Chapter 1

General introduction
This PhD thesis aims to study which factors explain unethical behavior in organizations. To effectively counter unethical conduct, insight into its causes is vital. There are many different types of unethical behavior in organizations. For example, employees can falsely claim to be ill, spread malicious rumors, or commit forgery (Peterson, 2002). This PhD thesis focuses on behavior that is seen as the single greatest obstacle to economic and social development: corruption (Davis & Ruhe, 2003). The most widely used definition of corruption is the abuse of public power for private benefit (Aguilera & Vadera, 2008; Tanzi, 1998). Corruption refers to many unethical behavior, such as embezzlement, conflicts of interest and forgery. Since different forms of corruption could be explained by different factors (Collins, Uhlenbruck, & Rodriguez, 2009; Huberts, Lasthuizen, & Peeters, 2006), this research focuses on a particular kind of corruption: bribery. Bribery is not only unethical but also illegal (Pendse, 2012). Consequently, it is a crime and in particular, a form of white collar crime – not a ‘street crime’ but a ‘suit crime’ (Bonger, 1916). Bribery is criminalized in both national and international legislation (Jordan, 2011), and many organizations explicitly prohibit offering or accepting bribes in their code of ethics (Benson, 1989). Bribery, therefore, violates both organizational rules (code of ethics) and the law. Moreover, bribery is a special form of unethical and illegal behavior since it requires the involvement of at least two individuals: a bribe-giver and a bribe-taker. Therefore, bribery is not confined to a single organization but extends it, as there is always someone from outside the organization involved. Bribery primarily emerges at the interface of public and private sectors; “whenever a public official has discretionary powers over distribution to the private sector of a benefit or cost, incentives for bribery are created” (Rose-Ackerman, 1997, p. 31). This PhD thesis therefore focuses on bribery in interactions between the public and private sector.

When bribery involves a public official and an employee of a company, it is likely that the latter bribes the former. If so, the business employee engages in active bribery and the public official in passive bribery (Beets, 2005). Few studies have taken into account both sides of bribery (Dong, Dulleck, & Torgler, 2012). As it takes two to tango, the present research considers both sides of bribery: the giver and the taker, who both (expect to) benefit. In this PhD thesis, the active side of bribery is operationalized as offering, promising or giving money, goods or services to a public official in exchange for a favorable decision; and the passive side as requesting, expecting or accepting money, goods or services in exchange for a decision that favors a company.
representative and/or his or her company. Bribery in this context leads to many harmful effects. If public officials abuse their discretionary powers in exchange for bribes from companies, they harm the public interest, as they put government decisions ‘up for sale’. This can distort fair competition, with ‘honest’ companies losing out (Osborne, 2013). Furthermore, since corrupt decisions are not based on proper grounds such as quality considerations, an inflated price may be paid and poor quality may be delivered. The latter can have dangerous consequences, for example if poorly built roads are produced (Chan, 2000). Bribery, moreover, undermines government legitimacy, and can lead to distrust of government officials (Chan, 2000; Osborne, 2013). Given such adverse effects, this PhD thesis aims to provide a better understanding of why public officials and employees of companies engage in corrupt transactions.

**Explanations for corruption**

Corruption and its causes have been studied by many academic disciplines, including economics, political science and public administration (de Graaf, von Maravić, & Wagenaar, 2010). The vast majority of research on explanations for corruption has focused on factors at the country level, typically by studying perceptions of experts about the prevalence of corruption in different countries (Collins et al., 2009; Dong et al., 2012; Svensson, 2003). While such studies may provide explanations for why corruption is widespread in some countries and less prevalent in others, they do not explain variations within countries. In particular, they do not provide insight into why corruption is more likely to occur in some sectors and organizations than in others, why within organizations or departments some people engage in corruption while their colleagues do not, nor why certain employees engage in a corrupt collaboration with a certain other. Thus, besides country-level factors, also individual, organizational and interactional factors may affect bribery. Yet, these three ‘type’ of factors have been far less researched. The goal of this PhD thesis is to gain insight into which individual factors, organizational factors and interactional factors explain corruption, particularly, the bribery of public officials by employees of companies. Below, I review the literature concerning individual, organizational and interactional factors that may affect whether people engage in corrupt exchanges.

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1. Hence, this PhD thesis searches for explanations for the behavior of the people who decide to engage in a corrupt exchange; it does not specify the kind of corruption (e.g., petty or grand), or how the corrupt exchange exactly takes place (i.e., directly, or indirectly via intermediaries like agents, consultants, distributors or subcontractors).
2. Although this PhD thesis focuses on bribery, not all the studies discussed below use this term and so I regularly also use the broader term ‘corruption’.
Corruption ultimately results from decisions made by individuals. Which individual factors can explain people’s engagement in corruption? Various disciplines have proposed different motives for corruption, predominantly economics, criminology, and social psychology. Economic theory views corruption as the result of a cost-benefit analysis (Andvig, Fjeldstad, Amundsen, Sissener, & Søreide, 2001; Dimant, 2013; Dong et al., 2012; Prabowo, 2014; Shover & Bryant, 1993). People are believed to base their decisions on a cost-benefit analysis: they consider the gains from engaging in corruption, the likelihood of being caught, and the severity of punishment (Becker, 1968). Individuals are more likely to engage in corruption if the expected benefits of corruption outweigh the expected costs (Andvig et al., 2001; Dimant, 2013; Mazar, Amir, & Ariely, 2008). In criminological theory, the perception of opportunities to engage in crime play a central role; opportunity makes the thief (Agnew, 2014; Becker, 1968; Gottfredson & Hirschi, 1990). It is proposed that people are more likely to engage in corruption if they perceive opportunities to do so (Aguilera & Vadera, 2008; Graycar & Sidebottom, 2012; Pinto, Leana, & Pil, 2008). Yet from a social-psychological viewpoint, it is equally important whether people perceive opportunities to engage in the desired behavior, that is, opportunities to refrain from corruption (Ajzen, 1991; Bandura, 1977; Fishbein & Cappella, 2006). If people experience difficulties refraining from corruption, they may be more likely to engage in it. From a social-psychological perspective, it has been proposed that norms may also affect corruption, particularly personal and social norms. Personal norms refer to feelings of moral obligation to engage in or refrain from certain behavior (Schwartz & Howard, 1981). Social norms are norms outside of the self. Two types of social norms can be distinguished: the perception of what other people approve or disapprove of – injunctive norms – and the perception of what other people actually do – descriptive norms (Cialdini, Reno, & Kallgren, 1990). If people experience weaker personal norms to refrain from corruption and believe others accept or engage in corruption, they may be more likely to engage in corruption (Powpaka, 2002; Rabl, 2011; Tavits, 2010).

Until now, it is largely unknown whether and to what extent these various motives for corruption, notably perceived costs and benefits of corruption, perceived opportunities to engage in and to refrain from corruption, and personal and social norms on corruption, are actually related to individuals’ engagement in corrupt exchanges, and which of these individual motives are key predictors. This PhD thesis aims to fill this gap.
Organizational factors explaining corruption

Corruption occurs in an organizational context. Therefore, it seems important to look not only at the ‘bad apples’, but also at possible ‘corrupting barrels’. Organizations can take, or fail to take, several structural measures to stimulate ethical behavior and preventing unethical behavior, ranging from adopting a code of conduct and providing ethics training to ensuring job-rotation (Huberts, Kaptein, & Lasthuizen, 2007). Besides structural characteristics, the culture or climate of an organization may encourage or discourage employees’ engagement in unethical behavior (Kaptein, 2008; Peterson, 2002; Treviño, Butterfield, & McCabe, 1998; Victor & Cullen, 1988). A key ethical culture or climate factor is leadership (Dickson, Smith, Grojean, & Ehrhart, 2001; Huberts et al., 2007; Treviño, Weaver, Gibson, & Toffler, 1999). Different aspects of leadership may contribute to (un)ethical behavior, among which role modeling, strictness, and openness (Huberts et al., 2007).

Structural organizational characteristics that may impact corruption specifically include codes of conduct and their enforcement (Anand, Ashforth, & Joshi, 2004; Goel, Budak, & Rajh, 2015; Treviño et al., 1999), separating duties (de Graaf & Huberts, 2008), ensuring job rotation (Abbink, 2004; de Graaf & Huberts, 2008), and implementing an adequate system of internal controls (Adams, 1994; Armantier & Boly, 2011; Schulze & Frank, 2003). Furthermore, research has revealed type of leadership to be related to employees’ perceptions of whether or not their team members are likely to engage in corruption (Huberts et al., 2007). Moreover, lax supervision and supervisors’ failure to act on warning signs of integrity violations or corruption may contribute to employees’ (continued) engagement in corruption (de Graaf & Huberts, 2008). A key cultural factor which may affect corruption is the organization’s ethical climate: a meta-analysis revealed that unethical behavior in the workplace is more likely in a more egoistic organizational climate as compared to a more benevolent and principled organizational climate (Kish-Gephart, Harrison, & Treviño, 2010). To date, it is still largely unclear if, and especially how, an organization’s ethical climate is also related to corruption of employees as a specific type of unethical behavior. Consequently, this research concentrates on whether and which organizational characteristics affect people’s engagement in corrupt transactions.

Interactional factors explaining corruption

A corrupt collaboration requires at least two people, who interact at least once. Scarcely any research has been done on which factors in the interaction between individuals affect whether and why they engage in corrupt exchanges. There is some evidence to suggest that corruption is more likely when the parties involved know each other well and interacted amicably before they engaged in corruption.
Moreover, the perpetrators appear to exchange gifts multiple times, yet often without an explicitly voiced *quid pro quo*. The process of becoming corrupt seems to be a slippery slope; the corruption slowly seems to take on more serious forms (de Graaf & Huberts, 2008; Huberts et al., 2006). However, others suggest that “sometimes, the route to corruption leads over a steep cliff rather than a slippery slope” (Köbis, Van Prooijen, Righetti, & Van Lange, 2017). This research explores which factors in the interaction between (future) offenders may affect their engagement in corrupt exchanges.

**Interplay individual, organizational and interactional factors explaining corruption**

This PhD thesis not only considers how individual, organizational, and interactional factors are related to corruption separately, but also in combination. Individuals undertake corruption within the context of their organization. To date, studies on individual and organizational explanations for corruption have almost exclusively focused on either individual or organizational factors, and have examined the relationship of each factor to corruption independently (den Nieuwenboer & Kaptein, 2008). As a result, little is known about how individual and organizational factors jointly affect the likelihood of corruption. Empirical research that considers all three levels, individual, organizational, and interactional factors, is completely lacking.

The goal of this PhD thesis is to gain insight into which individual factors, organizational factors and interactional factor explain individuals’ engagement in corruption, in particular, the bribery of public officials by business employees. In doing so, this PhD thesis not only considers how these factors, at multiple levels, separately affect corruption, but also how they may do so in combination.

**The empirical study of corruption**

The empirical study of corruption is challenging. By definition, perpetrators of crimes try to hide their involvement and are usually unwilling to provide evidence. The study of bribery is hindered by additional challenges. Consensual crimes such as bribery, in which two or more parties covertly agree to the crime, tend to stimulate secrecy (Huisman & Vande Walle, 2010). The prospect of speaking up places the offenders in a prisoner’s dilemma in which pointing the finger at one – whether pointed at oneself or at one’s accomplice – automatically implies incriminating the other. The outcomes are most favorable for both if neither discloses the pact. In addition, victims of bribery are generally oblivious to their victimization. As a result, they are not likely
to provide useful information to the police or to researchers. Accordingly, corruption researchers are largely dependent on less direct methods of data collection.

Different methods have been applied to gain insight into why individuals engage in corruption, including questionnaires (for instance, Tavits, 2010), experiments (for instance, Kőbis, Van Prooijen, Righetti, & Van Lange, 2015) and case studies (for instance, de Graaf & Huberts, 2008). Each of these methods has important advantages, but every method also has some weaknesses (Johnston, Leach, & Liu, 1999). Therefore, I use multiple methods: if similar results are found when employing different methods, confidence in the findings can be higher.

Each research method can provide unique insights into corruption. Questionnaires can provide insight into key correlates of corruption by surveying large relevant samples. However, a concern of questionnaire studies is the risk of social desirability biases; people may be tempted to deny their engagement in corruption (Torfason, Flynn, & Kupor, 2013). Alternatively, people might provide false confessions. Questionnaires do not allow to establish the truthfulness of respondents’ answers. Moreover, questionnaire studies typically do not permit drawing causal inferences: the direction of the relationship between the proposed explanatory factors and corruption might be reversed, or the relations may be spurious; a third variable may affect both the proposed explanatory factors and corruption (Andvig et al., 2001; Tavits, 2010). Experiments permit causal inferences while observing real behavior (Kőbis et al., 2015; Sequeira, 2012). However, a drawback of experiments is their often artificial environments, which may bear little resemblance to real-life situations. As a result, it is unclear whether people who make corrupt decisions in an experimental study would do so in real life as well, and whether people who decide not to engage in corruption would indeed refrain from it in the real world (Banerjee, 2016). Case studies enable profound examination of real-world situations where people actually engaged in corrupt behavior (Johnston et al., 1999; Luck, Jackson, & Usher, 2006). However, a limitation of case studies is that the outcomes are generally based on only a limited number of cases. Moreover, case-study analyses can be based solely on cases that came to the attention of regulators, while these cases may not be representative of all corruption occurring (de Graaf & Huberts, 2008). Moreover, like questionnaires, case studies do not enable testing which factors cause corruption.

Individually, questionnaires, experiments, and case studies all have shortcomings. However, the methods are complementary, as one method’s weaknesses are the other one’s strength (Abbink, 2006). If questionnaires reveal which factors are related to corruption, if experimental studies demonstrate these factors cause corruption,
and if these same factors seem to play a role in real corruption cases, this increases confidence in the findings. Hence, I attempt to study corruption via these three different research methods and through this ‘triangulation’ increase knowledge of why individuals engage in corruption. I apply these methods sequentially but also combine multiple methods within a study. If similar results are found with different methods, confidence in the findings can be high, particularly if the studies are conducted among relevant samples: among employees who are likely to be confronted with the opportunity to bribe a public official or to be bribed by a business employee.

The aim and design of the four studies

To investigate which individual, organizational and interactional factors explain corruption, I will investigate these factors both separately and in combination by means of different research methods. In the next four chapters, the results of four studies, which are all conducted in the Netherlands, will be reported; I briefly summarize the aim and method employed in each study below.

Chapter 2
Focus: Individual factors explaining corruption
Research question: Which motives for corruption, in particular, perceived costs and benefits of corruption, perceived opportunities to engage in and to refrain from corruption, and personal and social norms on corruption, are related to employees’ proneness to corruption, and which of these motives are key predictors?
Method: Questionnaire study among a large sample of public officials and business employees.

Chapter 3
Focus: Individual and organizational factors explaining corruption
Research question: Is the perceived ethical climate of organizations related to employees’ corruption-proneness and to individual motives for corruption, and if so, does ethical climate affect corruption through individual motives for corruption?
Method: Questionnaire study among a large sample of public officials and business employees.

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3 See chapter 5 for some contextualization of the Dutch context regarding the prevalence of corruption and how the Dutch approach to it can be characterized.
Chapter 4
Focus: Organizational factors contributing to corruption
Main research question: Does the ethical climate of companies have a causal influence on corrupt decisions of employees?
Sub-question: Is self-reported proneness to engage in corruption related to actual corrupt decision-making?
Method: Questionnaire study and experimental study among a large sample of business employees.

Chapter 5
Focus: Individual, organizational, and interactional factors explaining corruption
Research question: Which motives for corruption (perceived costs and benefits, perceived opportunities, and personal and social norms), which organizational factors (structural organizational characteristics and leadership), and which interactional factors (characteristics of the relation and corrupt collaboration between public officials and business employees) appear to play a role in real life corruption cases?
Method: Case-study analysis of extensive files of bribery cases involving public officials and business employees.

The sixth chapter of this PhD thesis summarizes the outcomes of the four studies, the theoretical implications of the research, the advantages and disadvantages of the methods used, topics for future research, and the practical implications of the studies.