Public enemy number one: Understanding and managing corruption in organizations and society

The topic of corruption has always attracted widespread interest and debate. While there is a growing body of work in management on corruption and related issues such as corporate misconduct and deviant behaviors, a systematic review remains beneficial. Our review starts by building upon extant work in management, economics, sociology and criminology to take stock of extant work on analyzing corruption, identify innovative ways of theorization and offer promising avenues for further research in management. Most importantly, we examine research on corruption and deviant behaviors at the individual, organizational and societal level. We advocate integrating rational and socio-cultural views and spanning the micro and macro levels of analysis to add corrupt practices to our overall understanding. Ultimately, we aim to shed further light on corrupt practices and propose a new research program that includes a multilevel view of corruption.

Corruption is a critical issue facing individuals, organizations and society. In fact, in December 2013, Ban Ki-moon, the Secretary General of the United Nations, identified corruption as “public enemy number one.” He went on to say: “Every dollar that a corrupt official or a corrupt business person puts in their pocket is a dollar stolen from a pregnant woman who needs health care; or from a girl or a boy who deserves an education; or from communities that need water, roads, and schools”. In addition to the social costs, corruption brings with it very high financial costs with the World Bank estimating that, in 2012, US$ 1 trillion were paid in bribes while the World Economic Forum estimated the cost at more than 5% of global GDP. In this article, we review the literature and propose a novel institutional understanding of corruption, and point to important potential areas for further research.

Recent corruption scandals range from the United Nations Oil for Food Program in Iraq (Jeong & Weiner, 2012) to the Brazilian public–private company Petrobras, where one of the executives under investigation said: “everyone knows that even to build a sidewalk in
Brazil a bribe is paid to someone.” (Folha de Sao Paulo, 2014, p. XX). In the private sector, Enron and Parmalat in the United States and Italy respectively, show that private sector companies and organizations can also engage in corrupt practices leading to their downfall (Gabbioneta et al., 2013). Governments have tried to address such problems by drafting international conventions, such as the Organization of Economic Cooperation and Development (OECD) Anti-Bribery Convention (1997), and national legislation, such as the Foreign Corrupt Practices Act (1977) in the United States, but these measures have not solved the problem (O’Higgins, 2006).

The Organisation of Economic Cooperation and Development (OECD), defines corruption as “the abuse of public or private office for personal gain. It includes acts of bribery, embezzlement, nepotism or state capture. It is often associated with and reinforced by other illegal practices, such as bid rigging, fraud or money laundering” (2014, p. XX). Corruption has interested philosophers, scholars and writers for centuries; for example, in the 4th century BC, Demosthenes (in the Third Philippic) talks about corruption in Athens. Today, developed countries, developing countries and private and public organizations remain prone to corruption (Luo, 2005; Pillay & Kluvers, 2014). Although widely discussed in society and with a literature, the understanding of corruption is quite disjointed in different domains and areas.

Given the vast literature on corruption, as well as the expected growth in the future, it is important to learn and develop from what is known. Even when testing predictions derived from deviances, corruption remains a subset of the theory’s domain, a convenient context from which scholars can generalize interesting insights for companies and areas such as organization studies, business ethics, corporate governance, strategy, and so on.
The findings about corruption remain fragmented along different theoretical lines, however, and, as a result, have yet to be integrated into a more comprehensive understanding of corruption in management. This fragmentation persists because scholars view corruption as a context where they test broader theories, looking at individual pieces of a puzzle. Thus, we argue that any literature studying corruption-related phenomena and using theories from a single domain to predict outcomes creates more fragmentation and faulty explanations.

In this article, we focus on research relating to corruption in management and begin a process of integration. With a review of research on or related to corruption, we introduce a new framework—that we call the *multilevel perspective of corruption*. The aim of this framework is to help future scholars with the expansion of theoretical boundaries. This multilevel perspective on corruption can be used as a guiding framework to categorize corruption, dealing with the fragmentation in the industry and as a means of addressing future questions. We propose three domains on corruption that together compose a multilevel perspective: the *organization*, the *individual* and the *context*. We contend that much of the research on corruption falls under one or more of these levels and that a framework remains to be developed when looking at the phenomenon holistically.

**Methodology and Articles Reviewed**

We began by reviewing the broader concept of corruption utilizing the Web of Science and EBSCO, identifying seminal works in economics, political science and sociology focusing on corruption. To review such a vast amount of literature, we followed a systematic approach, by creating a research protocol (Table 1). By listing the most cited
papers we can observe the influence on the management literature on corruption. We refined the search regarding the most cited works in key journals and reviewed the results with experts in these fields. We also consulted experts in economics, law and political science to validate our research and to offer further research suggestions. We then changed the focus to management exploring: Journal of Management, Academy of Management Journal, Academy of Management Review, Strategic Management Journal, Administrative Science Quarterly, and Organization Science—for articles that had the term corruption in their title or abstract. We found 70 articles, and analyzed them by level of analysis, methodology and utilized theories.

INSERT TABLE 1

Corruption has been included as a kind of deviant behavior within firms. From this review, we initially created an ontology to differentiate corruption and its manifestations form other deviant behaviors. Since corruption is a multifaceted phenomenon, this review is also complemented by an analysis of some key concepts of deviances in management literature. (TABLE 2 DEVIANCES APPENDIX)

We found that in recent years, management scholars have analyzed this phenomenon using different modes of analysis through various theoretical lenses; corruption has been extensively researched in social sciences, such as economics, sociology and political science. Our review starts by building from extant work in economics, sociology and law to identify and discuss the prominent ways in which corruption has been theorized and how can it still contribute to management literature. Here, we focus on both rational views on corruption in economics and political science, and the socio-cultural view in sociology. Then we explore all the management literature. Ultimately, we look at the
models that examine the relationship between corruption and the theorizations and research of management literature at the individual, societal and organizational level.

Theories on Corruption

Initially we review the extensive literature, conceptual and empirical, and reflect on the various perspectives, controversies and outcomes of the field. While management scholars have already started to create their own field of research, the field of economics, sociology and other social sciences can still offer valuable insights to the research of corruption in management. Economists and political scientists have studied corruption for decades; Table 1 provides a systematic list of studies of corruption using different theories and applications.

A key theme in many of these studies is that corruption is the use of public office for personal advantage. Governments and private officials have significant roles as both agents and victims of corruption. One of the explanations of the institutionalization of corruption is that the opportunity to garner corrupt benefits is positively associated with officials’ degree of control over services and discretion in choosing the distribution of resources (Neu et al., 2013). Thus, poor regulatory control can lead to ambiguity in institutional controls. This is also negatively correlated with the accountability of their activities; thus, discretion allows agents to exploit opportunities for personal gain (Klitgaard, 1988). Uncertainty provides discretion, which can lead to strategies and practices by the field habitués, and corrupt processes become part of the market itself (Goodrick & Salancik, 1996).

In the economics literature, government bureaucrats and the allocation of resources are seen to potentially lead to moral hazards (Banerjee, Hanna & Mullainathan, 2012).
Therefore, the nature of monitoring and punishment and the intrinsic motivation of bureaucrats is important in these studies. New Institutional Economics (NIE) scholars view corruption as a deviation from rules, such as contract, laws or moral codes. This strand analyses corruption through an institutional design view and how these designs can reduce opportunistic incentives and uncertainties (Della Porta & Vannucci, 2012, p. 2). They also emphasize that these corrupt contracts cannot be legally enforced.

Yet, this traditional view of economics and political science offers an incomplete picture of corruption phenomena. Corruption does not only occur in the public sector, but also between actors in the private sector. Also, the process of socialization and normalization of corruptors and the corrupted is ignored throughout the literature. This leads to the old debate of structure and agency. Does society have influence over these behaviors? How are actors socialized into pursuing corrupt practices?

At the individual level, principal agent theory, as it is known in economics, focuses on financial and managerial incentives, and on transactions between individuals and agents (Jensen & Meckling, 1976). When incentives are not aligned between the principal and the agent, it creates an opportunity for corrupt practices to emerge. In sociology, the agent’s behavior is conditioned by the normative rules of society because they act according to the degree of punishment they will receive after committing the crime and being charged (Scott, 2008).

Corruption can also be considered a departure from socially accepted norms; it is important to include society in an analysis. Sociologists accept that smaller subgroups can have their own set of rules, and normative and legal laws that differ from societal values (Moore, 1973). Parson’s macro structural view of society in sociology is valuable from this
view of corruption (Parsons, 1937; Hinings & Tolbert, 2008, pp. 475-476). For example, a subgroup, such as a group of colleagues, can become dominant over accepted universalistic and societal norms creating a particularistic norm (Parsons, 1937, p. 455). Such insider norms can create protection and justification to deviances, such as corruption, within (inside) an organization (Katz, 1977). The corrupt practices might evolve in a manner that changes the whole organizational system. Ashford and Anand (2003) are particularly influential in introducing culture to analyses corrupt practices and their persistence. They examine how corrupt practices become routinized and embedded within an organization. The normalization of corruption in organizations occurs through institutionalization, rationalization and socialization. Thus, conformity is an automatic enactment of scripts, habits and rituals. There is then a rationalization of corrupt practices and a process of hybridization and cohabitation within the host organization once corruption is institutionalized (Ashforth & Anand, 2003).

Many theories focus on different levels of analysis that show that the perspectives do not account for alternative theoretical frameworks beyond their boundaries. This has led to some theoretical endogeneity (Busenbark, Krause, Boivie & Graffin, 2016).

INSERT TABLE 2

While corruption analysis in economics and political science focuses on the public sector and sociology at the field and organizational level, management literature is starting to integrate rational and social insights into the study of the phenomenon. Therefore, social factors and corruption affect individual ways of acting. Corruption can also be considered at a societal level in terms of social norms. Cultures characterized by particular dominant logics might also accept and incentivize such practices.
We argue that while rational-choice models are particularly relevant for analysis at the individual level, they tend to portray actors as culturally unaffected ‘super agents’ having interests and preferences exogenous to their institutional context. And, while social-cultural views focusing on norms, laws and wider beliefs about corruption provide interesting insights into the structure of a corrupt society or organization, they do not delve deeply into the activities of corrupt actors.

The study of corruption is on the rise in management theory after years of neglect in the creation and use of illegitimate categories (Lefsrud, Graves & Phillips, 2013). Recently, there has been a special edition on organization corruption from the Academy of Management Review (2008), a special stream focusing on corruption at the EGOS - European Group for Organizational Studies Colloquium (EGOS, 2016) and two special editions on corruption from the Journal of Management Inquiry, which will be published in 2017. From this disentanglement and broad review of the multiple conceptual strands that describe corruption, we examine how corruption relates to, and can be enriched in, management theory by looking at multiple levels of analysis and across these levels. From the management literature, it is clear that most research is at the field level or in the form of conceptual papers. The review suggests that there are many dimensions to the problem that must be considered and there are numerous research questions still open to investigation.

The different levels of corruption

Corruption has a broad set of research heuristics and ways of problem-solving that call to attention inter-level mechanisms across the fields of management.
One level on which we focus is corruption at individual level, which relates to characteristics of the individual. In other words, this domain involves determinable characteristics, such as extraversion and openness, narcissism, proneness to risk, among others. Other pertinent questions can relate to how personality and groups thinking lead to or alter deviant behavior. The individual might also be part of a team at the top of the organization who partake grand corruption (cit).

Management theory literature suggests that there are different pressures that can lead to corruption. For example, unrealistic financial and sales goals can lead to corrupt practices due to the pressure placed upon the outcomes (Ashforth & Anand 2003; Mishina et al., 2010). The phenomenon is also influenced by uncertainty and power concentration among actors, regulations and institutional pressures that can lead to opaqueness, injustice and complexity (Luo, 2005). Overall, there may not be direct reciprocal or inverse causal effects of individual or general corruption.

Corruption can also be analyzed at field level, and researchers should map the field of study to understand the contours of the market, competition and values that influence corruption. Therefore, it is important that we review the society and wider environment. Many field level studies discuss country characteristics and test theories on surveys conducted internationally. A comprehensive mapping of a practice in a field also includes the role of institutional rules, stigma, political processes, ownership structure, institutional structure and various organizational forms that may ultimately lead to corruption.

Researchers must also consider can also think about the difference between a transaction between few actors in a corrupt field or a network. The traditional environment (e.g. industry, location, etc) in which corruption occurs is important and often similar for all
companies included in that environment/field. Finally, there are cultural aspects of organizational corruption. Ashford and Anand’s (2003) work has been influential in introducing culture as an important component of corrupt practices and their persistence. This is not to discount the importance of industry or cultural context but, rather, to shift the focus to areas that do not uniformly apply to corruption (in organizations).

There has been some work on organizational corruption, where corrupt organizations function without a legitimate corporate governance mechanism. Studies such as Ashforth and Anand (2003) describe mechanisms inside organizations and how organizational corruption becomes normalized. Organizations are part of society and aspire toward external legitimacy by complying with their institutional context. Corruption can be thought of as a process, comparable to a virus that infects the host organization, and even becomes institutionalized within that organization (Glynn & Azburng, 2002; Ashforth & Anand, 2003). We propose to understand the multi-level process through which corrupt practices emerge and become institutionalized.

As mentioned, a special issue of the Academy of Management Review (2008) on organizational corruption signaled a growing interest among organization theory scholars on this topic. The collection of articles in this issue drew attention to several areas of the literature, and specifically institutional theory including institutional logics and institutional entrepreneurship (Asforth et al., 2008; Lange, 2008; Misangyi et Al., 2008; Pfarrer et al., 2008; Pinto et al., 2008). Pinto et al. (2008) argue that the manifestation of corruption happens through socialization and through corrupt organizations. Lange (2008) analyzes the complexity of organizational control and how human nature affects the outcome and processes of the transmission of corruption. Pfarrer, DeCelles, Smith and Taylor (2008)
examine the aftermath of a publicly known corruption scandal, and how to repair the legitimacy of such an organization. Misangyi, Weaver and Elms (2008) developed a first theoretical multi-level system for analyzing corruption in the Balkans.

We can see that there is a fragmented understanding of the multi-level process. Therefore, the corruption perspective features three recursive levels: the organization, the corrupt individual and the environment in which the corruption operates. The issue of the Academy of Management Review (2008) on organizational corruption signaled rising interest among organization theory scholars in this topic and providing a greater theoretical depth of the analysis corruption. The collection of articles in this issue draws attention to a wide literature base, and specifically institutional theory including institutional logics and institutional entrepreneurship (Asforth et al., 2008; Lange, 2008; Misangyi et Al., 2008; Pfarrer et al., 2008; Pinto et al., 2008).

Also, there is evidence to suggest that corrupt practices do not emerge and escalate at any one level. A fuller and richer theorization of corruption and its institutionalization at the organizational level means that we understand the interaction between individual, organizational and field levels.

**A Multi-Level Perspective on Corruption**

To address the fragmentation that exists in the corruption literature we developed a framework: a multilevel perspective on corruption. The central premise of this perspective is that the extant research on corruption can be categorized according to three broad and interrelated levels: the individual, the organization in the field, and the context. These domains and number of articles in this area are depicted in Figure X.
Taken together, these three domains of corruption related management research and their interplay describe a framework of mutually reinforcing factors. Almost all the extant work pertaining corruption can be designated to one of the three broad dimensions in the framework. Although it is possible that other domains exist, we contend that the three included here are sufficiently comprehensive to address problems associated with the fragmented literature.

We believe that the intersecting of research areas of the domain map in the figure X is critical to the future of corruption research for three reasons. First, corruption is a multi-faceted phenomenon. Second, research that focuses on a unitary dimension may be unable to contribute to an understanding of broad corruption phenomena; for example, only 2 of the articles in this study focused primarily on individuals and teams, characterizing, describing, and predicting aspects of individual efforts in corruption. Third, theories and perspectives from many other management disciplines tend to focus on more a singular concept or level (e.g. domains A, B, and C).

From the refinement of our research, we classified the corruption articles in management into three main levels and their primary research interest. Most of the articles dealt with unitary concepts in the domain map, while only 7 focused on intersectionality. Furthermore, 36 of the articles focused on observable, objectively measurable levels such as individuals and organizations, while 12 focused on purely theoretical concepts.
In this complex phenomenon, there are many permutations of the impact of corruption in or across the three domains and mutual interdependencies between the levels. The ways in which these permutations are configured may change how scholars conceptualize corruption. However, what is also particularly interesting about this framing is that we can look at permutations and combinations of analysis at different levels with no predetermined order or ranking.

Another key aspect of the multilevel perspective is that it represents an indeterminate starting point of corruption. Studying corruption might not offer answers to a specific causal chain, but using the multilevel model can also still be relevant to management scholars when applying theories to their analysis.

A core assumption of our framework is that the fragmentation of the literature as shown above can result in theoretical endogeneity. This theoretical endogeneity in management corruption literature holds to the fact that any given applied theoretical perspective, when not incorporating key configurations from other neighbouring levels, will be incomplete in analyzing the deviance. The model creates time-indeterminate configurations that minimize the theoretical endogeneity that fragments the analysis of the phenomenon.

We believe that further research on corruption, based on different levels of analysis, is required. It is important to bridge micro and macro level corruption to understand change or the reproduction of corrupt practices. Consequently, aligning the theories developed and methods deployed by conducting multilevel research are vital tools for revealing emerging patterns from the ‘black box’ of corrupt practices.
This perspective also has a recursive nature; the domains reinforce each other. This recursive element of the framework underscores a unique paradigm associated with corruption at various levels. A corrupt field level might affect an organization participating on it to be more corrupt, and to gain success, individuals in these organizations might also be more corrupt through self-selection. Each of these factors affects another, i.e. the situational embeddedness of corrupt individuals necessitates that each of the three domains are considered simultaneously. Therefore, we expect that the multilevel analysis of corruption will help in reducing the fragmentation of the management literature because of two reasons: (1) the levels are recursive; and, (2) that there are varying temporalities for when one level affects another.

Finally, the purpose of this model is to explain how research conducted in any one of these three areas is incomplete if it does not incorporate theoretical perspectives taken from the other two areas. While there is a tendency to focus research on a particular level, the multilevel approach could reduce fragmentation. We suggest that the division lines exist any time a field of literature does not incorporate theories from other relevant domains.

Applying the Model to Corruption

In this section, we apply our multilevel perspective to two central phenomena associated with corruption—corruption features and corrupt processes; which prove prevalent when there is corruption at a firm. In the absence of these two features, there is no corruption. While there are other areas of research that are equally important for the existence of corruption, we selected these two areas because they are ubiquitously inherent.
Features of Corruption

Corruption indexes that identify features in the models have garnered considerable research attention via the application of numerous individual theories throughout specific domains (e.g. resource dependence theory, agency theory), and include multidimensional constructs and models with many recursive and intertemporal elements. Corruption features derive from the context of an organization or individual (e.g. the position), individual corruption characteristics, and the perceptions of external parties.

Most corruption data come from societal surveys, although some studies have directly sought to uncover more micro organizational data. Individual characteristics such as educational background, for example, are harder to generate conclusive information regarding corruption due to the endogeneity with so many other factors. In addition, the perceptions of corruption can vary from year to year if a scandal is uncovered. After all, one thinks a country is more corrupt once the crime becomes a publicised scandal.

There is an imprecision regarding internal and external stakeholder of corrupt contexts, for example, when external parties attribute much corruption once it becomes a scandal. Similarly, the mere perception that it might be a corrupt organization in turn, increases corruption (Mishina, et al), akin to pressure for results. If external stakeholders (e.g. shareholders, analysts, media, and peers) do not perceive the organization or individual as corrupt, it may not emerge unless there are inter-firm interactions whereby the interfacing with stakeholders is affected.

Corruption features can also be time-indeterminate and across levels on the multilevel model. Very strongly embedded corrupt networks might be perceived by various
levels and might be able to exert more influence or maintain corruption via their networks. Alternatively, organizations that have stronger governance mandates or board oversight may be less corrupt since there is a smaller margin for using their discretion.

Studies of corruption features can be complemented with insights into the deep structural and dynamical character of the phenomenon. For example, qualitative fieldwork that explores corrupt relationships or details the ways that corrupt rackets operate can generate new insights. It would be interesting to know how position, person, and environment combine to produce a corrupt setting as viewed by outsiders. One example of how scholars could use this framework to add value to the literature would be to determine which features and forms of corruption are complements and which are substitutes.

**Corrupt Processes**

To study corruption, one can focus on a collective methodology based on the analysis of social facts, institutions, roles, rules and society structure (Meyer and Rowan, 1977). Individual beliefs and behaviours are also fundamental in understanding more micro level corruption (Jancsics, 2014). Ultimately, it is important to consider the horizontal and vertical structures of corrupt networks.

As important as corruption features are to the study of deviance, nothing compares to the understanding of how it actually happens. Across the three domains of CEO research, scholars have devoted attention to understanding how processes are constructed (e.g. institutional work, strategy as practice). As we have stated in the present research, the theoretical fault lines separating each of the domains have fragmented the literature, therefore we have little integrated knowledge specifically about processes that lead to, and
exist within, corrupt networks. Therefore, to facilitate integrative research corruption processes, we draw upon some field literature.

As a first example, consider bribes to acquire a tender for the public sector. First the bribes need to be agreed with the ‘buyer’, then paid and operationalized then the contracts can be assigned and operated. Then there is the difference between what is being arranged by individuals and what is being engineered for organizational benefits or embezzlement. A second example, relates to private organizations dealing with other firms in the private sector. i.e. FIFA, individuals from FIFA have received bribes from sport suppliers and broadcasters to assign contracts and concessions. (cit) How does one enforce such contracts? Each of the configurations above is recursive. In other words, any one characteristic within the configuration may result in, or be the result of, another characteristic.

In future works, scholars can examine corruption and corrupt systems in all forms and link such manifestations within and across firms. A deeper understanding of how multiple forms of corruption are used and reinforced inside companies could lead to a more complete understanding of the multi-faceted role of corruption within and across organizations, markets and through social interactions.

**Conclusion**

Although research relating to corruption has grown substantially over the past few decades, literature on management corruption remains fragmented. However, because corruption is unique, to resolve this fragmentation and unite and integrate theoretical approaches, creating a more complete picture of corruption in management literature, is
required. We try to address this fragmentation, where corrupt behaviour is examined by the same theories but distinct levels by creating a multilevel perspective.

We realize that the discussion of multilevel analysis may appear to make future research complex. Given current methodological and empirical considerations, it is very difficult to conduct studies that have large numbers of joint effects, and even more difficult to properly consider recursive effects. Despite these difficulties, there is great enrichment in the understanding and development of anti-corruption scholarship.

In this article, we propose a multilevel perspective on corruption to expose the initial arbitrary division and then synthesize what we already know about corruption in management, and highlight some of the configurations that may advance the literature. In doing so, we propose that the literature address three levels as proposed above: the position of the corruption, corrupt individual, the context or environment corruption operates. In reviewing literature examining each of these three areas, we identify paradigms primarily in one area, but can incorporate theories from another.
Table 1 Searching Protocol

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<th>Management</th>
<th>Analysis of all top Management Journals articles on corruption</th>
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<td>72 articles &gt; After further refinement 48</td>
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A) Search for all articles focusing on corruption at key academic databases

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<th>Economics</th>
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<th>Political Science</th>
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B) Filter: Top Citations

c) Validated with experts and might include other seminal work of the field

Management Articles Analyzed in depth

**Interface** - EBSCOhost Research Databases

**Database** - Business Source Complete

Boolean/Phrase: 71 articles Corruption


*We are aware of the following journals but decided not to include them in this preliminary analysis:*

- Business Ethics Quarterly, 33
- Journal of Business Ethics 310

Table 2-Theories of Corruption - THE TABLE WAS BASED ON BATTILANA, LEE 2014 (Annals)

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<thead>
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**Figure 1 Multilevel Perspective**

![Multilevel Perspective Diagram]
Figure 2 Holistic and multilevel view of corruption research in management research – Objective should be at intersection t A

Analysed Corruption Literature (n=48 articles)