CORPORATE CORRUPTION: A REVIEW AND AN AGENDA FOR FUTURE RESEARCH

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ABSTRACT

Given its extremely negative impact on society, it is not surprising that there is an extensive literature focused on understanding and reducing corruption. However, the existing academic work focuses largely on corruption in government. Yet, corporations play a key role in much of the corruption that occurs in society and are important contexts for corruption themselves; they are also very different from governments and, we argue, deserve focused study and the development of a coherent theory of corporate corruption. In this article, we define corporate corruption and argue that management researchers are uniquely positioned to contribute to the development of a theory of corporate corruption and to the development of solutions to prevent it. We then examine the current state of research on this important topic and propose a framework for organizing research on corporate corruption into four perspectives – corporate corruption as rational action, corporate corruption as institutionalized practice, corporate corruption as cultural norm, and corporate corruption as moral failure. We go on to propose a research agenda for management scholars in some traditional areas of management research to take this important but under-researched topic forward and also highlight some of the methodological challenges that management researchers face in conducting research in corporate corruption.

INTRODUCTION

Corruption is one of the grand challenges facing global society (George, Howard-Grenville, Joshi, & Tihanyi, 2016). It is a significant impediment to economic growth in many countries (Mauro, 1995), undermines the proper functioning of governments (Treisman, 2007), and, where it is widespread, can lead to the erosion of trust in societal institutions (Rothstein & Uslaner, 2005). Although difficult to measure, the World Economic Forum (2018) has estimated that each year over US$1 trillion is paid in bribes and that corruption reduces global GDP by more than five percent. For companies conducting business internationally, corruption adds significantly to the cost of doing business. For example, a third of international resources business managers estimated corruption increases international project costs by more than 10% (Bray, 2007). Furthermore, corruption can add up to 25% to the cost of procurement contracts in some countries while moving business from a country with a low level of corruption to a country with medium or high levels of corruption is equivalent to a 20% tax on foreign business.[1]

It is no surprise, therefore, that significant effort has gone into trying to reduce corruption: inter-governmental organizations have sought to address this challenge by drafting international conventions such as the Organization for Economic Cooperation and Development's (OECD) Anti-Bribery Convention (1997); national governments have developed legislation to tackle corruption, for instance, the *American Foreign Corrupt Practices Act* (1977); and NGOs have worked to reduce corruption, for example, Transparency International's development of the *Global Corruption Barometer* (2018) to gauge the level of corruption in different countries and to measure progress on reducing it. Companies have also taken significant steps to stamp out corruption by supporting

[1]International Chamber of Commerce, Transparency International, United Nations Global Compact, and World Economic Forum, *Clean Business is Good Business Report*

responsible practices in their operations, launching anti-bribery programs, strengthening ethics and compliance practices (e.g., the ISO 37001 Anti-Bribery Management Systems Standard) and building a culture of compliance (Venkatesan & Benton, 2018).

However, these measures have had limited efficacy in mitigating corruption (O'Higgins, 2006) and the fight continues (Persson, Rothstein & Teorell, 2013). The reasons for the lack of progress are manifold and complex, but what is clear is that more research is needed to better understand corruption and, in particular, to develop evidence-based approaches to eradicating it where possible and to mitigate its worst effects where it proves impossible to stamp out.

This is not to say that there has not been extensive research on corruption in the social sciences and humanities. Research on corruption in economics, political science, anthropology, and sociology has provided a range of different ways of thinking about corruption, its causes, and its prevention. At the same time, existing research has largely focused on corruption in government (e.g., Rose-Ackerman & Palifka, 2016). However, corruption can involve both public and private actors and much government corruption involves either a firm providing improper incentives of some kind or an official "straddling" (Andvig, Fjeldstad, Weltzien, Amundsen, Sissener, & Søreide, 2001) the boundary between government and the private sector in order to benefit in some way. Furthermore, significant instances of corruption occur both within (e.g., De Jong & van Ees, 2014) and between (e.g., Arnold, Neubauer & Shoenherr, 2012) firms, both large and small, with negative effects for the societies in which they occur and often for the shareholders of the firms involved.

Thus, while much of the scholarly work on corruption focuses on governments, corruption involving business is an important phenomenon and one that management scholars are uniquely placed to investigate. This area of research – which we term 'corporate corruption' – is growing but fragmented; there has been a general lack of recognition that this form of corruption has distinctive characteristics and requires a coherent theory despite repeated observations that corruption in firms should be a focus of research in future studies (e.g., Cole & Tran, 2012, Rose-Ackerman, 2008). In fact, what is clear is that "the call for more firm-level research has not been answered much to date" (De Jong & van Ees, 2014, p. 189). Here, we focus on this important but under-researched area in an attempt to encourage more recognition of the potential impact of work on this topic and to provide suggestions for the future research needed to develop a comprehensive theory of corporate corruption.

We believe corporate corruption is a distinct empirical phenomenon that requires focused attention for a number of reasons. First, while both government and corporate corruption involve people in positions of power abusing their authority, the contexts in which the abuse occurs are fundamentally dissimilar. Government bureaucracies differ from companies in terms of culture, incentives, governance, and logic, making the opportunities for corruption, the decision to be corrupt, and the practicalities of acting corruptly, radically different. Theories of corporate corruption must explicitly account for these differences to better theorize how, when, and why decisions to act corruptly are taken in firms.

Second, unlike governments, firms face competitive pressures that can affect the likelihood of corruption (Ades & Di Tella, 1999). This happens in a number of different ways. First, intense competition leads firms to search for any advantage that might help them to beat competitors (Oliver, 1997). One potential source of advantage is to engage in corrupt activity that ensures access to a lucrative contract or excludes competitors from a normally competitive process. Second, the impression (true or not) that competitors are engaging in corrupt behavior can lead to pressure to follow suit in order to maintain the firm's competitive position (Collins, Uhlenbruck & Rodriguez, 2009). Finally, corrupt practices can be seen to be a way to reduce risk and uncertainty (Søreide, 2009), and as such can be an attractive option for firms whose managers (or cultures) are highly risk averse.

Third, the role of companies in corruption is generally different. Companies are often the source of the funds that corrupt governments (or other firms). They function as the "supply-side" in corrupt transactions and how funds are made available for these transactions in ways that bypass the generally well-developed financial management systems that exist in most firms is an interesting and under-researched area. Closely related to this is the fact that the negative impact of the corrupt activity is often on the shareholders of the company rather than on the citizens of a government. Understanding the impact and degree of harm of different forms of corruption on different stakeholders remain unexamined.

Combining all of these differences means that we need to understand the particularities of corporate corruption as a complement to understanding corruption in government.[2] Corruption in firms is distinctive just as the organizational form is distinctive, and we, therefore, require a distinct and well-thought-out theory of corporate corruption that is sensitive to these differences.

There is, of course, a growing stream of research in management that focuses on corporate corruption recognizing the corporation's role in enabling, or even causing, government corruption (e.g., De Jong & Bogmans, 2011) and shedding light on high-profile corporate failures and industry crises (e.g., Iriyama, Kishore & Talukdar, 2016). However, the literature on corporate corruption remains fragmented and there has been only very limited recognition of the potential of bringing together the various streams of existing literature into an overarching theory of corporate corruption. As a result, the impact of management research on thinking about corruption remains limited. We believe that management scholars have an opportunity to draw on their specialized knowledge of the corporation more systematically, as well as conduct new research using the specialized

[2] A parallel argument also holds for charities and social enterprises of course. However, a proper discussion of corruption in the third sector lies outside the focus of this paper.

research methods that exist in management, to shed light on this critically important problem and to provide guidance as to how it might best be tackled.

In the remainder of this article, we will proceed in four steps. First, we develop a definition of corporate corruption and identify the particularities and complexities of corruption involving firms. Corporate corruption may be inside a single firm, maybe between firms, or may involve a firm and the government. What is important is for management researchers to focus on the actors within the firm, understand their motivation to engage in corrupt activities, and to work towards a comprehensive understanding of the mechanisms underlying corporate corruption.

Second, we review the existing literature in management and adjacent literatures to identify four key perspectives on corporate corruption that span levels of analysis, deploy different methodologies, and draw on different theoretical foundations: 1) corruption as rational action; 2) corruption as institutionalized practice; 3) corruption as a cultural norm and 4) corruption as a moral failure. To date, there have been few conversations between these different perspectives, and it is important to begin these conversations to achieve a comprehensive understanding of corporate corruption

Third, we discuss avenues for future research. We use the four theoretical perspectives developed in our literature review to think through some of the more important directions for future research. To do so, we use a simple taxonomy of empirical contexts to organize our discussion: we discuss potential areas of research within established corporations, between corporations, and between corporations and governments.

Finally, we discuss some areas of research in management that we believe have particular promise for contributing to the development of a theory of corporate corruption, but which currently play a limited role including entrepreneurship, innovation, CSR, and organizational stigma. We also discuss some of the methodological challenges that researchers face in researching corporate corruption.

DEFINING CORPORATE CORRUPTION

Corruption is a complex and contested construct in the academic literature with many definitions proposed by different authors across multiple disciplines. Our objective in this section is not to provide an exhaustive review of different conceptualizations of corruption (see Rothstein & Varraich, 2017 for such a review), but rather to define corporate corruption and show how it is distinct from some of the existing conceptualizations of corruption. We will begin by discussing some common definitions of corruption and then introduce our definition of corporate corruption.

Existing Definitions of Corruption

In much of the literature on corruption, the focus has been on the motivation and activities of corrupt government officials from an economics perspective (e.g., Bardhan, 1997; Lambsdorff, 2007; Shleifer & Vishny, 1993; Svensson, 2005; Treisman, 2000). The mechanism driving corruption from this perspective is a simple cost-benefit analysis: corruption occurs when officials calculate that the gain from corruption exceeds the potential loss from being caught. Corruption is defined as “the abuse of public power for private benefit” (e.g., Uhlenbruck, Rodriguez, Doh & Eden, 2006, p. 402).

In anthropology and sociology, researchers have diverged from this approach and the focus has been more on the social context in which corruption occurs. No longer is the corrupt official a rational actor, but rather an actor embedded in a social system and a culture. In other words, this approach “emphasizes the importance of context in a deep sense” (Muir & Gupta, 2018, p. S13). Research on corruption becomes an exercise in interpretation in order to understand the cultural schema of those involved and the social structure in which it occurs (e.g., Fisman & Miguel, 2007).

Finally, in political science, corruption is again something involving government and the abuse of a formal position for private gain. But, interestingly, corruption can also happen at an institutional level: "Institutional corruption is manifest when there is a systemic and strategic influence which is legal, or even currently ethical, that undermines the institution's effectiveness by diverting it from its purpose or weakening its ability to achieve its purpose" (Lessig, 2013, p. 553). This latter conceptualization of corruption would include the state capture of government entities by private businesses that have been reported in some countries or simply elites passing laws that are advantageous to their interests while disadvantaging the majority of citizens even if the laws are seen as acceptable by citizens.

What is important to keep in mind is that these definitions lead researchers to focus on different aspects of corruption, to propose different ideas about the mechanisms that underpin corruption, and to use different methods to study it. To help highlight these differences, we have summarized the different definitions of corruption in Table 1 in a stylized way including our conceptualization of corporate corruption that we will turn to next.

Insert Table 1 about here

Corporate Corruption

In many instances of government corruption, corporations are central actors representing the "supply-side" of corruption. For instance, a corporate official may pay a bribe to a government official in return for a favor, even if it means a loss to other segments of society. But corruption may also take place completely within a corporate setting without the involvement of a government official at all. For example, corporate corruption occurs when corporate officers under pressure to hit targets fake the results of safety tests on products to avoid costly changes to products, when officials in gambling companies receive bribes to allow illegal bets in the sports industry, or when company officials pay bribes to a bank to ensure a positive decision on a loan application. We would argue that the corporate context of at least part of the corrupt exchange delineates a type of corruption that deserves to be recognized and studied in its own right.

Within the management literature, definitions of corruption vary but generally fail to highlight the fact that corruption is happening within a corporation. For example, in a recent paper, Cuervo-Cazurra reflects a common idea of corruption when he defines corruption as "the abuse of entrusted power for private gain" (2016, p. 36). Ashforth, Gioia, Robinson and Trevino broaden the discussion and define corruption as "both a state and a process" and argue that "the concept of corruption reflects not just the corrupt behavior of any single individual – defined as the illicit use of one's position or power for perceived personal or collective gain – but also the dangerous, virus-like 'infection' of a group, organization, or industry" (2008, p. 671). Ashforth and Anand add an interesting aspect by including organizational gain rather than simply personal gain defining corruption as "the misuse of authority for personal, subunit and/or organizational gain" (2003, p. 2). In other words, there may be cases where corruption is driven by a desire for organizational advantage rather than individual profit.

Reflecting these discussions, we define corporate corruption as *the misuse of formal power by a corporate representative for personal and/or organization benefit.* This definition differs from more traditional definitions in two important ways. First, it focuses on an actor located in a corporation and not in a government organization of some kind. This, as we discussed above, has many important ramifications in terms of the organizational context that this actor is embedded in and that shapes their motivations as well as the available resources, organizational culture, and systems of governance. Theories of corruption in government may hold in this very different environment, but often they will not, and we need theories that explicitly take into account the corporate context of this sort of corruption.

Second, this definition focuses explicitly on the important differences in the benefits and harms of corporate corruption. As Gutman and Lucas (2018, p. 748-749) argue, "[p]rivate-sector corruption can be distinguished from public-sector corruption in that the individual abusing a position of power holds a private, not a public office, which implies that the harmed principal is a private entity". So, the harm caused by corporate corruption is often at the expense of the shareholders and other stakeholders of the corporation rather than society as in government corruption.

At the same time, it is not always this simple. It is not that the public loss of government corruption simply becomes a private loss to the shareholders of the firm in corporate corruption. In fact, some corrupt activities are actually carried out to benefit the firm and its shareholders. Bribes paid to gain a contract that would otherwise have been lost may be repaid many times over by the profit from the contract. So, this aspect of corporate corruption is more complex and requires more attention and investigation to develop a theory of the costs and benefits from corporate corruption of sufficient nuance to capture this complex phenomenon.

To help clarify our definition and its relation to more traditional definitions of corruption in government, we have depicted the traditional focus of corruption research with corporate corruption in Figure 1. As the figure highlights, while there is an overlap between corporate corruption and government corruption, we reverse foreground and background in order to focus on the corporation as the unit of analysis. We argue in the remainder of this article that this highlights a set of issues that deserve separate attention and recognition as a separate theoretical domain.

Insert Figure 1 here

METHODOLOGY

In order to understand the "state of the art" in corporate corruption research, we began with an analysis of research on corruption in the broader social sciences. This literature is important for us here as it provides the foundation for much of the existing corporate corruption research in management. To reflect this, we have included the five most cited articles from the premier journals in sociology, economics, and political science in our corpus of articles. Additionally, we consulted experts in the field for direction on particularly important articles and themes. From this analysis, we were able to observe the influence of adjacent literatures on our understandings of corruption, refine our understanding of corporate corruption in management, and identify relevant research opportunities for management researchers.

Next, we reviewed the literature on corruption in the field of management. We began with a search of the standard management journals databases (e.g., Web of Science, Scopus, EBSCO) exploring articles that had *corrupt** in their title, abstract or as keywords and/or *nepotism, embezzlement, state capture* and *bribe(s)* (which corresponds to the ways that corruption is most commonly operationalized). Initially, we found 1693 management journal articles that mentioned corruption.

Given the large number of articles that we identified, we systematically limited our review to articles from high-quality journals following Short's (2009) suggestion to minimize random sampling. More specifically, we restricted our review to top journals in management as defined by the ABS journals list (4 and 4*). We also included top journals in the fields of business ethics, international business, leadership, entrepreneurship/innovation, and marketing as these fields are key areas for understanding corruption in business. Due to its relevance to the topic of corruption, we also included the *Journal of Business Ethics*. We then discarded all of the articles where corporate corruption was not a core concern of the paper or where the paper focused solely on topics adjacent to corruption. This left us with 144 articles[3].

CORRUPTION RESEARCH IN THE SOCIAL SCIENCES

In the period after the Second World War, interest in corruption increased rapidly across the social sciences (Farrales, 2005; Odilla, 2016; Osrecki, 2017). In this section, we explore the different perspectives on corruption that developed during this period. We begin by looking at more macro approaches largely influenced by sociology and anthropology. We then focus on the approaches developed at the individual level of analysis prevalent in economics and political science. What is clear from our discussion is that corporations have not been a key focus of study in the corruption literature in the social sciences to date.

Macro-Societal Influences on Corruption

Sociology. In sociology, the focus has largely been on the relation between societal structures and corruption. Put simply, the interesting question from a sociological point of view is how social structure shapes the probability and nature of corruption and how that, in turn, affects the society in question. Many existing studies focus on how the behavior of agents is conditioned by the normative rules of society and corruption is seen as a departure from socially accepted norms. Empirical research is often based on large scale case studies of societies and uses various forms of qualitative and quantitative data. At the same time, views on corruption and how best to investigate it has varied dramatically.

While it might seem surprising from today's perspective, in the 1950s and 1960s there was a debate in sociology about whether corruption could be functional for the societies in which it occurred (Osrecki, 2017). Some researchers did not see corruption as necessarily negative or bad (Huntington, 1968; Leff, 1964; Nye, 1967), as it could be a means to create

[3] Please contact the authors for a complete list of the articles included and further details on the search methodology.

cohesion in a conflicted society, enable social mobility, and allow stability by distributing wealth that was too often concentrated in political centers. To Nye (1967, p. 417), for example, "[c]orruption has probably been, on balance, a positive factor in both Russian and American economic development."

These scholars identified a number of positive impacts of corruption and studied the use of corrupt practices to, for example, allow industrial elites to insert themselves into a political system dominated by aristocrats by buying peerages in Europe (Scott, 1969). This positive role was nicely summarized by Huntington (1968, p. 68) who argued: "Corruption may be one way of surmounting traditional laws or bureaucratic regulations which hamper economic expansion". In other words, from this rather optimistic view, corruption could "grease the wheels" and allow much needed change.

Interestingly, more recently scholars have adopted a similar functionalist perspective when talking about corruption in international business. Mungiu-Pippidi summarized this functionalist view of corruption in the world of multinationals succinctly: "While the international anticorruption community is putting unprecedented pressure on international businesses not to bribe their way into foreign markets, such markets are often strictly controlled by the favoritism of national governments…bribery is the only way in for outsiders" (2006, p. 110). From this perspective, corruption is seen as an informal way of changing entrenched and otherwise unchangeable social structures and practices, and not as necessarily negatively impacting society on balance. And, interestingly, this functionalist perspective has recently re-appeared in the innovation literature where Krammer (2019) argues once again that corruption aids innovation by "greasing the wheels".

However, among sociologists, this view lost support over time. Many scholars began to argue that the overall impact of corruption was negative as well as highlighting the immoral nature of this sort of activity. As Noonan argues:

> [B]ribery is universally shameful…In no country do bribe takers speak publicly of their bribes, or bribe givers announce bribes they pay. No newspaper lists them. No one advertises that he can arrange a bribe. No one is honored precisely because he is a big briber or pays a big bribe. (1984, p. 702).

Other researchers began to conduct empirical research on the economic implications of corruption in societies, arguing that "corruption lowers private investment, thereby reducing economic growth, even in subsamples of countries in which bureaucratic regulations are very cumbersome" (Mauro, 1995, p. 683). Over time, the idea of a strong negative association between corruption and investment and growth in a country was accepted by the majority of sociologists (and other social scientists for that matter).

In addition, the limitations of focusing on certain idiosyncratic case studies began to be recognized by sociologists and the idea that corruption had positive effects was increasingly seen as having limited generalizability (Krause Hansen & Tang-Jensen, 2015; Jancsics, 2014). In response, quantitative studies that could claim a greater degree of generalizability became increasingly popular. These studies focused largely on government corruption and sought to use standard operationalizations of corruption and apply rigorous quantitative methods to measuring and analyzing data:

> [T]his reduction of complexity in analytically handling corruption had one crucial advantage: it made corruption numerically measurable, comparable, and transparent by skipping the fuzzy cases and concentrating on a single bureaucratic form of corruption that could be treated as one-dimensional. Instead of differentiating between diverse forms of corruption (within nation-states or among them), this approach allowed to explain variations in whole countries (Osrecki, 2017, p. 118).

While sociological research on corruption using these methods and with this theoretical focus began to diminish in the late 1970s, the economics view of corruption gained ground continuing the move towards mostly quantitative research based on principal-agent theory.

More recently, however, a complement to principal-agent theory was developed as social scientists started looking at corruption as a collective action problem (Olson, 2009). By collective action, researchers mean a collaborative and sustained process of cooperation between stakeholders. Collective action increases the impact and credibility of individual action, brings potentially vulnerable organizations into an alliance of like-minded organizations, and levels the playing field between competitors. Collective action "can complement or temporarily substitute for and strengthen weak local laws and anti-corruption practices" (World Bank, 2008, p. 4).

Furthermore, collective action theories challenge principal-agent theory in an interesting and profound way. Put simply, they challenge the assumption that a group of "principals" exists that are willing to enforce regimes of monitoring and punishment for corrupt dealings. As Persson, et al. argue, this "is because, quite contrary to what principal-agent theory suggests, collective action theory contests the view that strategic situations always in themselves give the actors the answer to the question what strategy is the most rational to opt for" (2013, p. 456). Rather, in a situation where corruption is widespread, acting corruptly becomes the only sensible option even if individual actors believe corruption is wrong and understand that everyone is worse off as a result. They understand that if they do not act corruptly, the costs will be high, and the game will not change. In these contexts, the monitoring devices and punishment regimes of principal/agent theory are of little use as there are no principals to enact them.

Social structure matters in explaining the emergence and persistence of corrupt practices. At the same time, and perhaps even more importantly, the social structure explains why some countries have little corrupt behavior. In fact, from this perspective, and perhaps ironically given our discussion in the preceding paragraph, the prevention of corruption also requires collective action to enforce norms that prohibit corruption. As Mungiu-Pippidi eloquently states:

> A society capable of collective action is capable of controlling its most violent or selfish tendencies, such as the extreme individualism and divisiveness that pervades societies governed by a tyranny, where no one trusts anyone else, and each person acts on his behalf and against anyone who stands in his way. In short, the capacity for collective action is a public good that derives from extensive social interaction (2013, p. 106).

Anthropology. Anthropologists focus on how corruption is perceived according to different societal standards and beliefs, based on the point of view of an observed group (Malinowski, 2013). Where sociologists focus on social structure, anthropologists focus specifically on “a society’s culture consists of whatever it is one has to know or believe in order to operate in a manner acceptable to its members” (Goodenough, 1964, p. 36), as a way to understand what corruption is and why it occurs. Anthropologists attempt to deemphasize moral judgments by adopting a local perspective and recognizing that different cultures have different moral values. Anthropologists use ethnography, participant observation, and face-to-face or group interviews in an effort to come to a deep understanding of the social milieu in which corruption takes place.

From this perspective, corruption is often understood as a tool for social cohesion in society (closer to previous views of sociology). Moreover, corruption is dynamic and heterogeneous and there is often a dichotomy between the public and private spheres (Nuijten & Anders, 2007). At times, “corrupt” (from an external viewpoint) practices are accepted in society and are even morally justified. What is, and what is not, corruption is decided based on local meanings and local understandings and there is no one definition of corruption.

A contentious point in these analyses is the use of societal written laws to delineate corruption. Law enforcement agents are not “neutral” beings and can be influenced by the political elite (Moore, 2000). Through regulatory capture, rules can be fixed for the benefit of the elite or can be increased in complexity to create additional opportunities for extorting bribes. Furthermore, anti-corruption campaigns can be used selectively against political enemies. Therefore, suggesting that something is corrupt because it is illegal, or not corrupt because it is legal, has little meaning from this point of view.

Anthropologists also have an interest in the interaction of different levels of culture. From this point of view, distinct cultures can develop at a societal level but also at the level of subgroups like ethnic communities and organizations. For our discussions here, organizational culture is particularly important as it affects both governmental and corporate actors. An insider can often protect and justify deviance, including corruption, within an organization:

> Corporate culture may be equally or more important than one's cultural heritage when it comes to guiding ethical behavior and shaping attitudes about fraud. However, companies may not put sufficient emphasis on establishing their own corporate culture and risk the local culture filling the void (Lloyd Bierstaker, 2009, p. 247).

For these scholars, due to the complexities of culture, the imposition of anti-corruption policies or universal standards are problematic and often a recipe for failure. There is thus is a need for a "local" point of view in developing anti-corruption policies and programs.

Micro-Societal Influences on Corruption

Rational theories of corruption at the micro-level mostly stem from agency theory (Jensen & Meckling, 1976; Klitgaard, 1988; Rose-Ackerman, 1978). In agency theory, the principal-agent problem appears when there is a delegation of decision-making authority by a "principal" to an "agent" through a contract to perform some service. If both parties to the relationship are utility maximizers, there is good reason to believe that the agent will not always act in the best interests of the principal. The principal can "limit divergences from his interest by establishing appropriate incentives for the agent and by incurring monitoring costs designed to limit the aberrant activities of the agent" (Jensen & Meckling, 1976, p. 308). At its most basic, this perspective focuses on how the principal can ensure the agent acts in his or her interests with a minimum of monitoring costs.

In the most common form of this problem, the principals are the owners, regulators, or other actors in position of power, and agents are the business executives and decision-makers engaged by the principals to run a firm. Principals offer incentives as a way to deter agents from engaging in corruption. The magnitude of incentives is based on the trade-off between the costs of incentives and the costs of monitoring agents. When incentives are not aligned between the principal and the agent, it creates an opportunity for corrupt practices to emerge.

Economists and political scientists generally focus on financial and managerial incentives, and transactions between individuals and agents (Jensen & Meckling, 1976; Rose-Ackerman, 1978). Discretion allows agents to exploit opportunities for personal gain (Klitgaard, 1988) and corrupt benefits are positively associated with officials' degree of control over services and discretion in choosing the distribution of resources (Neu, Everett, Rahaman & Martinez, 2013). Government bureaucracies and their resource allocations, therefore, lead to moral hazards (Banerjee, Hanna & Mullainathan, 2012), and the nature of monitoring and punishment and the intrinsic motivation of bureaucrats matters in this line of studies. Poor regulatory control can lead to ambiguity in institutional controls. Uncertainty also provides discretion, which can lead to strategies and practices influenced by field habitués, and corrupt processes may become part of the market itself (Goodrick & Salancik, 1996).

Finally, New Institutional Economics scholars view corruption as a deviation from some sort of socially embedded rule, such as a contract, law, or moral code. In other words, although the principal-agent relationship is important, so is the institutional context:

> [P]rincipals and agents operate within an institutional context. The insights of institutional economics are closely related to the economic analysis of

> corruption. Institutional economists and their political science fellow travelers stress the way the institutional context affects the behavior of individuals. They respond to the incentives, both carrots, and sticks, created by institutions, broadly defined (Rose-Ackerman, 2010, p. 49).

Scholars working from this perspective believe that corruption can be managed through institutional design where appropriate arrangements reduce opportunistic incentives for corrupt practices (Della Porta & Vannucci, 2012, p. 2). In other words, some institutional arrangements encourage corruption, while others make it less likely. Researchers working from this perspective focus on understanding how the institutional context shapes and limits corrupt behavior by shaping the decision making of individuals.

Summary

In this section, we have briefly reviewed how corruption has been discussed by various fields in the social sciences. Sociology's main contribution to the analysis is examining the role of social structure and offering some explanations regarding the mechanisms underpinning corrupt practices. Sociology also helps explain how corruption develops over time based on societal and organizational changes. Public agents, even when interacting with private parties, are at the center of most empirical and theoretical studies. These studies tend to mainly focus on public corruption and tend to take for granted the role of the corrupted agent. They assume that corruption can be reduced by interventions and tweaks to the social structure. Among this community, there have been calls for a better understanding of the underlying mechanisms of corruption (Philp & David-Barrett, 2015).

Anthropology sheds light on the construction and acceptance of corrupt practices at the boundaries of public and private spheres and points to the pivotal role of culture. It provides a useful counter to the tendency in economics to make assumptions of “rational actors” and highlights the importance of cultural context to what constitutes “rational” in different groups. However, in many instances, the focus on meaning and individual interaction limits observations to petty cases of corruption such as gift-giving as bribery

(Haller & Shore, 2005). As a result, it has provided little insight into major government scandals or large-scale corporate graft involving corrupt insiders (although see Jackall, 1988 for an interesting corporate exception). This perspective also suffers from a tendency to a kind of relativism where corruption is what is defined locally as corruption and therefore undermines attempts to develop international standards for identifying and tackling corruption.

Economic approaches explain the use of incentives and are very helpful in understanding the decision making that underlies individual decisions to engage in corruption. Rational views advocating transparency, monitoring, and sanctions are important and useful in reducing corruption. However, understanding the role of context is also essential when exploring corruption (Marquette & Peiffer, 2015). Both social structure and culture condition what is considered corruption and also the way individual decision-makers evaluate a situation. Furthermore, issues regarding the public's perception of corruption have a direct link to individual and firm expectations about the pervasiveness of corruption and therefore their tendency to participate. Furthermore, although rational agents can engage in a collective reform effort to coordinate efforts to fight corruption, both gradual changes and shocks shape the macro perceptions of corruption and can have a huge impact on anti-corruption efforts (Castro & Ansari, 2017).

CORPORATE CORRUPTION IN MANAGEMENT RESEARCH

During our review of the management literature on corruption, we identified four key perspectives on corporate corruption: 1) corruption as rational action; 2) corruption as institutionalized practice; 3) corruption as a cultural norm and 4) corruption as a moral failure. These four perspectives are conceptually distinct and provide different, but complementary, ways of conceptualizing corporate corruption. They are also at very different levels of development, with some having received considerable attention from management scholars while others are more nascent.

While all of the perspectives have clear connections to one or more of the social science disciplines, it is not a one-to-one mapping. It also is clear from our analysis that while the research produced by management scholars is beginning to make a distinct contribution to our understanding of corruption by focusing on corruption involving firms, this is as much a happy accident as it is a result of an awareness of the importance of corporate corruption as an area of research or an understanding of the potential of management research to contribute a new and valuable perspective to corruption research. And, much remains to be done. Our goal in this section is to provide a typology of the approaches to corporate corruption we identified in the management literature. We will then use the typology we develop here in the next section when we discuss areas for further research.

Corporate Corruption as Rational Action

From this perspective, corporate corruption is perpetrated by rational actors who act corruptly due to the benefit they receive from corruption (Vogt, 1997). Actors conduct a cost-benefit calculation that includes the potential gain from corrupt actions, the probability of being caught (including, at the extreme, a perception of impunity), and potential penalties. The severity of the potential penalties matters since it will directly affect the expected returns of the agent when deciding whether to engage in corrupt activities (Jeong & Weiner, 2012). The size of the gain also directly influences the perception of the attractiveness of corrupt behavior – a high bribe, for example, will lead to higher temptation and make it more likely that the agent will act in a corrupt manner (Rabl & Kuhlmann, 2008; Rabl, 2011).

Legal enforcement and punishment. Scholars working from this perspective tend to focus on the legal system and argue that law abidance by firms and their representatives depends on the penalties and incentives that exist in different countries (Biswas, 2017;

Klitgaard 1988; Rose-Ackerman, 1978). If there are significant incentives for corruption, then there must be similarly significant penalties and the penalties must be public and likely to occur to stop corruption. As Biswas argues:

> Knowledge of repeated violations of the law in public places without any accompanying punishment within a reasonable time span takes away the incentives for the common people to obey the law. This creates a vicious cycle of non-compliance and mass imitation that touches every sphere of social life (2017, p. 565).

Many rational actor studies of corruption look at different aspects of the situation that affect the likelihood of corruption occurring such as the risk of corporations being penalized and the transaction costs involved (Lambsdorff, 2002), the difficulty of performing the corrupt act (Ajzen, 1991), risk of disclosure (Carrillo, 1999), and expected penalties (Goel & Rich, 1989). Therefore, the structure and effectiveness of the legal system are key to deterring corruption (Rose-Ackerman, 1999; Tanzi, 1998; Treisman, 2000) and the legal and normative context directly affects agent behavior (Rose-Ackerman, 1999).

The legal system also has an international dimension and research suggests that when many countries enforce anti-corruption treaties together – such as OECD's (1997) *Anti-Bribery Convention* – it tends to deter cross-border corruption (Cuervo-Cazurra, 2008). Also, there is evidence that multinational corporations consider the risks of cross-border bribery and how well anti-bribery laws are enforced at home (Jeong & Wiener, 2012). Therefore, uncertainty in applying the law, perceptions of corruption, or low compliance by others, and a lack of effectiveness of enforcement can encourage corrupt practices in international business.

Entering new markets. There is also evidence that corruption not only affects existing international activity but also plays an important role in decisions to enter new markets. When deciding to engage in business abroad, managers see corruption as a part of the rules of the game, a "pay to play" arrangement, or a "tax" that must be included when accessing future business activity (Jeong & Weiner, 2012; Spencer & Gomez, 2011). Rational analysis sees corruption as a cost of doing business that is factored into the decision to enter (Jensen, Li & Rahman, 2010; Rose-Ackerman, 1999).

However, contrary to a tax, it has an extra layer of complexity due to the secrecy and illegality of corrupt behaviors (Schleifer & Vishny, 1993). Corruption can lead to decreases in the amount firms are willing to invest or the amount they will pay during mergers and acquisitions in countries abroad (Weitzel & Berns, 2006). National laws, therefore, have a strong impact on the decision of firms to invest abroad. Furthermore, firms whose parent offices operate or are headquartered in countries with strong anti-corruption standards (Cuervo-Cazurra, 2006) face more significant consequences of engaging in corruption internationally making it less attractive for them to engage in activity in corrupt jurisdictions.

In order to mitigate the risk of engaging in corrupt activities abroad, firms use different strategies. These can range from outsourcing the corruption risk via the use of middlemen (Biswas, 2017) to various forms of partnership with local business to exploit a corrupt market:

> [F]irms sometimes adapt to corruption not by avoiding entry altogether, but by choosing nonequity entry instead. Nonequity entry provides an opportunity for firms to participate in economies where corruption is high while avoiding some of the costs of corruption. (Uhlenbruck et al., 2006, p. 410)

Ownership structure of firms and corruption. Several studies of corruption as rational action explore the relationship between a corporation's ownership structure and corrupt behavior (Clarke & Xu, 2004; Martin, Cullen, Johnson & Parboteeah, 2007; Wu, 2009). This relationship is important but complex and difficult to unpack. In particular, the impact of ownership structure on the motivations of managers to engage in corruption is important and only partially understood.

For example, if a manager in a publicly owned firm acts in a corrupt manner that benefits the firm, it is he or she that will bear the brunt of the consequences if discovered. The manager will be punished while the owners are not, due to limited liability contracts and the presumption that shareholders are not accountable for managers' corrupt behaviors (although fines paid by the firm are not uncommon). Shareholders will, therefore, receive the majority of the benefits of corruption but bear little of the risk. It, therefore, stands to reason that a manager will have more incentive to act in a corrupt manner if they have a larger ownership stake in the firm (Randami & Witteloostuijn, 2012). This, of course, raises important questions for those who argue for significant compensation in shares for top management in order to align their incentives with those of the firm. While aligning incentives, it also increases the benefits for corrupt activities and, according to this perspective, increases the chances of corruption.

Managers in large, publicly listed companies and managers at state-owned firms are, from this perspective, less likely to engage in corrupt behavior than owner-managers (including entrepreneurs) with large stakes in the firm. Furthermore, some recent studies examine how the likelihood of corrupt behavior increases when employee compensation is perceived as poor despite the firm performing well as in some Chinese state-controlled enterprises (SOEs) (Feng & Xu, 2018). Therefore, the firm's ownership affects managerial behavior and incentives vis-à-vis corruption, and compensation levels matter in shaping managers' behaviors (Fama & Jensen, 1983; Jensen & Meckling, 1976). Furthermore, there is some evidence that family ownership may have an effect on the likelihood of corruption and the effectiveness of anti-corruption activities (Richards & Schembera, 2019).

Extending the analysis, transparency can decrease corruption since it increases the risk of corrupt agents' activities being disclosed to the public and corporate investors and increasing transparency has been identified as a lever to fight corruption (Halter, Arruda &

Halter, 2009; Klitgaard, 1988). Transparency studies and surveys on corruption have been used in several studies of corruption that analyze external and internal factors affecting a corporation's corrupt behaviors. The most widely used of the current surveys on corruption are from Transparency International and the World Bank.

Summary and Limitations**.** The greatest strength of this perspective is that it is simple to understand and apply, and it provides significant insight into the dynamics of corruption in firms. At the same time, its simplicity is also its weakness. From this perspective, all firms will engage in corruption if the incentives are high and the probability of detection or penalties for corrupt behavior is low. Yet this is obviously not the case. Conversely, from this perspective, if there is a low potential rent to be extracted from corruption, agents likely will not be corrupt. Again, anecdotal evidence says otherwise.

In fact, different managers in different firms have very different responses to the same situation meaning that while theorizing about rational agents may be a useful place to start in understanding corporate corruption, there is more going on than a simple rational calculation. Another limitation of rational analysis is the exclusive focus on financial incentives for managers and firms, while both the incentives and the penalties for corporate corruption are, in reality much more complex than simply financial gain or loss. Not all companies decide to engage in corrupt practices even if financial incentives are high, or the risk of being caught for corruption is low. We thus need other views for understanding corporate corruption to capture other aspects of the complex dynamics of this phenomenon.

Corporate Corruption as Institutionalized Practice

The corporate corruption as an institutionalized practice perspective grows out of the extensive literature on neoinstitutional theory that has developed in sociology and management (Greenwood, Lawrence & Meyer, 2017). This perspective highlights the fact that corporate corruption does not happen exclusively as a result of strategic calculation, but is also affected by the institutionalized practices that characterize the organizational field – the "community of organizations that partakes of a common meaning system and whose participants interact more frequently and fatefully with one another than with actors outside the field" (Scott, 1995, p. 56) – in which an organization is embedded (Moy, Lam & Chu, 2008). Certain practices become the legitimate way business is done in this community of organizations and organizations face significant pressures if they deviate from these practices.

Corrupt behavior and institutionalized practices. Institutions, from this perspective, are "agreements about the correct way to do things" (Goodrick & Salancik, 1996, p. 1) within an organizational field. Institutionalized practices, in turn, are "relatively widely diffused practices, technologies, or rules" (Lawrence, Hardy, Phillips, 2002, p. 282) that have become entrenched and taken-for-granted. Any agent's behavior is strongly conditioned by the institutionalized practices in place in the field of which their organization is a part (Scott, 2008). As agents, managers respond to their social environment, including the institutional pressures from the institutional context (DiMaggio & Powell, 1991).

From this perspective, even "bad" social behavior, such as corrupt practices, may become institutionalized – that is, they can attain a "'social fact' quality [that] renders them as the only conceivable, 'obvious,' or 'natural' way to conduct an organizational activity" (Oliver, 1991, p. 148) – within an organizational field, leading to their becoming "the way we do things around here". While societal structures and institutions (e.g., well-functioning laws, courts, prosecutors, police, etc.) may successfully prevent corruption in society, other societies may lack such well-functioning bureaucracies and accountable institutions allowing corrupt practices to flourish and, over time, become taken for granted. This process of institutionalization is an important part of the explanation for the difficulty of stopping corruption in fields where it has become common and widely accepted.

The influence of institutional context on managers. Organizations do not, of course, take action independently of the individuals who run them. Managers are affected by influences from the social environments in which they operate including the institutionalized practices that exist within their field. Institutional elements have an impact on the interpretation of corrupt actions and influence the boundaries between ethical and unethical behavior in organizations (Scott, 2001). They may also be taken-for-granted as normal while being recognized as corrupt. In settings where corruption flourishes, institutionalized corrupt practices can be particularly hard to stop:

> When a practice is widely seen as the way things are done, even harsh sanctions may fail to change behaviors. Managers' perception of corruption as taken for granted may lead them to believe that these acts are less likely to be discovered or punished. (Collins et al., 2009, p. 102)

From this perspective, understanding the institutional pressures that lead to an increase in the pervasiveness of corrupt practices within a firm or an industry is key. For example, a high-status firm whose status is threatened will want to maintain its status and will, therefore, have a higher probability of engaging in corrupt behaviors as the firm has extensive resources and a strong motivation to be corrupt. High-status firms often have a strong network and powerful mechanisms for engaging successfully in corrupt behavior (Becker, 1963; Jeong & Siegel, 2018). Initial and limited corrupt acts may easily become accepted and legitimated when carried out by high status firms. If lower status firms believe a high-status firm has successfully maintained its position in this way, they will then be motivated to engage in these behaviors also. The initial cost-benefit analysis of the first firm will be replaced by a generalized belief that this is an acceptable way to conduct business and the corrupt practices become institutionalized in the field.

The institutionalization of corruption might also occur due to a corporation's exposure to intense competitive rivalry. As we discussed above, managers may begin to see corruption as a way to marginally increase competitive advantage, especially if they believe that other actors seem to be engaging in it (Iriyama et al., 2016). When several firms are involved in this sort of situation, a corrupt activity can easily become seen as normal or “standard practice” and institutionalized in an industry or organizational field. When making this decision, there are several important factors that affect the probability of corruption including organizational structure, environmental pressures, industry norms and structure, and financial performance (Tonoyan, Strohmeyer, Habib & Perlitz , 2010; Wu, 2009). Thus, there is both the influence of the environment but also internal factors regarding the perceived competitive advantage from corrupt actions.

Another area where institutional practices affect corporate corruption is when dysfunctional practices become institutionalized that allow corrupt practices to be concealed. For example, accounting professionals that should be auditing corporations and uncovering any misbehavior may end up enabling corruption if their auditing practices become institutionalized in a way that undermines their correct functioning (Gabbioneta, Greenwood, Mazzola & Minoja, 2013). In the Enron (USA) and Parmalat (Italy) bankruptcy cases, for example, institutional ascription – when professionals incorrectly “ascribe probity and diligence to the behavior of other professionals” (Gabbioneta, Prakash & Greenwood, 2014, p.16) – is one reason the accounting professionals in question failed to identify massive levels of corruption.

The effect of institutionalized corrupt practices on corporations. In recognizing the important role of the institutional context in corruption, this perspective also highlights the importance of understanding the effects of institutionalized corrupt practices within organizations and in particular the sorts of group dynamics enabling the adoption of corrupt institutionalized practices. While the institutionalized practices exist at the field level, it is actors within organizations that implement these practices. There are, therefore, important questions about how corrupt practices in the environment come to be taken-for-granted in the organization.

An organization where corrupt institutional practices are widely implemented – a corrupt organization rather than a single corrupt manager – generally requires a powerful collusive group that will act for the benefit of the group to the detriment of other stakeholders. There have been several studies on the coordination of corrupt activities since corruption requires systematic and institutionalized coordination of the dynamics inside organizations. Even with highly institutional practices at the field level, everyone in the organization is unlikely to be sanguine about the adoption of these practices. As Aven argues:

> A central challenge of organizational criminals is to remain undetected while simultaneously addressing the requirement of group coordination. In contrast to noncorrupt project members, the members of corrupt projects must account for the additional risk of discovery. Because organizational crime increases the cost of information sharing for the individual, corrupt members are motivated to limit communication behaviors that are positively associated with group coordination and knowledge transfer (2015, p. 933).

Institutionalized corruption relies on group collaboration (Granovetter, 2007). As members spend more time as part of the corrupt group, reciprocity and transitivity increase in an ongoing process that helps build insider trust (Molm, Takahashi & Peterson, 2000). The more institutionalized corrupt practices become, the more excuses come from executives to justify their deviant behaviors (Bernard, 2006; Elsbach & Sutton, 1992). In fact, this is often an important warning sign that corruption is happening within a corporation.

Another important aspect of the institutionalization of corruption is the socialization of new members into corrupt practices. This process of socialization occurs through a number of mechanisms including social network mechanisms, cognitive mechanisms, and emotional mechanisms (Pinto, Leana & Pil, 2008). As these processes of socialization and institutionalization proceed and deepen, actors become more tolerant of moral transgressions.

This is known as the “slippery slope” effect. (Gino & Bazerman, 2009) and can lead to overconfidence, where people tend to underestimate the likelihood of being caught.

Communication among members is also essential for corporate corruption to happen since there is a need to coordinate activities within the group. At the same time, there is an incentive to limit information flows and interactions to limit the risk of detection (DiRienzo, Das, Cort & Burbridge, 2007). Thus, there is a duality of keeping the corrupt information hidden while sharing other necessary information for the execution of the practices with noncorrupt members. For example, at Enron, researchers found that corrupt members reduced the level of interaction they had with noncorrupt members (Aven, 2015).

Summary and limitations. The corruption as an institutionalized practice perspective highlights the fact that corporate corruption does not necessarily or exclusively happen as a rational strategic action, but also reflects the institutional environment that managers inhabit (Moy, et al., 2008). So, while financial gain is an important driver of corporate corruption, institutionalized practices at the organizational field level provide an important context that shapes the behaviors of managers and can either encourage or discourage corruption (Collins et al., 2009).

While this perspective adds an important dimension to discussions of corporate corruption, it also has important theoretical and practical limitations. While it is useful for understanding how corrupt practices become normalized and difficult to eradicate, it also highlights institutional processes at the expense of agency. Corruption all too often seems to be a natural consequence of organizational processes and the role of individual decision making and the importance of norms and values becomes secondary. From a practical point of view, institutional explanations can begin to sound like a defense of corrupt behavior and this perspective has done little practically to help in the fight against corruption.

Corruption as Cultural Norm

The corruption as a cultural norm perspective highlights the important role of culture in corporate corruption. According to Greve, Palmer and Pozner (2010, p. 66), *"*culture can be said to consist of assumptions about the nature of the world (e.g., the extent to which human nature is fundamentally competitive as opposed to cooperative), as well as norms, values, and beliefs about the kinds of attitudes and behaviors that are appropriate and good."

Rooted in anthropology and more interpretive traditions in sociology, culture is symbolic and constructed in the communicative interaction of members of a society, organization, or group. Research into culture is therefore about understanding the meaning of things to members of a group and is generally qualitative and focused on a single case (although the case may be a society, an ethnic group, or an organization). As Geertz (1973, p. 5) eloquently observed, "Believing, with Max Weber, that man is an animal suspended in webs of significance he himself has spun, I take culture to be those webs, and the analysis of it to be therefore not an experimental science in search of law but an interpretative one in search of meaning".

The importance of culture in the study of corporate corruption is obvious: in defining what is appropriate and good, culture defines the line between correct behavior and corrupt behavior in the minds of organizational members. However, in any social group, the violation of some norms, values, and rules will be condemned, but the transgression of others will be overlooked (Vaughan, 1999). This degree of sanctioning is also culturally conditioned making the link between culture and corruption a complex one.

National cultures and corruption. The influence of national culture on corporations, both at their headquarters in their home country and in their operations in the countries in which they operate, is well established in the international business literature. This influence, of course, extends to corruption, and writers have made strong claims that "[h]igher levels of informal corruption commonly occur in environments where culture, tradition, history, and social norms reflect an acceptance and perhaps even encourage lower standards of ethical behaviors that at best result in neutralizing firms' attempts to enforce formals standards" (Keig, Brouthers & Marshall, 2015, p. 97).

Scholars generally agree that widespread petty corruption is positively correlated with more significant corporate corruption. In fact, some authors have argued that this is a causal relationship. For example, Keig et al., (2015, p. 90) observe that for multinational enterprises "a continual flow of smaller, frequently occurring, common, local, corruption experiences, observations, and perceptions" leads to higher levels of corporate corruption both in terms of a larger transaction between individuals with significant formal power and in terms of everyday "interactions between the firm's employees, suppliers, customers, public, and other stakeholders".

It is also important to highlight that corruption is perceived differently in different countries and culture is one explanation for these differences. Culture has been linked to enabling or encouraging corruption (for example, the role of *guanxi* in corporate corruption in China) at a national level. Studies on the relationship of culture and corporate corruption have been conducted at the national or regional levels range in a range of countries including Colombia, South Africa and USA (Bernardi, Witek & Melton, 2009), Japan (Black, 2004), Russia (Venard, 2009), Korea (Horak, 2018), China (Huang & Rice, 2012; Steidlmeier, 1999; Zhou, Han & Wang 2013) and also in broader regions of the world such Asia and Africa (Birhanu, Gambardella & Valentini, 2016; Dela Rama, 2012).

Many empirical studies of national culture and corporate corruption use the dimensions of culture developed by Hofstede (1980, 1991, 2001) to explore how culture impacts corruption. Other studies focus on the importance of history in explaining these corrupt social practices. For example, when dealing with long-ingrained practices such as *guanxi* in China (Smart & Hsu, 2007), scholars argue that *guanxi* has played an important role in China as an informal governance mechanism that has been far more important than formal procedures and rules. But, from a Western perspective, these practices are seen as a violation of bureaucratic norms and therefore a form of corruption. This also relates to the question of gift-giving more generally, as is common in many cultures, which functions as a bonding mechanism in society rather than a negative element or exchange of power and influence. Gifts can contribute to increased cooperation and reciprocity, yet can be seen as corrupt from a developed, Western point of view when they create a social debt (Mauss, 1990).

Organizational cultures and corruption. Culture is not simply something that occurs at a societal level. Organizations also develop cultures and there is a growing literature on the role of organizational culture in facilitating or preventing corrupt behaviors. Organizational culture, in a commonly cited definition, is the "pattern of basic assumptions which a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration, which have worked well enough to be considered valid, and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems" (Schein, 1985, p. 14).

In just the same way that societal culture shapes corruption, organizational culture plays a central role in how likely corruption is to occur in an organization. For example, organizations that have an overly competitive culture can foster organizational misconduct, rule-breaking, and corrupt activities (Zahra, Priem & Rasheed, 2005), as can a culture which encourages setting unrealistic financial goals (Vaughan, 1983). The recent VW diesel emissions scandal is a compelling case in point.

The role of organizational culture in corporate corruption is an important counterbalance to the idea that actors decide to be corrupt based simply on a rational calculation of risks and benefits. While organizational culture doesn't determine whether corruption occurs within a company, it plays a centrally important role by providing a context where corruption is likely or unlikely: "as abundant interdisciplinary literature and case studies have suggested, seeking for a general ethical standpoint in business relations is one thing, creating the environment in which an organization builds up a compliance and integrity culture is another" (Torsello, 2018).

There is also a growing literature on how to change culture in order to discourage corruption. To change a corrupt culture, it may be necessary to modify ingrained habits and practices:

> [E]ndemic corruption requires changes in both the symbolism and substance of corrupt institutional orders—through the creation of alternative identities that cognitively and morally frame action differently, and through the development of noncorrupt habits and practices rooted in such newly constructed frameworks of meaning." (Misangyi, Weaver & Elms, 2008, p. 751)

Other studies of corrupt corporate cultures have focused on the context of international business (see Cuervo-Cazurra, 2016 for a review), where it is used to examine corruption cross-culturally and, in particular, to understand the problems that multinationals face when they encounter cultural differences and contrasting local beliefs about what constitutes corruption.

Summary and limitations. The corruption as a cultural norm perspective makes an important contribution to our understanding of corporate corruption. By highlighting the role of culture, this perspective brings to the fore a number of important questions about what corruption is and how cultural differences create important differences in understandings of what constitutes corruption and in terms of what reaction is appropriate when corruption is uncovered. At the same time, cultural perspectives can too easily blame corruption on culture and relieve individuals of responsibility. It can also result in a form of cultural relativism where corruption is defined by the local culture and as a result "anything goes".

Corruption as a Moral Failure

From this perspective, corruption is understood as rooted in a failure to apply ethical principles correctly and researchers seek to understand the failure of moral reasoning that led to the corrupt act. Based largely on moral philosophy, at the core of this perspective is the idea that what is corrupt can be defined *a priori* and the agreed principles applied in any situation. For instance, from this perspective, a moral failure occurred when the US business community complained that "U.S. firms were often put at a disadvantage in bidding for international contracts since their international competitors did not face such penalties for bribery, and that foreign competitors could often deduct bribes as a legitimate business expense" (McKinney & Moore, 2008, p.105). Clearly, from an ethical perspective, losing international competitiveness should not be a consideration when thinking about the moral wrong of paying bribes. Being ethical is not a matter of costs and benefits.

Exceptions notwithstanding (e.g., Li, 2009), most management research takes a highly negative stance on corruption, describing it as morally reprehensible, treating it as a moral failure, or a "social disease" (McKinney & Moore, 2008; Nielsen, 2003). This negative portrayal of corruption is often based on a particular moral philosophy – universal, Kantian type rules– with little engagement with other moral philosophies and ethical frameworks.

For instance, bribery has long been illegal and publicly frowned upon in Germany. However, up to 1995, international (but not domestic) bribes were considered to be tax-deductible by corporations (OECD, 2011), creating a tax subsidy for companies acting in corrupt ways outside of Germany that were considered immoral in Germany. At Siemens, a German multinational conglomerate, bribery was described as its "business model" and "line item" before it got caught and ended up paying $1.6 billion in one of the largest fine for bribery in modern corporate history (Schubert & Millers, 2008). Thus, before the new legislation arrived to prohibit this practice, German law shielding corrupt practices abroad by

German firms, violated the Kantian categorical imperative: “Act only according to that maxim by which you can at the same time will that it should become a universal law”.

Ethical decision making. Ethics relates to “right and wrong, moral duty and obligation, moral principles and values, and moral character” (Beck, 2002, p. 13). These principles are primarily developed during an individual’s process of cognitive moral development (Blasi, 1980). Thus, ethical decision making is the process through which individuals use their moral principles to determine whether a certain action is right or wrong.

Studies taking an ethical perspective on corruption have addressed the relationship between “ought” and “is” in ethical philosophy, where the discrepancies between the values and practices of corruption are taken into account as in logical positivism, and the two are not treated as naturally consistent as they are in pragmatist philosophy (Gelbrich, Stedham & Gäthke, 2016). Differentiating “ought” and “is” helps explain that it is not just cultural dimensions (e.g., power distance, individualism vs. collectivism, etc.) that explain corruption propensities, but also corruption types such as whether it is pervasive or arbitrary, leading to different prescriptions on how best to manage corruption in different contexts (Gelbrich et al., 2016).

Various moral philosophies provide different, and sometimes conflicting, bases for what is considered ethical, making the process highly complex. Coping with ethical complexity is often inevitable and, at times, the unwelcome task confronting managers (Treviño & Weaver, 2003). Ethical complexity describes situations where disagreements occur over which norms and values are at stake, or which ethical principles should be given priority (Gehman, Trevino & Garud, 2013). For example, when does a tip to show appreciation for good service become a bribe? How should this decision be made?

Because of indeterminacy and equivocality, no predefined universally accepted or Kantian principle can completely resolve moral ambiguity and ethical complexity (Clegg, Kornberger & Rhodes, 2006). The particulars of any given situation or context are mutable, indeterminate, and nonrepeatable. However, this does not mean that any or every kind of behavior can be justified in morally complex situations such as grey areas of corruption. Moral standards are socially and culturally constructed, and different societal contexts can have diverse and multiple moralities. Thus, in some cultures, petty corruption may be acceptable and even justified due to its role in enabling social exchange or compensating people on low incomes.

Multiple moralities. To accommodate multiple moralities, discourse ethics, and its more pragmatic variant of deliberative democracy, has sought to bridge universalistic and particularistic perspectives (e.g., Habermas, 1992; Scherer & Patzer, 2011), where no norm or principle can, a priori, be regarded as morally superior. The deliberative approach to ethics emphasizes debate over contentious ethical issues, whereby ethical meaning is established intersubjectively through rationally achieved consensus (e.g., Habermas, 1992). Whether a belief or a practice can be regarded as corrupt can be evaluated from an "ethics as sensemaking" (Reinecke & Ansari, 2015) perspective, whereby actors need to make decisions based on a sensemaking process (Weick, 1995). At times, what may be seen as corrupt practices such as giving extra money or expensive gifts in return for say better service, may be morally justified by being framed as acts of generosity or charitable giving. The resolution of ethical dilemmas lies in communication and consensus, not in the straightforward applications of a rule.

From this perspective, the widespread moral condemnation of corruption based on a "good-bad" dichotomy impedes research by not allowing an objective examination of the concept. Not all decisions to engage in corruption may be intrinsically "bad" and to refrain from corruption inherently "good." The same practices may have different meanings in particular contexts. For instance, corrupt practices may be rooted in "Confucian" ideals of connectivism, reciprocity, and personal ties of obligation (Smart & Hsu, 2007; Yang, 2002) and may not just be morally acceptable but also functional and socially cohesive for a society (Torsello & Venard, 2016). As we mentioned above, gift giving in China forms part of being in a network of personal relationships (*guanxi*), where nurturing these relationships and strengthening the trust, caring, reciprocity and commitment between the parties are considered to be a "moral" obligation (Steidlmeier, 1999). However, in other contexts, the same action could easily be interpreted as a bribe.

Summary and limitations. The corruption as a moral failure perspective focuses on the ethical and moral dimension of corporate behavior and seeks to define what corrupt behavior is and how individuals can engage in good moral decision making in order to avoid corrupt behavior. This perspective is rational, yet far from the rational decision-maker who simply weighs up the benefits and costs of a certain path. From this perspective, the decision to be ethical should be made without recourse to any consideration of benefits or costs. Instead, one should do the right thing because it is the right thing and there is always a right thing if we apply the right ethical principles in a situation.

The corruption as a moral failure perspective is an important part of the discussion of corporate corruption as it brings an emphasis on the moral correctness of behavior and on the role and moral responsibility of the individual. This is particularly important as it means that ethical decision making can be deliberated, principles agreed, and better decision making potentially taught. In this way, this perspective has important theoretical, practical, and pedagogical implications.

Conclusion

The four perspectives we identified are different, yet, for the most part, complementary. They provide alternative and practical views on important aspects of corporate corruption. They are also interesting to us here as they include a distinctly corporate perspective that provides insights into how corruption happens in corporations or between corporations and governments or other organizations. We provide a summary of our taxonomy in Table 2 below.

Insert Table 2 about here

CORPORATE CORRUPTION: A RESEARCH AGENDA

Up to this point, our focus has been on defining corporate corruption and exploring the existing research on the topic. But differentiating corporate corruption from corruption more generally provides opportunities not only to map the landscape of the existing literature in a new way but also to explore new research directions for management research.

In this section, we will discuss some of the more interesting gaps in the study of corporate corruption that we have identified within the four existing theoretical perspectives presented earlier. We structure this discussion using the three different contexts where most corporate corruption occurs – within corporations, between corporations, and between corporations and governments.

Corruption as Rational Action.

Rational action is the dominant theoretical perspective in the study of corporate corruption and there is an extensive literature examining a range of topics related to this perspective. Although many of the central questions have received considerable attention, more nuanced areas still deserve further research. We will focus on a few of the more promising areas for further research here.

Beginning with research that focuses on corruption within corporations, scholars can draw on the rational action perspective to explore how reputational concerns among peers and stakeholders affect an agent's incentives and cost-benefit analyses to engage in corruption (Singh, 2017). For example, large shareholders, such as pension funds and sovereign wealth funds, are likely to be unwilling to risk their reputation by engaging with companies suspected of corruption (Barnett & King, 2008). How does this affect the calculations of costs and benefits by managers and what factors change this calculation?

Alternatively, if a corporation is embedded in a corrupt field, it might simply comply with “industry standards” and as a result miscalculate the risk of engaging in corruption by narrowly focusing on the company and its competitors rather than including broader stakeholders who may be powerful (Mitchell, Agle & Wood, 1997). It is also possible that companies and executives have an “optimism bias” (Flyvbjerg, 2008; Tversky & Kahneman, 1974) and underestimate the broader risks involved. How these sorts of factors affect decisions to engage in corruption are important areas where management scholars can contribute.

It would also be useful to look at the outcomes that result from the exposure of corruption in companies and how agents within companies calculate the potential impact of being found out. On one hand, some companies get away relatively unscathed when corrupt business practices are exposed. For example, the business development team of Airbus (2020) was caught engaging in corrupt acts – in this case, bribery to win contracts – and the company recovered quickly. They paid a fine and, as the news coverage died out, the company's stock price recovered. The firm suffered little lasting damage. On the other hand, Odebrecht, one of the 10 largest construction companies in the world at the time (2014), was caught in a corruption scandal and was forced into selling substantial assets and filing for bankruptcy protection. While studies from a rational action perspective consider the corporate risk of being caught from acts of corruption, it would be useful to examine both what factors affect the degree of damage that firms suffer when corruption is exposed and also how actors estimate the potential damage of being caught engaging in corrupt practices.

Moving to phenomena that occur between corporations, economists have extensively examined collusion among corporations to maximize profits through cartels and trusts. However, fewer studies focus on inter-firm corruption in supply chains and we believe there is a real opportunity for researchers to examine this important area. A growing body of research has begun to develop looking at the dark side of business-to-business practices, and one interest of these researchers is corruption in supply chains (Sharma, 2020). But much more work is needed. How should firms evaluate the risk of corruption in their supply chains? And, even more fundamentally, if corruption is suspected in a supply chain over which a firm has limited control, how should the corporation manage the risk? Furthermore, as supply chains become more complex with the advent of new technologies and innovations in supply chain management (Roy, Sivakumar & Wilkinson, 2004), how will these technologies affect the probability of corruption? More positively, can these new technologies help reduce or even eradicate corruption?

Finally, moving on to the relations between corporations and government, this is an area where it is somewhat more challenging to identify new research topics as corruption in government has received so much attention and much of that attention has included the companies involved. At the same time, as we discussed earlier, our definition of corporate corruption reverses figure and ground and in doing so exposes new areas for research. First, while the rational action perspective has been used at length to understand why government officials are corrupt in particular circumstances, the same questions have not been asked as rigorously about corrupt actors. In particular, when firms act to corrupt governments (rather than simply responding to a context where corruption is the norm), what factors lead managers to decide to begin acting corruptly? While there has been some research looking at the likelihood of firms from corrupt contexts corrupting governments when they enter new countries, the initial decisions to attempt to corrupt governments deserve attention as these critical moments best match the assumptions of the rational actor perspective. These moments are particularly critical as they can set a firm and a government on a path to ever deepening corruption.

Second, and perhaps more interestingly, with the rollback of the welfare state corporations have begun to play a more active role in the self-regulation of their supply chains (Scherer & Palazzo, 2007). More specifically, there is been an increase in the role of voluntary industry codes and public disclosure of activities by firms which often involves governments in some way. Yet, we know little about the effectiveness of this sort of activity in reducing corruption and this is an important future area of research. For example, the "conflict minerals" amendment to the *2010 Dodd-Frank Act (USA),* Section 1502 declared gold, tin, tantalum, and tungsten were "conflict minerals" and mandated US-listed companies to voluntarily disclose whether they sourced minerals from conflict zones. This measure, while not legally binding, led to competition among corporations such as Intel and Phillips to top the reputation tables on the ethical corporate use of conflict minerals and show greater transparency in their sourcing practices (Reinecke & Ansari, 2016). To what degree did this reduce corruption in their supply chains? What other strategies can be deployed to eliminating corrupt practices in supply chains through multi-stakeholder cross-sector initiatives and a more active role of corporations in regulation and governance?

Corruption as an Institutionalized Practice

Corrupt practices that have become institutionalized in an organizational field are one of the most challenging problems facing those fighting corporate corruption. By definition, institutionalized practices are resistant to change and, therefore, institutionalized corrupt practices are difficult to change or replace with other practices, and purposefully changing institutionalized practices is complex and uncertain (Dacin, Goodstein & Powell, 2002). While some research has been done on corruption from this point of view, and much is known about institutional practices more generally, there is still much work to be done in this area. This is, therefore, an area where management researchers can significantly contribute although much work remains to be done to connect the well-developed literature on neoinstitutional theory to corporate corruption.

Looking within corporations raises an important question about how institutionalized practices, once adopted, are protected from pressures for change. We know from work in neoinstitutional theory that changes in the institutions that characterize a field may only be adopted “ceremonially” by organizations as organizational members protect the “technical core” of the firm from disruption by the new practice (Tolbert & Zucker, 1983). But how and when does this decoupling happen with anti-corruption efforts? When is the corrupt technical core of the organization protected from the new anti-corruption practices and by whom?

For example, it has become common for large corporations to appoint anticorruption agents to safeguard the corporation against corrupt practices. These agents generally form part of the team dealing with activities like compliance, legal, risk, and internal audits. This practice has become so widespread that it is arguably institutionalized in many organizational fields. Yet existing institutionalized corrupt practices seem to be able to co-exist alongside this new practice despite the purpose of the new practice being specifically to drive out corrupt practices.

Managers at Siemens, for example, opened several parallel offshore accounts and engaged in corruption at multiple levels despite having anti-corruption teams in place (Schembera & Scherer, 2017). An important question, therefore, is how anticorruption agents can be empowered within organizations to break the stranglehold of deeply embedded and highly institutionalized corrupt practices? Furthermore, what is the role of different stakeholders in this process? How do we make sure the new practices that are becoming institutionalized in the organizational field are adopted in the technical core of the firm?

Moving to phenomena that occur between corporations, there are several different areas that this perspective highlights where management researchers can contribute. First, all corporations follow accounting standards and periodically engage professional service firms such as the "Big 4" to audit firm activities and ensure accountability. However, in an increasing number of cases, professional service firms have failed to uncover even widespread corruption. As Gabbioneta et al. (2014, p. 16) argue, "though these firms usually did not … wittingly and actively participate in fraud, they nevertheless failed to perceive and expose it". Neoinstitutional theory provides a useful theoretical frame for examining why "regulatory gatekeepers, collectively, fail to uncover and expose sustained corporate corruption" (Gabbioneta et al., 2014, p. 16). Networks of professional services firms sometimes get things wrong and the role of institutionalized practices that may not themselves be corrupt in allowing corruption to go undiscovered, is an important area of research to better understand corporate corruption.

Second, when corruption becomes standard business practice across an industry, the resistance to change becomes extremely difficult to overcome and there are few cases of government regulators and anticorruption advocates succeeding in this instance. This situation – sometimes referred to as a "bad orchard" or a "bad cellar" to distinguish it from the much simpler problem of an individual "bad apple" or "bad barrel" (Muzio, Faulconbridge, Gabbioneta & Greenwood, 2016) – has received little attention to date. A neoinstitutional perspective is particularly useful in this sort of situation. But more research is required to understand the institutional barriers to change in this context and the levers that exist for reducing corruption once it is deeply institutionalized in an organizational field.

Additionally, more research is needed in contexts that are characterized by high levels of institutionalized corruption and low levels of institutional development, such as tradespeople and micro-entrepreneurs that operate in "institutional voids" (Mair, Marti &

Ventresca, 2012) in many urban areas around the world, and especially in countries where the informal and unorganized sector is a substantial part of the economy (Webb, Tihanyi, Ireland, & Sirmon, 2009). An institutional perspective can be usefully deployed to study corruption in these kinds of contexts that have so far received scant attention in our field.

Finally, looking at the relationship between corporations and governments, studies demonstrate that corporations who do business in a home context characterized by corrupt relations with their home government develop a set of capabilities for dealing with government corruption (Mellahi, Frynas, Sun & Siegel, 2016). Once this capability in dealing with corrupt governments is honed and deeply embedded in the firm, it can impact the corporation's internationalization strategies, where they have to deal with foreign governments. Will these corrupt corporations have higher or lower propensities to conduct FDI? Conversely, do more socially responsible firms that might not have such skills or expertise deliberately select countries with lower levels of corruption for their internationalization ambitions? (Keig et al., 2015). Questions about how institutionalized corruption in a corporation's home country affects their dealings with other governments deserve more scholarly attention.

Corruption as a Cultural Norm

There are extensive literatures in management on both the influence of national cultures on organizations (Chen, Leung & Chen, 2009) and the important role of organizational culture (Giorgi, Lockwood & Glynn, 2015) in organizational and interorganizational activity. As national culture and organizational culture can impede or facilitate corporate corruption, there are many opportunities to further explore the role of culture in corruption in and around corporations.

Within corporations, a culture of corruption may develop where "employees see corruption as a customary behavior" (Campbell & Goritz, 2014, p. 292). Furthermore, when cultures of corruption develop it is not uncommon that much of the corrupt activity may be for the benefit of the company rather than particular individuals. But how do cultures of corruption develop and what are the characteristics of these cultures? Taking a broader view, surprisingly little has been done to understand the connection between organizational culture and corruption and this is an area where management researchers can contribute significantly to our understanding of corruption in an organization and to thinking about how to deal with a culture of corruption once it has appeared.

At a national culture level, research has shown that culture affects both the incidence of corruption (Sims, Gong & Ruppel, 2012) and perceptions of corruption (Guerber, Rajagoplan, & Anand, 2016). Furthermore, there are many different aspects of national culture that affect the likelihood of corruption and there is some evidence that national culture also moderates the effects of anticorruption efforts (Smits, 2013). Yet many questions remain. For example, if gift-giving is part of national culture, does that necessarily translate into a higher propensity to engage in questionable activities at the corporate level such as expensive gifts to curry favors? Also, different models of corporate governance such as Continental European and Anglo-American models (Fiss & Zajac, 2004) are closely linked to national culture. Do they lead to different levels of corruption? It is also important to understand how the culture at national and organizational levels affect anti-corruption programs. Put another way, how should these programs and practices be adapted for different national cultures?

Finally, there is an interesting connection between different dimensions of national culture that could be investigated. For example, in some cultures and political contexts, people experience certain emotions such as shame and “losing face” or fear of retribution from exposing acts of corruption. These emotions are differentially perceived by different cultures (Creed, Hudson, Okhuysen & Smith-Crow, 2014). Studies can explore how culture affects the willingness to "blow the whistle" on acts of corruption and, conversely, influences the propensity to accept corrupt actions and look the other way even when corruption is obvious.

Looking at corruption between corporations, many parallel research opportunities exist. National culture and organizational culture shape the interactions between companies whether they are part of a supply chain or competitors. How does national culture affect the likelihood of corruption in supply chains? How does national culture affect interactions between competitors? What role does organizational culture play in making corruption in supply chains more or less likely? This becomes critically important when looking at supply chains that span multiple countries and that are, therefore, exposed to multiple national cultures. How do these cultures affect the probability and type of corruption and how does the cultural difference along the supply chain affect the likelihood of corruption? For example, will the involvement of firms from low corruption countries reduce corruption in the supply chain or simply lead to more covert forms of corruption?

Moving on to the relationship between corporations and the government, national culture and organizational culture are key factors in both the likelihood and acceptance of corruption. The role of national culture has received some attention (e.g., Husted, 1999) although many questions remain. The role of organizational culture in increasing the chance that a corporate agent is involved in corrupt dealings with government remains largely unexamined (Campbell & Goritz, 2014). Are there assumptions, values, and norms that are part of certain organizational cultures and that make corrupt dealings with government more likely? Are there assumptions, values, and norms that make corrupt dealing with government less likely? There is real potential for researchers working on national culture or organizational culture to provide deeper insight into corruption between firms and governments and how it might be reduced.

But there is also a subtler "second-order" corruption that involves corporate leaders influencing the government to change laws in favor of their corporate interests (Zyglidopoulos, 2016). The culture at a national level plays an important role in this activity as it defines a particular country where the boundary between lobbying and corruption lies. This can differ dramatically from country to country. Similarly, leaders often move from business to politics and back again, potentially with time in government benefiting their businesses. What is acceptable behavior in one national context may not be at all acceptable in another. Other leaders keep their government positions while also retaining corporate leadership positions. Yet the corporate aspect of this practice of "straddling" and when it is seen as acceptable and when it is seen as inappropriate has hardly been explored by management scholars.

Corruption as a Moral Failure.

Corruption as a moral failure perspective focuses on understanding the ethical principles underlying moral action in corporations and the way ethical reasoning is carried out by managers. It also focuses on the ways in which corrupt acts and the guilt and sense of wrongdoing are justified by corrupt managers. There has been a limited amount of research done on these questions, but many opportunities exist for management researchers to further contribute.

Beginning with moral and ethical practices in corporations, there are a number of areas that deserve further research. First, can an organization be constructed to reflect a strong ethical framework in order to reduce the chance of corruption? Azim and Kluvers (2019) propose a model to do just that based on a study of the Grameen Bank in Bangladesh. But while this work provides some insight into how this might happen, there is much more work to be done to understand how strong ethical frameworks and ethical decision-making can be integrated into organizations. Furthermore, what about existing firms? Can an existing firm be restructured to make it more ethical? Management research on the structure, process, routines, and other aspects of organizations are all relevant to this question and could profitably be brought to bear to address this question.

Second, while family business is a common form of business globally, there are important ethical dilemmas that occur in the context of family businesses that have received little attention from management scholars. For example, while nepotism is included in most definitions of corruption, few studies have examined the relationship between nepotism and corruption. For example, it would be very interesting to examine internal promotion procedures in family businesses as there are difficult to reconcile trade-offs between the job competencies of a new external hire versus the level of trust or familiarity that management has with family members. When is it morally justifiable to hire or promote family members in these contexts? And how do ethical dilemmas of decisions to choose between family loyalty to family members versus fairness to non-family play out in family firms? The ethical question of when preferential treatment for the family becomes corruption and who benefits and who suffers in this is a promising research avenue.

Many interesting ethical questions also exist in the relationships between corporations. Corporations in many industries are becoming increasingly intertwined and interdependent leading to higher levels of collaboration and partnering. But how can collaboration be differentiated from collusion in inter-firm networks? While collusion is a legal issue, at times, it not easy to distinguish between collaboration and collusion. The same goes for “inside trading” – a form of private corruption that relies on insider’ knowledge to take an unfair advantage in trading securities, and while illegal, it is difficult to eliminate information asymmetries in these contexts. Few studies have examined the moral dimensions of these practices.

Perhaps even more interesting are the issues that arise around the responsibilities of ethical corporations to ensure the provenance of their supply chains. One area where this problem has become very public and visible is around “conflict minerals” (Hofmann, Schleper & Blome, 2018). What are the ethical principles that a company should apply? And how can they manage a supply chain that is both efficient and ethical? The challenges around the ethics of supply chain management are a great example of the opportunities to apply management research to corruption in the relations between corporations.

Finally, there are important opportunities for management researchers to contribute to the extensive literature on corruption in the relations between corporations and governments. Again, as discussed in earlier sections, while the literature on corruption in government is well developed, there are opportunities to contribute by reversing figure and ground and focusing on the role of corporations in corruption in government. While the existing corruption literature talks extensively about the motives and ethical reasoning of government officials, there is little work done on the ethical issues that surround the corporate partner in these arrangements.

For example, there is a limited amount of research on the motivations and ethical reasoning of corporate managers in corrupt interactions with governments. While recent research has found that the motivations of corporate employees and government officials were similar (e.g., Gorsira, Denkers & Huisman, 2018), there remains much to be done to understand more completely how managers in firms decide to engage in corruption with government officials and how they make sense of their decision afterward. Researchers looking at decision-making and motivation in management have much to say about the topic of motivation and have the opportunity to focus on decisions to act corruptly and contribute an important perspective to our understanding of corporate corruption and its effects on government.

Second, one of the common corporate responses to ethical breaches is to mandate or encourage corporate employees to take some form of ethical training. From the viewpoint of ethicists with an interest in corruption, this is, of course, strongly supported. Governments also encourage this type of training as they believe it will reduce corruption. However, the question has arisen as to whether or not ethical training for managers helps? Currently, "both researchers and practitioners still have a limited understanding of the effectiveness of anti-corruption training efforts" (Hauser, 2019, p. 282). Researchers who are working to understand the impact of management education have much to contribute here both regarding whether it is effective and how to make it as effective as possible.

Summary. In the table below (Table 3), we summarize the four theoretical perspectives at different levels of analysis and identify areas of research that have been well-explored and those that are less explored and therefore of more potential interest to management scholars.

Insert Table 3 about here

OPPORTUNITIES AND CHALLENGES IN CORPORATE CORRUPTION RESEARCH

In this section we will discuss several research areas within management that we think have particular potential but where corporate corruption has received relatively little attention to date from management researchers. More specifically, we discuss the potential for research on corporate corruption by researchers from entrepreneurship, technology and innovation management, CSR, and stigma and deviance. In addition, we will discuss the methodological challenges that face corporate corruption researchers. The nature of corporate corruption makes gaining research access and data availability significant problems that remain to be solved.

Integration of Corporate Corruption studies with Existing Research

In this section, we build on the gaps uncovered in our literature review but move on to discuss some more ambitious ways to develop new lines of inquiry in the study of corporate corruption. We discuss the possibility of investigating corporate corruption while drawing on existing and well-developed theoretical areas in management like entrepreneurship, innovation, CSR, stigma, and organizational deviance. From our literature review and analysis, we observed that these are areas have received little attention, but we believe they hold real promise in the development of new streams of research on corporate corruption.

Corporate corruption and entrepreneurship. While research in entrepreneurship has grown rapidly in the last decade, the topic of corruption has received surprisingly little attention. There are some exceptions such as Anokhin and Schulze (2009) who use a rational perspective to study corruption and entrepreneurs' decision making but the intersection of corporate corruption and entrepreneurship has been largely ignored. We believe that this gap needs to be redressed as corruption has a significant impact on entrepreneurship and innovation.

While entrepreneurship may create wealth, jobs, and provide new products and services that improve everyday life, this is far from being universally the case. In many parts of the world, not only are many entrepreneurs corrupt, but entrepreneurship is often highly corrosive of the institutions that support fair and regulated markets. Rather than driving innovation and development, in much of the world, corrupt entrepreneurs are a significant factor in restricting innovation and development. Yet, these negative impacts of corrupt entrepreneurship have hardly been acknowledged by entrepreneurship researchers, especially in terms of the informal economy (Webb et al., 2009), and raise several important questions for further research that can draw on several theoretical perspectives.

First, why do some entrepreneurs engage in corruption? Mayer, Siegel and Wright (2018, p. 516-517), while noting that "defining an entrepreneur is notoriously difficult", emphasize that it is not just about being self-employed or about firm size, but rather that "entrepreneurship involves the discovery of pre-existing opportunities or the creation of new opportunities that previously did not exist, rather than just the formation of new companies." Why do some entrepreneurs identify opportunities that involve corruption while other entrepreneurs in the same context do not? Understanding why the entrepreneurs who engage in corruption do so is an important first step in addressing and stamping out this problem. An initial intuitive way of looking at this problem is with a rational "what causes what" perspective.

Second, it is clear from studies of areas dominated by corrupt entrepreneurs that it is difficult, if not impossible, to create a non-corrupt business in a system where corruption is rife, pervasive and taken-for-granted (Nielsen, 2003), or even tolerated or encouraged by the government (Rodriguez, Uhlenbruck & Eden, 2005). Understanding more about how to create legitimate businesses in corrupt contexts is another area that deserves attention from researchers. A cultural perspective can be useful to study corruption in such contexts.

Third, entrepreneurship scholars have an opportunity to contribute to our understanding of how the government can identify and reform "bad apples." If new ventures engaging in corrupt business are identified, it is important to reform the business in a way that preserves jobs and revenues and relationship building but also eliminates corruption. But how should the government, or other actors respond? What levers exist to move a business into less corrupt activities? These are questions that tie to many of the theoretical perspectives we have discussed.

Corporate corruption and innovation. Innovation can happen in start-ups or established firms and corruption negatively affects both types of firms. Corruption is also a hindrance to innovation as it allows firms to avoid regulations and sell substandard goods. However, Krammer (2019) recently argued that there are positive impacts of corruption including "greasing the wheels" and therefore speeding up the process of innovation. This counterintuitive finding, using a rational action perspective, highlights the need for more research on the nexus between innovation and corporate corruption to understand how and under what circumstances corruption may have positive and negative impacts on innovation. Research can further explore how adopting questionable tactics (e.g., erecting entry barriers to deter competitors, avoiding labor taxes, or relaxing safety standards and sidestepping regulations) affects the performance of innovators in these markets.

Furthermore, a key step in addressing the grand challenge of corruption is the development of better anti-corruption technologies. Emerging digital technologies can be applied to expose and prevent corrupt practices. Management scholars, mostly in ICT, have deployed a corruption as institutionalized practice or corruption as rational action perspective to study how technologies can increase the transparency of practices and mitigate corruption (Bertot, Jaeger & Grimes, 2010). But we believe there is also interesting work to be done around emerging technologies like blockchain and artificial intelligence. Studies should examine how these technologies can track and increase transparency across transactions to expose and prevent corporate corruption and reduce corruption opportunities. Access to digitized organizational records may reveal systematic patterns, network dynamics, communication structures, and concealment tactics. Therefore, this area offers a fertile research avenue and we hope management scholars will take up the challenge.

Corporate corruption and CSR. Another area where opportunities exist for management scholars to contribute to understandings of corporate corruption is the large and growing field of Corporate Social Responsibility (CSR) as well the closely related field of Corporate Political Responsibility (CPR). CSR focuses attention on the "social and environmental consequences” of corporate activities (Porter & Kramer, 2006, p. 1) and can be defined as “actions that appear to further some social good, beyond the interests of the firm and that which is required by law” (McWilliams & Siegel, 2001, p. 117). CPR focuses on how firms also operate “politically” interacting with governmental decision-makers (Den Hond, Rehbein , de Bakker & Lankveld, 2014).

Some limited academic work tied to corporate corruption exists in this area. Rodriguez et al. (2005) have looked at three aspects of multinational enterprises: politics, corruption, and corporate social responsibility using a cultural and institutional perspective. Keig, et al. (2015) also analyzed multinational enterprise social “irresponsibility” in corrupt environments. While on first blush, studies with an explicit connection between CSR and corporate corruption are limited, we believe that the connections are significant, and any work done to further explore the connections is worthwhile.

Corporate corruption and organizational stigma. Another research subfield in management that could be more closely connected to corporate corruption is the literature on organizational stigma. This literature focuses on an extreme kind of social disapproval defined as “a collective stakeholder group-specific perception that an organization possesses a fundamental, deep-seated flaw that deindividuates and discredits the organization” (Devers, Dewett, Mishina & Belsito 2009, p. 157). One of the common sources of “event stigma” (Hudson, 2008) is corporate corruption. Research in this area has the potential to contribute both insights into what happens to firms when corporate corruption is uncovered and also how the fear of stigma may work to prevent corrupt activities in the first place. Also, returning to our discussion of corrupt entrepreneurship, the concept of stigma raises the question of why corruption in some contexts is not stigmatized despite being illegal (for example, the Mafia in southern Italy). This seems a potential subfield that lends itself well to the *institutional* and *cultural* perspectives, but other perspectives can also be useful.

The literature on workplace deviance (e.g., Roulet, 2020) and organizational misconduct (e.g., Greve, Palmer & Pozner, 2010) are distinct but related streams of literature that overlap in potentially productive ways with the field of corporate corruption. In the workplace deviance literature, the focus is on "voluntary behavior that violates significant organizational norms and, in doing so, threatens the well-being of the organization or its members, or both" (Bennett & Robinson, 2000, p. 349); in the organizational misconduct literature, the focus is on "behavior in or by an organization that a social-control agent judges to transgress a line separating right from wrong" (Greve et al., 2010, p. 56). At least some aspects of corporate corruption fall within both of these areas and as such both of these areas of research are relevant to our understanding of corporate corruption. Using an institutional perspective, Voliotis (2017) has examined antisocial or unethical behaviors in organizations by looking at normative standards that determine deviance. It is important to avoid "re-inventing the wheel" when much insight into corporate corruption can be gleaned from these areas. In addition, there is an opportunity for researchers in these areas to begin to explicitly link their research to corporate corruption and to draw out the relevant contributions of their research to corporate corruption.

Methodological Challenges in research on corruption

While management researchers have the potential to make a significant contribution to the development of a deeper understanding of corporate corruption, it is also an area where researchers face significant methodological issues. The nature of corruption, and the contexts in which it occurs, are by their nature secretive, covert, and clandestine, and thus not easy to study. This is an area where management researchers will need to develop innovative solutions if corporate corruption research is to make the sort of contribution it has the potential to make. We will begin by describing the problem and then suggest some limited solutions.

First, for quantitative researchers, there are significant challenges around data availability and data reliability (Richards, 2017). While management researchers routinely use surveys to generate data for statistical analysis, this is often highly unreliable in corruption research as corrupt behavior is underreported due to the concerns about getting caught or retribution from colleagues accused of corruption. Similarly, little publicly available data exists and whatever does exist tends to be limited and based on self-report instruments that are generally unreliable. This makes quantitative research in this area highly challenging and solutions need to be devised to make research in this area work.

Second, for qualitative researchers, the nature of the context often makes traditional approaches to data collection either difficult, dangerous, or unethical. While there are calls for more qualitative case studies to develop a more nuanced understanding of corruption (e.g. Srivastava, Teo & Devaraj, 2016), interviews and participant observation are difficult in settings where corruption occurs. Respondents are not likely to be completely truthful given the nature of the topic. There are also ethical issues that arise if researchers find out about corrupt behaviors as there is a strong case that this knowledge should be shared with the relevant authorities. While these challenges are not new – sociologists and anthropologists studying illegal and immoral activity have faced since their inception as disciplines – they are particularly salient in this setting and care must be taken in designing research to ensure it is ethical, safe, and defensible to both those studied as well as colleagues, journals, and others.

The challenges around traditional approaches to data collection make some new approaches to research particularly relevant. There are, increasingly, transcripts of trials and investigations that various governments are making available and these can be very useful provided the context of their collection is taken into account (Gephart, 1993). Investigative journalists and the corruption they expose can be another valuable source of data such as the “Panama papers” and the publicly available prosecutor's reports based on them. Experiments in social psychology or behavioral economics can also bring insights into corporate corruption. While some corruption studies have been conducted at the individual level of analysis (Kubbe & Gross, 2017), these methodologies can also be fruitfully applied to corporate settings. Finally, various approaches to social media collection and analysis are highly useful in this sort of research and as little has been done using these alternative approaches to data collection and analysis, there are significant opportunities here.

CONCLUSION

Corruption is a topic of great theoretical interest across the social sciences and humanities and, even more importantly, of urgent practical importance for international institutions, national governments, and corporations. Corporate corruption – defined as the misuse of formal power by a corporate representative for organizational or private benefit – is an important type of corruption. Management research, with its well-developed theories of the corporation and established research methodologies, is in a unique position to contribute to enhancing our understanding of this important societal challenge. At the same time, for management research to have the sort of impact it has the potential to make, it is critically important that researchers recognize corporate corruption as a separate area of research and that we move towards a shared understanding of what constitutes corporate corruption, how existing research connects, and what issues are most pressing to investigate going forward.

Based on our review, we have pointed to some of the important new directions for research that our definition of corporate corruption reveals. In particular, building on the "corporate" focus on corporate corruption research, we have highlighted a set of research themes that require further investigation and integration with existing areas. However, perhaps the most important potential contribution of corporate corruption research is to inform practice.

Contributing to Practice

We believe that corporate corruption is a topic of significant theoretical interest and critical practical importance. We also believe this is an exciting research area where management researchers are in a unique position to contribute to solving an important global challenge. By bringing existing theories of organization and management to bear on the problem of corruption and using the well-developed tools in our methodological toolkit, management researchers have the opportunity to make a real contribution to improving what is a dire situation.

This is a particularly important point to emphasize as the challenge of relevance in management research is considerable. As Kieser and Leiner (2009, p. 516) argue, after being accused of lacking methodological rigor and a firm theoretical foundation in 1959, management may have "overcompensated." Management research became focused on rigor, but in the process lost some of its relevance for organizations, managers, or governments. By the first decade of the 21st century, the President of the Academy of Management was asking what the world would look like "If the Academy Actually Mattered?" (Hambrick, 1994) and Rynes, Bartunek, and Daft (2001) were writing about "the great divide" between management practice and academe. In other words, in working to become rigorous, management as an academic field has become too distant from practice and increasingly irrelevant for practitioners.

One solution to this problem is to pick questions that are relevant to practice and come up with good answers by conducting rigorous academic research (Vermeulen, 2005). By being rigorous about relevant questions, we can bridge the divide between relevance and rigor. The good news for research in corporate corruption is that this field of research is closely aligned with the needs and interests of governments, NGOs, companies, and citizens. It is highly relevant, rigorous, and high-quality research in this area that has the potential to have a direct effect "on life in organizations" as well as life in society more broadly. This is an area where more research can make a real contribution and we would encourage researchers interested in relevance to thinking about how their research might connect to and help understand and stop corporate corruption.

This is also a particularly good time for management researchers to take corporate corruption seriously as a research area. Consider how disruptive events and economic slowdowns such as the 2008 financial crisis and the coronavirus pandemic in 2020 affect corruption. Booms help corrupt managers conceal corrupt activities, while slowdowns can expose them (The Economist, 2020). Indeed, many corporate corruption scandals (e.g., Enron and WorldCom) of the past 20 years emerged in downturns. This is an area ripe for further research given the recent pandemic and its aftermath.

Final Comments

In closing, we hope we have succeeded in convincing readers that corporate corruption is an important area of research that deserves more attention from management scholars. While an integral part of the broader field of corruption research, corporate corruption has particular characteristics given the corporate context in which it (at least partially) occurs and management researchers are uniquely positioned to contribute to this area. The corporate aspect of corruption has, we believe, received insufficient attention and by focusing on it, management researchers can have a real impact on an important real-world problem that blights society and affects billions of people worldwide.

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TABLES

Table 1 – Different Academic Approaches to Defining Corruption

Field	**Unit of Analysis**	**Mechanism**
Economics	Individual	Cost-Benefit Maximization
Anthropology	Clan	Relations and Meaning
Sociology	Society	Social Structure
Political Science	Political System	Distortion of the Public Realm
Corporate Corruption	**Firm**	**Conditioned Decision-Making by Managers**

Table 2: The Different Perspective on corporate corruption

	Rational Action	***Cultural Norm***	***Institutionalized Practice***	***Moral Failure***
Basic Viewpoint	Corruption is viewed as resulting from a rational cost/benefit analysis by individuals	The role of organizational or national culture in enabling or discouraging corruption.	Behavior in organizations is strongly conditioned by the institutionalized practices in place in the organizational field.	It focuses on the way that individuals are able to engage in ethical dilemmas and immoral behaviors despite knowing they are wrong.
Mechanism	When the potential benefits of corruption outweigh the potential penalties, then they will be corrupted	Culture shapes understandings and provides norms that determine what corruption is and the degree to which it is sanctioned.	Firms respond to the cognitive, normative, and regulatory pressures of the environment	Ethical principles guide managers to make good decisions in complex situations.
Academic Fields	Economics and Political Science	Anthropology and Sociology	Sociology	Moral Philosophy

Table 3 – Summary table

Perspectives		**Research Within Corporations**	**Research Across Corporations**	**Research in Corporations and Government**
Rational Action	*Frequency of studies*	High	Medium	Low
	Example of Potential gap to be further explored	Reputation and risk calculations in a new ethical world of responsible investors (sovereign wealth funds, pension, etc)	Corrupt supply chains	Calculations made by companies when engaging in deals involving highly corrupt areas such as conflict minerals
Institutionalized Practice	*Frequency of studies*	High	Medium	Low
	Example of Potential gap to be explored	How to strengthen and make more effective compliance and anticorruption departments	Role of professional service firms in maintaining/fighting corporate corruption	How capabilities to dealing with corruption in the home country are exported/ translated when a corporation does dealing abroad
Cultural Norm	*Frequency of studies*	High	Medium	Low
	Example of Potential gaps to be explored	The different role of emotions in societies such as guilt in the spread of corruption	Lessons from corporations that resisted corruption and did not survive.	Corporate straddling between businessmen that become a politician
Moral Failure	*Frequency of studies*	High	Medium	Low
	Example of Potential gap to be explored	Is nepotism always a corrupt way of promoting staff when there is low trust in society	What are guilt and shame and their relationship to engaging in a corrupt act	How the government hires corporation that by engaging in corrupt practices benefits it. (Waste disposal for cheaper).

FIGURES

Figure 1 - Corporate Corruption as a Research Focus