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21 de noviembre de 2002



NÚMERO 120

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**BUREAUCRACY AND CORRUPTION.
AN ORGANIZATIONAL PERSPECTIVE**

Abstract

Public bureaucracies carry a potential for corruption. This essay argues that the specific nature and the probability of corruption depends not only on the individual behavior, but also on the organizational context where such a corrupt behavior takes place. This analysis is based on a organizational perspective. The sociology of organizations offers conceptual tools that can be used to study and analyze corruption. The aim of this essay is to demonstrate that incorporating Organization Theory into corruption empirical research can provide new insights in data analysis of substantive problems.

Resumen

Las burocracias públicas tienen un potencial para incurrir en actos de corrupción. Este documento argumenta que la naturaleza específica y la probabilidad de que ocurran actos de corrupción depende no sólo del comportamiento individual, sino también del contexto organizacional donde dicho comportamiento se manifiesta. Este análisis se basa en una perspectiva organizacional. La sociología de las organizaciones ofrece herramientas conceptuales que pueden ser utilizadas para estudiar y analizar la corrupción. El objetivo de este documento es demostrar que incorporando la Teoría de la Organización al debate del estudio empírico de la corrupción puede ofrecer nuevas formas de análisis e interpretación de datos sobre problemas sustantivos relacionados con este fenómeno.

Introduction

Corruption, which can be broadly defined as the misuse of public office for private gains, seems to exist in all societies in one form or another, although in different degrees. As corruption is widely recognized as a major economic problem around the world, there is also a growing interest in the empirical analysis of its causes and consequences. In recent years, significant progress has been made by statistical analysis. However, little is known about the manner in which corruption occurs, the process by which it grows and flourishes, the conditions which are conducive to its existence and the structures which support its survival. In other words, little is known about corruption as a process, as practice and as structural outcome. Current debate on corruption tends to focus mainly on the political or economical aspects of corruption. However, there is a significant absent of studies that approach this phenomenon from an organizational perspective. Although the experts recognize the importance of the organizational dimension in this issue, there is not any particular analysis of the organizational context in which corruption normally take place.

The dominant tradition in the empirical research of corruption is to treat individuals as the units of analysis, not organizations. The sociology of organizations did not have a visible presence. Although organization theory had begun to appear in research on corruption control (Anechiarico and Jacobs, 1996), no one is using it as a tool for causal analysis in empirical research on bribery, nepotism, or patronage, even though they are common features of public organizations (Banfield, 1975; Rose-Ackerman, 1999).

Today organization theory is increasingly being brought into research on the sociology of law (e.g. Edelman, 1990; Heimer, 1996) and criminology (e.g. Jackson *et al.* 1996; Naylor, 1997; Passas, 1998). However, in current research on corruption the sociology of organizations remains a tool for analysis that has unrealized potential. Public organizations, bureaucracies, and governmental institutions have been emphasized in many important works on corruption, so the potential definitely exists. In his seminal work on corruption, Banfield (1975) tried to identify the principal variables having to do with corruption in governmental organizations in the United States and point out some significant relationships among them. This strategy allows him to identify organizational features that certainly could incentive corruption in public bureaucracies, like authority fragmentation, organizational-goals ambiguity, weak coordination, and monopolization of processes and resources. However, concepts and theory from the sociology of organizations are notably absent from his discussion. His frame of references is embedded in the rational choice tradition, which describes the organizational functioning in terms of principal-agent relationships. His contribution is remarkable, but still present the individualistic understanding of the issue. Banfield supported the idea of individual

behavior which deviates from the normal duties of a public role because of private gain, but with a little consideration of how social system organizations affect the actions of individuals.

Organizations do really matter in the analysis of causes and effects of corruption. Very few corrupt practices can be conducted without collusion or organizational incentives. Bribery, for instance, does not happen in an isolated manner. Briber and bribe-taker usually deals from their work-place positions. Thus, the analysis of corruption should be rooted also in the understanding of the organizational context where corruption take place. Coordination structure, organizational networks, decision-making processes, organizational culture, power distance, should be elements integrated into the dominant paradigm in the study of corruption. It is possible to incorporate the sociology of organizations by 1) using formal and complex organizations as the unit of analysis, 2) examining individual action within the context of a formal organization in order to examine the relationship between the two, 3) analyzing the effect of the environment on corrupt behavior of organizations, and 4) using specific organization theories as hypotheses to be tested or to explain an activity, or as conceptual tools to analyze some phenomenon.

Consequently, this essay argues that the sociology of organizations can provide a useful supplemental set of tools for analyzing corruption. Incorporating theories and concepts commonly used by organizations theorists can enrich the empirical research of corruption in two ways. First, using organization theory can provide a more detailed, theoretically developed and empirically grounded framework for the analysis corrupt practices, like bribery. By making organizational settings salient as a unit of analysis, research and theory can being systematically to flesh out individual, organizational, and environment interconnections. Doing so, it will be possible to incorporate micro-, meso-, and macro-levels of explanation. Second, organization theory has surprisingly wide research applicability. It can provide fresh insights on a variety of substantive problems that the students of corruption traditionally have studied through other theoretical frames.

This essay is divided into four parts. The first part discusses the main assumptions of the dominant tradition in the empirical research of corruption, which is based on a rational choice understanding of the issue. In the second part, the Organization Theory is presented as an alternative for analyzing corruption. Special emphasis is placed on the contributions of the so called New Institutionalism and Cultural theories. It is argued that using both perspectives it is possible to enrich our understanding of how to design effective anti-corruption policies and improve our interpretation of the corruption indexes. Finally, in the third part, some conclusions and critical remarks are presented.

Corruption: A Rational Choice Issue?

Weber warned that a society dominated by organizations imbued with legal-rational authority would suffer negative consequences. Tracing that historic transformation, Coleman (1974) affirmed Weberian pessimism. He observed that this change altered social relations. Individuals not only interacted with individuals as before, they also interacted with organizations, and organizations interacted with other organizations. Coleman's primary insight was that this structural transformation produced both perceived loss and real loss of power for individuals. But the rise of formal organizations also brought new possibilities for adverse societal consequences as a result of mistake and misconduct.

In 1968, Merton observed that any system of action inevitably generates secondary consequences that run counter to its objectives. This finding is consistent with Durkheim's thesis that the pathological is an inextricable part of every social system because the conditions of the normal are the preconditions of the pathological ([1895]1966: 47-75). It follows that the same characteristics of a system that produces the bright side will regularly provoke the dark side from time to time.

Let's consider the case of bribery, a specific but common form of corruption, which involves the misuse of public office for personal or private material benefits.¹ Bribery could be observed as a bureaucratic pathology in the sense that, it is a violation of the normal or standard processes of work in order to achieve private gains. Bribery is, in effect, a creation of bureaucracy. From this point of view, bribery should be analyzed not only on the basis of individual exchange, but also embedded in the organizational context where such a exchange takes place.

In the dominant tradition of the empirical research of corruption, bribery is discussed in terms of a principal-agent relationship. From this point of view, bribery is an exchange between two actors (Klitgaard, 1988). One actor, the briber, offers illegal inducements or rewards, such as money or gifts, in order to manipulate the decision or the judgment of a public official in the direction of his/her own interest. The public official, in return, acts in accordance to the demand of the briber, who provides the benefit. According to this model, for a decision or a process to be subject to bribery, it should have an "economic value" for the potential client. For instance, if individuals or firms are required to obtain certificates or licenses and the like to engage in and promote an economic activity, the decision of the related public office gains an economic value for the client (Rose-Ackerman, 1975). Similarly, decisions pertaining to the purchase of goods and services by public organizations afford an economic value to the seller (Rose-Ackerman, 1975). Also,

¹ Some other forms of corruption are embezzlement, nepotism, patronage and spoils. For a reflection on some corruption-related concepts see: Amundsen (1999). Standards references on bribery phenomenon are Nye (1967), Nooman (1984), and Klitgaard (1988).

if the demand for public services such as health and education exceeds the supply, the allocation or the distribution decision of the official(s) involved gains an economic value due to excess client demand and inadequate public service supply (Banfield, 1975).

Thus, it is argued that a useful framework for analyzing corruption is the principal-agent model.² A principal, such as a ministry of ecology, employs an agent, such as an environmental inspector. The agent—who for convenience's sake is referred to with the feminine pronoun—interacts on the principal's behalf with a client—referred to with the masculine pronoun—such as a firm who applies for a license to perform some harmful environmental activity. The principal-agent-client model asks us to take an economic approach to corruption.³ An agent will be corrupt when in her judgement her likely benefits from doing so outweigh the likely costs. Similarly, a client will engage in bribery or other forms of illicit behavior when the benefits to him outweigh the costs to him (Groenendijk, 1997).

According to the assumptions of this model, an agent has two choices: to be corrupt or not to be corrupt. If she is not corrupt, she receives a payoff that is the sum of her regular pay plus the moral satisfaction of not being a corrupt person. If she is corrupt, she gets a bribe. But she also suffers what some authors might call the “moral cost” of being corrupt (Klitgaard, 1988: 35). Something else may happen to the corrupt agent: she may be caught and penalized. She has to weigh this prospect when making her decision. The penalty could include the loss of her pay and her job, a criminal penalty, the disgrace to her name, and so forth.

Thus, according to this model, the agent's choice is: “If I am not corrupt, I get my pay and the moral satisfaction of not being a corrupt person. If I am corrupt, I get the bribe but pay a moral cost. There is also some chance I will be caught and punished, in which case I will also pay a penalty. So, I will be corrupt if: the bribe *minus* the moral cost (the probability I am caught and punished) *times* (the penalty for being corrupt) is greater than my pay plus the satisfaction I get from not being corrupt”.

² The principal-agent model has been an active topic of research in economics for the past decade. For relatively simple situations, economists have analyzed how the principal should pay and punish the agent (e.g. Shavell, 1979) and what information-gathering strategy the principal should follow (e.g. Gjesdal, 1982). The principal-agent framework has been used in various forms to study problems ranging from insurance to sharecropping. Closer to the topic of this paper, political scientist Banfield (1975) used a principal-agent model in his important analysis of why corruption would tend to be more severe in government than in the private sector. Since his paper and the pioneering work of political economist Rose-Ackerman (1978), there have been numerous theoretical advances on the corruption phenomenon from a principal-agent perspective. Maybe the most accurate work on this subject is the seminal work of Klitgaard (1988).

³ The economical approach to corruption argues that, in a pure world of free market competition, opportunities for corruption would not exist. Administrative corruption exists because scarce resources aligned with allocation mechanisms are open to political choice. Political choices, subject to those actors who govern, afford the opportunity for corruption. Therefore, according to Rose-Ackerman (1978: 1-2), in a true case of free market, these opportunities do not exist.

This model argues that when the agent is corrupt, she receives private benefits but generates costs —or *negative externalities*— for the principal. The principal therefore would want to induce the agent to undertake the optimal degree of productive activity *and* the optimal degree of corrupt activity. If the principal has perfect information about the agent's productive and corrupt activities, he can easily persuade the agent to act as he desires. The principal simply pays the agent the value of her marginal product, in the case of her productive activities. In the case of her corrupt activities, the principal taxes such behavior just as he would tax any externality-generating activities.

The principal's problem grows difficult when, as is usually the case in the public sector, he has poor information about the agent's activities, either productive or corrupt. In addition, it is costly for the principal to find out more about what the agent is doing. The agent knows what she is doing, but the principal can not believe what she says. After all, the agent has incentives to mislead the principal into thinking she is working only on productive activities, never on corrupt ones. The principal understands this fundamental *asymmetry of information*. At the heart of the principal-agent problem are divergent incentives and asymmetric information. These make the principal's problem difficult indeed. He has to set the agent's pay and penalties without perfect knowledge of the agent's marginal productivity and externality-generating behavior. He may decide to set up systems for gathering information about the agent's activities, but these systems will be costly in themselves.

It is argued that a simple principal-agent model suggests several conclusions with regard to corruption. For instance, illicit activities will be greater when agents have a monopoly power over clients, agents enjoy discretion, and accountability is poor. Clients will be most willing to pay bribes when they reap monopoly rents from the service provided by the agents. The principal —meaning the policymaker— has to analyse the extent of various kinds of corruption, assess their costs and possible benefits, and then undertake (costly) corrective measures up to the point where the marginal benefits in terms of reduced corruption match the marginal costs of the corrective measures.

Principal-agent model has influenced the way government agencies and international financial institutions have understood corruption in recent years. However, bribery is not just an economic exchange, generated by a monetary or economic motive. The process of bribery is more than an economic issue. It is a social process as well, existing side-by-side with, and sometimes complementing cultural and political activity. The principal-agent model uses highly contestable assumptions about human motivation. Yet we know that, outside economic models, markets are imperfect, rationality is bounded and maximization is impossible when information is incomplete. Organization Theory suggests that much of administrative behavior is better characterized as "satisfying" rather than maximizing (Simon, 1947). The rational egoist beloved of economic theory seems more and more a creature of fiction as we understand more about the extent to which

corruption is socially conditioned and sustained by complex and enduring social networks (see Green and Shapiro, 1994). In short, economic analysis imports assumptions about motivation in market situations to the political and administrative arena. This essay is not concerned to deny the role of economics in helping to understand the incentive structure underlying many corrupt transactions, but its contribution to the clarification of the concept of corruption remains problematic.

A more systemic approach needs to recognize that corruption occurs whenever “the administrative system itself transposes the expected purposes of the organization, forces participants to follow what otherwise would be termed unacceptable ways, and actually punishes those who resist. Deviant conduct is so institutionalized that no individual can be personally faulted organizationally (not morally) for participating, and dysfunction is actually protected” (Caiden and Caiden, 1977: 306).

Bribery —like many other forms of corruption— starts from very eventual cases to more systemic pathology. In fact, systemic bribery occurs primarily because a series of isolated incidents —accidental or intentional— have proven their value. The organization, therefore, follows the path of least resistance, and will continue to do so until an surmountable barrier or an unacceptable cost is placed in its path. Furthermore, when bribery becomes systemic within an organization, spilling over and affecting an increasing portion of that organization, a corrupt code of conduct will replace the legal code, and institutionalization of bribery will become a *modus operandi* for subsequent organizational goals.⁴

In other words, the point to be stressed above all is that few corrupt practices can be conducted without collusion or social incentives. Few can be kept secret for any length of time. At this respect it is quite important to note the lack of analysis that focuses its attention on the organizational level of corruption. Although most of the studies recognize the importance of the organizational context of the corrupt practices, the studies generally concentrate their attention in the micro level of the phenomenon. And if they recognize a macro level, the linkage is from micro to macro level.

What is the problem with this extensive use of the Rational Choice Theory? The main problem is that the predominant paradigm on corruption oversimplifies the issue to the mere analysis of individual actions or aggregation of individual actions, with little attention on how social organizations affect the actions of the individuals (Zey, 1998). Then, a problem which is a bureaucratic dysfunction —with basic elements of social construction— appears as a individual malpractice with

⁴ Drawing on work identified with the new institutional tradition of sociology, Tolbert and Zucker (1999) identified *institutionalization* as a core process in the creation and perpetuation of enduring social patterns of behavior. According to them, an institution —the outcome or end state of an institutionalization process— was defined as a “reciprocal typification of habitualized action by types of actors”. This process of institutionalization has been described in three main steps: 1) habituation; 2) objectification; and 3) sedimentation (Tolbert and Zucker, 1999: 175-178).

apparently little connections with more structural issues. This problem deals with the fundamental core of the Rational Choice Theory (Coleman, 1990: 13-19).

The basic assumption of the Rational Choice Theory is that social interaction is basically an economic transaction that is guided in its course by the actor's rational choice among alternative outcomes. An action is taken only after its benefits and cost have been weighed. The unit of analysis is the individual decision made by an individual decision makers. The individual is purposive and intentional; that is, actors have ends or goals toward which their actions are aimed. The individual decision maker, rather than dyad, group, or organizational entities, is analyzed. Essentially, an actor will choose an action rationally, based on a hierarchy of preferences (values, utilities), that promises to maximize benefits and minimize costs, or more precisely, that promises a net gain of benefits minus costs, or still more precisely, that promises the highest net benefit to the actor and the highest probability of its occurrence (Olson, 1971; Coleman, 1990: 27-44). The values at the basis of preferences do not concern rational choice theorists. What is assumed by rational choice theorists is that actions are undertaken to achieve objectives that are consistent with the actor's preference hierarchy. But the substance of these values and their source are irrelevant to Rational Choice Theory.

As a consequence, most of the current studies on corruption do not address the possibility that informal institutions or social norms may have a major influence on government behaviour. And more over, there is not a clear recognition that could be certain organizational norms or behaviours that may promote or reduce corruption. There is ample reason to believe that informal societal institutions or social norms can also promote or deter corruption. Social norms might emphasize individuals' allegiance to ethic, religious, or other collectivities over his/her responsibility to act as a rational bureaucrat in the Weberian model (Gould and Amaro-Reyes, 1983; Ekpo, 1979; Tanzi, 1994).

The rational choice analysis of the determinants of corruption has been typically drawn upon principal-agent theory and transaction cost analysis. The principal is defined to be the top level of government and the agent is a government official designated to carry out a specific task. In the case of high-level corruption—perpetrated at the center by the elite of the political or administrative structures—one might consider the citizens who elect a politician as the principals and the politician as the agent.⁵ From this point of view, corrupt practices must be analyzed from the perspective of the two parties that negotiate such agreements within a specific institutional framework (rules of the game) as a condition for the fulfillment of a particular transaction (Groenendijk, 1997). Some authors go beyond and recognize that each corrupt act is necessarily set within a national and international context in which broader characteristics play a critical determining and a constraining role (e.g. Goudie and Stasavage, 1998). However, such characteristics

⁵ The works of Rose-Ackerman (1975, 1978), Lui (1986), Adiving and Moene (1990), Klitgaard (1988, 1991), and Adam (1995) drawing heavily in this framework, are particularly representative of this kind of approach.

are assumed as common to all transactions within the national economy. Thus, the necessity of parsimony of the Rational Choice Theory in order to create a formal analysis implies, in many ways, a over-reductionism of the reality, which makes difficult to explain certain variables of the social life (like power, traditions, rituals, symbols of authority, and so on), which are difficult to express in terms of quantitative functions.⁶

Thus, despite of the great diversity of problems, approaches, levels of analysis and disciplines involved in the recent empirical research on corruption, it is possible to observe an absence of studies on corruption from an organizational perspective. Although there is a recognition among the experts of the importance of the organizational dimension in the phenomenon of corruption⁷, there is not a particular analysis of the organizational causes and effects of this issue. This ignorance have negative consequences, specially for understanding the social dynamic of corruption.

In sum, there is a need for more organizational studies on corruption. If we agree that corruption is to a larger extent a bureaucratic pathology, then it is necessary to analyze this problem also as an issue of how public institutions are

⁶ According to the Rational Choice Theory, *power* is a result of economic calculations and transactions (Coleman, 1990). In this way, unequal power is a structural condition that results in unequal benefits in interaction. That is, the greater one person's power over another, the greater will be the gap between his or her benefits and those of the other. This relationship will continue to exist as long as both parties are better off in the relationship than if they exited or revolted. However, Rational Choice Theory does not explain the origins of the unequal relationship. If, at the beginning, everyone was equal and acted rationally, how did some benefit more than others from interactions? Is unequal power a result of unequal distribution of resources resulting from exploitation of some by others because of patriarchal relationship that have been passed down through history, or are they a result of the unequal distribution of authority within organizations? Rational Choice Theory does not explain how unequal distribution of power began. The proposition for rational choice theorists is that subordinates stay in relationships as long as they do not expect greater benefits from withdrawal from or revolution against the superordinate. This proposition makes several possibly erroneous assumptions. First, that the subordinate is in the power relationship by choice, and second, that the subordinate has the power to choose to exit the relationship. However, this is by no means the nature all power relationships in organizational settings. See at this respect the work of Clegg (1975); Clegg and Hardy (1996); and Pfeffer (1981).

⁷ Huberts (1998) conducted a survey among 257 experts on public corruption and fraud from 49 countries in order to learn what the experts consider the most important issues of the corruption phenomenon. To the question of which is the most important cause of public corruption and fraud, the experts mentioned three main causes: *a)* norms and values of politicians and public servants; *b)* lack of control, supervision, and auditing mechanisms; *c)* interrelationships-business, politics, state. The experts from developed countries mentioned the organizational issue as a cause of corruption in the seven position. Likewise, the experts from developing countries mentioned the organizational issue in the fourth place. To the question of which anti-corruption strategies are important for controlling corruption, the experts agree to consider six main strategies. Among them, with the 52.4% of acceptance among the expert community the organizational strategy was mentioned. The organizational strategy involves "improving internal control and supervision (including auditing systems)", "stronger selection of public personnel (on the criteria of honesty and capability)", and "rotation of personnel functionally and geographically".

organized. It has been argued, for instance, that “what standard principal-agent model can not do is to show how institutional factors intervene the collective dynamic of corruption” (Stasavage and Daubree, 1997: 1). Thus, there is a need for an approach sensitive to the social, political, cultural and economical contexts in which corruption takes place. Such an approach could be rooted in the Organization Theory.

What New Can Organization Theory Tell Us About Corruption?

What exactly is Organization Theory and how can this discipline help us to understand and explain the organizational dimension of corruption? The first thing to note, it is that Organization Theory is not a single theory. In other words, there is no such a thing as *the* theory of organizations. Rather, there are many theories that attempt to understand and explain how organizations and the people in them will behave in varying organizational structures, cultures, and circumstances. Thus, it is more accurate to say that Organization Theory is a loosely knit community of many approaches to organizational analysis. Its themes, questions, methods, and explanatory modes are extremely diverse. In this sense, Organization Theory certainly can not be described as an orderly progression of ideas or a unified body of knowledge in which each development builds carefully on and extends the one before it. Rather, developments in theory and prescriptions for practice show disagreement about the purposes and uses of a theory of organizations, the issues to which it should address itself, and the concepts and variables that should enter into such a theory.

The interdisciplinary (really multidisciplinary) character of the field is probably the most important source of the diversity of questions, methods, and theories, and of the considerable energy in the field. Most of the social sciences contribute to Organization Theory: psychology, sociology, economy, administration, public policy, and so on (Gortner *et al.*, 1987). This variety of disciplines clearly contributes to the richness and complexity of the theory in the field, as well as to the conflicts over theories, the absence of conceptual agreement on fundamental assumptions about the nature of organizations or the uses and purposes of the Organization Theory. However, there are many continuities in the field. Real interdisciplinary exchange that could make possible to understand, from a more comprehensive approach, the organizational dimension of corruption.

Incorporating theories and concepts commonly used by organizations theorists can enrich the empirical research of corruption in two ways. First, using Organization Theory can provide a more detailed, theoretically developed and empirically grounded framework for the analysis corrupt practices, like bribery. By making organizational settings salient as a unit of analysis, research and theory can being systematically to flesh out individual, organizational, and environment interconnections. Doing so, it will be possible to incorporate micro-, meso-, and macro-levels of explanation. Second, organization theory has surprisingly wide

research applicability. It can provide fresh insights on a variety of substantive problems that the students of corruption traditionally have studied through other theoretical frames. Let's argue in these two sense.

a) *Organization Theory as a Theoretical Prism*

Here are some examples of how specific theories and concepts from the organization theory could be used in the study of corruption:

- Traditionally, corrupt decisions are explained on the basis of a rational choice model of decision making by offenders. However, additional theories of decision making, such as bounded rationality, the garbage can model, naturalistic decision making models and others assert the influence of the social context on individual choice, which research affirms (Simon, 1947; March and Simon, 1958; March and Olsen, 1976; March 1994; Klein, 1998). These alternative decision models could be tested against the rational choice model in decisions considered as elements of corruption. In fact, white-collar crime specialists already are testing a rational choice model against theories that take the social context of choice into account in decisions to violate in the workplace (Kram *et al.*, 1989; Simpson, 1998; Simpson, and Koper, 1992).
- Institutional theory (Powell and DiMaggio, 1991; March and Olsen, 1989) looks to the institutional environment to answer the question, "Why is it that organizations in a field of similar organizations become increasingly homogeneous?" One institutional approach (institutionalism as an outcome) answers by emphasizing forces in the environment; another (institutionalism as a process) look at symbols and how practices are given values. Institutional theory could be used to explain historical shifts of organizational behaviour; the symbolic meaning of corrupt acts; the response of organizational participants to others participants' misconduct. In other words, this theory could be used to understand the symbolic world that in any corrupt transaction is present.
- Network analysis, now used in the sociology of organizations for both qualitative and quantitative research (O'Toole, 1988, 1997; Provan and Milward, 1995), could be applied to understand policy efforts between formal agencies of corruption control. Using this approach it is possible to achieve important light about the effectiveness of anti-corruption policies, with the special emphasis on the organizational coordination of different policy-actors.

An important issue in the study of corruption is the analysis of anti-corruption policies. At this regard, Organization Theory can provide important light to missing points in the current debate. In his seminal work on corruption, Banfield stated:

In governmental organizations the costs of preventing or reducing corruption are not balanced against the gains with a view to finding an optimal investment. Instead corruption is thought of (when it comes under notice) as something that must be eliminated no matter what the cost (Banfield, 1975: 595)

Government reformers throughout the twentieth century have been animated by a vision of corruption-free government. Each generation has contributed its own anti-corruption laws, strategies, and institutions. Since mind 1970's there has been an eruption of anti-corruption sentiment and activity. To an increasing extent, the laws and energy of federal, state, and local governments focus on the surveillance and control of officials rather than doing the business of government. How really effective are these anti-corruption efforts? As corruption is pervasive, combating it is a tedious job. Initiatives are manifold, pointing either at influencing behavior directly (such as the public relations campaigns or codes of conduct), or at reforming organizational structures and procedures to create a less fertile ground for corruption. An instrument from the early category is law enforcement; an instrument from the latter category is staff rotation (OECD, 1999).

Although these anti-corruption strategies seem plausible at first glance, their validity can not be taken for granted. Neither can the necessity of long-term cooperation as a basis for bribery be taken as fact, nor can we definitely say that the law enforcement is sufficient to reduce the level of bribery in an administration. So far, there is not clear empirical evidence providing the bribery-reducing impact of staff rotation neither law enforcement. This is a fundamental issue. Abundant literature in Organization Theory, specially from the New Institutionalism (Brunsson and Olsen, 1993; Czarniawska and Sevón, 1996) and Cultural theories (Hofstede, 1980; Jaeger, 1986; Jaeger and Kanungo, 1990), puts special emphasis on the risk that could bring the mechanical transfer of management technology to a local context. Without an accurate knowledge of how a particular organization works within its particular context, the anti-corruption reforms –like staff rotation or law enforcement—could represent a major problem. The challenge arises because certain assumptions and beliefs, on which the reforms are based, are not necessarily present in the local realities. Then, the cultural clash between the presuppositions of the reform and the way of life of specific organizations could have unexpected results. In considering the possibilities of reducing corruption in the public sector, it is important and possible a certain amount of cultural contextualization.

At a micro-level, a number of reforms are also suggested such as overlapping jurisdictions, enhanced salaries and better training. Overlapping jurisdictions as a means for reform derive from the literature on rent-seeking and seek to make bribery a zero-sum activity by sharing responsibilities for decisions (e.g. Rose-Ackerman, 1978), thus diluting the monopoly use of discretionary power. Nevertheless, this is

primarily related to licensing and regulation activities (it is not a reform easily applied to police or medical work, as Scott 1990, 1993, 1994 has demonstrated in his study of medical and legal organizations) and may overlook such basic physical issues such as public access and convenience. More over, overlapping jurisdictions as a means for reform contradicts the usual pressure for deregulation. The main purpose of deregulation programs is to reduce and simplify the administrative processes. But, the overlapping jurisdictions could have the negative effect of increase, rather than eliminate, administrative processes. The lesson here is that to attempt to reorganize the public sector (or part of it) on the basis of overlapping jurisdictions could have unexpected consequences. Reorganization is one of the basic facts of the governmental organizations life. It is regularly used to serve political ends, more than improve organizational operations (March and Olsen 1983). Debating about and altering the structure of organizations is a way of supporting and working toward a variety of programmatic and political objectives. Centralizing the structure consolidates authority in the hands of a few, while decentralizing can expedite and make more visible the work of particular offices. But overlap different jurisdictions and tasks, could encourage more the simulation than the real performance and, then, the reorganization will be more symbolic than real in its effects (Brunsson, 1989; Brunsson and Olsen, 1993).

Low salaries of public servants are often given as a major incentive to solicit bribes, particularly when compared to those of the business people and companies with whom they deal with. While this is true for certain activities of the public sector it is not for the voluminous contacts between the public and the public servant. Indeed, it may be arguable that the majority of the public has lower (and less certain) incomes than the public servants they deal with. It is noteworthy that the public may be more interested in punishment rather than salary enhancement as a means of dealing with corrupt officials (Doing, 1998). It could be argued that the public should not be expected to bear the consequences of what is in effect income displacement and that, if officials are not paid or are poorly-paid, then their grievance is with the employer. Requiring the public to pay salaries by way of bribes should not necessarily elicit sympathy for the public official. Nor should it necessarily be assumed that the solution lies with resolving the officials' difficulties when it is the quality and availability of a public service that is the issue. Will paying the official, or paying the official more, achieve these ends? Can payment be linked to performance based on the possible criteria given above?

Individual cases of corruption can be rooted out by the application of individual-legal sanctions. The wrong-doer is taxed with the evidence, penalized for minor offenses, and dismissed, and possibly prosecuted under the criminal code, for major offenses. The scandal is localized and steps are taken to prevent repetition. However, the experience tells us that systemic corruption cannot be handled so easily. There is not guarantee that if the most serious offenders are dismissed, or if everyone who is guilty is replaced, corruption will not persist. The old patterns will continue with new players. Further, the scandal will have a reinforcing effect.

Successors will make sure they will not be caught so easily by examining where their predecessors went wrong and so reorganizing to make any repetition of exposure much harder. The people may change, but the system persist. It is possible to explain this issue from an institutional perspective. Organizations can be said to be institutionalized insofar as their behaviour is determined by culturally conditioned rules which manifest themselves in certain routines and norms for action and which give meaning to those actions (Meyer and Rowan, 1977). They reflect relatively stable values, interests, opinions, expectations and resources (March and Olsen, 1989). Every organization or bureaucratic system (such as the public administration) has a history, and in the course of time it evolves its own accepted ideas about what work is important and what results are “good”, and about how much such results can be achieved. Some ways of thinking and behaving come to be seen as self-evident, thus excluding other interpretations and behaviours (Meyer and Scott, 1983). This is why a corrupt practices –as soon as they become a norm— are so difficult to avoid and, moreover, they obstacle any initiative of reform.

Therefore, it is possible to infer that, when corruption is institutionalized and becomes an intrinsic part of the everyday life of the organization, the traditional wisdom that corruption can be effectively contained or eliminated only by legal and police measures is disproved. Every law is not limited only by its definition, but also, the punishment prescribed has a very limit effect. Thus, it is important to design mechanism of control of corruption from a more integrative perspective. It means that the further strategies should consider not only legal reforms and normative sanctions, but also, a deep understanding of how the public organizations work, with special emphasis on its organizational behaviour and culture. It implies, among several things, to analyze the rituals, the symbols, the ceremonies, and the myths that constitute the core of the organizational norms and values (Alvesson and Berg, 1992; Czarniawska, 1992).⁸

b) Organization Theory as a Provider of Fresh Insights

The study of corruption increasingly has drawn on sophisticated statistical methods of causal inference. This is a welcome development, and the contributions of this quantitative literature are significant. However, there is a need for a more comparative and historical view of corruption, focusing upon many varieties of the problems and drawing upon diverse kinds of evidence and theory. Organization

⁸ To some extent, organizations are nets of collective action distinguished by artifacts and meaning related to that action. From this point of view, the study of the organizational dimension of corruption is also a call for the anthropological study of the patterns of behaviour of specific organizations. Using this approach it will be important to ask about what are the cultural norms of the organization which allow or incentive corrupt practices, and how are they manifested in stories, rituals and symbols? How do they affect implementation of anti-corruption policies and the political strategies of the organization? The work of Czarniawska (1992, 1997) represents the major efforts for bringing anthropological research to the OT.

Theory can provide significant empirical evidence to enrich the quantitative analysis of corruption. One example could be found in the studies of the so called Cultural theories of organization.

Academics who have studied the interaction between culture and management may have an advantage in doing research on the importance of culture as a determinant of corruption. For studies on the impact of culture on management, it is necessary to identify attributes of culture as well as those of management. For studies on corruption, the dependent variable is somewhat easier to identify, even if it is equally, or even more, difficult to measure. What aspects of culture contribute to the growth of corruption, determine its impact, and offer clues to how it can be tackled? What attributes of culture lead to acceptance or rejection of corruption? What are causal links between these attributes and corruption? Are there some attributes of culture that lead to control of corruption more easily than others? Which aspects of culture will make it difficult to fight corruption? Culture, for example, may make it difficult to introduce transparency that helps reduce corruption (Fons, 1998).⁹ While it is necessary to examine the cultural attributes that allow corruption to grow, it is important not to forget also to study cultural attributes in countries where corruption does not grow. Scandinavian countries and New Zealand tend to head the league of countries with low levels of corruption. What is it about the cultures of these countries that does not allow corruption to grow? Answers to these questions may have a significant impact on the strategy that is chosen to combat corruption. Similarly, it will be important to ask how corruption-free and very efficient administrative systems can coexist with higher levels of governmental corruption in countries like Japan or South Korea.¹⁰

Corruption is a taboo in the management literature, but in view of its frequency and consequences it deserves to be squarely addressed. Official and unofficial side payments to “agents” occur in many situations throughout the world. What is called “corruption” is partly a matter of definition.¹¹ In general, we speak of corruption when those in power use illegal means to get the collaboration of authorities, or to enrich themselves. But what to say about the U.S. practice of lobbying and of its levels of Chief Executive compensation, which, although formally legal, rest on similar motives? In Japan, China and many other cultures the giving of gifts is an important ritual, and the borderline between gift giving and bribing is diffuse. To a purist even tip giving can be considered a form of bribing.

Since 1995, Transparency International, a non-governmental organization located in Berlin, issues a yearly *Corruption Perception Index (CPI)*. The CPI is developed by Johann Lambsdorff, from the University of Göttingen, and combines

⁹ Cultural biases may make it difficult to accept the failure of firms and their supervising bureaucrats – something that may follow full disclosure on firms (Fons, 1998: 4).

¹⁰ Interested readers may wish to start with Schlesinger (1997). Among other things, the author describes how some of the most corrupt Japanese leaders made bribes more acceptable within the Japanese cultural norms.

¹¹ For a discussion on different definitions of corruption see Del Castillo (2001).

information from up to 12 different sources in business, the press and the foreign services. The 2001 CPI covers 91 countries. The index runs from 10.0 (entirely clean) to 1.0 (entirely corrupt). The countries perceived as cleanest in the 2001 list were Finland, Denmark, New Zealand, and Iceland on a par with Singapore (in this order). Those perceived as the most corrupt were Bangladesh, Nigeria, Indonesia on a par with Uganda, and Azerbaijan on a par with Bolivia, Cameroon, and Kenya.

In order to understand why some countries were rated more corrupt than others, it is possible to analyze the statistical relationship between the 2001 CPI's scores and economic and cultural indexes. As an economic index, this article uses the 1998 Gross National Product Per Capita Index, published in the World Bank's *1999-2000 World Development Report*. As a cultural indexes, this article uses the country scores on the four cultural dimensions identified by Geert Hofstede (1980) in his study on international differences in work-related values. The cross-national data used in this study are presented in Table 1 (see the Appendix).

Hofstede's study is based on a large research project into differences in national culture among matched samples of business employees –the IBM study— across more than 50 countries, as well as a series of follow-up studies on other samples (Hofstede, 1980: 39-64). These studies together identified four independent dimensions of national culture differences, each rooted in a basic problem with which all societies have to cope, but on which their answer vary. The dimensions are:

- *Power Distance*, which is related to the different solutions to the basic problem of human inequality.
- *Uncertainty Avoidance*, which is related to the level of stress in a society in the face of an unknown future.
- *Individualism* versus *Collectivism*, which is related to the integration of individuals into primary groups.
- *Masculinity* versus *Femininity*, which is related to the division of emotional roles between men and women.

These four dimensions were empirically found and validated, and each country could be positioned on the scale represented by each dimension. Moreover, the dimensions were statistically distinct and occurred in all possible combinations, although some combinations were more frequent than others.

The first of the four dimensions of national culture is Power Distance. The basic issue involved, which different societies handle differently, is human inequality. Inequality can occur in areas such as prestige, wealth, and power. Different societies put different weights on status consistency among these areas. Inside organizations, inequality in power is inevitable and functional. This inequality is usually formalized in boss-subordinate relationships. The term Power Distance is borrowed from the Dutch social psychologist Mulder, who in the 1960s conducted experiments to investigate interpersonal power dynamics. The Hofstede's study

suggests that power distance are to a considerable extent societally determined and organizational expressed.

The countries covered in the IBM study could each be given score on the *Power Distance Index (PDI)*. This index was derived from country mean scores or percentages on three survey questions. These questions dealt with perceptions of subordinates' fear of disagreeing with superiors and of superiors' actual decision-making styles, and with the decision-making style that subordinates preferred in their bosses. PDI scores differed strongly across occupations as well, especially in countries where the country PDI was low. Differences on PDI between the genders were inconsistent.¹² Correlations of PDI with geographic, economic, and demographic country indicators and consideration of historical factors lead to a suggested causal chain for the origins of national differences. Trend data do not suggest that such differences could disappear in the foreseeable future.

The second dimension of national culture found in the Hofstede's data was Uncertainty Avoidance. Uncertainty about the future is a basic fact of human life with which we try to cope through the domains of technology, law, and religion. In organizations these take the form of technology, rules, and rituals. Uncertainty Avoidance should not be confused with risk avoidance. The term is borrowed from Cyert and March's book *A Behavioral Theory of the Firm* (1963).

The countries from the IBM study could each be given an *Uncertainty Avoidance Index (UAI)* score, which differs from the PDI score described above, although for European and Western countries PDI and UAI tend to be correlated. UAI was derived from country mean scores or percentages on three survey questions dealing, respectively, with rule orientation, employment stability, and stress. The same index can not be used for distinguishing occupations, nor does it apply to gender differences. It was correlated, however, with the mean age of the IBM respondents in the subsidiary.¹³ Correlations were computed of country UAI scores against geographic, economic, and demographic indicators. Correlation patterns differ strongly between wealthy and poor countries. For wealthy countries, UAI is correlated positively with past economic growth and negatively with the age of the country's present political system. The index has been remarkably stable over the

¹² A significant part of Hofstede's study is devoted to a validation of PDI scores against other data. First, PDI scores were correlated with other questions in the IBM survey and with the PDI scores computed in straight replications of the IBM research on other populations. These show the stability of the index over the past decades. Next, PDI scores were correlated with country scores on a number of other cross-national surveys, both general values and work-related values, on large variety of surveys populations. The correlation pattern found has been integrated into a picture of the "power distance norm" as a value system held by the majority of a country's middle class (Hofstede, 1980, chapter 3).

¹³ Similar validation of the UAI scores against other data was conducted. Important correlations were found with national anxiety levels as computed from national medical statistics by Lynn, and negative correlations were found with various measures of subjective well-being. Next, UAI scores were correlated with country scores on a number of other cross-national studies of values on a variety of survey populations. As in the case of the PDI, the correlation pattern found has been integrated into a picture of the "uncertainty avoidance norm" as a value system held by the majority of a country's middle class (Hofstede 1980, chapter 4).

past decades. Although uncertainty avoidance levels do fluctuate over time, the differences between countries on which the index was based are robust. UAI differences are not expected to disappear in the foreseeable future.

The third dimension of national culture in Hofstede's study is Individualism, as opposed to Collectivism. It describes the relationship between the individual and the collectivity that prevails in a given society. It is reflected in the way people live together—for example, in nuclear families, extended families, or tribes—and it has many implications for organizational values and behavior. In some cultures, individualism is seen as a blessing and a source of well-being; in others, it is seen as alienating. Sociology offers a variety of distinctions associated with the individualism dimension, of which the best known is probably Tönnies's distinction between *gemeinschaft* (low individualism) and *gesellschaft* (high individualism). According to Hofstede, the level of individualism or collectivism in society will affect the organization's members' reasons for complying with organizational requirements. Following a terminology introduced by Etzioni (1975), it is possible to assume more "moral" involvement with the organization where collectivist values prevail and more "calculative" involvement where individualists values prevail. Etzioni distinguished between "pure" and "social" moral involvement. He argued that the first occurs in vertical relationships, such as between teachers and students, priests and parishioners, leaders and followers. The second, social involvement, develops in horizontal relationships, such as in various types of primary groups. Pure and social moral involvement may occur together, but as a rule, one orientation predominates (Etzioni, 1975: 11).

The IBM database allowed the computation for each of 53 countries and regions of an *Individualism Index (IDV)*. However, the same index is not suitable for distinguishing among occupations, the genders, age, groups, or individuals. The Individualism Index is negatively correlated with Power Distance Index, but the correlation all but disappears when national wealth is controlled for. Within Europe, IDV is negatively correlated with Uncertainty Avoidance.¹⁴ National wealth and geographic latitude together predicted 78% of the variance in IDV, but they left room for specific historical influences. Some speculations are made about these historical influences, and about the future of country differences in individualism and collectivism, which may become smaller with increasing affluence but are very unlikely to disappear altogether.

The fourth dimension along with national cultures differ systematically has been called Masculinity, with its opposite pole Femininity. The duality of the sexes is a fundamental fact with which different societies cope in different ways. The issue is what implications the biological differences between the sexes should have for the

¹⁴ IDV was validated against a large number of country data from other sources. These include straight replications of the IBM survey on other populations as well as large cross-national studies of values by Schwartz, by Smith, Dugan, and Trompenaars, and by Inglehart (the World Values Survey). These and other correlates of IDV were integrated into a coherent list of connotations of individualism or collectivism as a country characteristic (Hofstede, 1980, chapter 5).

emotional and social roles of the genders. Surveys on the importance of work goals, both inside IBM and elsewhere, show that almost universally women attach more importance to social goals such as relationships, helping others, and the physical environment, and men attach more importance to ego goals such as careers and money. However, the IBM database revealed that the importance respondents attached to such “feminine” versus “masculine” work goals varied across countries as well as across occupations.

A factor analysis of mean country work goal scores from the IBM data produced a strong factor opposing social to ego goals. Factor scores on this factor for each of 53 countries and regions were converted into a country *Masculinity Index (MAS)*.¹⁵ In higher-MAS countries, values of men and women in the same jobs differed more than in lower-MAS countries. MAS values also varied among occupations. MAS was correlated across countries with other IBM questions and with an indirect measure of work centrality in IBM. MAS is entirely different from individualism. Hofstede’s study suggests a curvilinear relationship between MAS and geographic latitude, but most of the variance in MAS among countries should be due to specific historical influences within regions. However, there is not indication of convergence on this dimensions over time.

Across 46 countries for which all indexes were available (N = 46), CPI depended primarily on wealth. Eighty-two per cent of the differences in CPI could be predicted from a country’s wealth, or rather from its poverty.¹⁶ In other words, Table 2 (see the Appendix) shows that across these 46 countries the strongest correlation of CPI is with 1998 GNP/ capita, $r = .82^{***}$. As the CPI values are higher for cleaner countries (1 = totally corrupt, 10 = totally clean), this means that across all countries, corruption as perceived by the CPI is primarily a matter of poverty. Several reasons might explain this high correlation between economic wealth and high perceived corruption. Poor countries normally have less developed institutions of accountability and weaker bureaucratic control. Patron-client relationships are a common characteristic among poor countries. In such a context, corruption can be perceived as an endemic pathology since bureaucratic discretion undermine the formal and legal way of doing business in public sector. The rule of law has an important role in this drama. It is well demonstrated that those countries that show more respect for the legal framework are perceived as more stable and predictable. Therefore, investments are higher and opportunities of work are better. All this improve an economic growth that it is negatively proportional to the perception of corruption (De Soto, 1989, 2000).

¹⁵ MAS was validated with large cross-national studies of values, including Schwartz’s Values Surveys, the European and World Values Surveys, and the Inglehart and McClelland’s content analysis of children’s books. These correlates of MAS were integrated into a coherent list of connotations of masculinity as a country characteristic (Hofstede, 1980, chapter 6).

¹⁶ This paper is using the definition of poverty provided by the Norwegian Agency for Development Co-operation (NORAD), which states the poverty line in 10,000 U.S. Dollars of GNP per capita.

However, a stepwise multiple regression pattern shows that after GNP/capita, three of the Hofstede's indexes still make independent contributions to the variance in CPI. These indexes are PDI, MAS, and UAI, in this order and all three with negative signs. So the Individualism Index (IDV) is the only one that does not play a major role in the explanation of corruption perceptions, after the influence of wealth has been controlled for (see Table 2 in the Appendix).

After GNP/capita the next-highest zero-order correlation was with IDV ($r = .71^{***}$), followed closely by PDI ($-.70^{***}$, meaning more corruption in countries with larger power distances). However, a stepwise multiple regression showed that after the influence of wealth had been accounted for, PDI still contributed significantly to the prediction of CPI; IDV did not.

What is corruption and what is not is to some extent arbitrary. The giving of gifts is an important ritual in many societies, and the borderline between gift giving and bribing is diffuse. To a purist, even a tip can be considered a form of bribe. Corruption, however, is indisputable where those in power use illegal means to enrich themselves. Assuming that the CPI rates used this same criterion,¹⁷ the CPI's correlation with PDI shows that Power Distance increased perceived corruption. The influence of Power Distance points to the influence of checks and balances in a society on the use of power. Larger power distances in a society mean fewer checks and balances and stronger temptation for power holders to illegally enrich themselves. Enlightened rulers can impose checks where traditional culture does not provide them. Examples are high-PDI countries Singapore and Hong Kong, which the Transparency International list classifies as reasonably "clean". To a larger extent, this reflects the iron hands of Senior Minister Lee Kuan Yew in Singapore, and of the Independent Commission Against Corruption (ICAC) in Hong Kong (Quah, 1995). However, it remains to be seen to what extent these checks will last over time.

Adding Masculinity we could further increase the share of CPI differences explained to seventy-seven per cent. Countries with masculine culture were perceived to have more corruption than countries with feminine cultures. Masculinity stands for assertive behavior and a need to show off among leaders, but also for a need to admire among followers. Its opposite pole, Femininity, stands for modesty among leaders and jealousy among followers. The first seems to stimulate corrupt behavior, the second limits it.

Significant light on corruption is gained when we split the countries into rich and poor (see Table 3 in the Appendix). From the 46 countries for which we had complete data, 24 had a 1998 GNP per capita over 10,000 US Dollars, and 22 below 10,000 US Dollars. In this way all European Union and other Western and few Asian countries were counted as rich; all Latin American, African, and most Asian countries were classified as poor. Across the 24 wealthy countries, the level of perceived corruption was not related to their GNP/capita. All seem to have reached a

¹⁷ The working definition of corruption used by Transparency International is "the abuse of public power for private benefit or profit" (Transparency, 1997: IV).

level of affluence where corruption is no longer economically motivated. Instead sixty-five per cent of the (considerable) country differences in CPI could be explained by a combination of Uncertainty Avoidance and Power Distance. Uncertainty Avoidance had the strongest influence ($r = -.78^{***}$). Only across 17 poor countries did UAI does not play a role. The relation between UAI and corruption perception is an important issue. If citizens consider themselves incompetent and the dominant feeling is that decisions should be left to experts, there will be a greater temptation for authorities to accept bribes, fewer opportunities for lay citizens to check up on them, and higher levels of both actual corruption and suspicion of corruption.

Across the 22 poor countries, the level of perceived corruption was significantly correlated with MAS ($r = -.43^*$) after 1998 GNP/capita ($r = .46^*$). In a stepwise regression MAS made a substantial contribution ($R^2 = .21$ for GNP/capita, $.37$ for GNP/capita plus MAS). A high CPI value stands for low corruption, thus the more masculine among the poorer countries were perceived to be more corrupt. A masculine culture leads to desire to show off, in other words, in a masculine culture there is a need to conspicuously assert oneself by showing material wealth. Among power holders in poor countries this desire easily fosters corrupt practices.

In order to test the accuracy of this results, it is possible to test them with newer data. In 1984, Michael Hoppe collected new scores on the same cultural dimensions, this time from members of the political, business and scientific elite in 17 wealthy countries contacted via the Salzburg Seminar, an American founded international conference in Salzburg. If instead of the Hofstede's scores collected from IBM personnel we use the 1984 scores of Hoppe (1990), the highest zero-order correlation is with Hoppe's PDI, no less than $r = -.86^{***}$ across the 17 countries. These elite Salzburg participants' answers on the PDI questions predicted almost perfectly the amount of corruption in their countries perceived by Transparency International's sources more than 14 years later, with astonishing accuracy.

This exercise of correlating CPI results with cultural indexes illustrate how empirical studies on corruption could gain power of explanation and analysis from adding knowledge from Organization Theory. Hofstede's study on international differences in work-related values is recognized as a major contribution to cross-cultural study of work motivation and organizational dynamics. His study can be used to test and understand cultural patterns that incentive corrupt practices. Although the evidence provided in this section is limited, it is possible to assert that: 1) higher GNP/capita, 2) lower PDI, 3) lower MAS, and 4) lower UAI all reduced perceptions of corruption significantly. How to link this cross-national evidence with the organizational basis of corruption?

To a large extent, public administrations are loosely coupled systems of organizations. Organizations are symbolic entities. They functioning according to implicit models in the minds of their members, and these models are culturally influenced. The functioning of organizations is more complex than the simple idea of the voluntary individualism or the social determinism. Organizational outcomes

can be seen as the product of the interaction between an organization and its environment. Organizations are open systems dependent on interchanges with their environment for their continued functioning and survival, and both their structures and behavior are strongly influenced by conditions external to them. In this way, it is possible to assert that what we call corruption, its meaning and forms of functioning in organizations, is close related with the social values and institutional arrangements of the specific context in which the organization is located. Any organizational process and structure has a cultural bias. In the case of corruption (as organizational pathology), the point is to understand those cultural patterns that, in some point, could encourage both real and perceived levels of corruption.

Consider the case of Latin American countries. All Latin American countries included in this study are perceived (according to the CPI) as highly corrupt countries –except Chile, which is ranked in the position 18 of 91 nations. It has been commonplace to associate Latin America region with government corruption, especially by invidious and intentional contrast with North America and Europe. Stories about drug trafficking, influence peddling, fraud, plain theft of public funds, and persistent abuses of human rights are abundant. Colorful terms such as *coima* and *mordida* are frequently used to describe varieties of bribes. Anecdotal as they can be, these stereotype often reveal the surface of a persistent –and for many—growing trend. Empirically then, the Latin American countries appear characterized by high incidence of corruption although they also exhibit wide variations among them. Most Latin American countries are closer to Eastern European or African states. Culture and management largely explain this.

Once can argue that this perception have an explanation in the way how Latin American's organizations are managed and organized. To systematize, the content of these layers can be sketched into a cultural construct with five characteristics.

I. Particularism

In its outer layer, the administrative culture mix of Latin America presents significant universal and achievement-oriented traits. Yet the core component of Latin America's administrative culture is defined by the persistence of amoral familism. Primary groups, especially extended families, and friends play a fundamental role in social life, even in the allegedly modern confines of urban life. The endurance of patrimonialism, *amiguismo* and *compadrazgo* are manifestations of this built-in patrimonialism. So is the overall level of inwardness, ascription, lack of transparency, and distrust of strangers surrounding the performance of public functions.

II. Formalism

The Latin American state classes have been since their origins a status officialdom (Morstein-Marx, 1963: 63), derived from their possessing official titles. These official titles serve in turn as a mechanism to access private consultancies and alternative (and not always transparent) sources of income. A bureaucrat (even a white collar employee in a private corporation) or an officer, irrespective of the discredit in which the service may find itself, is a somebody. In a hierarchical social order, being middle class confers a degree of respectability and an aura of modernity. Ritualism, hyperlegalism, and the profound incidence of law makes the behavior and expectations of officials depend upon deductive and detailed interpretations of norms. There is a fundamental double standard: a public facade for outsiders and private zone of exceptionality for insiders (Riggs, 1967). The same applies to the use of time: delays, waiting, and slowness are selectively used to define the importance of the relationship and delineate power and hierarchy.

III. Discretionality

Under the mantle of formalism as described above, there is a perceived role expectation on the part of functionaries as having a surprisingly great degree of operational autonomy. Formalism and particularism ostensibly clash, with the former becoming a mechanism for avoiding responsibility, or for justifying dynamic immobilism and aloofness. The flip side of this contradiction is that it transforms the role of the civil servant into one of dispensing –and at times trading–personal favors as well as facilitating exceptions from existing norms. This exceptionalism gives rise to recurrent nepotism, corruption, patronage, and abuse.

IV. Corporatism and Authoritarianism

The official's understanding of the relations between state and society is influenced by the weak brokerage and associational representation for most of the public vis-a-vis the government. In turn, elite interests are grossly over-represented, with wide access to all levels of decision making. Moreover, the recognition of an entrenched elitist socioeconomic structure enhances a self-perception of autocracy, where the government and the bureaucracy act as a mediators and arbiters of social conflict (Heady, 1984). This reinforces the profound schism between insiders and outsiders. Clientelism, patrimonialism, the ubiquitous use of “pull”, and the persistence of episodes of military intervention, reinforce the aforementioned traits. Though the white-collar military and civilian state classes can not be equated with the landed and commercial oligarchy, public officials are in the domain of the elites and a few

of them are able to make their way into the upper crust. Their connection with essentially undemocratic practices and government makes the functionaries prone to assume an attitude of arbitrariness and disregard for the public at large. This demeanor toward outsiders, especially the lower strata, is pervasive not only in government but also in the private sector.

V. Centralism

Most administrative structures and processes are heavily centralized at the top (Hickson and Pugh, 1995). The administrator's values, behaviors and expectations reflect a view of the public characterized by high levels of territorial and operational concentration (Del Castillo, 1999). Decisions normally flow up to the top, so does responsibility. Although operational autonomy is not uncommon in practice, propensity to delegate is rather infrequent. In many instances, influence peddling flows upstream, at times creating a system of pyramidal corruption.

All these characteristics make countries from Latin America region rank, in the Hofstede's (1980) study, with a large power distance, high uncertainty avoidance and high masculinity, the crucial dimensions that seem to explain corruption. Power distance is involved in answering the questions of who decides what, and uncertainty avoidance is involved in answering the question how one can assure that what should be done will be done. On the other hand, masculinity is related to the perception that people have of themselves in social life.

The ideological "software" of the Latin American public sector is the result of an ongoing process of immersion, acculturation, and socialization, whose structural drivers are both implicit and induced.¹⁸ The primary vehicles for reproducing the administrative culture are the family, the educational system, peer groups, and direct experience with government and the public service. The fundamental class identification of civil servants is with the middle strata. There is a sort of circular causation here: the middle strata produces employees, while becoming a white-collar worker confers the attribute of middle classness.

Class distinction are paramount in Latin America, social identity being a function of ancestry, neighborhood, education, tastes, gender, ethnicity, and language. This by itself creates a double standard that open the door to misadministration practices. The educational system, especially its secondary and tertiary levels, are exclusive and discriminating. High school and university education are in general the points of entry for employee roles. More specific training may occur at the post-secondary levels, either in public service schools or in

¹⁸ Hofstede defines culture as "the collective programming of the mind that distinguishes the members of one group or category of people from another" (Hofstede, 1980: 20). It manifests itself not only in values, but in more superficial ways: in symbols, heroes, and rituals. Arellano (1999) and Arellano and Cabrero (2000) offer a description of the main cultural patterns—symbols, values and rituals—of the Mexican public organizations, as an example of the administrative ethos prevail in that region.

university careers geared to administrative posting. These are connected to law, business, and economics but also the study of public administration. Few countries have developed an administrative class (Heady, 1984), and many point to Costa Rica, Uruguay and Chile as possible examples approaching the model of neutral, effective, and relatively more transparent bureaucracy. At least two of these (Chile and Costa Rica) are also relatively free of corruption according to Transparency International, but even these cases appear problematic when closely examined.

This tentative exploration into the organizational and cultural roots of government corruption in Latin America advances some tentative propositions and observations on the relationship among the phenomenon of corruption, the modal pattern of administrative culture sketched above, and the larger social and political context. The persistence of government and administrative corruption in the region has to be seen within this broad contextual and cultural matrix. Far from an irrational pathology, it constitutes a learned rational adaptation to circumstances in the politico-administrative milieu in which officials operate. It is precisely the “normality” of corruption in the Latin American context that needs to be understood. Explanatory theories, such as those centered upon the association between modernization and transparency, are of limited heuristic value unless used in conjunction with other more interpretative approaches. Conversely, cultural and historical factors seem to render a more nuanced grasp of the subject at hand. Yet they are not sufficient by themselves. This suggests that a systemic and configurative approach, shifting between explanation and understanding, the micro and the macro, could provide keys to grasp the phenomenon under study, and Organization Theory seems to represent a good option for such an approach.

Conclusions

Corruption is not identifiable as a single, separate, independent entity which can be isolated and destroyed. Corruption is a complex set of processes involving human behavior and many other variables, some of which are difficult to recognize or measure. Even though corruption manifests itself as a force on its own and often generates its own momentum, it is linked to many other factors, and it is by understanding these factors that we can hope to understand corruption. Understanding corruption is therefore the first step in eradicating or, at least, containing corruption.

The recent research on corruption generally assume an individualistic and rational choice perspective. From this point of view, corruption is an issue of economical exchange between actors. However, corruption is not just an economic exchange, generated by a monetary or economic motive. The process of corruption is more than economical issue. It is a social process as well, existing side-by-side with, and sometimes complementing cultural and political activity.

This article has argued that the dominant tradition in the study of corruption has a partial understanding of the phenomenon of corruption. This partiality affects not only our understanding of the issue but also the design of anti-corruption policies that attempt to curb it. The ultimate aim of the study of corruption is to eliminate it or, at least, to control it. The question is, how can this be achieved? A popular notion is to simply stamp out corruption. There is no doubt about the need to end corruption, but it is worth asking if the notion is to simply mount an attack on corruption or indeed, as is also often suggested, on its root cause. Apart from the fact that there are different points of view on exactly what constitutes the root cause of corruption, it is also moot to consider that repeated attempts to do so have not met with success.

Part of the solution to corruption lies on posing questions which address the fundamental social concepts of corruption as a prerequisite of all research and especially of any organizational research on the subject, thus encouraging a more searching and comprehensive “assault” on the culprit. In other words, before devising programmes to eliminate corruption we must know a great deal more about its nature, characteristics and patterns. At this respect, Organization Theory can provide significant insight about the issue. Using an organizational perspective could bring us the opportunity to address new research questions.

From an organizational point of view, for instance, it is possible to ask about how far are the causes of corruption are influenced by organizational factors? What was the impact of corruption in terms of the performance of the public institutions; has it encouraged or exacerbated inefficiency? What patterns of corruption are identified? What types of activity are generally considered corrupt, and why? Which types of corruption have the most adverse effects on which kind of public organizations, and why? Are there certain activities and organizational functions of

the public sector which are more vulnerable than others? All these questions have not received yet an accurate answer. However, these answers are essential for a better understanding of the administrative corruption.

Corruption is not just a question of individual offenses or individual deviations from the legal norms. It is also a question of how the public institutions are organized. In the same way, the mechanism for controlling corruption could not be based only on individualistic presuppositions. The systemic corruption requires systemic solutions. Solutions which must have as their objective not merely to reduce corruption in an official organization but, at the same time, not to harm the objective for which the organization was deployed in the first place. And this is not an easy task. It is a complex issue that deals not only with the reduction of official monopolies or increase the public salaries, but also, with the understanding of the organizational structure of the public administration, it means, the way in which the organizations interact, the norms that shape the organizational behavior, and the cultural patterns that incentive corrupt practices.

The studies on corruption, rooted in the rational choice paradigm, represent an important effort for analyzing this phenomenon. The analytical capacities of this theory make it a very useful tool. However, the complexity of the corruption phenomenon requires the explicit recognition of certain social components that the Rational Choice Theory can not take into account due to its methodological limitations. Here is where the Organization Theory could play an important role in the study of corruption. Using the Organization Theory, as a multi-dimensional approach, it is possible to address different problems and combine models of research that bring new light on this topic. To explore the organizational basis of the corrupt practices is an important issue. Its analysis, hopefully, could help us to organize more accountable public institutions.

Appendix

Table 1
Cross-National Comparative Data

Country	GNP per capita 1998					
	2001 CPI	(Dollars)	PDI	UAI	IDV	MAS
Argentina	3.5	8,970	49	86	46	56
Australia	8.5	20,300	36	51	90	61
Austria	7.8	26,850	11	70	55	79
Belgium	6.6	25,380	65	94	75	54
Brazil	4.0	4,570	69	76	38	49
Canada	8.9	20,020	39	48	80	52
Chile	7.5	4,810	63	86	23	28
Colombia	3.8	2,600	67	80	13	64
Costa Rica	4.5	2,780	35	86	15	21
Denmark	9.5	33,260	18	23	74	16
Ecuador	2.3	1,530	78	67	8	63
Finland	9.9	24,110	33	59	63	26
France	6.7	24,940	68	86	71	43
Germany	7.4	25,850	35	65	67	66
Ghana	3.4	390	77	54	20	46
Greece	4.2	11,650	60	112	35	57
Guatemala	2.9	1,640	95	101	6	37
Hong Kong	7.9	23,670	68	29	25	57
India	2.7	430	77	40	48	56
Indonesia	1.9	680	78	48	14	46
Ireland	7.5	18,340	28	35	70	68
Israel	7.6	15,940	13	81	54	47
Italy	5.5	20,250	50	75	76	70
Japan	7.1	32,380	54	92	46	95
Kenya	2.0	330	64	52	27	41
Korea	4.2	7,970	60	85	18	39
Malaysia	5.0	3,600	104	36	26	50
Mexico	3.7	3,970	81	82	30	69
Netherlands	8.8	24,760	38	53	80	14
New Zealand	9.4	14,700	22	49	79	58
Norway	8.6	34,330	31	50	69	8
Pakistan	2.3	480	55	70	14	50
Panama	3.7	3,080	95	86	11	44
Philippines	2.9	1,050	94	44	32	64
Portugal	6.3	10,690	63	104	27	31
Singapore	9.2	30,060	74	8	20	48
South Africa	4.8	2,880	49	49	65	66
Spain	7.0	14,080	57	86	51	42
Sweden	9.0	25,620	31	29	71	5
Switzerland	8.4	40,080	34	58	68	70
Thailand	3.2	2,200	64	64	20	34
Turkey	3.6	3,160	66	85	37	45
United Kingdom	8.3	21,400	35	35	89	66
United States	7.6	29,340	40	46	91	62
Uruguay	5.1	6,180	61	100	36	38
Venezuela	2.8	3,500	81	76	12	73

Sources: Transparency International (2001), The World Bank (2000), and Hofstede (1980).

Table 2
Correlations Across All 46 Countries

Product-moment correlation across all 46 countries with		
GNP98		.82***
IDV		.71***
PDI		-.70***
UAI		-.38**
Order of contribution in stepwise regression		
1	GNP98	R ² = .67
2	-PDI	R ² = .73
3	-MAS	R ² = .77
4	-UAI	R ² = .81

Table 3
Correlations Across Wealthy Countries and Poor Countries

Product-moment correlations across 24 <i>wealthy</i> countries with:		
UAI		-.78***
PDI		-.55***
IDV		.47**
GNP98		.45*
MAS		-.33*
Order of contribution in stepwise regression for wealthy countries		
1	-UAI	R ² = .60
2	-PDI	R ² = .71
Product-moment correlations across 22 <i>poor</i> countries with:		
GNP98		.46*
MAS		-.43*
Order of contribution in stepwise regression for poor countries		
1	GNP98	R ² = .21
2	-MAS	R ² = .37

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