

The Forces Driving Organizational Corruption

The topic of corruption has long been a subject of interest amongst scholars of government (e.g. Powers, 1888; Patten, 1890; Sait, 1929). Corruption at the governmental level creates waste, and often harms citizens living under a corrupt regime (Rose-Ackerman, 1999). While political scientists and economists have done extensive work on corruption, it is a topic that has not been studied extensively within the management literature. Corruption is a word usually associated with governments and government agencies; however, the concept of corruption can be extended to non-governmental organizations as well (Ashford & Anand, 2003; Brief, Buttram, & Dukerich, 2000). Corruption is an important issue for organizations, because not only does it increase (Doh, Rodriguez, Uhlenbruck, Collins, & Eden, 2003; Rose-Ackerman, 1999), but it also reduces trust and reciprocity (Warren, 2004). This paper will incorporate the economics, political science and sociology literatures to cover the macro paper requirement.

Different areas of study use slightly different definitions of corruption. One definition of “political corruption” is “an act by a public official (or with the acquiescence of a public official) that violates legal or social norms for private or particularistic gain” (Gerring & Thacker, 2005). Another definition of corruption used in economic literature is “behavior on the part of public officials in which they unlawfully enrich themselves by the misuse of the power entrusted to them” (Welsch, 2004). Transparency International (2000: 1), a non-governmental organization whose purpose is to fight corruption, gives a more general definition of corruption that can be extended to both the public and private domain: “the misuse of public power for private benefit.” Transparency International specifies that public power can be in the public or private sector, and that private benefit is not necessarily for the individual, but can also be benefits for friends and associates. Ashford and Anand (2003) provide a very similar definition in their model of

normalization of corruption in organizations. They define it as “the misuse of authority for personal, subunit, and/or organizational gain” (p. 2).

One of the more recent writings on organizational corruption focuses on how corruption is normalized within an organization. Ashford and Anand (2003) lay out a process for the normalization of corrupt behavior within an organization, but they assume that all organizations are on a “slippery slope” that can lead towards normalized corruption. They define normalization as being embedded within the organization and “internalized by organizational members as permissible and even desirable behavior, and passed on to successive generations of members” (p.3). Although the authors address normalization as an important part of corruption, the operationalization of normalization in an empirical setting is problematic and not necessary for a “misuse of authority”, so this paper will focus on the abuse of power as the defining factor of corruption that distinguishes it from other unethical behaviors.

While Ashford and Anand (2003) discuss some factors that can encourage their proposed process of the initial act, embeddedness, and repetition, such as culture and organizational memory, they primarily discuss how organizations cultivate an environment that promotes corruption once corrupt acts have already been carried out, not what inspires the corrupt acts in the first place. For instance, Ashford and Anand (2003) refer to norms that police officers have not to inform on each other and to support their fellow officers should they be caught acting out corrupt acts. However, a striking piece to this puzzle that Ashford and Anand do not discuss is that the norm to cover up for each other seems highly related to positive norms of brotherhood and teamwork that are essential for successful policework. If police officers protect each other in the line of duty, it seems logical that protection will extend to other areas as well, even if those areas encompass corrupt behavior.

While organizational corruption can be carried out by individuals, it can also be carried out via group collusion, The beneficiaries of corrupt behavior can either be the individual, or the organization itself, since some corrupt behavior (such as any kind of “cover-up” activity) can serve to benefit or protect the organization.

In this paper, I will first lay out a typology of corruption, located along two dimensions. The first dimension is whether the corrupt acts are carried about by an individual, or via group collusion, a term that Ashforth and Anand (2003) term “collective corruption.” The second dimension focuses on who benefits from the corrupt act- either the individuals carrying out the act, or the organization. Figure 1 shows examples in each category.

Figure 1

		The actors	
		Individual	Group
Beneficiary	Individual	Embezzling funds	Cooperative theft (e.g. Mars, 1982)
	Organization	Shredding incriminating documents	Cover-ups

These actions stem from an abuse of power or position to provide a benefit either to the person or the entire organization, often at the expense of those outside the organization (Ashford & Anand, 2003; Doh, Rodriguez, Uhlehnbruck, Collins, & Eden, 2003; Warren, 2004).

However, this paper will not neglect the fact that victims of corruption often are within the organization. Working within the typology presented in Table 1, I propose that the victims of corrupt acts benefiting individuals include those within the organization as well as those outside the organization, since higher costs due to corruption will likely be passed on at least in part to

others who work with the organization or have a stake in it, such as shareholders, suppliers, or customers, but also to those within the organization. When a corrupt act benefits the organization, the victims are those outside the organization.

I will use sociological and anthropological literature to provide context to this framework, such as the typology of different occupations given by Mars (1982). Within my typology of corruption, I will focus on those factors that organizations normally consider beneficial, such as identification with the organization and organizational commitment. I propose that some of these factors can actually facilitate corruption if the levels are extremely high, that in some cases, an organization can have too much of a good thing.

I will also address how organizational structures such as social norms, socialization procedures, and reward systems can act as facilitators of corrupt behavior, whether individual or collective. For example, a reward system that depends on competition between individuals, units, or companies can encourage corruption because the rewards are scarce, or, as in the case of earnings manipulation, corruption lowers the cost of capital in a highly competitive environment (Shleifer, 2004). In situations where bonuses or raises, which would be considered a resource, are difficult to obtain, corruption could become a “survival strategy” for employees (Rose-Ackerman, 1999:72). Corruption in this situation could involve covering up failures, falsifying records, or other strategies that may be accepted as normalized within the firm as what is needed to obtain those rewards.

At present, this paper is a theoretical work; however, I anticipate extending this research into empirical work at a later date. This paper will primarily function as an analysis at the firm level. As a result, I will draw from the corruption literature in law, political science, economics, and also certain literatures within management, including culture, trust, norms, and ethical

behavior. These literatures will help provide a better understanding of corruption within the organizational context, and also provide greater insight into what organizational factors can promote corruption. The literatures outside the management arena can provide additional knowledge that may not be covered within existing management literature, and could also provide enhanced background for the topic.

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