout this chapter we use "toxic", "destructive", "bad" and "unethical" to describe the manifestations of the 'dark side' of leadership within the nonprofit sector.

Nonprofit organizations (NPOs) are not exempt from "bad" examples of leadership. Despite the good purpose of nature of their diverse missions in society, the nonprofit sector reflects similar corruptions and dysfunctionalities of other organizations and agencies in business and government but with a notable expectation. Their "doing good" mission and reputation is a more vivid contrast with "bad actions" of some leaders generating obvious contradictions, ugly scandals and threatened public trust. Nonprofits promote grass-root economic development, deliver human services, protect civil rights, prevent environmental degradation, and serve many other objectives that were previously wholly unaddressed or abandoned by the state (Salamon, 1994). Yet, the more competitive and unreliable mechanisms to secure resources contrasted by the higher demands for diminishing administrative costs and increasing impact reporting has generated organizational contexts vulnerable to employee burnout, mission creeps, starvation cycles, and leadership abuses (Raymond et.al, 2012). However, the "mission impossible" of many nonprofit organizations is no-excuse for

unethical leadership behaviors which undermines the very core of public trust. The success of an NPO in surviving in a competitive sector and achieving its mission depends on strong ethical leadership and an aligned culture that allows the organization to fulfill its mission and ultimately thrive. The National Council for Nonprofits observes that "America's charitable nonprofits rely on the public trust to do their work. That is why it is so important that charitable nonprofits continuously earn the public's trust through their commitment to ethical principles, transparency, and accountability" (National Council of Nonprofits, n.d.-a). Ethical behavior is fundamental for any leader, organization, and sector, but the nonprofit-social sector ethics is imperative as the sector itself represents the good of society. Recurring scandals with unethical, corrupt, and toxic leadership damage the good reputation of the organizations, especially those - like most nonprofits - have a mission to serve our communities and positively impact our society. Unfortunately, economic downturns and times of crises often favor moral meltdowns resulting in public scandals that can erode public confidence in nonprofits.

Given the mission-driven nature of NPOs in our society, it would also be assumed that self-interested individuals would choose to pursue careers in other sectors (LeClair, 2017). Sadly, not all NPOs and the people within them are truly dedicated to the greater good and neither is the nonprofit sector immune to destructive leadership. Destructive or "toxic" leaders are also present in the nonprofit sector and end up being one of the key systemic issues factoring ethical scandals in NPOs. Nonprofit toxic leaders represent a dark unethical practice as they further undermine the public trust in the sector and what it represents through its socially beneficial and impactful organizational missions. Toxicity undermines leader's mandates in organizations, their relations with subordinates and the organizations' short- and long-term responsibilities with stakeholders and communities (Hitchcock, 2015). In other words, toxicity is examined here in its unethical aspect as well as in its consequences for the public trust invested in the organization's purpose, productivity, prosperity and partnerships.

This chapter explores some unethical dynamics of nonprofit organizational leadership through the lenses of theoretical models for leadership behaviors and toxic leadership contexts. It reflects on the lessons learned from the various unethical nonprofit cases examined by the University of San Francisco's Master of Nonprofit Administration (MNA) graduate students ({ HYPERLINK "https://usfblogs.usfca.edu/nonprofit/ethics" }). These cases provide some ethical analyses on the leadership and organizational governance shortfalls due to dynamics of criminal or negligent leaders, disengaged board governance, and lack of regulated environments. These dynamics are the basis for this chapter and the emerged cases, causes and consequences generate important lessons and recommendations for promoting ethical nonprofit management and leadership practices in the sector.

The Consequence of Damaged Public Trust

The damages of toxic leadership and unethical behaviors in NPOs goes beyond the loss of public money and the private corrupt and often illegal (sometimes criminal) appropriation of funds. The real damage is undermining public trust and delegitimizing the essential benefits that many (most) nonprofits provide to our communities and societies. In other words, the real dark side of unethical nonprofit leadership is the erosion of public trust (Becker, Boenigk, & Willems, 2020).

Annually these abusive individuals cost U.S. businesses an estimated 23.8 billion dollars due to reduced productivity, employee absenteeism and turnover, and legal costs (Tepper, et.al.,

2006). A study by the Association of Certified Fraud Examiners (2014), of both NPOs and for-profits, estimates that a typical organization expends five percent of its revenue to fraud each year. Asset misappropriations such as theft, misuse, and fraudulent disbursements were the most frequent while financial statement frauds, including improper valuation or improper disclosure, were the costliest to an organization (Archambeault et al, 2015).

Many cases of corruption within the nonprofit sector remain untold, while others are discovered only when publicly donated funds have been misused and the trust of the public is already lost. The well-known case of the United Way exemplifies misused donations for social and human service projects worldwide to fund William Aramony's extramarital affairs. Only following attentive investigative journalism efforts from The Washington Post and Regardie's magazine, did the FBI and IRS initiate investigations of his leadership role at the charity (Shapiro, 2011). The investigation revealed later that the initial figures were a scratch on the surface and that $1.3 millions of philanthropic-public dollars had been utilized to pay for Mr. Aramony's romantic affair with a seventeen-year-old girl and additional benefit for himself and his friends (McFadden, 2011).

Corruption and scandals damage the public's trust in the sector often manifested through decreased support from traditional and generous donors (Brindle, 2019). NPOs rely heavily on the trust and generosity of members of the public who donate because their personal values are reflected in the organizational mission. The corruption and scandals for a few damages the reputation and capacity to perform of the many. Civil society scholars and practitioners maintain that NPOs are principal actors because their work is mission-driven with the intention for the societal greater good (Keck & Sikkink, 1998). For this reason, NPOs are held by the community to higher moral standards than their corporate counterparts. Yet, NPOs Board of Directors (BOD) are complicit by not fully integrating these community voices and social accountability demands and, in turn, contribute to a sector-wide shortfall in sound governance, accountability, and transparency (Doig, 2006). With the common situation of many nonprofit organizations held to higher standards but with poor governance oversight, the sector is vulnerable to destructive individuals, who face few obstacles in establishing themselves in new or existing organizations. Numerous unethical nonprofit cases analyzed by the MNA program reveal a common factor in the BODs' lack of competency, diversity, and conflict of interests often resulting in irresponsible lack of supervision on their duties toward the organization's mission, finance, and administration ({ HYPERLINK "https://usfblogs.usfca.edu/nonprofit/ethics/" \h }, n.d.). The required structures of nonprofit boards have a primary duty to preserve and promote ethics as reflected in their good governance duties and their intent to impact identities (BoardSource, 2017). Unfortunately, many enter the nonprofit sector with good intentions but without competent knowledge often resulting in unethical, ineffective, and unsustainable efforts.

The Cause of Weaker Regulatory Environment

In the last 20 years, several systemic and organizational factors influenced the weakening of a regulatory framework affecting the overall performance, sustainability, and ethical behaviors of nonprofits.

At the systemic level, the shift to conservative government dominance in western democracies in the 1980s, also known as the 'Reagan-Thatcher era', led to the downsizing of government and had several implications for the nonprofit sector (Feldstein, 2013). Firstly, there was a significant shift in service provisions as funding was withdrawn from tax-funded

government-operated social services. NPOs were required to expand quickly through philanthropic resources, to meet the increasing demand for social services (Salamon, 1994). This rapid expansion would have required funding from governments, intergovernmental organizations, private foundations, and corporate sponsors (Dolšak et al., 2018). Yet, as power resides with those who hold financial resources (Tuan, 2004), the power dynamic between the funders and NPOs has led to the neglect of both sound governance practices and quality service delivery at NPOs. This generated situations of financial uncertainty for most NPOs often caught into a cycle of starvation, a diminishing of overhead expenses necessary to guarantee quality and generate social impact (Gregory & Howard, 2009; Pallotta, 2009). In spite of these systemic restrictions, governments remain reliant on NPOs to deliver social services through grants and contracts (Borris & Lott, 2017), and the funding structures and increasing competition for available funding have led to a sector-wide culture of 'sweat equity'; staff members are underpaid and overworked to compensate for the abandoning of full cost budgeting (Greco, 2018). In addition, the continual growth of the nonprofit sector creates significant challenges for the federal and state regulatory bodies responsible for the oversight of 1.5 million Internal Revenue Service (IRS) registered NPOs across the U.S. (McKeever, 2018). The capacity of regulatory bodies to identify and address malfeasance is a concerning factor as a weakened regulatory environment enables corruption which threatens the sector (Boris & Steuerle, 1999).

At the organizational level, several factors have contributed to poor regulatory oversight of the nonprofit sector. Budget cuts and years of political disputes have greatly weakened the regulatory powers of the IRS. While the capacity of the IRS has been questioned, the role of state-level regulation and enforcement has been wholly under-recognized and under-resourced (Borris & Lott, 2017). While it seems evident that both federal and state-level regulators are failing to keep up with the increasing demands of the sector and the sharing of information between offices may seem like an obvious and constructive solution to aid nationwide regulation, the Pension Protection Act of 2006 inadvertently placed criminal charges on states that obtain NPO information from the IRS. This is ironic as the IRS Form 990 (required annual federal tax filing form), of every NPO is publicly accessible information (Borris & Lott, 2017).

Technological advances have regulatory implications for NPOs and for external regulators. Risks arise from the collection and storage of employee, volunteer, client, and donor data (Gloeckner & Lockwood Herman, 2018). Without explicit guidance on where and how this information should be utilized and protected, NPOs are susceptible to unethical and costly events and the accompanying loss of reputation. The use of technology has enhanced twenty-first-century philanthropic giving, but also creates a challenging environment for state regulators who lack the resources and technological infrastructure to analyze and track data usage across the sector (Borris & Lott, 2017). Third-party independent organizations, such as Charity Navigator and GuideStar by Candid, go beyond the state and federal reporting requirements, and provide transparent data-driven ratings (LeClair, 2017). Yet, donors must make an effort to investigate NPOs beyond these ratings and the information submitted on IRS form 990 by NPOs as these should be regularly scrutinized by stakeholders and regulators. The investigation into the recent college admissions scandal revealed that multiple Form 990s filed by the Key Worldwide Foundation included falsified claims of donations to other NPO's (Byrd & Nelsen, 2019). This scandal was picked up in an investigation by the F.B.I. and leads to the questions of how many of the other 1.5 million registered NPO's submit dishonest information on an annual basis.

The IRS regulation allows individual or corporate donors to make unlimited anonymous contributions to social welfare organizations with 501(c)4 status – and the so-called infiltration of "dark money" into the U.S. political system (Overby, 2013). Additionally, the IRS permits social welfare organizations to donate to other registered social welfare organizations and this does not contribute to the political spending total of the donor organization for the fiscal year, even if the funds are donated with the intent for political use by the recipient. This loophole has allowed social welfare groups to invest heavily in politics without reaching their individual spending cap (Colinvaux, 2014). The non-disclosure of donors to social welfare organizations makes it increasingly difficult for the public to see which corporations and individuals have made significant financial contributions to a political candidate and in turn has contributed to a U.S. political system that has a concerning lack of transparency. It is extremely difficult for voters to determine what and who candidates truly represent (Baek, 2013).

The Causes of Toxic Leadership Behaviors

The dark side of nonprofit leadership results when individuals or groups abuse the power of their leadership positions. The literature provides several definitions of toxic, destructive, abusive, narcissistic, and bullying leadership behaviors. Lipman-Bleuman (2005), describes toxic leaders as individuals, "who, by virtue of their destructive behaviors and their dysfunctional personal qualities or characteristics, inflict serious and enduring harm on the individuals, groups, organizations, communities and even the nations that they lead" (p. 2). Einarsen et al., (2007, p. 208) use the word "destructive" to describe such leadership behavior and define it as "the systematic and repeated behavior by a leader, supervisor or manager that violates the legitimate interest of the organization's goals, task resources, and effectiveness and/or the motivation, well-being or job satisfaction of subordinates". The authors emphasize the inclusion of 'repeated' and 'systemic' in the definition which excludes isolated or uncharacteristic cases of leader misbehaviors.

Reed (2004), suggests three common symptoms of toxic leaders which are an apparent lack of concern for their subordinates, the belief by subordinates that their leader is primarily motivated by self-interest, and that the leaders' personal and interpersonal dynamics negatively affect the organizational climate. Further, Lipman-Blumen, (2005), suggests these individuals lack honesty and transparency; prioritize outside ambition and self-actualization over the wellbeing of others; intentionally act to intimidate, demean, demoralize, and marginalize others; are highly oppressive and critical of other and the utilize their position to maintain power while undermining any potential successors.

It is often difficult to detect toxic or destructive leaders within the nonprofit sector (Tavanti, 2011). Some may appear to be highly competent and effective while their actions and behaviors have a multi-faceted detrimental impact on their subordinates and the wider community. For example, consider Willian Rick Singer of the Key Worldwide Foundation examined in the college admission scandal case (Byrd & Nelsen, 2019). For any donor looking to improve educational opportunities for disadvantaged individuals, his NPO, the Key Worldwide Foundation, and its mission may have aligned perfectly with the donors' intent. However, an FBI investigation into the practices of Mr. Singer and his nonprofit and for-profit organization revealed him to be the conductor of the biggest college admissions scam ever prosecuted by the U.S. Department of Justice (Durkin, 2019).

The regulatory environment of the nonprofit sector allows destructive individuals, like Mr. Singer, to operate freely while cultivating a protective shield of followers, who may buy into foul play for their own personal benefit or play along to ensure they continue to earn a wage to self-sustain. Either way, the leader's actions are detrimental to the stated goals of the organization. In the short term, it may seem that these individuals are effective in leading the organization to success, but this is inevitably outweighed by the long-term detriment to financial and human resources (Tavanti, 2011).

Nonprofit leadership behaviors are visually explained in Figure 1, a simplified version of the model developed by Einersen et al. (2007) adapted to the nonprofit context. The axis of the model outlines nonprofit leadership behaviors as more constructive (Pro-behaviors) or less constructive (Anti-behaviors) in relation to the leader's principled actions and behaviors toward the subordinates and the organization. Subordinate orientated dimensions of nonprofit leaders include 'pro' behaviors that cultivate motivation, satisfaction, and wellbeing while supporting subordinates, while 'anti' behaviors may involve the bullying, harassment, and mistreatment of subordinates. The alterations in language utilized to describe leadership styles within the four quadrants of the adapted model were applied to increase understanding and relevance to the nonprofit sector. In NPOs, where the people and social causes we serve have and should have a priority in the mission of the organization we expect also a value alignment in the relations with subordinates, staff, and other internal stakeholders to the organization. These two types of leaders could be democratic and participatory when they benefit the subordinates or autocratic and dictatorial when disregarding the people's wellbeing and voice in the process or prioritization of organizational values.
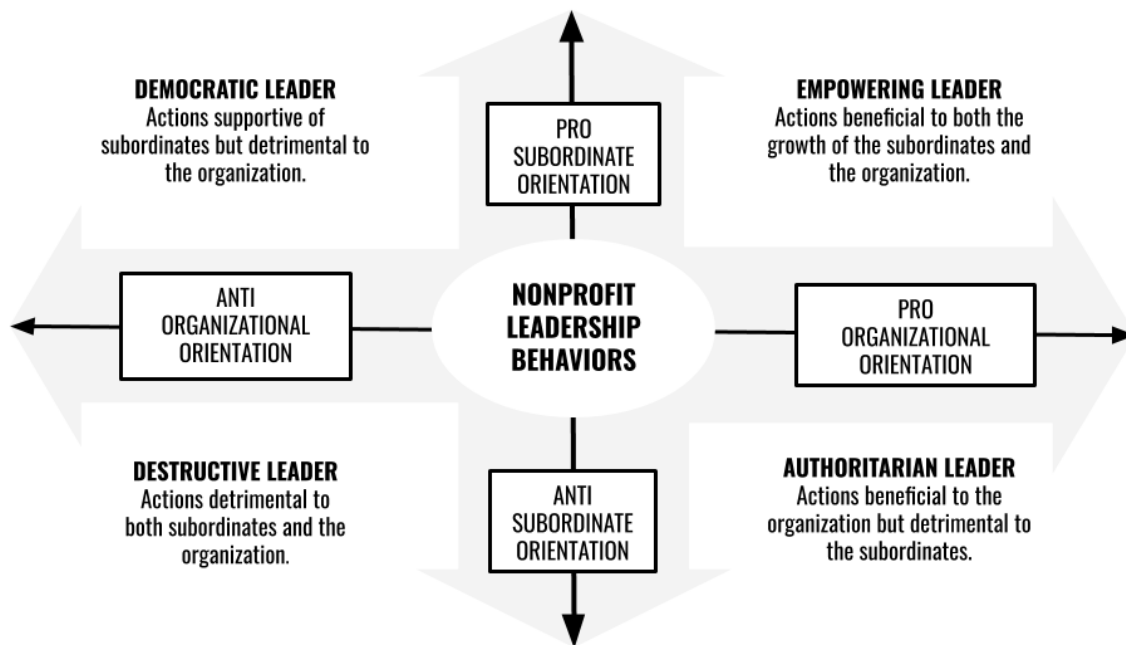

Figure 17.1: Nonprofit Leadership Behaviors (adapted from the work of Einerson et al., 2007).

Organizational dimensions too have 'pro' behaviors in which the leader's actions contribute to organizational success through the planning and utilization of a comprehensive strategy, with clearly denied goals and objectives outlined to cultivate growth and positive change. On the flip side, 'anti' organization behaviors include actions such as theft, sabotage of organizational goals and mission, and other forms of corruption that violate the legitimate interests of the organization. On the darker side of these orientations, we recognize a destructive or toxic leadership typology when neither the well-being of the organization or of its people are taken into consideration. On the opposite side, we call empowering leadership, the more ethical and executive leaders capable of prioritizing and effectively promoting both the well-being of the subordinates and of the organization.

This model of nonprofit leadership behaviors with orientations toward people (subordinates, followers, stakeholders) and/or toward tasks (organization's sustainability and well-being) provides a theoretical explanation for the deceptive nature of destructive leaders. It shows also how leaders may be evaluated differently by different parties within the organization. For example, a destructive nonprofit leader may be perceived as a high-achieving and effective individual by the BOD if the organization is achieving its goals while the subordinate's view of the same leader may be predominantly negative if their wellbeing and job satisfaction is sacrificed. Three quadrants detail destructive and disjointed styles of nonprofit leadership including authoritarian (tyrannical) leadership, destructive (derailed) leadership, and democratic (supportive-disloyal). The final quadrant describes a desired Empowering (Constructive) Leadership typology.

While this model explains diverse dynamics of leadership behaviors in nonprofit organizations, it does not explain unethical and corrupt behaviors behind personal responsibility. Toxic causes and destructive effects of unethical NPOs often go beyond the behaviors of leaders. Padilla et al., (2007), explains how behaviors of followers and environmental factors contribute to an individual's opportunity to lead destructively within the nonprofit sector. The 'Toxic Triangle of Nonprofit leadership' has been adapted from Padilla's theory and is displayed in Figure 2 with its 'destructive leaders', 'susceptible followers (or subordinates)' and 'conducive environments'.

The consequences of unethical leadership within nonprofit organizations are increasingly likely to have negative consequences to the organization's central mission, affect the quality of service delivery, and therefore have negative impacts on the wider organizational community (Lašáková & Remišová, 2015). Theoretical aspects of destructive leadership are applicable across sectors, however, there are several differences in organizational and regulatory structure between nonprofit and for-profit entities. As discussed earlier, NPOs are regulated externally by the IRS and state Attorney General's offices. The internal organization should be led by the BOD, who have a fiduciary duty to provide sound governance to the organization. The nonprofit sector is in a unique position when compared to for-profit counterparts as no external party or individual has a personal stake within the organization, board members serve on a voluntary basis. This may affect the stringency of oversight from individual board members. For these reasons, we adapted the environmental aspects of the toxic triangle model by Padilla et al. (2007), to include nonprofit specific regulatory practices which are so crucial for explaining and preventing numerous cases of nonprofit leadership abuses.

DESTRUCTIVE LEADER
Self-centered interests detrimental to followers (subordinates) and the organization.

TOXIC TRIANGLE OF NONPROFIT LEADERSHIP

SUSCEPTIBLE FOLLOWERS
Conformers or colluders motivated by personal interests or self-preservation.

CONDUCIVE ENVIRONMENT
Inadequate external and internal regulations and adequate oversight.
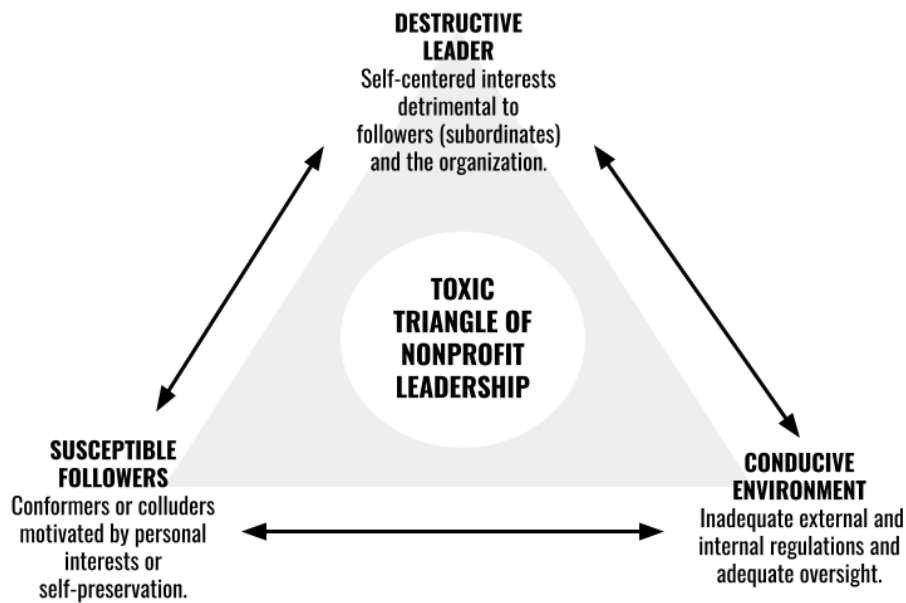
Figure 17.2: Toxic Triangle of Nonprofit Leadership (elaborated from the theory of Padilla et al., 2007).

Padilla et al., (2007), draw on empirical literature and categorize two categories of followers that allow toxic leaders to behave destructively within organizations: conformers and colluders. The individuals of both groups tend to comply with leaders based on fear and passively allow the destructive leader to assume power. Conformers may be vulnerable to bad leadership due to unmet basic needs, negative image of self, and psychological immaturity and often attempt to reduce the consequential outcomes of not partaking in the activities and passively allow the destructive leader to assume power. Colluders affiliate with destructive leaders through selfishness and ambition to seek personal gain through active participation with destructive leadership. Colluders often share worldviews with the destructive leader, which increases the individual's personal motivation to follow and support. When colluders include other people in the administration, a perfect toxic storm can emerge with centralized decision-making powers, compromised regulatory policies, and undermining potential successors or rivals. This can lead to the solidification of toxic cultural norms.

The 'conducive environments' in which destructive leaders and susceptible followers interact is often manifested in the absence of checks and balances and the institution favoring destructive leadership. Other conducive factors may include systemic instability and poor governance due to lack of public insight and understanding of operations within an NPO's. Institutions that lack systemic stability, adequate oversight and a culture in which followers have a strong sense of support and loyalty are unlikely to identify and prevent the damaging effects of destructive leadership.

Whether a destructive leader's behaviors are anti-organizational, anti-subordinate, or both, if susceptible followers are present and the environment is conductive, the negative outcomes of the leader's actions will infiltrate beyond the internal morale and impact the wider organizational community.

The Cases of Nonprofit (Unethical) Organizational Leadership

Organizational leadership case study analysis is a powerful teaching method which helps students identify norms and theories in complex real-life situations. A significant body of research supports the use of detailed real-life cases in ethical training programs to enable individuals to go beyond right and wrong and engage in an ethical decision-making process (Brock, 2008; Remišová et al., 2019; Tavanti & Wilp, 2019). The inclusion of scenario-based learning, examining the leader's behaviors and responsibilities with followers and contexts, establishes a mindset framework that can influence the way students assess and formulate decisions (Roehrman, 2014). Tavanti & Wilp., (2018), explain the value of case studies in the teaching and learning of anti-corruption in nonprofit management education to develop moral intelligence and ethical leadership principles. The learning experience aids the development of nonprofit leaders equipped to advance sound governance and human resources practices as they enter the sector, and as they do so, lead the establishment of ethical foundations from which organizations improve and flourish.

This teaching method is utilized in the University of San Francisco's Masters of Nonprofit Administration Program allowing students to learn and reflect upon the ethical leadership behaviors through the analysis of unethical and illegal case studies, examining the reasons that brought individual leaders and their organizations to engage in immoral activities ({ HYPERLINK "https://usfblogs.usfca.edu/nonprofit/ethics/" \h }, n.d). Students are required to select and analyze a case of an NPO and their leaders engaging in unethical conduct. The teaching exercise requires students to utilize publicly available sources to summarize the case providing background information, the context of, and the events following the uncovering of an unethical scandal. Students are required to discuss the applications and relevance of the case studies in regard to ethical leadership practices and create discussion questions to be utilized when presenting their analysis to their peers. Following the presentation and a class-wide discussion, case studies are finalized and shared with the public through the MNA program blog with the hope of promoting ethical practices and preventing unethical and illegal pitfalls in the mission-driven works of our communities. This educational exercise aims to aid the ethical development of students through the recognition of ethical challenges and moral responsibilities specific to NPOs and nonprofit leadership.

In this section, the circumstances underlying three scandals are summarized and further analyzed using the 'Toxic Triangle Model'. There are many cases that represent the dynamics of destructive (or corrupt) leaders, susceptible (or complicit) followers and conducive (legitimizing) environments. The students select cases based on their relevance for better understanding un-ethical decision making and sense of entitlement of the leaders to abuse the system for personal gains. They also select them to better understand the dynamics with complicit followers and with often uncapable or unwilling board of directors who fail to detect, investigate and remedy leadership abuses. The following cases are a sample of recent scandals to represent the main nonprofit ethical concerns for toxic and unsupervised leadership. The method of analysis follows a template emerged from the ethical readings, audits and tools used in the nonprofit ethical leadership course for determining and documenting the personal, organizational and systemic responsibilities (Agard, 2011; Ferrell et al., 2015; Grobman, 2017; Johnson, 2018, 2019). Through the review of existing documentations on the case emerged from investigative journalism, social media reports, and attorney general documents, the students' analyses of the cases reflect their sensitivities as young professionals and emerging nonprofit sector leaders surrounding issues such as women and gender discrimination, institutional power abuses, and perceptions of privilege and

entitlements. The selected sample of cases offer insight into the failures at the level of the individual, institution, and wider regulatory environment which allows toxic leaders to operate and inflict harm on organizations and their constituents. The three case studies demonstrate the scope for malfeasance within the different subsections of the nonprofit sector and highlight the multifaceted aspects of organizational oversight and governance in which shortfalls or inadequacies can result in devastating outcomes.

Case 1: The Oxfam Sex Scandal Case

The Oxfam case was first analyzed by Grace Komarek-Meyer and Barbora Krišová (2018) to examine the leadership responsibility to act immediately and effectively after reporting of sexual misconduct in field operations or satellite offices. The Oxfam sex scandal case provides a reflection on systemic issues including sexism, racism, and classism in international development work in one of the UK's largest charities and a global humanitarian aid organization (www.oxfam.org). The first allegations of Oxfam workers sexually assaulting recipients of humanitarian aid emerged during 2010 Haiti earthquake relief operations. The investigation that followed reported on sexual misconduct allegations within the organization's operations in other international locations and within the organization's charity shops in the UK. Unfortunately, Oxfam senior leadership and board together prioritized the reputation of the organization to ensure funding over the safeguarding of the victims of abuse and recipients of aid. The laissez-faire leadership approach and patriarchal power structures within the organizations were evident in the behavior of the male CEO who was dismissive of a female staff member who was standing up for women and children.

The Oxfam case exemplifies all the trajectories of nonprofit toxic leadership behaviors. First, among the various aspects of destructive leaders, the senior leadership of the organization demonstrated a lack of safeguard and for their most vulnerable stakeholders violating the core of the organization's mission. Second, at the susceptible followers' level, the staff, volunteers and those closely working with the director failed to properly report the violations. Third, the regulatory policy and monitoring mechanisms of the organizations were clearly inadequate as they enabled the situation and legitimized the delayed responses. The publicization of the Oxfam scandal led to the uncovering of other similar horrifying stories from other humanitarian aid organizations including Save the Children (McVeigh, 2020), and to highlight the need for adopting internal and external regulatory systems for NPOs/NGOs working with vulnerable populations. The case forces us to critically reflect on the actual benefit of good intentions with poor execution. It also introduces the dark side of historic imperialism in North-South relations reflecting dynamics of (neo)colonialism even in good international humanitarian interventions (Jayawickrama, 2018). A growing body of literature suggests the current approach is substantially flawed and it would require an honest, multi-stakeholder, and critical examination of humanitarian interventions across borders, cultures, and inequities. It would require examining our implicit biases across gender, race, social class statuses revealing patriarchal, colonialist, and neoliberal and other structural dynamics. Table 1 includes some other elements at these three levels explained in all the case studies.

Case 2: The Epstein Donation Scandal

The Epstein Donation scandal was first presented and reviewed during a 2019 Nonprofit Ethical Leadership course with the title: Voldemort's Money: Donations from "He Who Must

Not be Named." (Ashley & Sansern, 2019). The case highlights how personal connections with wealthy donors without proper institutional policies and coordinated efforts can lead to unethical and questionable fundraising practices.

Jeffrey Epstein was a New York-based American financier and convicted sex offender. His social circle included many high-profile celebrities, influential billionaires, and politicians. Epstein pleaded guilty and was first convicted of the sexual exploitation and abuse of minors in his homes in 2008, serving 13 months in custody with extensive work release. In July 2019 he was arrested on federal charges for sex trafficking of minors as young as eleven years old, in Florida and New York (Watkins, 2020). One month following his arrest he committed suicide in his jail cell in Manhattan. Between his first conviction and death in 2019, Epstein made numerous donations to several political, philanthropic, and academic institutions. In 2006, when his sexual crimes became publicly known many institutions attempted to terminate their relationships with him. This unfortunately was not the case for all institutions. The MIT Media Lab, under the leadership of Director Joi Ito, disregarded university policies and continued to accept Epstein's money, marked them as "anonymous", and used his contacts to establish relationships with other wealthy donors. Ito, who has since admitted that he received $1.25 million from Epstein, resigned in September 2019.

This case shows the nonprofit organizational leadership ethical dilemma of how to deal with tainted money. It also shows how morally lax leaders could create institutional repercussions affecting many other people (subordinates and employees) and undermining the organizational reputation (donors and other stakeholders). It shows also that even with policy institutions in place, toxic or corrupt leaders could find and justify their process and means to obtain fundraising results.

Case 3: The College Application Scandal

The college application case was first examined during a 2019 Nonprofit Ethical Leadership course with Dr. Tavanti and the MNA students. The case was presented under the title: You Failed the Test: Wealthy Parents and the Illegal and Unethical World of Manufacturing College Applications (Byrd & Nelsen, 2019). It presents a contemporary illustration of how weak nonprofit organizations can be manipulated for self-dealing and other fraudulent leadership behaviors including money laundering and racketeering. It also stands at the forefront of deeper ethical issues for equity, access, and privilege in higher education.

The highly publicized college admissions scandal involves William Singer, the owner, and director of both the for-profit organization Edge College & Career Network, LLC (Edge), and the Californian-based (501(c)(3) public charity, the Key Worldwide Foundation (Key). This case resulted in charges of racketeering, money laundering, conspiracy to defraud the U.S., and obstruction of justice. The NPO Key, claiming to be devoted to providing college opportunities for underprivileged students, was directly tied to for-profit organization Edge through its CEO and owner, Singer. He was supported by two collusive followers; Steven Masera served as an accountant in both entities and Mikaela Sanford played multiple roles in each organization.

 Laundering the extravagant fees for his services as "donations", Singer was able to please parents who were willing to buy into an unethical scheme to ensure their children attend the university of their choosing. Singer identified corruptible college coaches, college administrators, and admissions test administrators who were willing to influence certain

admissions outcomes for a fee. Singer funneled the fraudulent "donations" from parents to pay bribes for falsified admissions scores and to college athletic coaches and administrators to admit non-athletes into their universities. The IRS did not pick up the case. However, following an investigation orchestrated by the FBI, over fifty individuals including Singer, the staff at his organizations, thirty-three parents, several coaches, and administrators were arrested.

Organizational Shortfall	Case study 1: Oxfam Sex Scandal (Komarek-Meyer & Krišová, 2018).	Case 2: Case 2: The Epstein Donations Scandal (Ashley & Sansern, 2019).	Case 3: The College Application Scandal (Byrd & Nelsen, 2019).
Destructive Leader	1) Absence of ethical decision making. 2) Drift from the legitimate interests of the organization (mission, values & priorities). 3) Lack of concern for the safeguarding of service users & stakeholders. 4) Prioritization of reputation over service user/volunteer welfare. 5) Inability to listen to the concerns of subordinates. 6) Ignoring repeated reports of misconduct. 7) Failure of every member of the Board of Directors to comply with the fiduciary duties of trust, loyalty, and care.	1) Absence of ethical decision making. 2) Jo Ito concealed the MIT media lab's relationship with Epstein and refused to report the real numbers to the university and the public. 3) Drift from the legitimate interest of organizational mission, values & priorities. 4) Despite being fully aware of Epstein's convictions, Ito continued to solicit and accept donations from Epstein. 5) Disobedience of policies from MIT leadership (as Epstein had been added to the disqualified donor list but donations continued to be accepted and disguised). 6) Depending on the varying policies at MIT, this may not necessarily have been illegal conduct but is immoral. 7) Ito lacked integrity and honesty. When Epstein was arrested, he denied the relationship he had with Epstein and hid the numbers. He made	1) Absence of ethical decision making. 2) Drift from the legitimate interest of both his for and nonprofit organizations (mission, values & priorities). 3) Self-interested leader abuses an authoritative position in for-profit & non-profit entities for his personal financial gain. 4) Utilization of bribes and corrupt activities to influence the unethical decisions of others in positions of power.

		excuses and also asked colleagues to support him in hiding the truth.	
Susceptible Followers	1) The internal organizational staff and volunteers who were aware of sexual abuse/ assault failed to report concerns to any external regulators/ legal entities. 2) Those immediately under the executive director failed to raise concerns about the lack of accountability from those above them.	1) The internal organizational staff and volunteers who were aware of the acceptance of donations from Epstein failed to report concerns to any external regulators/ legal entities. 2) Those immediately under Ito failed to raise concerns about his lack of accountability 3) Staff in supervisory positions chose to ignore numerous reports from the development staff of the acceptance of funds from Epstein.	1)Parents & Guardians were willing to pay large fees to admit their children to a college of their choice. 2) SAT/ACT test administrators facilitated cheating, accepted bribes, tampered with scores, and took exams in place of students. 3) College coaches & college administrators accepted bribes to influence admissions outcomes for their personal benefit.
Conducive Environment	1) Poor oversight (self and external) 2) Lack of governing input and oversight from the Board of Directors. 3) Inadequate policies: whistleblower policy lacked rigor at Oxfam (fear of retribution/ lack of employee awareness). 4) Lack of employee/volunteer screening and referencing. 5) Organizational culture of impunity.	1) Poor oversight (self and external) 2) Lack of governing input and oversight from the Board of Directors. 3) Inadequate policies: (fundraising, gift acceptance & whistleblowers). 4) Lack of diversity in decision-making personnel (predominantly male leadership team). 5) Organizational lacked ethical culture transparency and supported dishonest and immoral practices.	1) Poor oversight (self and external) 2) Lack of governing input and oversight from the Board of Directors. 3)Inadequate policies (conflicts of interest & whistleblowers).

Table 17.1: Analysis of Ethical Case Studies with an Application of the Toxic Triangle of Nonprofit Leadership.

The Lessons of the Nonprofit Cases

The implications of these nonprofit unethical cases are clear. In the absence of effective external regulation, the sector must adopt rigorous internal regulatory systems to prevent and address bad leadership practices to prevent harm to vulnerable populations and to protect the public's trust in the positive and integral role NPOs have in our society. The following are the three main and most common lessons emerging from these cases and analyses. They represent some urgent and practical solutions against personal, organizational, and systemic unethical behaviors.

Lesson 1: Promoting Effective Board of Directors (BOD) Oversight

The dark side of nonprofit leadership is prevented and remedied through effective BOD governance. Research indicates that oversight practices including the utilization of an independent voting board and an external audit are the best method of ensuring corruption is avoided in NPOs (LeClair, 2019). The BOD of an NPO are essentially trustees who have a duty to guide the organization towards a sustainable future. Collectively the board is responsible for ensuring that its organization utilizes sound, ethical and legal governance, and financial management policies (National Council of Nonprofits, n.d.-a). If a governing board fails to perform their fiduciary duties in advising and overseeing the conduct of the executive director and core leadership team, destructive leaders have the ability to steer organizations off course. NPO board members are recruited and serve as volunteers and collectively have three primary fiduciary duties: the duty of care to ensure that all assets are utilized rightfully, the duty of loyalty to ensure activities and transactions are in the legitimate interest of the organization and the duty of obedience to ensure the organization abides with the legal and regulative realms (The National Council of Nonprofits, n.d.-b). Numerous studies have shown how organizational integrity is maintained through a carefully selected BOD, regular ethical and legal trainings, and conflict of interest (COI) policies (Renz, 2019; Lockwood Herman, 2010; Fischer, 2019).

Lesson 2: Integrating Ethical Trainings in Organizational Culture

Research shows that instituting a strong ethical organizational culture prevents misconduct (Cabana & Kaptein, 2019; Zhang et al, 2019). Beside the leadership's responsibility to demonstrate integrity, an essential strategy for promoting ethical decision-making and ethical conduct within organizations is the use of codes of ethics (McFarlane & Alexakis, 2016). The implementation and exercise of shared codes of ethical conduct and compliance prevent violations and promote ethical cultures so that value statements and policies become more than a document to read. They inspire a day-to-day ethical decision-making (Blodgett, 2011; Farooqi et al.,2017). Ethics and governance training often become a low organizational priority and are easy items to cut from budgets in challenging times. Yet, ethical training programs should be considered a core element in long-term risk-management and privileged tools for improving employee morale awareness and promoting virtuous leadership (Remišová et al, 2019). NPO leaders must acknowledge their responsibility in shaping the ethical tone of the organization and fostering an internal climate that will strengthen the relationship and reputation with stakeholders and partners (Paine, 1994).

 To facilitate organization-wide ethical development, it is important to ensure that adequate communication and feedback channels are implemented (Wallestad & Geiger, 2019). In turn,

increasing the distribution of shared knowledge fosters a stronger sense of shared purpose and loyalty among organizational stakeholders, and aids the development of strong relationships built upon trust and accountability (Carufel, 2017). Technological advances have created significant opportunities for NPOs to promote an organizational ethical culture through the utilization of online platforms (Appleby, 2016). Social media has become a standard communication tool allowing organizations to engage with their constituencies (Milde & Yawson, 2017), and has served as a catalyst for the cultivation of transparency. The benefits of increased organizational transparency reach far beyond the immediate sphere of social media platforms and enhance organizational cohesiveness and the investment of stakeholders in the mission, vision, and goal (Carufel, 2017).

Promoting financial transparency through the sharing of information regarding resource allocation is an integral aspect of effective financial leadership. The disclosure of financial information, including the IRS required tax filing forms and independent financial audits, through the organizational online platforms is common practice in the nonprofit sector and demonstrates a commitment to transparency and effective financial management. This promotes ethical behaviors internally and places a high value on public trust (Rhode and Packel, 2009). In the interest of best serving their given constituents, nonprofit leaders must be proactive in the evaluation of practices and receptive of questions and feedback. Leaders too should prioritize the cultivation of organizational cultures where adaptability and flexibility are valued, allowing the organization to remain relevant in the current climate (Axelrad, 2017).

Lesson 3: Addressing Mechanisms for Reporting Destructive Behaviors

Detecting, preventing, and overcoming toxic and destructive leadership is an organizational and systemic responsibility (Tavanti, 2011). Those individuals who courageously denounce such behavior need to be protected and regarded. They also need to be accompanied by proper mechanisms to facilitate reporting and communication and by proper processes for investigation and remedy (Wallestad & Geiger, 2019). These mechanisms can be formally implemented through human resources channels such as whistleblowing policies (Farooqi et al., 2017), and informally reinforced through supportive personnel (Tavanti, 2011). Policies must include a written statement reiterating the organization's commitment of non-retaliation against anyone who reports misconduct and that individuals will not suffer any professional consequences. In addition, organizations need to have actionable codes of conduct that include mechanisms in which the perpetrator, whether it be a board member, staff member, or donor, is dealt with appropriately (Wallestad & Geiger, 2019). This should apply to whistleblowing, harassment, and discrimination policies.

Conclusion

This analysis of nonprofit toxic leadership cases has provided some understanding about the systemic causes and consequences in the sector. Toxic leadership in nonprofit organizations does not simply come from unethical leaders. Instead, they often manifest themselves from a context of legitimizing contexts characterized by unregulated environments and ineffective supervision mechanisms. The pressure for professionalization in the social services provided by NPO will continue to grow even without a commensurable level of financial support and formalized education competencies. Unfortunately, scandals will continue to occur. However, thanks to the advancements in technology, NPO transparency and accountability will also

become a factor in the prevention of negative leadership behaviors. As NPOs are charged with important and essential services to the community, especially vulnerable and less fortunate populations, they also need to be equipped with sound governance to operate ethically to maintain the public trust. Their public services to the community needs to be aligned with urgent leadership, organizational and systemic practices that demonstrate accountability and promote transparency. These recent scandals we have presented convey important lessons about avoiding the same errors and establishing systemic corrections to detect, denounce, prevent, and remedy violations.

Human resource (HR) management has a critical role in ensuring that ethical training, leadership evaluation methods, policies, and reporting mechanisms are robust and up to date. But it goes beyond HR. The NPO leadership, its BOD, its administrators, and the entire organization's stakeholders should see themselves as carrying a torch of light in difficult societal challenges. Such light cannot be extinguished if the NPO's ethical principles are kept at the core of the organization's practices. Though, NPO will not effectively promote an ethical organizational culture simply with lofty values statements and compliance trainings. It needs to promote a culture of transparency with effective accountability mechanisms to detect vulnerabilities in leaders, followers and the environment. In addition, non-traditional solutions should be employed as in the case of the use of social media to disclose abuses and announce the repercussions publicly. Although some NPOs may perceive this a threat to their branding, the more comprehensive analyses of how the organizations have remedied the problems behind the scandals can be a valuable lesson for organizational learning and transparent administration.

Leadership development and systematized nonprofit specific education must also be a priority for preventing bad leadership and promoting good practices. However, educating current and future leaders of the nonprofit sector requires more than developing leadership values and learning about general ethical principles. Real case study education can be instrumental in translating values into practice and discerning more ethical decision-making processes into the complexity of our organizations and cultures. Nonprofit leaders at all organizational levels are required to use their moral compass to ensure activities and outcomes are in the legitimate interest of the NPO and benefit the population it serves. It can be argued that a foundation of ethical leadership education is applicable across sectors and should be prioritized in the interest of societal greater good. The high ethical expectations for nonprofit leaders should become a paradigm for evaluating and educating leaders across sectors. We can learn from leadership failures and poor organizational examples in the nonprofit, government and business sectors as the responsibility for a better world goes beyond sectors and individual behaviors. Understanding the dark side of nonprofit leadership is not for lessening the value of the sector and the importance of those social missions. Instead, it is for encouraging a collective will to serve better and impact more effectively our communities.

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