Preface

It seems that corruption is now a key concern for many interested in the way in which business is conducted, especially in and around the modern corporation. Not only has there been an explosion of academic articles on the subject following the truly shocking accounting scandals of Enron and WorldCom, but government, non-governmental organizations (NGOs) and business schools all have drawn corruption out of the shadows and made explicit statements about its causes and prevalence. We do seem to be surrounded by the phenomenon and discourse of ‘corruption’. As we write, mountains of rubbish rot in the streets of Naples, with organized crime deemed a prime cause; the president of the Russian Federation Dmitry Medvedev announced that corruption is ‘a way of life’ in Russia and is now considered a threat to national security. Closer to home, the UK government has been implicated in seedy dealings in which the arms company BAE Systems bribed Saudi Arabian officials to win contracts (the Serious Fraud Office discontinued the probe). The German company Siemens – once considered a textbook example of the ethical high-tech firm – is investigated for alleged cases of bribery. In the United States serious doubt has been aimed at the fairness of the myriad of contracts between private firms and the Bush administration. And the list goes interminably on and on. Indeed, each day it seems that new revelations of corrupt practices in the business world hit the headlines. It is almost as if an inversion has taken place and we now expect corruption to be part of everyday corporate life, and are rather surprised if it does not feature somewhere in the business model of large global-spanning corporations.

This book focuses specifically on corruption in business organizations and corporations. It is difficult to tell whether the frequency of corruption took an exponential turn upwards in the raging deregulatory 1990s (culminating in the Enron collapse) or whether corruption has always been a feature of contemporary capitalism and is only now being recognized (with the help of a few high-profile cases). One aspect of this book is to demonstrate the social limits of capitalism in which the drive to make profits commonly bumps up against other values and norms relating to citizenship and democracy. More importantly, what we find fascinating – and is a central inspiring fact underlying this book – is that the post-Enron regulatory moves in the US, Western Europe and elsewhere appears to have
done little to curb the incidences of corporate corruption. In particular, the Sarbanes–Oxley Act 2002 in the US put a great number of obligations and responsibilities on firms regarding their financial reporting systems. Moreover, it is reasonable to think that the very attention placed on the corporate world following the scandals at Enron, WorldCom, Parmalat, Tyco, Global Crossing and the many others would scare the others into ‘going straight’. But even in this context of media scrutiny and regulatory constraints, corruption cases are a very common occurrence. For sure, one is reminded of Simpson’s (2002) startling observation that companies investigated in the past by a regulatory body for legal infringements are actually more likely to engage in future illegal practices. In relation to the contemporary business scene in the US and Western Europe, how do we explain the counter-intuitive fact that corporate corruption is as pervasive today as it was during the heyday of rampant deregulated capitalism of the 1980s and 1990s?

The purpose of this book is to explain why this might be the case by suggesting that corruption is a complex and multifaceted phenomenon that involves more than just greedy individuals – or ‘bad apples’ – pilfering the firm for their own gain. While this may be one aspect of corruption in contemporary corporations, we must also look to the more opaque features of the organizational social system that courts corrupt practices, rationalizes them, makes them seem inevitable and normalizes them in a business environment that often demands unrealistic and unattainable financial returns. Indeed, we fully concur with Ashforth et al. (2008) in their recent analysis of contemporary cases of corruption:

Although some corrupt behavior could be attributed to old-fashioned personal greed, some to creative fraud by employees acting on the behalf of organizations, and some to corrupt organizational cultures, some of it also was simply mysterious and difficult to understand. (Ashforth et al., 2008: 670)

It is the aim of this book to demystify the enigma of corporate corruption by using concepts from organizational, social psychological and business ethical analysis. Given the complexity of the phenomenon, the book suggests that commentators of contemporary corporate corruption require multiple levels of analysis to grasp the ways in which it can be initiated, maintained and hopefully detected or prevented. In particular we use the notions of agency (individual choice), structure (organizational and environmental pressure) and escalation (the rapid increase in the severity and scope of illegal and/or unethical practices) to chart organizational corruption. We think that it develops in corporations because of individual choices, in an organizational and business environment that ‘tempts’
actors to break the rules, and can swiftly escalate to engulf the firm. We use an array of examples – including the notorious accounting scam pulled off by Enron and the almost incredulous feats of illegal trading by Barings Bank stockbroker, Nick Leeson – to illustrate our points.

The book has intentionally been written for multiple audiences and in a style that is hopefully accessible. Students at both the undergraduate and postgraduate level ought to find the key concepts useful for exploring dilemmas and cases in a variety of contexts including business ethics, organization theory, corporate social responsibility and corporate law. Academics will hopefully find some fresh ideas to help in demystifying the sometimes enigmatic elements of corruption, especially in relation to motivation, organizational environment and the unresearched facet of escalation. And we have also written this book with an eye to the practitioner – be that the corporate manager, public servant, employee or whatever – by presenting concrete examples to illustrate the theories we have developed as well as providing practical recommendations about the ways in which corruption might be managed.

This book is the result of a collaborative research project between the authors that has been ongoing since 2003. Many others have given important advice, insights and comments on the development of the arguments in this book. The authors would like to acknowledge their appreciation to colleagues in their respective universities for the support they have given during the writing of this book. Peter would like to thank colleagues at Queen Mary College, University of London. In particular Gerry Hanlon, Stefano Harney, Matteo Mandarini, Arianna Bove, Janet Dine and Cliff Oswick for their scholarly support. Stelios would like to thank colleagues at the Judge Business School of the University of Cambridge, and Stephanie Schreven for her support. Peter would like to also acknowledge staff at Lund University in Sweden – especially Mats Alvesson, Dan Karreman and Sverre Spoelstra – for inviting him as a visiting scholar during September 2007 where chapters 1, 2 and 3 were written. Papers related to the arguments delivered in this book have been presented in a number of forums that were important for the development of some of our main ideas. We would like to thank staff at the University of Warwick, especially Glenn Morgan, Andre Spicer, Chris Grey, Andy Sturdy, Philip Hancock and Alessia Contu; the Free University of Amsterdam, particularly Frank de Hund and Frank de Bakker; and the Rotterdam School of Management of Erasmus University, particularly Pursey Heugens, Muel Kaptein and Nikki den Nieuwenboer, for their excellent comments. Papers were also presented at the Organization Studies Summer Workshops (organized by Hari Tsoukas) in Santorini and Cyprus – we thank those who attended our session and gave very useful feedback. Peter would also
like to acknowledge his students at Queen Mary College who attended his Corporate Social Responsibility classes in 2008 where he ‘road-tested’ many of the ideas in the book and was duly kept on his toes with some excellent discussion and debate.