Introduction
Towards a Model for assessing Corruptance in Organizations:  
A Study in Indian State-Owned Enterprises

Introduction

Need for the Study:

Today Organizations of various kinds have an overwhelming presence in human societies. In fact, human societies are better described as societies of organizations rather than as societies of individuals. It is pointed out that this all-encompassing presence of organizations in every sphere of human activity pushes the study of organization right to the forefront in the current wave of societal thinking, and the modern business organization, including government organizations, has now achieved societal dominance (Gioia, 2003). In most countries, particularly the Third World countries, governmental organizations and State-Owned Enterprises (SOEs) still manage substantial assets and core businesses on behalf of their people, though the role of governments in running their own business organizations is gradually slackening, as part of the ongoing wave of globalization, liberalization and privatization. With the role and impact of business organizations becoming all-pervasive, the global fight against corruption is also bringing its focus to bear on an organizational perspective towards the phenomenon of corruption. An act of corruption performed within the environment of the organization could have much more impact on society, economy and common good than one happening in transactions between individuals outside it. This study (without claiming it to be an exhaustive effort), seeks to review the extant literature on Organizational Corruption (OC), synthesize the same taking into account multi-disciplinary perspectives and theories; antecedents and effects of corruption; currently available tools with practitioners and in theory for measuring corruption (or its perception) and suggest certain new directions for research. This paper also proposes to extend the discussion on precursors, ethics resources and moderators of OC which are comparatively less discussed aspects of OC.
It is seen that Ethics and Corruption are by and large two streams of research which rarely get discussed together. This work hopes to build a bridge linking both these streams of scrutiny, by connecting the theoretical concepts of Ethics Resources in organizations with the data from real-life corruption cases investigated by regulatory bodies. Finally, this paper proposes the concept of *Corruptance* of Organizations (discussed below). Analyzing organizational corruption from an ex ante, preventive point of view we propose that it is possible to develop from within the organizational structure and systems, a tool to assess the corruption-vulnerability of organizations, which will be of considerable use for further research as well as for practitioners in ethical oversight.

At the outset this paper makes four assumptions: *One;* The entire discussion in this paper will be on Organizational Corruption (OC) or Corruption in the Organizational Context (COC), even if the word used is “corruption” occasionally. *Two;* COC refers to the behavior of individuals or groups or the organization as a whole, all within the organizational setting. *Three;* by Organization we mean the modern, formal, private and public business organizations including any Governmental organization such as a State-owned Enterprise or a governmental department engaging in business transactions. This therefore excludes individual behavior outside of the organizational setting, non-business activities of governments, NGOs, religious organizations etc. *Four;* we assume that corruption in any form is undesirable for society or common good and needs to be prevented or eradicated.

Corruption in the Organizational Context (COC) or Organizational Corruption (OC) is highly undesirable for any parties holding a stake in the organization’s performance (Lange, 2008). An organizational perspective towards corruption is important because an organization is a basic unit of the practice of corruption (Luo, 2002). COC can be considered as the furthering of individual interests by one or more organizational actors through the
intentional misdirection of organizational resources or perversion of organizational routines, this behavior being ostensibly on behalf of the corporation rather than against it (Lange, 2008). Most corrupt activities, from a macro perspective, take place between profit-driven organizations (on the supply side) and government officials, legislators or other organizations (on the demand side). There are also numerous examples of corrupt activities performed by individuals, groups or the organization itself against other individuals, organizations or the general public or national exchequer. In the backdrop of the numerous scams that shook the economies of many countries in the early years of this millennium, (Ashforth, Gioia, Robinson, & Trevino, 2008) highlight the need to focus on corruption in the organizational context, as against the somewhat related (but different) notions such as unethical behavior, antisocial behavior, dysfunctional deviance, organizational misbehavior, counter-productive work behavior etc., which are also often located within the organizational setting. Corruption, unlike these others, is a strong and provocative term implying a willful perversion of order, ideals and trust and in the organizational context, has been becoming a grave matter for concern afflicting for-profit, not-for-profit, governmental, and even religious organizations; and being displayed not only by individuals in organizations, but by organizations themselves Ashforth et al (2008).

The need for a fresh review on COC stems from the following facts. One, authors point out that with the existing model of unethical behavior focusing on static individual traits, group and inter-personal factors, the literature seems to be atomized (Ashforth et al., 2008). There also appears to be some neglect towards the role of processes and systems (Brass, Butterfield & Skaggs 1998). Research shows the importance of a systemic view since corruption seems to flourish in certain organization, industry and national environments (Ashforth et al, 2008). There is a need to juxtapose organizational corruption against the other organizational misconducts / misbehaviors in the backdrop of the organizational
systems and processes on one hand; and culture, norms and practices on the other. Such a 360-degree relook must also examine the COC phenomenon from the perspectives of other disciplines such as psychology, sociology, anthropology, economics, law, political science as well as organizational behavior. One of the aims of this paper is to conceptualize the above context of Organizational Corruption during our literature review.

Two, for controlling or eliminating corruption we first need to have a truly integrative, interactive and processual understanding of corruption in organizations (Ashforth et al, 2008). Therefore, there is a need to study closely and simultaneously the organizational antecedents shaping corruption from the micro-, meso- and macro- perspectives, the precursors or ‘warning bells’ to corruption, the organizational systems, processes and behaviors permitting, rationalizing and reflecting corruption, its mediators or core ethics resources and moderators, and the consequences generated by corruption. The next domain to be surveyed is that of measurement of corruption (or of corruption perception, which is what is actually available today), and the efforts for controlling COC, as seen from literature as well as from practitioners.

Three, elimination of COC is a sine qua non for achieving the larger social good of all, and the common- often unspoken- purpose behind all research and study in organizational behavior, i.e., for suggesting ways of managing organizations to the overall benefit of the society and as instruments for creating ‘common’ wealth, over and above personal and organizational wealth (from Ashforth et al 2008, Gioia, 2003a). In this paper we look at the antecedents as well as effects of COC from this perspective of preventing organizations from becoming vulnerable to corruption. However, unlike most theory-based studies on corruption, we look at corruption from an ex ante, preventive point of view, as can be seen from the ensuing discussions. Misangyi, Weaver and Elms (2008) argue that the deinstitutionalization of endemic corruption requires changes in both the symbolism and
substance of corrupt institutional orders through development of non-corrupt habits and practices rooted in newly constructed frameworks of meaning. The final purpose of this paper is to prepare the ground for such a new framework for a possible positive action and then continued research, which will build from such a comprehensive review and contextualization of COC along with its antecedents, effects and efforts at control of corruption.

Ensuing from such a review and synthesis of literature on COC, this paper puts forth an agenda for research with questions such as “Is it possible to derive from theory, certain paradigms from the structure, and environment of organizations, which can point towards the organization’s corruption vulnerability or anticorruption preparedness?” “Is it possible to assess an organization’s vulnerability to corruption?” and, “Is it possible to grade and compare multiple organizations’ relative preparedness against corruption?” We propose the term Corruptance to mean the assessed vulnerability of the systems and procedures of the organization to the risk of corruption; or lack of preparedness of the systems and procedures to the threat of internal corrupt activity. We attempt to generate from theory, a model to link the theoretical concepts of COC and corruption vulnerability of organizations to data on actual corruption cases collected from a premier Regulatory body in India. Thereafter we develop this model into an Index (Corruptance Index) which can be assessed for individual organizations, and also used for grading organizations for their vulnerability to corruption, in some-what similar way as some Indices which report perceptions of corruption at country level. We propose to show that the suggested index will be different and in many ways superior to the existing Indices in order to assess corruption at organizational levels. Finally we propose several new streams of continued research as well as multiple applications of this tool for practitioners.
Research Design

This may be considered a non-conventional or non-traditional paper in that we have used predominantly qualitative methodologies, supported on several junctures by quantitative statistical tools. Through an extensive survey of literature, we arrived at five core paradigms of Ethics Resources (ER) in organizations. In order to ascertain whether any other or similar paradigms existed we carried out an in-depth study of the theoretical constructs (wherever available), behind the existing Indices used for assessing corruption, such as the Corruption Perception Index of Transparency International, Control of Corruption Indicator of World Bank, Opacity Index (O-CLEAR) of Price Waterhouse Coopers, etc. To further bolster this search for similar or related paradigms we conducted several Semi-Structured Interviews with Chief Vigilance Officers of State Owned Enterprises in India. We simultaneously collected archival data from the regulatory body [Central Vigilance Commission of India (CVC)] pertaining to Irregularities (rule and procedure violations) observed in corruption cases in State Owned Enterprises (SOE) in India. Enlisting the assistance of three independent experts in the domain of Vigilance (Ethical Oversight), we surveyed over ten years’ of CVC guidelines and circulars to arrive at ten currently valid guidelines for reducing vulnerability to corruption. The three domain experts thereafter separately did an exercise to link the 102 items (92 irregularities + 10 guidelines) with the five ERs. This linking between the five ERs from theory and the 102 items related to actual corruption cases in SOEs formed our conceptual framework.

The next stage involved developing the conceptual model into the Corruptance Index. For this we approached a population of over 200 Chief Vigilance Officers in charge of the Vigilance/Oversight function at the State Owned Enterprises across India, with a questionnaire containing the above 102 items requesting them to provide the relative importance or seriousness of each irregularity on a scale of 1 to 5. In the second part of the
instrument we requested the respondents to indicate on a scale of 1 to 4 (+ a NOTA option) the approximate frequency of occurrence of each irregularity in their respective organizations over the preceding 12 months. Thus we garnered the “Weightages” and “Frequencies” of each of the 102 items through this instrument. The universal weightages of each irregularity was calculated as an average from the responses received. The Corruptance Index of each organization for the previous period was thereafter calculated by multiplying the universal weightage of each item with the frequency of corresponding item observed in that organization during the previous period, and finding the sum. Using the same methodology Corruptance Value (corruption vulnerability) could be similarly assessed at department level as well as activity levels.

Thus we have used a judicious mix of both qualitative methodologies (interaction with a Regulatory Body to identify currently valid guidelines, assistance from independent domain Experts, Semi-Structured Interviews, etc.) and quantitative methods (data collection using questionnaires, and statistical tools), in completing this research.