

CORRUPT ORGANIZATIONS OR ORGANIZATIONS OF CORRUPT INDIVIDUALS? TWO TYPES OF ORGANIZATION-LEVEL CORRUPTION

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We focus on two fundamental dimensions of corruption in organizations: (1) whether the individual or the organization is the beneficiary of the corrupt activity and (2) whether the corrupt behavior is undertaken by an individual actor or by two or more actors. We use these dimensions to define a new conceptualization of corruption at the organization level: the organization of corrupt individuals. We contrast this conceptualization with the prevailing concept of organizational corruption and develop propositions that highlight their differences.

Corruption is a persistent feature of human societies, with the earliest references dating back to the fourth century B.C. (Aidt, 2003; Bardhan, 1997). More recently, corruption and its variants have been studied across a number of disciplines, including psychology, sociology, economics, law, and political science. Typically, each discipline tends to examine corruption from a particular level of analysis, be it the individual (e.g., psychology, economics), the organization (e.g., sociology), or the economy (e.g., political science). While management scholars have examined corruption at both the individual (e.g., Brass, Butterfield, & Skaggs, 1998; Jones & Ryan, 1997; Treviño, 1986) and organization (e.g., Baucus & Near, 1991; Brief, Buttram, & Dukerich, 2001; Hill, Kelley, Agle, Hitt, & Hoskisson, 1992; Sonnenfeld & Lawrence, 1978) levels, we argue here that the latter is underexplored.

Adopting a multilevel approach and drawing on a number of disciplinary perspectives, we develop an integrative conceptualization of organization-level corruption. We conceptualize and define a phenomenon we term an *organization of corrupt individuals*, which is essentially a scaling up of personally beneficial corrupt behaviors to the organization level. We then compare and contrast this new conceptualization with the prevailing conceptualization of organization-level corruption, which we label a *corrupt organization*, in which a group of employees carries out corrupt behaviors on behalf

of the organization. This approach answers the call of Ashforth and Anand (2003), who have urged investigation into the differences between corruption on behalf of the organization and corruption against the organization. We then parse the wealth of literature on antecedents of corruption to propose that these two phenomena share some common antecedents, which, at the same time, may operate differently in affecting the incidence and extent of each form of corruption. Finally, we develop a four-cell typology based on whether an organization manifests either, both, or neither of these two corruption phenomena.

The corruption literature, taken as a whole, is rife with inconsistencies and inconclusive empirical results (Albanese, 1988; Daboub, Rasheed, Priem, & Gray, 1995). We offer our typology of corruption as a way of clarifying theory and research at the organization level. We also aim to address why different types of organizations may manifest different corruption phenomena, or why attempting to control one form of corruption may unwittingly lead to the creation of the other. Our multilevel approach encompasses bottom-up and top-down corruption, both composition and compilation emergent processes, and both selection and socialization in organizations. Finally, we address the relatively small but important literature on criminogenic mechanisms—that is, mechanisms that produce or tend to produce crime or

criminal behavior. While this literature focuses almost exclusively on "crime-coercive" mechanisms, we focus more on "crime-facilitative" ones (Needleman & Needleman, 1979).

TWO DIMENSIONS OF CORRUPTION IN ORGANIZATIONS

The literature on organizational corruption is informed by such disciplines as economics, political science, criminology, sociology, and management, using a variety of theoretical perspectives. These perspectives include principal-agent models (e.g., Banfield, 1975; Klitgaard, 1988; Rose-Ackerman, 1975; Tirole, 1996), social networks (e.g., Brass et al., 1998; Nielsen, 2003), ethical decision-making frameworks (Ferrell & Gresham, 1985; Jones, 1991; Jones & Ryan, 1997; Treviño, 1986; Treviño & Youngblood, 1990), models of corporate crime (Albanese, 1988; Braithwaite, 1984; Clinard & Yeager, 1980; Pearce & Snider, 1995), and normalization of corruption (Ashforth & Anand, 2003; Brief et al., 2001; Gioia, 1992).

This variety in perspectives has resulted in a proliferation of distinct corruption conceptualizations that overlap on various dimensions.¹ While these various approaches have provided a rich body of literature on corruption, such diversity has also made it difficult to generate testable hypotheses regarding the nature, antecedents, and consequences of corruption (Simpson, 1986). Heeding Philp's (1987) admonition that no one has ever devised a universally satisfying "one-line" definition of corruption, we do not attempt to do so here. Instead, we bound our discussion by focusing on certain clear dimensions of corruption.

¹ Some corruption conceptualizations include government corruption (Shleifer & Vishny, 1993); corruption with and without theft (Shleifer & Vishny, 1993); cost-reducing corruption (Bliss & Di Tella, 1997); grand, bureaucratic, and legislative corruption (Jain, 2001); efficient and self-reinforcing corruption (Aidt, 2003); political corruption (Nice, 1986; Xin & Rudel, 2004); organizational corruption (Luo, 2004); and collective corruption (Brief et al., 2001). Common distinctions include differentiating between corporate and governmental crime (Clinard & Quinney, 1973; Douglas & Johnson, 1977; Finney & Lesieur, 1982; Johnson & Douglas, 1978), types of victims (e.g., Schragger & Short, 1978), types of beneficiaries (e.g., Banfield, 1975), types of violations (e.g., Clinard & Yeager, 1980), types of actors (e.g., Coleman, 1998), and intentionality of behavior (e.g., Baucus, 1994).

We develop our theory around the two most common and fundamental dimensions in the literature: (1) whether the individual or the organization is the beneficiary of the corrupt activity and (2) whether the corrupt behavior is undertaken by an individual actor or by two or more actors. According to Finney and Lesieur (1982), one of the basic dimensions around which scholars have sought to distinguish different forms of corruption is whether the violator acts strictly for private benefit or whether the beneficiary includes the organization itself. The management literature places less emphasis on this dimension (e.g., Ashforth & Anand, 2003), but we believe it is a critical concern, especially at the organization level of analysis. An organization may impose processes and structures to inhibit corruption against it, but the same organization may not discourage corruption on its behalf (Ashforth & Anand, 2003). Another important differentiation in the corruption literature centers on the level of analysis. Corruption is studied at either the individual level (e.g., as principal-agent dynamics in economics) or as a group acting in concert (e.g., sociology). We argue that exploring the relationship between these levels is useful because individuals engaging in personally corrupt behaviors, without necessarily colluding, also constitute an organization-level corruption phenomenon.

Dimension 1: Primary Beneficiary

We define the beneficiary of corruption as the actor deriving direct and primary benefit from the action. For example, even if individuals can benefit financially from corruption on behalf of the organization (e.g., through bonuses or high prices for their stock options), the organization is still the primary and direct financial beneficiary (Wheeler & Rothman, 1982). We focus our discussion on pecuniary benefits because they are more tangible, facilitating the exposition of the theory—especially with respect to explaining corrupt behaviors that benefit the organization. However, there are other benefits, such as the ability to gain power over others or to gain leisure time, which may have indirect monetary value or personal utility that can be used to understand how individuals benefit at the expense of the organization.

Two of the main streams of corruption research that describe individuals benefiting at

the cost of the organization are (1) the principal-agent literature in economics and (2) the deviance or unethical behavior literature in organizational behavior and business ethics. In the principal-agent model the agent, in exchange for compensation or gain of some sort, has an incentive to favor a third party at the expense of the principal (Banfield, 1975; Becker & Stigler, 1974; Klitgaard, 1988; Rose-Ackerman, 1975; Tirole, 1996). The beneficiary is the agent—that is, the individual. While corrupt behavior by individuals has not been studied as explicitly and extensively in the management literature, it is implicit in a substantial body of work examining a host of allied concepts. These include ethical decision making (Ferrell & Gresham, 1985; Jones, 1991; Jones & Ryan, 1997; Treviño, 1986; Treviño & Youngblood, 1990), unethical behavior (Brass et al., 1998), deviant workplace behavior (Bennett & Robinson, 2000; Robinson & Bennett, 1995), and antisocial behavior (Robinson & O'Leary-Kelly, 1998). This literature is similar to the principal-agent literature in that its focal unit is the individual acting for personal benefit. From the myriad deviant behaviors that are considered in the preceding literature, the ones most relevant to our discussion are those that involve clear financial benefit: stealing, embezzling, accepting bribes, and overreporting hours or expenses.

Corruption for the benefit of the organization has been conceptualized as illegal corporate behavior (Clinard, Yeager, Brisette, Petrashek, & Harries, 1979), unlawful organizational behavior (Vaughan, 1983), corporate crime (Albanese, 1988; Braithwaite, 1984; Clinard & Yeager, 1980; Pearce & Snider, 1995), business crime (Clarke, 1990), corporate fraud (Comer, 1998), and corporate and governmental deviance (Ermann & Lundman, 2002). As with the literature on individual workplace deviance, this literature encompasses a wide variety of corrupt behaviors, including polluting the environment, manufacturing and marketing unsafe products, corporate bribery, and corporate violence (Clinard, 1990). One common thread running through all these behaviors is that they are carried out by organization members, but the actions directly redound to the benefit of the organization and its owners/shareholders (e.g., Baucus, 1994; Daboub et al., 1995; Schragger & Short, 1978).

Dimension 2: Collusion Among Organizational Members

Much of the literature on corruption benefiting the individual does not focus on collusion among members of the organization (Brass et al., 1998; Ferrell & Gresham, 1985; Jones, 1991; Jones & Ryan, 1997; Robinson & Bennett, 1995). There are some notable exceptions: Chang and Lai (2002) develop an econometric model of organizational members colluding for individual benefit at the cost of the organization, and Mars (1974) provides empirical evidence of employees engaging in group theft (Ashforth & Anand, 2003).

In contrast, much of what is labeled *corporate crime* and *organizational crime* is enacted by groups acting collectively, be it top management (Daboub et al., 1995; Kesner, Victor, & Lamont, 1986) or a subset of organizational members (Braithwaite, 1982; Clinard, 1983). Baker and Faulkner define organizational crime as a "type of white-collar crime, that is enacted by collectivities or aggregates of discrete individuals in the context of complex relationships and expectations among boards of directors, executives, and managers, and among parent corporations, corporate divisions, and subsidiaries" (1993: 842; see also Clinard & Yeager, 1980, and Shapiro, 1976).

The notable exception here is Schragger and Short's definition of organizational crime as acts committed by "an individual or a group of individuals in a legitimate formal organization in accordance with the operative goals of the organization" (1978: 411). While Schragger and Short include individual action in their definition, there are difficulties in adopting this perspective. Sherman (1980) argues that it is difficult or impossible to assess an individual's intent, but it is possible to observe the communications from the dominant coalition to organizational members and to observe whether a member's behavior is consistent with those messages. Martin cites a Supreme Court precedent dating back to 1909—that "in order to control the potential criminal conduct of a corporate employee, it is necessary to impute his act to his employer" (1998: 407). Indeed, Ermann and Lundman (2002) divide their discussion of corporate deviance into that which is directly traceable to organizational elites and that which is indirectly traceable to organizational elites. However, in both

cases organizational elites are involved. Thus, we conclude that collusion among organizational members is an essential component of corporate corruption but not essential to corruption for individual gain.

TWO TYPES OF CORRUPTION AT THE ORGANIZATION LEVEL

Using the two dimensions of beneficiary and collusion, we suggest that corruption at the organization level can manifest itself through two very distinct phenomena: an *organization of corrupt individuals* (OCI), in which a significant proportion of an organization's members act in a corrupt manner primarily for their personal benefit (similar to the economics perspective), and a *corrupt organization* (CO), in which a group collectively acts in a corrupt manner for the benefit of the organization (similar to the sociology perspective). In both forms of corruption, the organization is the *focal unit*—that is, the level to which generalizations are made—and both the *levels of measurement* and the *levels of analysis* can be at the individual, group, organization, and environmental levels.

OCI

We define an OCI as an *emergent, bottom-up phenomenon* (Kozlowski & Klein, 2000) in which one or more *mesolevel processes* (House, Rousseau, & Thomas-Hunt, 1995) facilitate the *contagion* (and sometimes the initiation as well) of *personally corrupt behaviors* that cross a *critical threshold* (Andersson & Pearson, 1999) such that the organization can be characterized as corrupt. For example, in police departments the corruption undertaken by individual officers can become so endemic that the department itself can be considered corrupt (Shover & Hochstetler, 2002).

The term *personally corrupt behavior* implies that individuals are the primary beneficiary, typically at the cost of the organization (Banfield, 1975). Thus, while one may expect to find the odd "bad apple" (Darley, 2005; Treviño & Youngblood, 1990) in even the most well-run companies, if bad apples appear by the bushel in an organization, it becomes appropriate to examine the organization-level phenomena that facilitate, encourage, and sustain such behavior. Such phenomena can take the form of hiring

an abnormal proportion of bad apples (a selection argument), failing to prevent (if not facilitating) the "rot" from spreading from the few bad apples to the rest of the bushel (a socialization argument), or triggering unethical behavior in many of its otherwise moral members (an antecedents argument). Thus, OCI is an organization-level phenomenon even though individuals are the primary, and often sole, beneficiaries. This is because (1) the behaviors are sufficiently widespread to characterize the organization as a whole, and (2) internal mesolevel processes are responsible if not for facilitating then at least for failing to inhibit the contagion of these behaviors.

OCI is a *behavioral* phenomenon that nevertheless can be described using multilevel terminology. It is an emergent phenomenon since it originates at the individual level, but it is amplified by individuals' interactions and manifests itself as an organization-level behavioral phenomenon (Kozlowski & Klein, 2000). Since this phenomenon is an aggregation of lower-level unit behaviors, it is a bottom-up type of organization-level phenomenon (Brief, Butcher, George, & Link, 1993; Kozlowski & Klein, 2000). As an emergent phenomenon, OCI could be of either composition or compilation type (Kozlowski & Klein, 2000). If the personally corrupt behaviors within an organization are similar (e.g., theft; Greenberg, 1990), then the OCI phenomenon is a convergence of similar lower-level characteristics yielding a higher-level property that is essentially the same as its constituent elements, which is a composition type of emergence. In other organizations personally corrupt behaviors may vary (e.g., theft, accepting bribes, overreporting expenses), but the configuration of these behaviors may nevertheless emerge, bottom up, to characterize the organization as one of corrupt individuals, which is a compilation type of emergence (Kozlowski & Klein, 2000).

Andersson and Pearson (1999) have argued that an organization may become "uncivil" once the number of incivility spirals reaches a *critical threshold*. Similarly, we use the term *corruption threshold* to describe the point at which corruption has become so widespread that it characterizes the organization as a whole—it is no longer an organization in which individuals engage in corrupt behaviors but, rather, an OCI. While it is not possible to define this critical threshold in terms of an across-the-board fixed point, there

are three criteria that can be used to determine whether it has been crossed. First, it is difficult to localize the corrupt portions of the organization because these behaviors are usually covert and widespread. Second, even if the corrupt portions are identified, the number of individuals involved is so large as to make firing them en masse difficult. Third, even if the individuals involved are fired, the organization will probably manifest an OCI phenomenon again unless the internal processes or mechanisms responsible for making these behaviors reach the critical threshold are identified and corrected.

The OCI phenomenon is behavioral and can be considered a form of unethical conduct (Treviño, Butterfield, & McCabe, 1998). It is pertinent to distinguish the OCI phenomenon from *ethical climate* or *culture*. Since the OCI phenomenon is behavioral, it is different from an organizational climate for ethics, which is defined as organizational members' shared perceptions of what is ethically correct behavior and how ethical issues should be handled (Dickson, Smith, Grojean, & Ehrhart, 2001; Victor & Cullen, 1988).

Ethical culture and the OCI phenomenon overlap to the extent that both have behavioral aspects. However, ethical culture is much broader in scope than the OCI phenomenon in three key aspects. First, unlike OCI, the term *ethical culture* per se does not indicate whether an organization is corrupt or not—that is, it could promote either ethical or unethical behavior (Treviño, 1990). Second, the OCI phenomenon concerns only those corrupt behaviors that benefit the individual primarily, whereas ethical culture also includes corrupt behaviors that benefit the organization. Third, ethical culture includes not only behaviors but also various formal and informal systems of behavioral control (Treviño, 1990) that are not part of the OCI phenomenon. Ethical culture includes such elements as "leadership, reward systems, perceived fairness, ethics as a topic of conversation in the organization, employee authority structures, and an organizational focus that communicates care for employees and the community" (Treviño, Weaver, Gibson, & Toffler, 1999: 141).

We discuss some of these elements, such as perceived fairness, as antecedents to the OCI phenomenon in a later section. To summarize, while ethical climate and ethical culture are distinct from OCI, they are predictors of unethi-

cal conduct (Treviño et al., 1998) and could therefore be antecedents of the OCI phenomenon.

Our definition of the OCI phenomenon has similarities to Chang and Lai's (2002) econometric modeling of organizational corruption as a phenomenon of social interaction that could be pandemic through the organization. The difference is that in our conceptualization of OCI, neither social interaction nor collusion is necessary for the phenomenon to occur, for example, in contagion mechanisms, such as role equivalence and pluralistic ignorance.

CO

A CO is usually a top-down phenomenon in which a group of organization members—typically, the dominant coalition, organizational elites, or top management team—undertake, directly or through their subordinates, collective and coordinated corrupt actions that primarily benefit the organization. This is an organization-level phenomenon since the organization is not only the primary beneficiary but also the primary entity culpable, even if the officers responsible are individually culpable as well.

The sociology literature considers the CO phenomenon, under such labels as *corporate crime* or *illegal corrupt behavior*, as involving a group rather than an individual actor (see Schrager & Short, 1978, for an exception). Although some of the early work in this domain does not specify the involvement of the dominant coalition of the top management team in CO-type behavior (e.g., Braithwaite, 1982; Clinard, 1983), in more recent work scholars consider it integral (e.g., Baker & Faulkner, 1993; Daboub et al., 1995; Kesner et al., 1986; Sherman, 1980). This approach appears to be driven at least partly by practical considerations. When organizations are being investigated for corruption, the first defense of senior management is often to deny knowledge of, let alone responsibility for, the behavior in question. Senior management often attempts to scapegoat the individual members who have been found to be directly involved in the corrupt behavior (Ermann & Lundman, 2002). Indeed, according to Ashforth and Anand (2003), organizational structures and processes are often contrived to insulate senior managers from blame.

For the OCI phenomenon, the critical threshold is organization specific, whereas for the CO

phenomenon, it is not. When the organization crosses the line that separates the legal from the illegal, it becomes a CO. Thus, the CO phenomenon is a discrete function, whereas the OCI has a more continuous form. Having said that, the CO phenomenon could permeate a large part of the organization—as in the infamous cases of Enron or Drexel Burnham Lambert—but this is not a necessary condition for CO (unlike for OCI). Even one well-bounded group acting corruptly on behalf of the organization is sufficient for the CO phenomenon to occur. In either case, it is a top-down phenomenon since it is the higher-level context—the organization—that is influencing the lower-level unit—the group—to act in a particular manner (Kozlowski & Klein, 2000). Further, there is also extensive literature that indicates that lower-level units, like individuals and groups, are recruited into organization-benefiting corrupt practices by senior management, either directly (cf. crimes of obedience; Kelman & Hamilton, 1989) or indirectly, through normalization and institutionalization processes (e.g., Ashforth & Anand, 2003; Brief et al., 2001; Gioia, 1992).

Manifestation Processes

We provide a brief overview of the cross-level linkages through which the two organization-level corruption phenomena manifest themselves. In keeping with the literature (e.g., Chatman, 1991; Latif, 2000; Ponemon, 1992), we categorize the processes that facilitate and institutionalize these phenomena into (1) selection and (2) socialization. Although in the interests of clarity we discuss these effects separately, we believe, as do others (e.g., Kidder, 2005; Ryan et al., 1997), that it is the combination of persons and situations that is most likely to result in organization-level corruption.

Selection. Recent work in industrial-organizational psychology has described job performance as comprising three domains (Dalal, 2005; Rotundo & Sackett, 2002): task performance, counterproductive work behavior (CWB), and organizational citizenship behavior (OCB). OCBs are essentially extrarole behaviors undertaken by individual employees for the benefit of colleagues or the organization as a whole. Similarly, CWBs, sometimes called “counterproductive behaviors” (Ones, Viswesvaran, & Schmidt, 1993), “workplace deviance” (Bennett & Robin-

son, 2000), or “workplace delinquency” (Lee, Ashton, & de Vries, 2005), are intentional employee behaviors that are harmful to the interests of colleagues or to the organization as a whole.

Researchers have found that CWBs can be predicted both from specific integrity or honesty tests (Bernardin & Cooke, 1993; Ones et al., 1993) via such constructs as employee theft proneness (Ash, 1991) and honesty attitude (Lasson & Bass, 1997) and from general personality instruments (Lee et al., 2005). Thus, organizations could unwittingly engender an OCI phenomenon if they tended to select individuals low in integrity or low in conscientiousness and/or other personality traits that are predictive of CWBs (Lee et al., 2005).

The CO phenomenon has been examined largely by sociologists and others who focus on variables at the group, firm, industry, and environmental levels. The closest that researchers in this domain have come to theorizing about the role of individual differences with regard to corporate corruption has been to examine demographic and other characteristics of the top management team (Daboub et al., 1995; Zahra, Priem, & Rasheed, 2005) or the board of directors (Kesner et al., 1986). However, since the CO phenomenon is corrupt behavior on behalf of the organization, it is plausible that it is OCB “gone bad.” From the outset, the citizenship construct has been described using the analogy of the “good soldier” (Bateman & Organ, 1983; Organ, 1988). Individuals caught in CO-type corruption typically defend their actions by stating that they were doing what was best for others (i.e., shareholders, employees) or carrying out the orders of superiors. Both of these fit into a good soldier self-conception. Organ and colleagues (Organ, 1994; Organ & Ryan, 1995) have found that personality traits like conscientiousness (Organ & Ryan, 1995) or a constellation of Big Five personality facets (Organ, 1994) have some, albeit limited, ability to predict OCB. If an organization tends to select individuals with these personality traits, it is plausible that it could manifest a CO-type phenomenon. But we know little about such individual differences and their relationship to CO-type phenomena, both direct and as moderated by situations, and, thus, this may be a fruitful avenue of future research.

Selection could also facilitate the CO phenomenon if organizations and industries focused their recruitment on applicant pools that

tend to manifest lower integrity than others. Frank and Schulze (2000) found that economics students are significantly more corrupt than others, whereas Gioia (2002) cited research by the Aspen Institute concluding that studying at the top U.S. business schools not only fails to improve the moral character of students but actually weakens it. Since there is some systematic bias with regard to where these job seekers find employment, it is plausible that there would be greater CO-type corruption in those organizations/industries. According to *BusinessWeek.com* (2006), three industries accounted for 87.5 percent of the top forty recruiters at leading business schools: (1) banking and financial services (45 percent), (2) management consulting (27.5 percent), and (3) information technology (15 percent).

Finally, and anticipating our next section, organizations could engender either or both phenomena by selecting individuals high in self-monitoring. High self-monitors have more variability in attitudes and behavior, pay more attention to others' expectations, and have lower commitment (Day, Schleicher, Unckless, & Hiller, 2002). Hence, they are less likely to adopt firm strategic positions or communicate a consistent vision on key issues (Day et al., 2002), and they are more likely to engage in unethical behavior (Ross & Robertson, 2000).

Socialization. The mechanisms that lead to the contagion of corrupt behavior are a subset of general social influence mechanisms that have been studied from a variety of perspectives—social network, cognitive, social psychological, and emotional. Here we distinguish between contagion, which may or may not involve direct interaction, and collusion, which always involves direct interaction. Even though we discuss these mechanisms separately, we believe they would be more likely to occur in equifinal combinations (e.g., affective and cognitive; Bargh, 1988; DeGoey, 2000; Tesser & Martin, 1996). Similarly, although contagion is an essential component of the OCI phenomenon, but not of the CO phenomenon, in keeping with recent literature considering the normalization of CO-type practices across the organization (Ashforth & Anand, 2003; Brief et al., 2001), we discuss how each of these mechanisms could operate in both OCIs and COs.

Social network mechanisms. Social network scholars typically distinguish among three

types of contagion mechanisms: relational, structural equivalence, and role or positional equivalence. In the relational mechanism the contagion is through direct ties between the actors. In the structural equivalence mechanism it is indirect interaction—that is, the actors do not have ties to one another but are tied to the same others who would be the conduits of contagion. In the role equivalence mechanism the actors are neither tied to one another nor to the same others, but the pattern of their relationships is similar—for example, managers at a certain hierarchical level.

Relational or interactional contagion could result in diffusion either through proximity or through interdependence, and it could be vertical and/or lateral. Thus, certain regional offices or colocated departments could manifest the OCI phenomenon, or the corrupt behaviors could spread through the internal customer-supplier relationships within the organization. Although diffusion is not an essential feature of CO, if corrupt behavior does spread through the organization, it is more likely to permeate vertically through superior-subordinate relationships, termed *crimes of obedience* and *routinization* (Hamilton & Sanders, 1999; Kelman & Hamilton, 1989).

Both structural equivalence and role equivalence models could result in the lateral diffusion of OCI across a hierarchical level. Structural equivalence could be the contagion mechanism in matrix organizations where the individuals with dual reporting relationships could be the conduits of personally corrupt practices between their two managers. Role equivalence could be the contagion mechanism in traditional bureaucratic organizations where corruption permeates through ranks of peer-level managers. For example, if a certain level in the hierarchy is granted a perquisite that can be used in an abusive way (e.g., expense accounts with lax control mechanisms), then many incumbents at that hierarchical level may seize the opportunity to abuse the perk in a similar manner, even if there is no direct or indirect communication among them. Since collusion is an essential condition of the CO phenomenon, it is unlikely that either structural equivalence (communicating through subordinates) or role equivalence (no communication) would be the contagion mechanism.

Another distinction between the two phenomena concerns the network composition. The majority of CO behaviors, such as price fixing, tying arrangements,² and bribe giving, involve third parties; thus, the networks would comprise both individuals who are internal to the organization and those who are external (Baker & Faulkner, 1993; Geis, 2002). Some exceptions are filing misleading tax reports or encouraging a climate of sexual harassment, which may only involve internal actors. Conversely, common OCI phenomena like theft do not involve third parties; thus, the contagion networks would consist mostly of organization members (the exception here being corrupt behaviors like accepting bribes that involve third parties).

Cognitive mechanisms. We consider two broad types of cognitive mechanisms: (1) those in response to surprises (Louis, 1980) or cues (Wrzesniewski, Dutton, & Debebe, 2003)—that is, sensemaking (Daft & Weick, 1984), and (2) those under routinized conditions—that is, normalization (Ashforth & Anand, 2003). Sensemaking is a process of social construction (Berger & Luckmann, 1967) in which individuals attempt to interpret and explain sets of cues from their environment (Wrzesniewski et al., 2003). Sensemaking occurs in organizations when members confront events, issues, and actions that are somehow surprising or confusing (Gioia & Thomas, 1996; Weick, 1995). In such cases, storytelling—by providing an interpretative account of an event's sequences and conveying complex information in a highly concentrated and concise manner—can be a powerful contagion mechanism (cf. "preferred sensemaking currency"; Boje, 1991), especially with regard to injustices (DeGoey, 2000; Martin, 1982).

An OCI phenomenon typically would involve individual-level sensemaking around organization-level cues. Examples of sensemaking leading to OCI behaviors include an increase in employee theft rates in response to a pay cut (Greenberg 1990) and higher levels of unethical behavior in response to surveillance mechanisms (Tenbrunsel & Messick, 1999). Sensemaking leading to the CO phenomenon would be at the organization or industry level. Organiza-

tional myths (Hedberg & Jonsson, 1977) or organization belief systems (Bartunek, 1984) may result in a particular organization's undertaking corrupt practices. Industry mindsets, sometimes termed *industry culture* (Baucus & Near, 1991; Christensen & Gordon, 1999) or *industry recipes* (Spender, 1989), may result in many organizations' (within a particular industry) adopting similar CO-type corrupt practices. Sonnenfeld and Lawrence quote a convicted executive as saying, "Our ethics were not out of line with what was being done in this company and, in fact, in this industry for a long time" (1978: 149).

Organizations have exploited cognitive mechanisms like *scripts* (Gioia, 1992; Gioia & Poole, 1984), *language euphemisms* (Ashforth & Anand, 2003; Tenbrunsel & Messick, 2004), and *implicit sanctioning* (Brief et al., 2001) not only to recruit members into engaging in corrupt behaviors for the organization's benefit but also to "normalize" and perpetuate the corruption in the organization (Anand, Ashforth, & Joshi, 2004; Ashforth & Anand, 2003). Scripts are a type of schema that provide a basis for the anticipation or initiation of sequential action in social situations (Gioia & Poole, 1984; Labianca, Gray, & Brass, 2000). Language euphemisms are the "disguised" stories we tell ourselves about our unethical actions (Tenbrunsel & Messick, 1999). Brief et al. (2001), following Yeager (1986), have described implicit sanctioning as the unstated message received from the top that much more weight is attached to job completion than to legal or ethical means of accomplishment. Normalization mechanisms such as scripts and language euphemisms are more overt and detectable than sensemaking mechanisms; hence, they are less suitable for the OCI phenomenon, which the organization would guard itself against (Ashforth & Anand, 2003).

Social psychological mechanisms. Allport (1924) coined the term *pluralistic ignorance* to describe a situation in which virtually all members of a group privately reject group norms yet believe that virtually all other group members accept them (Miller & McFarland, 1987: 298). Pluralistic ignorance has been found in such contexts as racial relations (Shelton & Richeson, 2005), bystander reactions to people in distress (Latane & Darley, 1970), and students' alcohol abuse (Prentice & Miller, 1993). Prentice and Miller (1993) demonstrated that subjects not only misperceive the social norm but also act in ac-

² A tying arrangement refers to a situation in which the purchase of one product—tying product—is conditioned on the purchase of another—tied product (Baucus & Near, 1991).

cordance with it. Further, observers tend to interpret others' actions as motivated by approach tendencies, even when they recognize that their own identical choices were motivated by avoidance (Miller & Nelson, 2002). Similarly, OCI behaviors, such as overreporting of hours worked, could be widespread because each individual believes that his or her colleagues are more comfortable with, and are engaging in, these practices.

Since CO entails collusion, we do not expect an individual-level theory like pluralistic ignorance to be a contagion mechanism, but a similar group-level syndrome, called the "Abilene Paradox," could be. The Abilene Paradox (Harvey, 1988) refers to a decision-making situation in which members privately disagree with a course of action but publicly agree to it. The result of this could be that organizations take actions that contradict what they really want to do and therefore defeat the very purposes they are trying to achieve (Harvey, 1988). For example, "instead of seeing the top people explicitly and officially acknowledge the difficult industry conditions, many of the lower officials see only strong pressures and inducements to 'get the numbers no matter what'" (Sonnenfeld & Lawrence, 1978: 149), and the resulting price-fixing behaviors, when uncovered, exacerbate the organization's predicament.

In the context of corrosive political climates, Williams and Dutton (1999) have identified *social identification* as one of the processes through which negative behavior between two individuals affects larger numbers of employees. Social identification refers to "the perception of oneness with or belongingness to some human aggregate" (Ashforth & Mael, 1989: 22). Organization members could strongly identify with groups based on demographic categories, professional categories, teams, or even the organization as a whole (Williams & Dutton, 1999). A triggering mechanism could set off an OCI phenomenon in cases where organizational members have strong social identification with entities other than the organization (since it is the victim). For instance, procedural injustice against one member of a workgroup may be interpreted as an injustice against the entire group (Tyler & Lind, 1992), and all members may retaliate by engaging in corrupt behaviors against the organization. Conversely, when members put themselves at legal and reputa-

tional jeopardy to engage in corrupt practices that primarily benefit the organization (CO phenomenon), it is likely that they identify with the organization strongly to begin with, and that identification is further strengthened by the corruption.

Emotional mechanisms. According to Williams and Dutton (1999), emotions can permeate a social environment and become an ambient property of the workplace, rather than feelings about or between specific individuals. Further, these scholars maintain that different emotions may have significantly different effects when they permeate an organization. For example, contextualized anger may lead to organizationally motivated aggression (Andersson & Pearson, 1997; Williams & Dutton, 1999), which may take the form of unethical behavior. There is also evidence that emotions (and their attendant decision-making effects) can diffuse through the organization. DeGoeij (2000) has proposed that being confronted with a potentially unfair event may arouse distressing emotions; organization members cope with these stressors by seeking social support, and, in the process, they arrive at a shared interpretation about the fairness of their situation. If the shared interpretation is that the organization has been unfair, the individuals might resort to OCI behaviors in retaliation, such as petty theft (Greenberg, 1990; Larson & Bass, 1997; Skarlicki & Folger, 1997).

Bies, Tripp, and Kramer (1996) have defined *social rumination* as a process in which the target and observers try to make sense of an event by discussing it with coworkers and friends. Social rumination often reinforces the initial suspicion, decreased trust, and outrage triggered by an episode considered to be unjust (Bies & Tripp, 1996). It may cause distrust to spread beyond targets to observers and others who indirectly hear about episodes of negative behavior. Social rumination could be a significant transmission mechanism for the interpretation of events like retrenchments, reorganizations, relocations, or a change in management, particularly if certain categories of employees are more affected by the event than others. If the socially shared interpretation is that the organization has been unfair to one group, members are more likely to behave in a similar, retaliatory manner, which could take the form of OCI.

Since the CO phenomenon is less personal (and more business or organizational) and, by virtue of being a collective activity, more deliberate, we do not expect emotional processes to play a significant role in facilitating it.

OCI and CO: Comparison of Key Attributes

The key distinctions between the OCI and CO phenomena are summarized in Table 1. While most of the distinctions have been discussed, we elaborate some of them below.

The distinctions between the two organization-level corruption phenomena also relate to the discussion on criminogenic mechanisms—that is, mechanisms that allow or encourage criminal activity (Farberman, 1975). The management literature has examined a variety of criminogenic mechanisms, such as transaction systems (Vaughan, 1982), organizations (Waters, 1978), market structures (Farberman, 1975), industries (Denzin, 1977; Tillman & Pontell, 1995), and governments (Glasberg & Skidmore, 1998). Unlike Waters (1978), who focused exclusively

TABLE 1
Distinction Between OCI and CO Phenomena

Attribute	OCI Phenomenon	CO Phenomenon
Perpetrator	Individuals usually; sometimes groups	Group(s) always
Beneficiary	Individuals	Organization primarily
Victim	Organization	One or more entities outside the organization
Norms violated	Organizational usually; sometimes legal as well	Legal usually; societal always
Consequences of detection	Individual level	Organization level; sometimes individual level as well
Interaction/collusion among perpetrators	Not necessary	Essential
Organizational intentionality	Usually unintentional	Typically deliberate
Organization's criminogenic role	Would typically be crime facilitative	Could be either crime coercive or crime facilitative
Rationale for being at organization level	Descriptive of organization; caused by organization-level factors	Organization is the beneficiary and is culpable in case of detection
Key metric	Numbers of employees	Corporate illegality
Nature of phenomenon	Continuous (high/low)	Discrete (yes/no)
Time taken to manifest	Typically gradual; relatively slow	Relatively fast
Where manifested	Typically manifested at the "periphery" of the organization	Almost always involves the "core" of the organization
Selection effects	Low integrity and/or low conscientiousness	High conscientiousness and/or constellation of personality facets
Socialization effects	Relatively more covert than CO	Relatively more overt than OCI
Social network mechanisms	Yes, but mostly through networks internal to the organization	Yes, but through network members typically internal and external to the organization
Cognitive mechanisms	Yes, but mostly through individual-level sensemaking	Yes, some organization-level sensemaking, but more "scripting," "routinization," and "institutionalization"
Social psychological mechanisms	Yes, through pluralistic ignorance and social identity other than organizational identity	Pluralistic ignorance unlikely but Abilene Paradox possible; organizational identity could be a factor
Emotional mechanisms	Yes, through ambient emotion and social rumination	Unlikely

on the CO phenomenon, we argue that OCIs can also be criminogenic.

Needleman and Needleman (1979) distinguished between organizations that can be crime coercive by, for instance, pressuring their members to commit corrupt acts that directly further their goals, or crime facilitative by indirectly encouraging corrupt behavior. While the CO phenomenon could be the result of either type of criminogenesis, the OCI phenomenon would typically manifest only in crime-facilitative organizations, since it is unlikely that organizations would coerce employees into being corrupt against it. As Needleman and Needleman note, "Scholars have focused disproportionately on tightly integrated systems capable of compelling illegal behavior from system members [i.e., crime coercive], neglecting the more loosely organized systems whose structures promote individual crime in subtler ways [i.e., crime facilitative]" (1979: 518). This comports with our distinction between CO and OCI phenomena.

In the case of OCI, the phenomenon may arise without the organization's intending to create it, and often against the interests and intentions of the organization (Tenbrunsel & Messick, 1999). But in the case of the CO phenomenon, members of the organization intentionally undertake the behavior. Also, following Kozlowski and Klein, who posit that "time-scale differences allow top-down effects on lower levels to manifest quickly, while bottom-up emergent effects manifest over longer periods" (2000: 23), we would expect CO phenomena to develop more rapidly than OCI phenomena. Having said that, there have been recent arguments by social psychologists (Darley, 2005; Tenbrunsel & Messick, 2004) suggesting that CO could develop gradually as well. Tenbrunsel and Messick (2004) have identified two separate psychological mechanisms that make up the "slippery slope" of decision making: *psychological numbing*, which comes from repetition, and the process of *induction*, which is similar to Kelman and Hamilton's (1989) process of routinization. Darley's (2005) basic thesis is similar, in that corrupt practices could be stumbled into, without exactly being intentional, through processes like automatic self-interested intuitive judgments and group loyalty and commitment.

ANTECEDENTS OF ORGANIZATION-LEVEL CORRUPTION PHENOMENA

In keeping with our primary objective of defining and delineating two organization-level corruption phenomena, our focus here is on identifying their different dynamics with common antecedents. For a broader examination of the antecedents of the CO phenomenon, we point readers to the sociology and management literature (Baucus, 1994; Coleman, 1998; Finney & Lesieur, 1982; Gioia, 2002; Shover & Bryant, 1993; Szwajkowski, 1985; Yeager, 1986) and, with regard to individual-level corruption, to the organizational behavior and business ethics literature (Brass et al., 1998; Jones, 1991; Jones & Ryan, 1997; Robinson & Bennett, 1995; Zey-Ferrell & Ferrell, 1982; Zey-Ferrell, Weaver, & Ferrell, 1979).

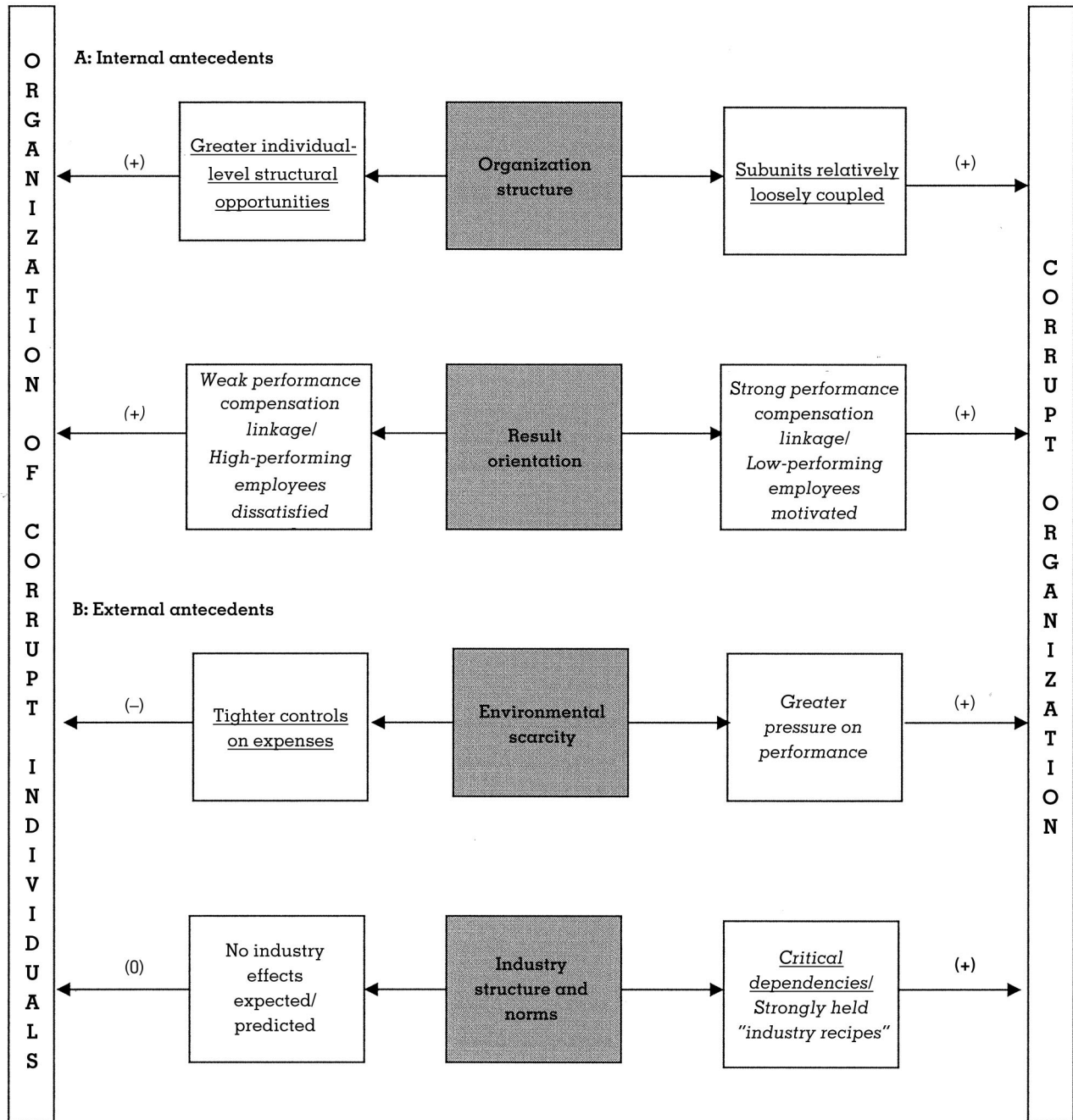
In discussing key common antecedents of OCI and CO, we follow Sethi and Sama (1998) in distinguishing between internal and external antecedent variables. Further, following tradition in the corruption literature, we classify variables into motivation based and opportunity based (cf. Ashforth & Anand, 2003; Coleman, 1998). Figure 1 provides a schematic overview of the antecedents and their different relationships with the two forms of organizational corruption.

Internal Antecedents

Organization structure, which is opportunity related, and result orientation, which is motivation related, are the two organization-level antecedents we discuss in this section.

Organization structure. Organization theorists have consistently identified opportunities for the commission of corruption and related acts based on organization structure (Finney & Lesieur, 1982; Hill et al., 1992; Szwajkowski, 1985; Vaughan, 1983; Waters, 1978). Aspects of the organization structure that could facilitate corruption include processes and tasks (Vaughan, 1999), positional relationships (Szwajkowski, 1985), and hierarchical levels and departmental boundaries (Beamish, 2000). However, corruption scholars have not distinguished between group-level and individual-level structural opportunities (see Hill et al., 1992, for an exception). We believe this is a critical gap, because each type of structural opportunity could give rise to a different type of organization-level corruption.

FIGURE 1
Common Antecedents, Differential Impacts



Key: Shaded boxes indicate common antecedents, *italicized text* indicates motivation-related antecedents, underlined text indicates opportunity-related antecedents, and *italicized underlined text* indicates both motivation- and opportunity-related antecedents.

At the individual level, either occupations could have a "built-in opportunity" (Vardi & Wiener, 1996) for corruption—for example, accountants, bookkeepers, and clerks may have

many opportunities for embezzlement (Coleman, 1998)—or an individual offender's position in a structure may explicate the social organization of misconduct (e.g., Daly, 1989; Shapiro, 1990;

Vaughan, 1999). For instance, the insider trading scandals of the 1980s occurred partly because investment bankers operated in loosely coupled sets of complex, "information-oriented" relationships that made it difficult to supervise them through traditional hierarchical control structures (Reichman, 1993). In such cases structural equivalence or role equivalence may be the diffusion mechanism. Research indicates that employees use structural equivalents to resolve role ambiguities (Hartman & Johnson, 1989); hence, job-related corrupt practices that benefit the job holder (e.g., purchasing agents accepting bribes; cf. Coleman, 1998) could result in an OCI phenomenon through structural equivalence.

The relationship between group-level structural opportunities and corruption has been tested by researchers considering such variables as diversification and decentralization (Hill et al., 1992), geographic dispersion (Vaughan, 1983), or all of the above (Sonnenfeld & Lawrence, 1978). Group-level structure provides potent opportunities for the CO phenomenon for three reasons. First, isolating subunits allows senior managers to be "willfully blind" (Braithwaite, 1989). Second, decentralization or "compartmental insulation" (Goffman, 1970: 78) limits exposure (Yeager, 1986), making it difficult to uncover the entire network of corrupt individuals, particularly its leaders (Baker & Faulkner, 1993). Third, the more decentralized an organization, the more likely it is that divisional managers will engage in behaviors that will make them "look good" before the corporate office (Daboub et al., 1995; Gioia, 2002). These arguments suggest that loose coupling between subunits and the corporate office could lead to the CO phenomenon.

Proposition 1a: Organizations having a relatively large number of jobs that are autonomous and difficult to supervise/monitor will be more likely to manifest the OCI phenomenon.

Proposition 1b: Organizations having subunits that are loosely coupled will be more likely to manifest the CO phenomenon.

Result orientation. The linkage between result orientation and the CO form of organizational corruption has been studied in the literature under such labels as *performance emphasis*

(Finney & Lesieur, 1982), *incentive systems* (Hill et al., 1992), *pressure for performance/output* (Baucus, 1994), *structure and control systems* (Daboub et al., 1995), and *"the call of the share price and share-holder return"* (Gioia, 2002: 143). To the extent that such incentive systems are tied to organization-level performance indicators (e.g., revenue targets or firm profitability), low-performing units will be likely to engage in CO-type corruption.

If compensation is not strongly linked to business results, it is the high performers who may experience higher distributive injustice and be more likely to adopt corrupt practices in order to balance the input-outcome scales. Justice theorists suggest that people respond to unfair relationships by not only displaying negative emotions but also acting so as to redress the experienced inequality (Greenberg, 1987; Homans, 1961; Walster, Berscheid, & Walster, 1973), and such acts may include theft, among other corrupt acts (Greenberg, 1990; Hollinger & Clark, 1983; Mars, 1973, 1974; Vardi & Wiener, 1996). Further, thoughts and feelings about justice are particularly susceptible to contagion and, ultimately, are more likely to spread and be maintained across entire networks or groups (DeGoey, 2000).

Drawing on the social networks literature, we see that it is more likely that high performers' perceptions of injustice will infect the organization more rapidly and extensively since they have higher centrality in advice networks (cf. "law of the few"; Gladwell, 2000; Sparrowe, Liden, Wayne, & Kraimer, 2001). Also, if the adversely affected individuals engage in social rumination (Bies et al., 1996), it is likely that attributions of responsibility will emerge during the social interaction (Bies & Tripp, 1996), result in the formation or strengthening of collective judgments of injustice (DeGoey, 2000), and manifest in an OCI phenomenon. While the preceding discussion implies a gradual corrupting of organizational members, unexpected events such as pay cuts or layoffs could trigger a more rapid spread of corruption (DeGoey, 2000; Greenberg, 1990).

Proposition 2a: Organizations in which there is a strong linkage between achieving business results and compensation will be more likely to manifest the CO phenomenon.

Proposition 2b: Organizations in which there is a weak linkage between individual performance and compensation will be more likely to manifest the OCI phenomenon.

External Antecedents

Following Daboub et al. (1995), we focus on two important external antecedents that affect corruption: (1) environmental scarcity and (2) industry structure and norms. While environmental scarcity and industry norms could provide the motivation for corruption, we expect industry structural features like critical dependencies on particular entities to be both an opportunity and a motivation for corruption.

Environmental scarcity. Environmental scarcity and competitive pressures (including strong and sometimes oligopolistic competition, relatively undifferentiated products, and frequent price negotiations) are among the most important external pressures for organizational crime (Finney & Lesieur, 1982; Staw & Sz wajkowski, 1975). Competition could provide the motivation for the CO phenomenon by restricting legitimate means of acquiring resources or attaining desired levels of performance (Sethi & Sama, 1998; Vaughan, 1983; Waters, 1978). Sonnenfeld and Lawrence (1978) found that although the folding carton industry's very diffuse structure was the antithesis of the tight-knit oligopoly economists typically associate with collusive behaviors, the crowded and mature market was one of the primary drivers of price-fixing behaviors.

Environmental scarcity generally has not been examined in relation to the OCI phenomenon, but we believe it would have a negative association. In scarcity situations there is a greater chance that the corrupt behaviors associated with OCI would be detected because of tighter controls and monitoring. Conversely, in high-profitability or monopoly industries, firms might be less vigilant about monitoring and controlling expenses (thereby providing the opportunity), and employees could adopt a "denial of injury" technique of neutralization (Sykes & Matza, 1957) and "figure... [the organization] has got plenty of money and a few cents don't mean nothing to them" (Horning, 1970: 55), leading to greater likelihood of the OCI phenomenon. These differences in the relationship be-

tween environmental scarcity and the two organizational corruption phenomena are articulated in Proposition 3.

Proposition 3a: Organizations facing environmental scarcity will be more likely to manifest the CO phenomenon.

Proposition 3b: Organizations facing environmental scarcity will be less likely to manifest the OCI phenomenon.

Industry structure and norms. Daboub et al. (1995: 141) have posited that firms in certain industries are more likely to commit corrupt acts (Baucus & Near, 1991; Simpson, 1986) and that firms in certain industries have similar rates of corruption activity (Cressey, 1976). There are significant differences across industries in legal structure, regulation, government monitoring, and opportunity for wrongdoing (Daboub et al., 1995; Sz wajkowski, 1985), and the incidence of corruption can be explained by these variations (Svensson, 2003). In more highly regulated industries, regulators may be bribed to "look the other way," or an agency might drift into protecting the industries and organizations it was mandated to oversee (cf. "captured" regulator; Sz wajkowski, 1985). Extractive resource (O'Higgins, 2006) and building construction (Black, 2004) are examples of industries that are structurally vulnerable to CO-type corruption.

Industry norms, variously labeled *industry mindsets*, *industry culture*, and *industry recipes* (Christensen & Gordon, 1999; Phillips, 1994; Spender, 1989), are described as "taken-for-granted assumptions which most describe a cohesive industry's character" (Huff, 1982: 125) or "the business-specific world-view of a definable 'tribe' of industry experts" (Spender, 1989: 7). Baucus and Near (1991) have posited that if an industry culture (the behavioral norms that firms in an industry share) allows for illegal acts, firms in the industry are more likely to engage in wrongdoing (Clinard & Yeager, 1980; Cressey, 1976; Simpson, 1986). Further, as Waters (1978) has pointed out, it is extremely costly for an individual firm to avoid such practices in such an environment. Thus, the more strongly held these norms are—the more cohesive the industry—the greater the likelihood organizations within it will manifest the CO phenomenon.

The OCI phenomenon builds from the accumulation of individual-level corrupt behavior, and in the substantial literature on individual-

level ethical decision making,³ we found no evidence that industry structure and norms play a direct role in distinguishing among firms (e.g., Robertson & Crittenden, 2003). One explanation for this is that it is at least two levels removed from that at which the behaviors take place. We follow this pattern in the literature and do not predict a role for industry structure and norms on the OCI form of corruption.

Proposition 4a: Organizations operating in industries with structures that have critical dependencies on other entities will be more likely to manifest the CO phenomenon.

Proposition 4b: Organizations operating in industries having relatively strongly held industry recipes will be more likely to manifest the CO phenomenon.

OCCURRENCE OF ORGANIZATION-LEVEL CORRUPTION PHENOMENA

One of our motivations for distinguishing between the two organization-level phenomena was to clarify the term *corrupt organization*, which was being used to refer to both types of phenomena indiscriminately. Having done that, if the two phenomena were mutually exclusive, we could simply trifurcate organizations into ethical organizations, corrupt organizations, and organizations of corrupt individuals. However, since both phenomena can coexist in the same organization, we develop a four-cell typology to cover all possibilities—that is, a particular organization may manifest either, both, or neither of these two corruption phenomena. This

approach intensifies the focus on the organization level by relating the phenomena to organizations themselves. It also provides a more nuanced nomenclature to classify organizations and guide more fine-grained empirical research in terms of the prevalence of each type of organization and the concomitant causes and consequences.

In order to clearly distinguish between the occurrence of one phenomenon and the occurrence of another within an organization, we adopt a stylized approach similar to “ideal types” (Doty & Glick, 1994; Duncan, 1971; Weber, 1949), which simplifies complex situations through abstraction of specific characteristics. The process of completely defining the set of ideal types, which is a characteristic of typologies (Doty & Glick, 1994), has resulted in a more crystallized description of the phenomena as they are likely to occur.

As noted earlier, while the CO form typically involves the top management team or the dominant coalition, and perhaps other organization members as well, here we consider the ideal-type scenario in which *only* the top management or dominant coalition (i.e., the “core” of the organization) is engaged in corruption and the rest of the organization is not. Conversely, we consider the stylized OCI scenario in which the personally corrupt behaviors are only being undertaken by those outside the core of the organization—that is, those in the “periphery.” In using the terms *core* and *periphery*, we follow Borgatti and Everett (1999), who defined core/periphery structures as having two classes of actors: a cohesive core group with dense ties among members (e.g., dominant coalition) and a peripheral group whose members are loosely tied to the core, which, in our case, would include the other members of the organization. Our approach has similarities to Wirl’s (1998) modeling of the spatial and dynamic aspects of corruption, in which he showed that a blend of social pressure and economic incentives is capable of explaining complex behavior.

Although we refer to these scenarios as stylized, we do not imply that their occurrence is highly unlikely. Both our discussion of OCI and the literature on occupational or white collar crime (Glasberg & Skidmore, 1998) suggest that OCI would diffuse across certain professions, workgroups, or hierarchical levels. This suggests that OCI would typically occur outside the

³ In Loe, Ferrell, and Mansfield’s (2000) review, 101 out of 118 empirical studies of ethical decision making concerned individual and organizational factors while the rest were issue related. Brass et al. (1998) classified antecedents to unethical behavior into individual, organizational, and issue-related factors. Treviño (1986) considered the impact of individual and situational moderators on cognitive moral development. Vardi and Wiener (1996) considered only individual and organizational determinants of organizational misbehavior. Jones and Ryan (1997) considered individual and issue-related factors. Ferrell and Gresham (1985) considered issue-related factors, individual factors, significant others, and opportunity. And Robertson and Crittenden (2003) hypothesized antecedents at the levels of the organization, the economy, and society, but not at the industry level.

core—that is, in the periphery. There have been some notable cases of personally corrupt behaviors at the core of the organization—the CEO and directors, benefiting themselves at the cost of the organization (e.g., Dennis Kozlowski, CEO of Tyco, and John Rigas, CEO of Adelphia)—but this would not be an example of OCI, since only one or a few organizational members were involved. Similarly, in a CO phenomenon, in order to minimize detection by regulators or whistleblowing by employees, senior management could be expected to restrict involvement to only those core members who are absolutely necessary to carry out the corrupt practice. Thus, since an organization could manifest either a high or low level of each of these scenarios, juxtaposing them results in the four-cell matrix depicted in Figure 2.

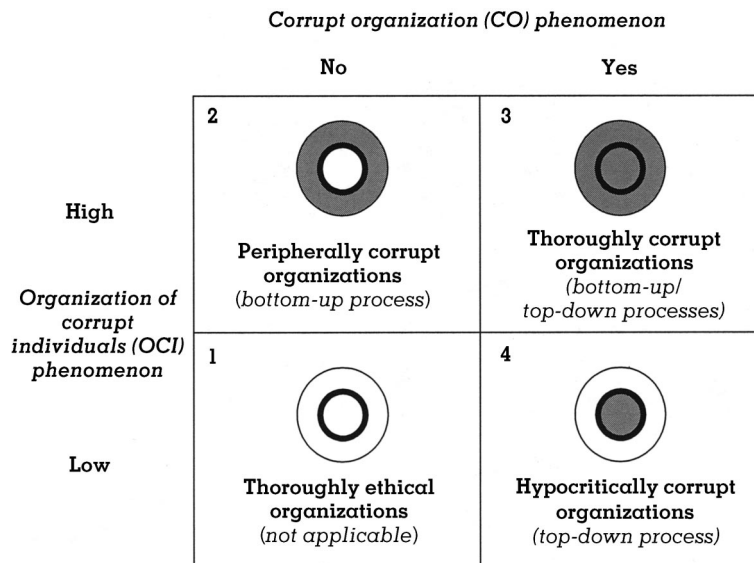
We term organizations characterized by low levels of both the CO and the OCI phenomena *thoroughly ethical organizations*. These are organizations that have successfully inhibited or deterred employees from engaging in corrupt practices, either for their personal benefit or for the benefit of the organization. In these organizations one would expect the ethical infrastructure to be well developed (Tenbrunsel, Smith-Crowe, & Umphress, 2005). It is possible that firms that are consistently ranked among the most ethical organizations or the best corporate citizens may also have systems and processes

that inhibit the OCI phenomenon and, thus, could be examples of thoroughly ethical organizations.

We term those organizations in which the top management is not engaging in corrupt behaviors for the benefit of the organization but in which the members are acting corruptly in their own self-interest *peripherally corrupt organizations*. For the OCI phenomenon to occur, there must be an opportunity and a motivation to engage in corruption. With regard to the former, individuals' jobs could provide structural opportunities, while the motivation could come from a weak performance-reward linkage or low wages and accompanying feelings of injustice. These conditions are typical in such industries as food service and retail and in government organizations. Further, government organizations tend to be financially munificent and tend not to monitor employees very closely, providing greater opportunity for OCI. Newspapers are another example, where journalists typically have jobs that are autonomous and difficult to supervise, and the organization's performance-based rewards would pale in comparison with the celebrity derived from "scooping" one's rivals.

The term *hypocritically corrupt organizations* describes organizations that are in the high-CO, low-OCI cell. These organizations may hold employees to high standards of integrity and honesty but at their core are engaging in CO-type

FIGURE 2
A Typology of Organizations Based on Occurrence of OCI and CO Phenomena



corrupt behaviors. Our labeling is consistent with a new and promising stream of research that has focused on various forms of organizational hypocrisy (Brunsson, 1989; Fernandez-Reveulta Perez & Robson, 1999; Huzzard & Ostergen, 2002; Simons, 2002; Spiegel, 1999). Hypocrisy suggests a lack of alignment. This could be between words and deeds (Simons, 2002; Treviño & Brown, 2004); between talk, actions, and organizational goals (Fernandez-Reveulta Perez & Robson, 1999); or between beliefs and words, on the one hand, and beliefs and actions, on the other (Spiegel, 1999). In a sense, this situation is analogous to the interdependence between organizational identity and organizational image (Dutton & Dukerich, 1991; Gioia, Schultz, & Corley, 2000). We expect to find such organizations in extremely competitive consumer markets, for example, where, because the margins are so slim, there is the motivation not only to engage in CO-type behaviors but also to have effective control systems that inhibit the OCI phenomenon.

Thoroughly corrupt organizations are those in which both CO and OCI phenomenon are prevalent. These organizations, too, have the external pressures to engage in CO-type behavior, but unlike hypocritically corrupt organizations, they are more likely to be found in industries serving institutional clientele (e.g., government defense contractors) with whom they have critical interdependencies. Marketing to institutional clients typically results in jobs that are more autonomous and difficult to monitor, thereby creating the opportunity for personally corrupt behaviors. This situation is exemplified by Glasberg and Skidmore's (1998) analysis of the savings and loan industry's crisis of the 1980s and early 1990s. These authors found evidence of both white collar or occupational crime (OCI) and corporate crime (CO). More recently, Enron was a prime example of the coexistence of both organization-level corruption phenomena.

One explanation for such scenarios—an explanation more top down in nature—is that employees who are aware that their organization willfully indulges in corrupt practices may feel justified in being corrupt themselves (Cialdini, 1996). At the same time, a corrupt practice that begins at a lower level could percolate upward, in a bottom-up manner. This could happen in a scenario where employees who are engaging in

OCI-type behavior for personal gain (e.g., padding expense accounts) in a low-performance-reward-linkage environment, could, if the linkage were strengthened, switch to CO-type corrupt behaviors (e.g., offering bribes for preferred contracts) in order to earn the high rewards more "legitimately" through promoting organizational interests.

CONCLUSIONS AND IMPLICATIONS

We have introduced a new conceptualization of an organization-level corruption phenomenon (OCI) and delineated it from an existing one (CO). We have discussed antecedents of each phenomenon and considered stylized scenarios in which a particular organization may manifest either, both, or neither of these phenomena. We organize our discussion and conclusions around two key points: (1) the phenomena themselves and (2) the occurrence and prevalence of each.

Phenomena

Our conceptualization of OCI falls within the family of other organization-level deviant phenomena that are scaled up from the individual level, such as the behaviors that result in an "uncivil organization" (Andersson & Pearson, 1999), or "organizational silence," in which organizational forces cause widespread withholding of information about potential problems or issues by employees (Morrison & Milliken, 2000). Thus, the OCI perspective developed in this paper uses as its model an established approach to understanding multilevel phenomena. However, considering the relative complexity of corrupt behaviors as compared to incivility or silence, we harness a host of linking mechanisms in our model. While selection appears to play a relatively more important role for OCI, whether the converse of that (i.e., socialization plays a more important role for CO) holds is an open empirical question. Within the socialization mechanisms, future research is needed to identify whether there are configurations of cognitive, psychological, affective, and network mechanisms that act together to create the two organizational corruption phenomena.

We conceptualize OCI as predominantly individuals acting alone, but there is both empirical evidence (Mars, 1974) and econometric modeling (Chang & Lai, 2002) of OCI phenomena in which

organizational members collude for their personal benefit at the cost of the organization. While further research is needed to identify which of these two situations is more common, and therefore more representative of OCI, we argue for the former—individuals acting alone. Further, the latter (i.e., individuals colluding) could be viewed as a special or more extreme case of OCI where the antecedent variables and processes exist in such forms and levels that opportunities and motivations for personal corruption escalate to the group level.

This leads to another avenue for future research: the functional form of OCI. What is the shape of the OCI diffusion curve? At what range of values does it cross the critical threshold or tipping point to become an organizational phenomenon? Under what conditions does it change from being an aggregation of individuals acting alone to an aggregation of individuals whose behavior defines the organization itself? Under what circumstances would OCI result from composition processes rather than from compilation processes, and vice versa?

Since OCI is a continuous variable, it is more amenable to being measured as an index that would indicate the extent to which an organization suffered from the OCI phenomenon. This approach has parallels at both the individual level (e.g., index of CWB; Dalal, 2005) and the country level (e.g., level of corruption; Transparency International, 2001; World Bank, 2000). Measuring OCI through an index is an empirical challenge, since the majority of these behaviors, by definition, go unnoticed and therefore unmeasured. However, it is possible to use surrogate measures of behaviors (e.g., "shrinkage" to measure employee theft) or even survey methods of both behaviors and attitudes to obtain some indication of OCI manifestation. Although survey methods could suffer from social desirability bias, the experience of industrial-organizational psychologists with integrity tests appears to indicate that even when the stakes are high (e.g., employment), people admit to wrongdoing, probably because they believe that it is within societal norms (American Psychological Association, 1991; Bernardin & Cooke, 1993; Murphy, 1993).

While our definition of the CO phenomenon is largely based on existing literature, our discussion of antecedent processes identifies an underexplored area. To what extent is it the result

of individual differences and selection processes? Industrial-organizational psychologists have extensively studied personality factors that could lead to OCI-type behaviors, but are there facets ranging from "intensity of loyalty" to simple arrogance that could predict CO-type behaviors? What are the personality facets of "good soldiers" that could transform them into "bad apples" (e.g., the Abu Ghraib scandal)? While the literature overwhelmingly describes CO-type phenomena as group activity, there could be the exceptional situation of an individual who undertakes a corrupt behavior that benefits the organization (cf. "official corruption"; Banfield, 1975). The prevalence of these situations needs to be documented empirically.

The theoretical distinction between OCI and CO suggests a possible explanation for some of the mixed empirical results obtained by organizational corruption researchers. For example, one of the earliest sociological theories advanced to explain white collar crime was the "differential association" theory (Sutherland, 1949). The hypothesis of differential association is that criminal behavior is learned in association with those who define such behavior favorably and in isolation from those who define it unfavorably (Albanese, 1988). Albanese (1988) cited four studies that tested the differential association hypothesis (Albanese, 1982; Clinard, 1946; Geis, 2002; Lane, 1953) and noted that none found conclusive support for it. One possible reason for this lack of empirical support is that differential association is essentially an individual-level contagion theory (Albanese, 1988). As such, it may be an appropriate framework for empirically studying an OCI phenomenon such as widespread theft, but using it to explain CO-type phenomena such as price-fixing behaviors may not be appropriate.

Similarly, Daboub et al. (1995) have noted the surprising lack of relationship between organizational slack and performance and illegal behavior. In their discussion of illegal behaviors, they mention examples such as OSHA and EPA regulation violations, as well as anticompetitive actions. In the case of OSHA and EPA violations, it is possible that individual managers who are responsible for ensuring that the organization adheres to these regulations are personally corrupt in neglecting their responsibilities, which may not be related to organizational slack, while anticompetitive action is a more active,

deliberate CO-type phenomenon, which could be motivated by organizational slack. However, empirical investigation is needed to establish the explanatory power of these distinctions.

Occurrence

The prevalence of corrupt behaviors in organizations appears to be quite high in the United States. A recent survey found more than half of U.S. employees observed at least one example of workplace ethical misconduct in the previous year, and 36 percent observed two or more (Ethics Resource Center, 2005). In another survey of 725 executives and managers, 65 percent of the respondents had personally observed or obtained direct evidence of one or more types of fraud, waste, and overstatement of cost or mismanagement within their organizations (Keenan, 2000). This raises such questions as "What sense do employees make of these observations?" and "How does this impact organization-level corruption?"

Further, studies are needed to estimate the base-rate prevalence of the four types of organizations and the contingencies that could influence their categorization. Organization size may be one such contingency. It is plausible that among very large and very small firms, the prevalence of hypocritically corrupt organizations is high, whereas peripherally corrupt organizations are more likely to be medium in size. This could be because both large and small organizations might be motivated to engage in CO-type corruption—the former for growth imperatives and the latter for survival—and would be able to nip OCI-type corruption in the bud, the former through sophisticated systemic internal controls and the latter through informal norms. However, medium-size organizations whose control systems may not be as sophisticated as those of large organizations and whose size would afford relatively more opportunities for personal corruption might be more likely to manifest OCI-type behaviors. Further, they might engage in fewer CO-type behaviors because they would be relatively more stable than small organizations and relatively less pressured by the "call of the share price and shareholder return" (Gioia, 2002: 143), compared to large organizations.

Although corruption against the organization and corruption for the organization may appear

to be antithetical, they are related in many ways. A similar line of inquiry is being pursued at the individual level in terms of the relationship between CWB and OCB (Dalal, 2005; Spector & Fox, 2002). At the individual level we have already suggested that self-monitoring propensity may create the potential for either corruption phenomenon to occur. Thus, while conventional wisdom suggests that individuals high in self-monitoring may be more amenable to being molded into an organization's culture, our paper suggests that this might be dangerous from the perspective of corruption. Furthermore, the different dynamics between the antecedents at the organization and environmental levels and the two corruption phenomena suggest that if management attempts to control one form without being cognizant of the other, it might merely move the corrupt behaviors from one form to the other.

The dynamics between government and corporate organizations have been a subject of recent interest, as evidenced by the Special Topic Forum on *Do Governments Matter?* in *AMR* (see Ring, Bigley, D'Aunno, & Khanna, 2005). We believe our theorizing contributes to this discussion. As noted earlier, we expect government regulatory agencies like EPA or OSHA to be more likely to be peripherally corrupt. This begs the question of whether corrupt companies create OCI government agencies or whether the criminogenesis is the other way around. Another open empirical question with regard to criminogenesis is between crime-facilitative OCI and crime-coercive CO. Which is more costly for society? The former case may corrupt more individuals and could adversely impact society's moral fabric in the long term; however, the latter may have more serious immediate economic consequences.

While OCI-type behaviors will typically be more covert and CO-type behaviors more overt, if senior management detects either situation but does not act against the perpetrators, the "broken window" theory (Kelling & Coles, 1996) suggests that the contagion could be even more rapid and long-lasting. According to this theory, if a window is broken and left unrepaired, people walking by will conclude that no one cares and no one is in charge. Soon more windows will be broken, and the sense of anarchy will spread from the building to the street on which it stands. Similarly, whichever type of corruption

behavior is noticed but not checked by management could result in its spread through the organization.

Finally, while it may seem that the organization benefits in one form of corruption (CO) and loses in the other (OCI), in both cases the organization runs the risk of eventual extinction if management is either unaware of the situation or is aware of the situation and does not take action. In the CO form, some senior management may be unaware that groups are acting corruptly because of group-level structural holes, and if the violation is sufficiently serious, the organization could die an immediate death (e.g., Arthur Andersen & Associates). In the OCI phenomenon, the organization could gradually be "nickel and dimed" to death by the recurring corrupt behaviors of its members. Deciding which case is most harmful is an open question.

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