

# THE NORMALIZATION OF CORRUPTION IN ORGANIZATIONS

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## ABSTRACT

*Organizational corruption imposes a steep cost on society, easily dwarfing that of street crime. We examine how corruption becomes normalized, that is, embedded in the organization such that it is more or less taken for granted and perpetuated. We argue that three mutually reinforcing processes underlie normalization: (1) institutionalization, where an initial corrupt decision or act becomes embedded in structures and processes and thereby routinized; (2) rationalization, where self-serving ideologies develop to justify and perhaps even valorize corruption; and (3) socialization, where naïve newcomers are induced to view corruption as permissible if not desirable. The model helps explain how otherwise morally upright individuals can routinely engage in corruption without experiencing conflict, how corruption can persist despite the turnover of its initial practitioners, how seemingly rational organizations can engage in suicidal corruption and how an emphasis on the individual as evildoer misses the point that systems and individuals are mutually reinforcing.*

I will never believe I have done anything criminally wrong. I did what is business. If I bent any rules, who doesn't? If you are going to punish me, sweep away the system. If I am guilty, there are many others who should be by my side in the dock (on trial).

– an architect, convicted of corrupt practices (Chibnall & Saunders, 1977, p. 142).

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## INTRODUCTION

What comes to mind when you think about criminals and crime? Odds are that you picture a burglar breaking into a home, a pusher dealing drugs, or some related image. Odds are, in short, that you picture a lone individual engaged in street crime (Collins, 1998; Ermann & Lundman, 1996). In fact, Clinard (1979, p. 16) concluded that “Far more persons are killed through corporate criminal activities than by individual criminal homicides,” and the U.S. Department of Justice estimates that the economic costs of corporate crime are seven to 25 times greater than that of street crime (Donziger, 1996). As Darley (1996, p. 13) argues, “the typical evil action is inflicted...by individuals acting within an organizational context” rather than by “evil actors carrying out solitary actions.” Moreover, Edwin Sutherland (1949), who coined the term *white collar crime* and pioneered early research, argued that corporate misdeeds tear the social fabric more so than street crime because they corrode trust in authorities and institutions.

An even more troubling trend in white-collar crime is that these crimes appear increasingly to be perpetrated through the actions of *numerous* employees in the organization as opposed to being the actions of a single misguided individual. A glance at today’s headlines illustrates the point. Enron’s senior executives are accused of hiding the company’s precarious financial position while cashing out their stocks and shredding incriminating documents (Eichenwald & Henriques, 2002), U.S. Catholic Church officials admit that several key administrators systematically covered up the predatory behaviors of pedophile priests (Miller & France, 2002) and Merrill Lynch agreed to pay the State of New York \$100 million to settle accusations that its employees gave its investors misleading and over-optimistic research reports about the stock of its investment banking clients (Gasparino & Smith, 2002).

In this paper, we develop a model that explains how corruption becomes normalized in an organization. We define corrupt acts as the misuse of authority for personal, subunit and/or organizational gain (cf. Sherman, 1980). Because we will argue that corruption often becomes institutionalized in organizations, it is important to note that “misuse” refers to societal norms. We focus on relatively severe or “morally intense” (Jones, 1991) forms of corruption (e.g. self-dealing versus sleeping on the job) because these are more difficult to normalize. We include corruption on behalf of the organization (e.g. price-fixing, bribing outsiders to win contracts) and against the organization (e.g. theft, nepotism) (Coleman, 1987), often referred to as corporate/organizational crime and occupational crime, respectively (Clinard & Quinney, 1973).

Our model examines *collective corruption* (Brief, Buttram & Dukerich, 2001) – acts that require cooperation among two or more individuals. Our analysis is

confined to the group level (throughout the paper, we use the term *group* to refer to a collective, such as a workgroup, department, or organization): we do not examine individual differences in susceptibility to corruption. Further, we focus largely on groups that are housed within an organization rather than distributed across organizations (as in, for example, bid rigging). Additionally, our interest is not in the antecedents of corrupt acts – the primary focus of much previous research (e.g. Baucus, 1994; Brass, Butterfield & Skaggs, 1998) – but in how such acts become *normalized*, that is, become embedded in organizational structures and processes, internalized by organizational members as permissible and even desirable behavior, and passed on to successive generations of members (cf. Brief et al., 2001; Zucker, 1977).

We propose that there are three pillars that contribute to the normalization of corruption in an organization: (1) *institutionalization*, the process by which corrupt practices are enacted as a matter of routine, often without conscious thought about their propriety; (2) *rationalization*, the process by which individuals who engage in corrupt acts use socially constructed accounts to legitimate the acts in their own eyes; and (3) *socialization*, the process by which newcomers are taught to perform and accept the corrupt practices. As shown in Fig. 1, the three pillars are mutually reinforcing and reciprocally interdependent; once established in an organization, the pillars create a situation where corruption is practiced collectively by employees and may endure indefinitely. Our analysis suggests an answer to the intriguing question of how a person who is a loving parent, thoughtful neighbor and devout churchgoer is able to engage in workplace corruption.

The first three sections of the paper describe each of the pillars in detail. The fourth section focuses briefly on how institutionalization, rationalization and socialization interact to cement normalization. Finally, we discuss the implications of our model for research and practice.

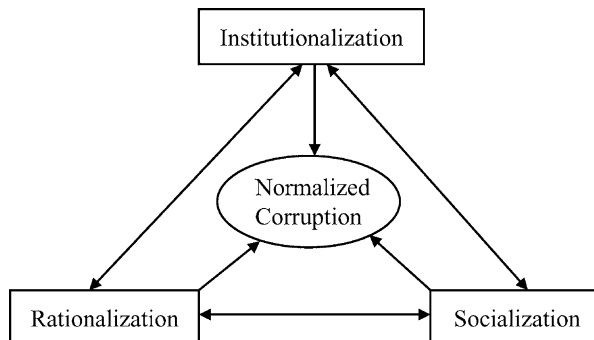


Fig. 1. The Three Pillars of Normalization.

## INSTITUTIONALIZING CORRUPTION

In 1996, the Equal Employment Opportunity Commission (EEOC) charged Mitsubishi Motors in the U.S. with creating conditions that led to over 700 women being sexually harassed over a period of several years. According to the EEOC charge, the women had been subjected to groping, sexual graffiti, abusive comments and having lewd photos pasted on their cars. The EEOC further charged that the harassment resulted from the tacit and explicit acts of numerous individuals at all levels in the organization. Additional investigations revealed that the United Auto Workers (UAW), an external agency that could and should have intervened, did not take strong action in response to the repeated complaints that it received from female workers. Further, Mitsubishi's policies required that before any employee filed a complaint, she needed to engage in a lengthy procedure to settle the complaint with the accused individuals; a process that many of the aggrieved employees chose not to go through.

Mitsubishi responded to these accusations by strongly refuting the EEOC allegations. They paid 3,000 workers a day's wages to facilitate them picketing the EEOC offices and set up phone lines on the shop floor to enable workers to call legislators to protest the EEOC's actions. These responses further alienated public opinion and Mitsubishi finally settled the case for \$34 million, making this the largest settlement in the legal history of sexual discrimination. This sum was in addition to the private settlements that were paid to individual employees who had sued the company (Elstrom & Updike, 1996; Miller, 1998; Sharpe, 1996; Weimer & Thornton, 1997).

Institutionalized organizational behaviors have been defined as stable, repetitive and enduring activities that are enacted by multiple organization members without significant thought about the propriety, utility, or nature of the behavior (cf. Greenwood & Hinings, 1988; Oliver, 1992; Zucker, 1977, 1988). In institutionalized corruption, the impetus for and apparatus of corruption are external to any one person: corruption is a property of the collective. As the Mitsubishi case illustrates, institutionalized corrupt behaviors can pervade multiple subunits and levels in an organization. They can become an integral part of day-to-day activities to such an extent that individuals may be unable to see the inappropriateness of their behaviors.

Gross (1978, p. 56) argues that "all organizations are inherently criminogenic" – that is, prone to criminality (or at least corruption) – although not inevitably criminal. We view collective corruption as a slippery slope where initial, idiosyncratic corrupt practices become institutionalized over time. As shown in Fig. 2, the institutionalization process appears to consist of three major phases: (1) the initial decision or act; (2) embedding corruption in structures and processes; and (3) routinizing corruption. It should be noted, however, that it is far from inevitable that idiosyncratic corruption will slide into collective corruption: later, under "Implications for Research and Practice," we briefly consider means of reversing normalization.

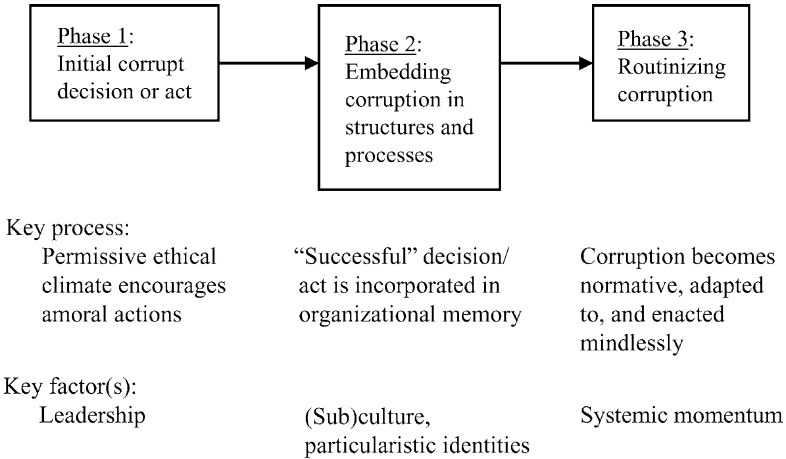


Fig. 2. Institutionalizing Corruption.

*Phase 1: The Initial Decision or Act*

Much of the literature on organizational corruption has focused on the genesis of corruption (e.g. Baucus, 1994; Brass et al., 1998; Cohen, 1995; Coleman, 1998; Finney & Lesieur, 1982; Geis & Salinger, 1998; Poveda, 1994; Shover & Bryant, 1993; Szwajkowski, 1985; Yeager, 1986); thus, we will keep our overview brief. This literature argues that the motivation and opportunity to engage in corruption are the product of various environmental (e.g. strong competition, lax legal and regulatory enforcement), organizational (e.g. poor performance, structural complexity) and, to a far lesser extent, personal factors (e.g. cognitive moral development, fear of failing). An implicit assumption seems to be that corruption is usually the product of strong situations that override individual differences or that ordinary people populate the ranks of the corrupt; indeed, Coleman (1998, p. 178) states that “Almost all the studies have agreed on one point: White-collar offenders are psychologically ‘normal.’”

In particular, many scholars have linked corruption to a permissive ethical climate at the societal, industry, or organizational levels. Major organizational goals are often tied to resource procurement and financial success and a constellation of values extolled in business is conducive to an amoral and even immoral pursuit of those goals: free enterprise (minimal regulation), individualism, competitive achievement, profitability, efficiency, pragmatism and so on (e.g. Jackall, 1988; Mills, 1956). Brief et al. (2001) argue that belief in the sanctity of the corporation

is so strong that managers tend to believe that by serving the corporation's interests they are also serving the public's interests: what's good for Microsoft is good for the country. Thus, ethical issues often are not perceived or are subordinated to or reframed as economic, legal, public relations, or other kinds of "business" issues, leaving managers free to engage in amoral reasoning (Jones & Ryan, 1998). For example, Brenner and Molander (1977, p. 62) surveyed *Harvard Business Review* (HBR) readers and found that nearly half agreed that "the American business executive tends not to apply the great ethical laws immediately to work. He is preoccupied chiefly with gain."

According to the rational choice perspective in criminology (Cornish & Clarke, 1986), individuals are thought to engage in "an assessment, however crude or incomplete, of options and the potential risks and payoffs of each" (Shover & Bryant, 1993, p. 153), along with the skills, planning, time needed and so on. Given a permissive ethical climate, an emphasis on financial goals (with commensurate rewards for success), and an opportunity to act amorally or immorally, the ends may soon come to justify the means, leading to a decision to engage in corruption. Further, the leniency and low frequency of formal sanctioning by governments and professional associations often makes corruption economically rational (Braithwaite, 1989; Leaf, 2002): it appears that crime often does pay. Finally, as we argue later under "Rationalizing Corruption," groups often provide self-serving accounts to neutralize the countervailing force of morals and ethics.

To be sure, there are other routes to corruption besides amoral and immoral calculation, including principled disagreement with public policy and laws, managerial incompetence, and the unintended consequences of myriad actors and actions ricocheting within complex systems and contexts. However, we believe, following Vaughan (1992) and others, that amoral or immoral calculation is the most common route – in part because such a calculation is often necessary for a given act of corruption to continue and become institutionalized, regardless of its genesis.

### *Leadership*

Leadership plays a potentially huge role in the institutionalization process. Leaders not only control many of the levers of institutionalization, but are very potent role models for organizational members. Baumhart (1961) and Brenner and Molander (1977) asked HBR readers to rank five factors according to their influence on unethical decisions (the 1977 survey included a sixth factor, "society's moral climate," which ranked fifth). In both surveys, the "behavior of superiors" was ranked as the most influential factor, followed by a cluster of factors – "formal policy or lack thereof," "industry ethical climate," and "behavior of one's equals in the company"; tellingly, "one's personal financial needs" came last.

Leaders do not have to actually engage in corruption to serve as role models: rewarding, condoning, ignoring, or otherwise facilitating corruption – whether intentionally or not, or explicitly or not – often sends a clear signal to employees (Baucus, 1994; Ermann & Lundman, 1996). Brief et al. (2001) argue that an emphasis on ends rather than means, supported by high standards and strong rewards (punishments) for attaining (not attaining) them, creates a permissive ethical climate. For example, Sims and Brinkmann (2002) discuss the role of CEO John Gutfreund in helping to foster an unethical climate at Salomon Brothers. Gutfreund focused on and rewarded short-term results, modeled aggressive and Machiavellian behavior, failed to punish employees who broke laws in the pursuit of those results, lied about and covered up ethical and legal lapses, promoted like-minded employees, and fired others capriciously, encouraging conformity.

In addition to serving as role models, leaders – as the legitimate agents of the organization – *authorize* corruption (Kelman, 1973; cf. displacement of responsibility, Bandura, 1999; sanctioning, Brief et al., 2001). As with role modeling, authorizing need not be formal and explicit: a manager who informally encourages or tacitly condones corruption can also be said to be authorizing it. The subordinate, as a designated role occupant, is expected to execute the authorized acts, not to second-guess them: the normative duty to obey is expected to trump personal preferences, particularly in rigidly hierarchical organizations (Hamilton & Sanders, 1992). As illustrated by Milgram's (1974) obedience experiments, the reflexive impulse to obey authority figures – the “habit of obedience” (Hamilton & Sanders, 1992, p. 72) – is so strong and pervasive that most people have a difficult time actively defying orders they do not condone. In any event, because the individuals who perform the corrupt acts “are not the actual agent of their actions, they are spared self-condemning reactions” (Bandura, 1999, p. 196). Further, the relative powerlessness often associated with subordination may induce individuals to abdicate responsibility for moral issues: “‘Let the people making the high salaries tackle the difficult ethical decisions’ seems to be a widely held view among occupants of lower echelon corporate positions” (Jones & Ryan, 1998, p. 440).

Two final notes regarding leadership and corruption are in order. First, the situational power of office may be complemented (or even supplanted) by the personal power of charisma. The more charismatic the authority figure(s), the greater the identification, trust and reflexive obedience that he or she is likely to engender among subordinates (Conger & Kanungo, 1998). Charisma speaks to a quality of the person, not the mission, and a charismatic leader can use the allegiance of others for benign ends or corrupt ends (Howell, 1988). The cult of personality that arose around Michael Milken enabled him to assemble a force of like-minded disciples at Drexel Burnham Lambert (Stone, 1990).

Second, organizational structures and processes are often contrived to insulate senior managers from blame, thereby further encouraging corruption. For example, a focus on performance goals rather than on means or the use of verbal and general (i.e. ambiguous) orders regarding means, coupled with minimal oversight and documentation, afford the managers “strategic ignorance” (Katz, 1979, p. 297) and therefore “plausible deniability” (Braithwaite, 1989; Browning, 1989, p. 1). Baker and Faulkner (1993) found that top executives involved in two decentralized price fixing networks were less likely to be found guilty than top executives in a centralized price fixing network, and Braithwaite (1984) reports that pharmaceutical firms instituted a “vice-president responsible for going to jail,” namely, the only executive who needed to know about corrupt activities. Similarly, isolating subunits allows senior managers to be “willfully blind” (Braithwaite, 1989, p. 351) to corrupt practices (e.g. the independent cells of the Mafia). Thus, the managers can claim that they neither knew of nor approved the corrupt action.

### *Phase 2: Embedding Corruption in Organizational Structures and Processes*

Organizational memory is the metaphor used to describe the process through which an organization acquires, stores and uses the knowledge that is applied to its activities (Anand, Manz & Glick, 1998). In its quest for efficiency, an organization tends to commit a promising activity to its memory (and thus institutionalize it) when it has been performed repetitively in the immediate past (Yates, 1990). Activities stored in organizational memories are often performed through the execution of a series of inter-related routines. The outputs of one routine trigger the initiation of the next routine in the sequence. Thus, entire activities can be performed without any one individual knowing them in their entirety (Levitt & March, 1988; Nelson & Winter, 1982; Weick & Roberts, 1993).

Once a corrupt decision or act produces a positive outcome and is included in organizational memory, it is likely to be used again in the future. When similar issues confront other managers, and if solutions are not readily obvious, answers are sought from the memory because: (1) past decisions and acts are assumed to have been made for rational reasons; and (2) following a precedent helps legitimate the decision and act (Henisz & Delios, 2001; Ocasio, 1999; Simon, 1976). For instance, Ermann and Lundman (1996, pp. 23–24) describe how Gulf Oil laundered and distributed corporate funds illegally to American politicians:

After the comptroller who helped develop the system left, three other people sequentially occupied his position. None of them had to make any difficult decisions, much less consciously involve themselves in criminal activities. They merely were told that they would receive requests for money . . . Easy to do and easy to live with.



The use of previous unethical decisions is especially significant because individuals often do not consider the contextual issues (including ethics) surrounding the decision or act; the past success of such practices is assumed to validate the process through which it was determined (cf. Miller, 1993). And if the renewed corrupt practice results in a positive outcome an even stronger precedent is set for the future. The organization comes to expect and then *depend* on the payoffs from corruption. In time, goals, budgets, information flows, rewards and punishments and so on may be skewed to support the practices. Eichenwald (2000), for instance, discusses the bureaucratic machinery and processes that evolved to support price-fixing by Archer Daniels Midland and its competitors. The result is institutionalized corruption: personal behaviors become impersonal norms, emergent practices become tacit understandings and idiosyncratic acts become shared procedures. Moreover, the increasingly casual practice of corruption tends to further degrade the ethical climate of the organization. In short, micro and macro practices are mutually reinforcing, encouraging further corruption (Cialdini, 1996; Vaughan, 1992).

### *Culture*

As the repertoire of corrupt practices becomes embedded in the ongoing routines of the organization, a deviant culture (or subculture, in the case of localized corruption) tends to emerge to normalize the corruption. Assumptions, values and beliefs, perhaps drawing on the business values noted above, evolve to rationalize the corrupt practices in ways that neutralize the stigma of corruption. (Later, under “Rationalizing Corruption,” we discuss the types of accounts through which this is accomplished.) Indeed, the culture may come to valorize the corruption and promulgate recipes for corruption. For instance, Kappeler, Sluder and Alpert (1994) describe subcultural norms that support police corruption: don’t give up another cop; if you get caught, don’t implicate anybody else; don’t get involved in another cop’s affairs; don’t trust new cops until they’ve been checked out; and don’t tell anybody more than they need to know.

Deviant (sub)cultures insulate actors from the wider culture with its counter-vailing norms and beliefs. Indeed, Hollinger and Clark (1983, p. 126) concluded from their study of employee theft that “employee deviance is more constrained by informal social controls present in primary work-group relationships than by the more-formal reactions to deviance by those in positions of authority within the formal organization.” Accordingly, a premium is placed on socializing with insiders and on secrecy and obfuscation regarding outsiders (as well as condemning any condemners; Sykes & Matza, 1957). Strong (sub)cultures are more likely to emerge where there is high within-group task interdependence and low between-group interdependence, accountability for performance goals but not means, group-based versus individual-based rewards, member stability

and cohesion, peer-based socialization, and physical proximity (e.g. Trice & Beyer, 1993).

How can a group hold a worldview so at odds with the wider culture and not appear to be greatly conflicted by it? The answer may lie in the distinction between *particularism* and *universalism*. An individual develops social identities specific to the social domains, groups and roles – and accompanying subcultures – that he or she occupies (e.g. manager, mother, parishioner, sports fan). Given the diversity of social domains, groups and roles one typically occupies, one's social identities tend to be correspondingly quite diverse. In order not to compromise the utility of identities tailored to particular contexts, individuals often cognitively compartmentalize their identities (Ashforth & Mael, 1989; Settles, Sellers & Damas, 2002). In a real sense, then, to change social domains, groups and roles is to change selves. Derry (1987), for instance, argues that because managers value efficiency and effectiveness, they may use different moral yardsticks at work than at home. The double standard is locally adaptive even as it's morally repugnant from a more generalized perspective.<sup>1</sup> Thus, an individual typically responds to the press of a given context by invoking the localized social identity and culture. As a result, actions tend to be particularistic rather than universalistic; that is, they tend to be tailored to local demands and favor local actors who share one's group membership, identity and culture.

In the case of corruption, this myopia means that an otherwise ethically-minded individual may forsake universalistic or dominant norms about ethical behavior in favor of particularistic behaviors that favor his or her group at the expense of outsiders (Aubert, 1952; cf. ethnocentrism, LeVine & Campbell, 1972; Ryan & Bogart, 1997). Indeed, if a social identity is *chronically* more important to the individual, particularism can metastasize into what Banfield (1958) calls "amoral familism," that is, a tendency to display morality only with regard to one's "family" (ingroup). This tendency to *always* put the ingroup above all others clearly paves the way for collective corruption. Extreme examples include the Mafia and street gangs: members of these groups tend not to see themselves as corrupt but as faithfully serving themselves, their ingroup and perhaps their neighborhood; the wider society exists as a counterpoint to be exploited (e.g. Jankowski, 1991).

In sum, because life is lived in concrete settings, localized social identities and cultures tend to be highly salient. Thus, the individual may bend his or her general commitment to ethics under the press of local circumstances. As Bandura (1999, p. 206) put it, "Most everyone is virtuous at the abstract level."

### *Beyond the Organization*

Corrupt practices within an organization may be disseminated throughout the industry via both micro (e.g. individual mobility) and macro (e.g. imitation)

processes (Darley, 1996; Vaughan, 1983; Zucker, 1988) and given impetus by competitive pressure. Industry level corruption is more likely in mature industries, where time and stability facilitate dissemination (Baucus, 1994). Examples abound: Clinard and Yeager (1980) concluded that corporate crime among Fortune 500 companies is most prevalent in the oil, automobile and pharmaceutical industries; Pizzo, Fricker and Muolo (1991) document how a network of individuals spread knowledge of fraudulent techniques throughout the U.S. savings and loan industry; more recently, the U.S. utility industry was accused of indulging in round trip sales (where a firm sells electricity to a dummy firm and buys the same amount of electricity back) to artificially boost revenues (Berman, Angwin & Cummins, 2002). Brenner and Molander (1977, p. 60) asked *HBR* readers, “In every industry there are some generally accepted business practices. In your industry, are there practices which you regard as unethical?” Excluding the “don’t know” responses, two-thirds agreed.

Often, an important factor in industry wide corruption is that governing bodies that are responsible for, or have the capacity to monitor, industry behavior may themselves become part of the institutionalized system of corruption (Braithwaite, 1989; Sherman, 1980). As in the example of the UAW’s role in the Mitsubishi case described earlier, or as in the case of Arthur Andersen vis-à-vis Enron and Salomon Smith Barney’s telecom analysts vis-à-vis Global Crossing (Creswell & Prins, 2002), outside agencies may become co-opted by organizations and develop tacit agreements to turn a blind eye – particularly if the individuals anticipate or have been through the “revolving door” to employment in the industry.<sup>2</sup>

### *Phase 3: Routinizing*

As corrupt practices become institutionalized and repeatedly enacted, they become routinized and habitual. Kelman (1973, p. 46) defines *routinizing* as “transforming the action into routine, mechanical, highly programmed operations.” Routinizing neutralizes the salience of corruption in four ways. First, by embedding corruption in *ongoing* processes, routinizing removes discrete (strategic) decision points that might trigger reflective thought and creates a momentum that sustains action without the necessity for thought (Kelman, 1973; Staw, 1980; cf. ritualism, Ashforth & Kreiner, 2002). As an antitrust violator put it, “It was a way of doing business before we even got into the business. So it was like why do you brush your teeth in the morning or something . . . It was part of the everyday” (Benson, 1985, p. 591). Once corruption is ongoing, it takes more conscious effort to *discontinue* it than to continue it.

Second, to increase efficiency, routinizing tends to break down corrupt acts into specialized tasks that are assigned to separate individuals. The individuals become experts at their jobs and, as noted in the discussion of organizational memory, use the outputs derived from the actions of others as cues to perform their specific tasks (Weick & Roberts, 1993). Often, these tasks become dispersed over multiple subunits and procedures (cf. Argote & Ingram, 2000). The result is that individuals may perform their tasks without knowing how their individual actions, in conjunction with the actions of others, contribute to the enactment of a corrupt practice (cf. normal injustices, Bunderson, 2001). Thus, specialization not only fosters a diffusion of responsibility, it makes it difficult for any individual to comprehend (and easy to deny) the “big picture” (Braithwaite, 1984; Darley, 1992). A test lab supervisor, required to falsify data, said “we’re just drawing some curves, and what happens to them after they leave here, well, we’re not responsible for that” (Vandivier, 1996, p. 128).

Third, by embedding corruption in a system of *interdependent* processes, routinizing yokes the individual to other role occupants. One is effectively locked in by dense task connections such that the whole sustains each part; one is swept along by the momentum of the *system* (Ashforth & Kreiner, 2002). For instance, an intriguing feature of the infamous Black Sox scandal (where members of the Chicago White Sox threw the 1919 World Series) was the half-hearted commitment of many of the conspirators. Despite their vacillating support, the unfolding events gained a kind of momentum that pulled everyone along to their fate (Asinof, 1963).

Fourth, following Merton’s (1968) notion of means-ends displacement, by inducing individuals to focus on the processes, the goals for which the processes were devised become less salient (Brief et al., 2001; Kelman, 1973). Arendt (1965) notes the ease with which the German civil service adapted to handling the paperwork of the Nazi’s Final Solution to the Jewish “problem”: “Their routine was the same whether the papers referred to furniture shipped to offices (or) Jews shipped to concentration camps” (Silver & Geller, 1978, p. 131).

Thus, routinizing blunts awareness that a *moral issue* – “where a person’s actions, when freely performed, may harm or benefit others” (Jones, 1991, p. 367) – is at stake. If a moral issue is not recognized, moral decision-making processes cannot be engaged (Bandura, 1999; Jones, 1991). Thus, morally developed individuals may be induced to voluntarily perform morally unsound actions. Indeed, the casualness of routinized behavior often belies the severity of the consequences: Arendt (1965), writing on the implementation of the Nazi’s Final Solution, refers to the “banality of evil.”

As routinizing reduces the salience of corrupt practices, corruption comes to be: (1) seen as normative; (2) adapted to; and (3) enacted mindlessly.

### *Normativeness*

By normative, we mean that the practices assume an ought-to patina. Because the practices have been successful and repeatedly enacted, they assume the power of *ritual*, of the correct way to accomplish desirable goals and ward off failure. Thus, the expedient comes to seem necessary; one way of acting comes to seem like the only way; and the instrumental comes to be expressive. In short, the way things are (descriptive) comes to seem like the way things should be (prescriptive). In a review of employee theft, Greenberg (1998, p. 171) concluded that: “In many cases, group norms about theft by employees have become so strongly ‘entrenched . . . woven into the fabric of people’s lives’ (Mars, 1994, p. 17), that to steal is normative whereas to not steal is considered aberrant.” Institutionalization enhances legitimacy.

Further, normativeness may pave the way for small corruptions to become large ones. The Knapp Commission (1972), which investigated police corruption in New York City, differentiated between “meat-eaters” who aggressively pursued graft and “grass-eaters” who pursued only relatively petty graft. The commission suggested that the grass-eaters were actually more problematic because their greater numbers produced pressures for conformity and tended to make corruption appear respectable. Much as Zimbardo (1969) found that damage to a car signaled “fair game” for vandals, a sense that corruption is respectable may invite increasingly audacious behavior.

Finally, once corruption is normative, it may accrue *symbolic* rewards, such as status and self-esteem, in addition to the utilitarian rewards, for individuals and groups (Greenberg, 1998). For instance, brokers who arranged fraudulent but profitable deals for Prudential-Bache were accorded high status at the firm (Eichenwald, 1995). Indeed, such individuals may be promoted into positions where they serve as role models and mentors for other employees, thus accelerating the institutionalization process.

### *Adaptation*

Ashforth and Kreiner (2002) discuss two techniques through which the reactions to otherwise aversive stimuli are reduced, thereby enabling adaptation: habituation and desensitization. In *habituation*, repeated exposure to the same stimulus progressively weakens reactions to the stimulus. An investigation of the Tailhook scandal (where women were accosted as they were forced down a gauntlet of Navy officers during a convention) concluded that many officers “saw no reason to stop anything that hadn’t been stopped before (at previous conventions)” (Caproni & Finley, 1994, p. 26). In *desensitization*, exposure to different stimuli of increasing aversiveness weakens reactions to the stimuli. The head of a Wall Street investment bank commented on insider trading in the 1980s: “You definitely saw the abuses

growing but you also saw the absence of people getting caught, so the atmosphere grew relaxed. There really was a deterioration of caution” (Sethi & Steidlmeier, 1991, p. 112). Through habituation and desensitization, one becomes accustomed to the aversiveness and riskiness of corruption, contributing to the mindlessness discussed below and perhaps carelessness.

Habituation and desensitization tend to be abetted by group contexts. Aversive stimuli – such as perceptions of corrupt activity – foster a desire for social interaction for purposes of sense making, social support and anxiety relief (Rimé, Mesquita, Philippot & Boca, 1991). Following social comparison theory, individuals need to interpret what the stimuli imply (e.g. Is this normal? Should I be worried? What should I do?) and so tend to turn to similarly situated peers, especially those with experience and status (Festinger, 1954; Schachter, 1959). Given social norms to appear in control and to provide reassurance, individuals are inclined to infer that things are not so bad. Thus, social interaction often leads to anxiety relief, particularly when coupled with the rationalizing ideologies and socializing techniques discussed later: anxiety shared is anxiety halved.

### *Mindlessness*

When practices become habits, they tend to become taken-for-granted and enacted mindlessly, that is, with little or no real problem solving or even conscious awareness (Ashforth & Fried, 1988; Brief et al., 2001). Their routinized nature blunts the perceived need to reexamine the premises that gave rise to the practices or the outcomes they produce, creating a certain bureaucratic momentum.

For example, Gioia (1992) discussed his role as a product recall coordinator for Ford at the time of the emerging Pinto crisis. The Pinto had a design defect that often caused the gas tank to explode in rear-end collisions. Gioia notes that the procedural and cognitive scripts used for diagnosing problems, exacerbated by a heavy workload and a muting of emotion (habituation) induced by the ongoing gravity of his job, led him and his colleagues to dismiss the idea of a recall. In a literal sense, they did not see an ethical issue:

Before I went to Ford I would have argued strongly that Ford had an ethical obligation to recall. After I left Ford I now argue . . . that Ford had an ethical obligation to recall. But, *while I was there*, I perceived no strong obligation to recall and I remember no strong *ethical* overtones to the case whatsoever (p. 388, his emphasis).

In sum, the mindlessness induced by institutionalization may cause individuals to not even notice what might arouse outrage under other circumstances. In a real sense, an organization is corrupt today because it was corrupt yesterday.

### Conclusion

Institutionalization is about embedding practices in organizational structures and processes such that they can survive the turnover of generations of employees. As institutionalization sets in, individuals perform the corrupt actions without giving significant thought to the reasons for those actions; indeed the actions may come to seem like the right and only course to take. The actions exist as social knowledge that perpetuates itself: “internalization, self reward, or other intervening processes need not be present to ensure . . . persistence, because social knowledge once institutionalized, exists as a fact, as part of objective reality, and can be transmitted on that basis” (Zucker, 1977, p. 276). Corruption thus becomes resistant not only to change, but to examination.

## RATIONALIZING CORRUPTION

An intriguing finding is that *corrupt individuals tend not to view themselves as corrupt*. For example, individuals convicted of white collar crimes tend to acknowledge their errant behavior but nonetheless deny criminal intent and the label of *criminal* (Benson, 1985; Cressey, 1953); in short, unlike many street criminals (Shover, 1996), they resist incorporating a pejorative identity into their self-definition. Indeed, Conklin (1977) entitled his book “Illegal but not criminal,” quoting a defendant in the infamous heavy electrical equipment price-fixing conspiracy. By denying the label of corrupt, such individuals avoid the adverse effects of an undesirable social identity.

Further, it appears that most individuals engaged in corrupt acts tend not to abandon the values that society espouses; they continue to value fairness, honesty, integrity and so forth, even as they engage in corruption (Sykes & Matza, 1957). Prior to a group reaching phases 2 and 3 of the institutionalization process described earlier – that is, until the momentum of a corrupted system provides its own seeming legitimacy – how do such individuals pull off this difficult act of willingly engaging in corruption while not perceiving themselves as corrupt and not jettisoning the values that may impede corruption?

Geis and Meier (1979) contend that the answer is that the legal process is lenient on white collar crimes and that offenders hold other highly respectable roles – such as community leader and good provider – that bolster their self-concept. However, given the domain specific nature of many social identities (Ashforth, 2001), it seems likely that this is only a partial answer: the workplace itself is probably the most effective site for maintaining the positive valence of the work-related identities.

We contend that a major part of the answer to the puzzle of how corrupt individuals deny the identity implications of their actions is through the use of *rationalizing*

*ideologies*. These ideologies help distance individuals and groups from the aberrant moral stance implied by their actions and perhaps even forge “a moral inversion, in which the bad becomes good” (Adams & Balfour, 1998, p. 11). Although the beliefs that undergird the ideologies can be used by an individual in isolation, they become far more potent when institutionalized in the collective – when they are a shared resource that all can draw on and mutually affirm (Coleman & Ramos, 1998).

### *Rationalizing Ideologies*

There is a large literature on cognitive defense mechanisms, self-serving biases, ingroup biases, legitimizing myths, neutralization techniques, groupthink, positive illusions and so on (e.g. Chen & Tyler, 2001; Janis, 1983; Johns, 1999; Sykes & Matza, 1957; Taylor, 1989). What these concepts share is the notion that individuals and groups are motivated to resolve the inherent ambiguity that often surrounds action and outcomes in a manner that serves their self-interests. In the case of socially undesirable acts like corruption, this *biased ambiguity resolution* involves reframing the meaning of the acts so as to preserve a salutary social identity (Greenberg, 1998). The rationalizing ideologies negate negative interpretations – and possibly substitute positive ones – by articulating why the specific corruptions are justifiable or excusable exceptions to the general normative rules, or they gerrymander the very boundaries of corruption to exclude those acts. In so doing, individuals and groups engage in uncertainty absorption (March & Simon, 1958), drawing flattering inferences from ambiguous data and then treating the inferences as if they were facts. When the corruption is ongoing, these idiosyncratic social constructions tend to become woven into a self-sealing belief system that routinely neutralizes the potential stigma of corruption; hence our use of the term *rationalizing ideologies*.

We noted earlier that deviant (sub)cultures arise to normalize collective corruption. A large part of what constitutes a (sub)culture is the development of a localized perspective for making sense of the group’s role in the wider organization or society. In the case of corruption, the (sub)culture may labor to (loosely) reconcile the pursuit of particularistic goals with the constraint of universalistic values. The outcome of this reconciliation is, of course, rationalizing ideologies. In short, the ideologies serve as *mediatory myths* (Abravanel, 1983), providing a rickety bridge across micro and macro worlds. (It needs to be emphasized that we are referring to ideologies for internal consumption. Judging by the lengths to which group members typically go to hide their activities, it is evident that members usually remain aware of the fact that outsiders would view their behavior as corrupt – although institutionalization, as noted, does tend to dull that awareness.)



Rationalizations are common in everyday life. They are ritualized accounts available to members of a culture to “explain” a variety of untoward acts and outcomes so as to reconcile the acts and outcomes with societal norms (Coleman, 1998; Robinson & Kraatz, 1998; Scott & Lyman, 1968). In the case of corrupt groups, these social resources are simply adapted for local use (indeed, Matza, 1964, argues that in such cases rationalizations are tacit extensions of legally permissible reasons for crimes). Thus, what differs across subcultures is not the types of rationalizations, but the particular applications. Further, rationalizations regarding corruption seldom attack the validity of the universalistic norms; indeed, by attempting to account for lapses from them, they demonstrate *fealty* to the norms (Sykes & Matza, 1957). Rationalizations indicate, however, that the actors are not to be judged by the norms for specific reasons.

To outsiders, rationalizations often sound exactly like what they usually are: patently self-serving attempts to legitimate questionable acts. However, because the rationalizations are intended for internal consumption, the issue is not their objective validity but whether the group accepts them as subjectively valid.<sup>3</sup> Given institutionalization and socialization (described later), there may be few naysayers (or individuals willing to naysay) to puncture the ideological balloon.

Rationalizing ideologies may be prospective or retrospective in nature. Prospective rationalizations are future-oriented and tend to be calculative, providing the actor with a rationale for subsequently engaging in corrupt behavior. Conversely, retrospective rationalizations are past-oriented and tend to be defensive as they are adduced post hoc to make an act appear reasonable (Staw, 1980; cf. pre- and postdecisional accountability, Lerner & Tetlock, 1999). Because prospective rationalizations occur before the actor is committed to a particular course of action, they tend to be more plausible and therefore effective at mitigating prospective dissonance and guilt. In contrast, because retrospective rationalizations must deal with an extant reality and because dissonance and guilt may already have been experienced, the rationalizations may have an element of desperateness to them. The types of rationalizations discussed below can be used prospectively or retrospectively.<sup>4</sup>

There appear to be at least eight types of rationalizations, five of which (No. 2–6) were identified by Sykes and Matza (1957). The eight rationalizations are essentially complementary, and because an ideology is a self-sealing *system* of beliefs, the eight are used in various combinations across groups. Some rationalizations, such as the denial of victim (revenge) and higher loyalty, may go beyond neutralizing the negativity of the corruption to actually *valuing* it. Each rationalization is described below.

### *Legality*

Actors may excuse corrupt practices on the grounds that they are not actually illegal (Gellerman, 1986). Given the lobbying efforts of organizations and industries and the inherent complexity, equivocality and dynamism of organizational life, laws and regulations may not exist, may be dated or unenforced, or their applicability may be questioned. This slippage between behavior and rules provides latitude: as Gellerman (1986, p. 88) put it, “some will conclude that whatever hasn’t been labeled specifically wrong must be OK.” Gellerman offers the example of E. F. Hutton’s 2,000 counts of mail and wire fraud where branch managers frequently drew on uncollected funds, thus generating interest-free money. Because the overdrafts were not specifically proscribed, the managers may have thought they “were simply taking full advantage of what the law . . . permitted” (p. 88).

Indeed, given a sufficiently powerful organization or industry, laws and regulations may be *created* to legitimate unethical behavior. Adams and Balfour (1998) discuss how the German Third Reich enacted laws and decrees to systematically strip Jews of their rights, citizenship and property, facilitating the Jews’ eventual destruction. That laws could be used to pave the way to genocide attests to their legitimating power.

### *Denial of Responsibility*

In *denial of responsibility*, actors construe that they have no choice due to circumstances beyond their control such as management orders, peer pressure, dire financial straits, being deceived, existing precedent, that everyone else does it, that they play a small part and so on (cf. defeasibility, scapegoating, Scott & Lyman, 1968; defense of necessity, Minor, 1981; externalization, Greenberg, 1998). For years, Beech-Nut sold adulterated apple juice to the public. Because employees believed that many other companies were also doing it, they concluded that their company was just following the pack (Welles, 1988). Similarly, cattle industry spokespersons justified the use of high levels of hormones in cattle by arguing that it was a standard industry practice (Elsbach, 1994). Denial of responsibility often draws on authorizing and routinizing.

### *Denial of Injury*

Here, actors construe that no one was really harmed, such as when the organization is insured or can easily recover the costs, the actual damage is slight, the organization doesn’t appear to care, etc. (cf. minimization, Greenberg, 1998). For example, Horning (1970, Table 1) found that approximately one-third of the employees in an assembly plant thought that their peers did not consider stealing goods to actually be theft. As one employee explained, “They (the employees) wouldn’t come into your home and take thirty cents, but they will take from

the Company. They figure it's got plenty of money and a few cents don't mean nothing to them" (p. 55). Similarly, Smigel (1956) found greater disapproval of stealing from a small business than from a large one or the government.

A variant of this rationalization is where a given act is rendered less offensive by comparing it to more extreme forms (cf. recalibrating, Ashforth & Kreiner, 1999). A sales manager involved in a price-fixing scandal stated:

... since the spirit of such (price-fixing) meetings only appeared to be correcting a horrible price level situation, that there was not an attempt to actually damage customers ... there was no personal gain for me, the company did not seem actually to be defrauding ... So I guess morally it did not seem quite so bad as might be inferred by the definition of the activity itself (Geis, 1996, p. 106).

Thus, the injury should be considered slight because it could have been far worse had the actor been so inclined.

It is easier to deny injury if the offended party does not react. Murphy (1993) and Greenberg (1998) note that organizations that fail to punish employee theft implicitly reinforce the belief that theft does not matter. It is also easier to deny injury when the injury is not visible or is physically or temporally remote (Bandura, 1999). Milgram (1974) found that individuals were less likely to comply with orders to inflict extreme punishment if they could see and hear the resulting suffering. The disturbing implication is that it may not be the corrupt act itself that induces doubt, but whether the resulting suffering is salient.

### *Denial of Victim*

In this fourth form of rationalization, the status of the victim *qua* victim is refuted. We discern three variants in the literature. The first is that the target deserved their fate due, for example, to past unfairness or corruption on their part (cf. superordination, Greenberg, 1998; attribution of blame, Bandura, 1999). Corruption is a form of revenge. Hollinger and Clark (1983) found that the most common explanation offered by employees for theft of company property was unfair treatment by their employer, and Braithwaite (1989) discusses how corporations may nurse grievances against the U.S. Internal Revenue Service to justify tax evasion. Moreover, although some victims may indeed have contributed to their fate, Tenbrunsel (1998) demonstrated that denial of the victim needs no objective basis. She found that providing an incentive to lie in a negotiation experiment caused the expectation that one's *opponent* would lie. In other words, deception was neatly justified by projecting one's propensity toward corruption onto one's intended victim.

The second variant is that the "victim" volunteered to participate in the act and so is not a victim at all. Some senior officials in the U.S. Catholic Church contended that victims of child abuse in fact invited the sexual advances of

priests (*Boston Globe*, 2002), and police officers who accept gifts or engage in shakedowns may rationalize that the storeowners are trying to curry favor or are grateful for police protection (Bahn, 1975).

The third variant is a denial of the victim's individuality through depersonalization (the victim is an interchangeable member of a social category) or of the victim's very humanity through dehumanization (the victim is an object or of a lesser species) (Bandura, Underwood & Fromson, 1975; Brief et al., 2001). This psychological distancing is often abetted by physical and social distance and makes it easier to deny the impact of corruption on the victims – to practice “moral exclusion” (Opatow, 1990, p. 1). Depersonalization is evident in accounts of Wall Street traders who viewed clients not as unique individuals but as suckers asking to be conned (Lewis, 1990; Partnoy, 1999). The classic example of corporate dehumanization is the Ford Pinto saga, noted earlier (Gioia, 1992). Recall that Ford discovered a design defect that often caused the gas tank to explode in rear-end collisions. Ford performed a cost-benefit analysis in which the forecasted 180 deaths were converted into dollars (\$200,000 each), and this bloodless abstraction facilitated Ford's decision to forego a recall. Ultimately, hundreds died or suffered severe burns.

### *Social Weighting*

We view Sykes and Matza's (1957) *condemnation of the condemners* as a subset of a broader category, *social weighting* (Ashforth & Kreiner, 1999). Social weighting refers to how much attention and credence one actor gives to the values and beliefs of another. Condemning condemners involves impugning the legitimacy of those who would cast the act or actor as corrupt. For instance, the corrupt may characterize a disliked law as vague, complex, inconsistent, rarely enforced, punitive, or politically motivated such that enforcement is capricious or malicious (Lane, 1954). As this example illustrates, condemning condemners may stem from a rejection of the legitimacy of the law or even the societal norm itself (cf. defiant neutralization strategies, Robinson & Kraatz, 1998).

A second form of social weighting is *selective social comparisons* (Ashforth & Kreiner, 1999; Bandura, 1999; Garrett, Bradford, Meyers & Becker, 1989), analogous to the second form of denial of injury (i.e. extreme comparisons). Social comparison theory indicates that when actors are experiencing a threat, downward comparisons with others who appear even worse serve to bolster the actor against the threat (Gibbons & Gerrard, 1991; Johns, 1999). Because corruption creates at least a tacit threat to the group's moral identity, the group is motivated to find examples of others who are even more corrupt and thereby demonstrate that “we're not so bad.” In an article about how longshoremen

collectively engage in pilferage, one commented on another: “He’d take anything – he’s even taken baggage – he’s nothing more than a thief” (Mars, 1974, p. 224). In the face of a “real” thief, the commentator’s own thievery seemed minor.

### *Appeal to Higher Loyalties*

In this sixth type of rationalization, the group construes that universalistic ethical norms have to be sacrificed for more important causes (cf. moral justification, Bandura, 1999). The most common higher cause appears to be group loyalty. As noted in our discussion of particularism, groups often view their own interests as more salient (situationally relevant and subjectively important) than those of other groups or society. The tribe is paramount. Kappeler et al. (1994) note that when police officers are forced to choose between testifying against a colleague and committing perjury, they usually choose the latter and experience remarkably little conflict in doing so, even though they are entrusted with upholding the law. The reason, Kappeler et al. contend, is that they value loyalty to colleagues above loyalty to the justice system. Similarly, in the wake of the Tailhook scandal, one officer said “curbing Navy pilots’ sexual feistiness (would) remove the edge (naval aviators) need for combat” (Caproni & Finley, 1994, p. 30).

A less commonly invoked higher loyalty is, ironically, to moral principles. A group may act counter to universal ethical norms if they regard those norms as an obstacle to particular principles or goals. Hunt and Manning (1991) document “normal lies” told by police officers in court to persuade judges to convict defendants that the officers believe are guilty. The law is corrupted in the higher name of “justice”: the ends justify the means.

### *Metaphor of the Ledger*

Klockars (1974) identifies a seventh type of rationalization, *the metaphor of the ledger*, where good works (whether actual or anticipated) earn a credit that can be used to offset corrupt acts (Minor, 1981). For example, Dabney (1995) found that the most common rationalization employed by nurses to excuse the theft of supplies and over-the-counter medicines was that the items were a “fringe benefit” that had, implicitly, been earned. Similarly, Rod Kramer (personal communication, November 21st, 2002) notes that CEOs such as Dennis Kozlowski (Tyco) and John Rigas (Adelphia) who used corporate funds for personal ends were often among the most generous in donating corporate funds to charity.

### *Refocusing Attention*

Finally, Ashforth and Kreiner (1999) note that members of so-called “dirty work” occupations may cope with the stigma of their work by shifting attention away from the stigmatized features to the non-stigmatized features. In the case of

corruption, members may willfully deemphasize, compartmentalize, or suppress knowledge of their acts in favor of more normatively redeeming features of their work (cf. instrumental rationalization, [Robinson & Kraatz, 1998](#)). Indeed, at the extreme, the behavior may be selectively forgotten such that, in a real sense, it never happened ([Wegner, 1989](#)). Senior officials in the U.S. Catholic Church moved pedophile priests from parish to parish as if their pedophilia would somehow not travel with them ([Boston Globe, 2002](#)).

However, because this rationalization does not deny the inherent corruptness of the act as directly as the previous types of rationalizations, it is less likely to be effective in broaching the particularistic-universalistic divide. Thus, refocusing is likely to be used in combination with one or more other rationalizations.

### *The Malleability of Language*

All eight rationalizations may be abetted by the malleability of symbolism in general and of language in particular. For instance, groups may use an “agentless passive style” ([Bandura, 1999](#), p. 195) (e.g. mistakes were made) and invoke analogies and metaphors (e.g. we’re at war), euphemisms (e.g. embezzlers talk of borrowing rather than stealing), labels (e.g. corrupt brokers refer to clients as suckers and saps), and jargon (e.g. referring to illegal dumping as an externality) to dampen the moral implications of their behavior.

The “Payola Scandal” of the 1950s – where disc jockeys were bribed by music companies to air specific records – provides an interesting illustration of the use of malleable language. Congressional investigations revealed that the practice was pervasive. However, disc jockeys never referred to such kickbacks as payoffs. Rather, terms such as “auditioning fees” were used, thus making the corrupt practice appear benign ([Rosoff, Pontell & Tillman, 2002](#)). Indeed, given the strong motivation to sanitize corruption, language may take on Orwellian overtones. [Vandivier \(1996\)](#) reports a conversation between himself and another engineer regarding their falsification of critical test data. When Vandivier said they had lied, the engineer responded: “we’re not really lying. All we were doing was interpreting the figures the way we knew they should be. We were just exercising engineering license” (p. 135).

One of the most extreme uses of language malleability is found in [Lifton’s \(1986\)](#) description of the Nazi doctors who worked at Auschwitz. The doctors who selected prisoners for the gas chambers never used the word *death*; rather, “they called it going on a transport back to camp” (p. 202). Indeed, a prisoner who was a doctor and assisted at the outpatient facilities stated: “I couldn’t ask (Dr. Fritz) Klein, ‘Don’t send this man to the gas chamber,’ because I didn’t know

that he went to the gas chamber. You see, that was a secret. Everybody knows the secret, but it was a secret . . . I suppose that (if asked) he would say, ‘Gas chamber? What do you mean?’ ” (p. 203). Euphemistic language enabled the doctors to engage in denial of the victim.

### *Denying the Obvious*

Ethnographic and journalistic accounts suggest that many instances of collective corruption are doomed from early on to become publicly known and thus fail (Katz, 1979). The very nature of certain forms of corruption, from Prudential-Bache’s fraudulent marketing of poor investments (Eichenwald, 1995), to B. F. Goodrich’s falsification of aircraft brake test data (Vandivier, 1996), to Bausch and Lomb’s booking of false sales (Maremont, 1995), means the fictions the groups are peddling cannot be sustained. Why, then, do individuals agree to participate? Part of the answer, to be sure, lies in the institutionalization and rationalization processes discussed earlier, as well as the socialization processes (particularly incrementalism) discussed later; and part lies in the perceived costs of saying no or of whistle-blowing (e.g. retribution, loss of belonging, sense of disloyalty). But where the ultimate revelation of corruption is *foreseeable* from early on, something more is likely at play. What role might rationalizing ideologies play in this denial of reality?

Kramer and Messick’s (1996) review of the framing of organizational dilemmas suggests several common and complementary cognitive tendencies that may encourage what can be termed *suicidal corruption*. Participants may discount the future such that the near-term returns of corruption are weighed more heavily than the distant-term of punishment (cf. self-control, Gottfredson & Hirschi, 1990). And illusions of control and invulnerability may lead participants to credit themselves with more power over events and others’ perceptions than is warranted and to ignore very real threats to their machinations. These illusions are evident in the remarks of a senior White House aide reflecting on public revelations of the Watergate break-in:

Whatever the problems, if any, I felt I could handle them . . . And if I somehow slipped, the most astute politician in the nation, Richard Nixon, would step into the breach. At that point I believed Nixon could accomplish anything . . . Nothing could hurt him now (Janis, 1983, p. 220).

The history of collective cover-ups, from Watergate (Bernstein & Woodward, 1974) to Enron (Eichenwald & Henriques, 2002), suggests that when the dam begins to break, the participants are often unwittingly swept along by events.

We may add one more cognitive tendency to Kramer and Messick’s (1996) list: in cases of subtle corruption, an illusion of morality – an unquestioned belief that

one's group is inherently ethical (Janis, 1983) – may help a group reduce early doubts about the propriety of its actions. Lee Iacocca, president of Ford at the time of the Pinto, reflected on the car's saga:

But there's absolutely no truth to the charge that we tried to save a few bucks and knowingly made a dangerous car. The auto industry has often been arrogant, but it's not that callous. The guys who built the Pinto had kids in college who were driving that car. Believe me, nobody sits down and thinks: "I'm deliberately going to make this car unsafe" (Iacocca & Novak, 1984, p. 172).

Iacocca's remarks about *deliberately* putting one's own family members at risk miss the point that *unquestioned* beliefs about the group's inherent morality may inadvertently help foster wrongdoing: by definition, the group must be on the side of the angels.

These positive illusions (Taylor, 1989) are likely to be mutually reinforcing. As one example, the illusion of control may partner with discounting the future to make a near-certain disaster appear to be a distant and manageable possibility. Moreover, Taylor and Gollwitzer (1995) found that when individuals are mulling over a decision (and their commitment is therefore low) their positive illusions are mild, but when individuals are implementing a decision (and commitment is higher) their illusions increase dramatically. Enacting a behavior fosters a strong need to see the behavior in a positive light: doing is believing.

In sum, rationalizing ideologies may incorporate a variety of common cognitive tendencies to tame the anxiety of eventual discovery – and in so doing make discovery that much more likely.

### *Conclusion*

Like the sirens of Greek mythology, the rationalizing ideologies are highly seductive. They offer not only to excuse actors from their misdeeds but to encourage them to forget the misdeeds or reframe them as something necessary and even desirable. In short, they pander to actors' need to believe in their own goodness. What might have originated as a cynical rationalization may, through repeated use, become an article of faith. Rationalizations are particularly potent when they become a property of the group: as individuals socially construct rationalizations, the mutual echo transforms them from self-serving fictions into social facts. Indeed, so potent are the rationalizing ideologies that individuals accused of corruption may be honestly surprised to be seen in such a light (Coleman & Ramos, 1998; Hunt & Manning, 1991).

However, it should be noted that rationalizing ideologies tend to limit some behaviors even as they justify others. By articulating a rationale for why certain acts are justified, rationalizing ideologies may draw a line in the sand: some acts become permissible and some not. Moral boundaries differentiate "legitimate"



types, targets and levels of corruption from illegitimate. For example, studies of dockworkers, plant employees, and hotel workers suggest that employee theft is excused through the denials of injury and victim; however, while these rationales may legitimate theft from one's employer, they render theft from individuals less acceptable (Horning, 1970; Mars, 1994).

Rationalizing ideologies are particularly important for newcomers faced with the reality shock of a corrupt group (Minor, 1981). The ideologies provide a *transition bridge* (Ashforth, 2001) from naïve newcomer to corrupted veteran. It is through socialization that newcomers learn the ideologies, and it is to socialization that we now turn.

## **SOCIALIZING INTO CORRUPTION**

How does an otherwise ethically sound person become steeped in corruption? The answer, we contend, lies in the dynamics of socialization. The process of socialization involves imparting to newcomers the values, beliefs, norms, skills, and so forth that they will need to fulfill their roles and function effectively within the group context (Van Maanen, 1976). This process is merely a tool and as such is amenable to a variety of socialization *content* (Ashforth & Saks, 1996), from inculcating corrupt values, beliefs and so on, to inculcating non-corrupt ones. Thus, just as corruption can become institutionalized at the macro level, so it can become internalized at the micro level through socialization.

To be sure, some newcomers are presocialized into corruption through, for instance, previous experience in corrupt occupations, workgroups, organizations, and industries, and through recruitment via personal or social networks. However, given that most newcomers prefer to think of themselves as ethically sound, socialization into corruption tends to consist of relatively strong pressures for change.

In this section, we examine the general role of social influence and three specific avenues to corruption. We argue that socialization processes produce a self-fulfilling prophecy whereby groups intent on corruption produce a workforce that is receptive to corruption.

### *Social Influence*

Sutherland's (1949) classic theory of differential association holds that criminal values, motives, beliefs, behaviors, and techniques are learned through interactions within "intimate personal groups." The theory thus suggests that proximal members of one's role set are more likely to shape learning than distal members (e.g. peers vs.

regulators). (Subsequent scholars have found, however, that differential association is not a *prerequisite* for corruption; e.g. Cressey, 1953). For example, self-reported unethical behavior among marketing managers and ad agency account executives was associated with perceptions of their peers' behavior (Zey-Ferrell & Ferrell, 1982; Zey-Ferrell, Weaver & Ferrell, 1979). Indeed, Zey-Ferrell et al. (1979) found that perceptions of peers' behavior had a greater impact than the respondents' own beliefs about what constituted ethical behavior. As Cressey (1986, p. 196) concludes, "White-collar criminals . . . should be viewed as conformists rather than as deviants."

### *The Social Cocoon*

Greil and Rudy's (1984) concept of social cocoon helps explain the strength and dynamics of social influence that corrupts. Cognition, affect and behavior are largely shaped by immediate and pressing concerns – by proximal forces, which are in turn shaped by more distal ones. The socialization of newcomers, then, tends to be mediated by the local context (Ashforth, 2001; O'Reilly & Chatman, 1996). In the case of corruption, groups often create a psychologically (if not physically) encapsulated social cocoon where: (1) veterans model the corrupt behavior and easy acceptance of it; (2) newcomers are encouraged to affiliate and bond with veterans, fostering desires to identify with, emulate and please the veterans; (3) newcomers are subjected to strong and consistent information and ideological statements such that the gray ambiguity of action and meaning is resolved in clear black and white terms (cf. loading the language, Lifton, 1961; mindguards, Janis, 1983); (4) newcomers are encouraged to attribute any misgivings they may have to their own shortcomings (particularly naiveté) rather than to what is being asked of them (cf. doctrine over person, Lifton, 1961); (5) newcomers receive frequent reinforcement for displaying the corrupt behaviors and their acceptance of them; and (6) newcomers are discouraged and possibly punished for displaying doubt, hesitancy, or a tendency to backslide into non-corrupt behavior. The upshot is a "moral microcosm that likely could not survive outside the organization" (Brief et al., 2001, p. 484).

The purpose of the social cocoon is usually not the divestiture of the newcomers' incoming identity of virtuousness but of their attitudes toward particular corrupt behaviors. This is a tricky undertaking because identities undergird values and beliefs and corruption constitutes a strong threat to a virtuous identity. Authorizing, routinizing, and rationalizing are used as a scaffold to support the newcomers' incoming identity of virtuousness, while the three avenues to corruption discussed below (cooptation, incrementalism, and compromise) – in the context of the social cocoon – change the attitudes to specific behaviors that would otherwise be repugnant. At the same time, the group may overlay identity

attributes that complement virtuousness by valorizing the newly learned corrupt behaviors (newcomers are, for example, “aggressive,” “with it,” and “loyal”).

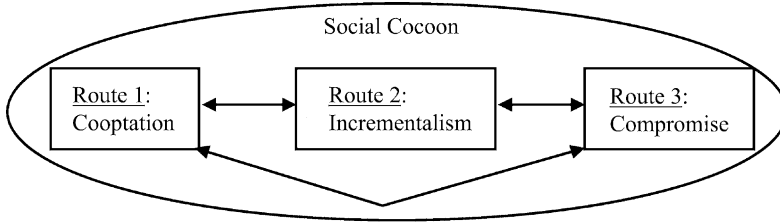
There is a strong “as if” or pretend quality to these normalizing machinations (Ashforth & Kreiner, 2002): peers act as if theft, illegal dumping, false advertising and so on are permissible if not desirable. Because newcomers are motivated to neutralize and even value the implications of their incipient corruption, they may tacitly suspend their disbelief and collude in the as-if dramaturgy. The dramaturgical performance is rendered more convincing by the taken-for-granted quality that institutionalization confers: the corrupt acts appear to be routine and unremarkable.

This as-ifness is likely to be amplified by the group context. Research on group polarization suggests that “an initial tendency of individual group members toward a given direction is enhanced following group discussion” (Isenberg, 1986, p. 1141). Group polarization occurs through rational argument and social comparison. In the case of collective corruption, the rationalizing ideologies masquerade as rational arguments and social comparisons are common. As noted earlier, social norms to appear in control and to provide reassurance tend to mitigate newcomers’ concerns. A newcomer may reason that: (1) because the acts are routine and the veterans appear to have no qualms; (2) the acts can’t be that bad; (3) therefore, I guess my own misgivings are overblown; and (4) I’ll go along. The greater the number of members who engage in this self-censorship, the greater the likelihood of pluralistic ignorance where members are unaware of one another’s misgivings (Janis, 1983; Myers & Lamm, 1976). The upshot is that groups can often support as-if beliefs that individuals alone cannot (Ashforth & Kreiner, 1999; Hardin & Higgins, 1996). If the beliefs are not subject to a reality check (e.g. public exposure), the group-fed confidence can spiral into arrogance.

### *Avenues to Corruption*

Ashforth (2001, pp. 209–215) argues that there are two routes to identification with an organizational role and its associated prescriptions. The first begins with cognition. Newcomers may partially define themselves in terms of a role because they are attracted to what the role is thought to represent – its goals, values, beliefs, norms, interaction styles, and time horizons – or because they view the role as instrumental to valued goals (e.g. a stepping stone to senior management). In either event, the newcomers are inclined to believe in the role and its prescriptions and so enact the role to express and affirm this affinity. Thus, cognition fosters behavior, which in turn reinforces cognition.

The second route to identification begins with behavior. Newcomers may be unsure or wary of a new role such that identification is low but they may



Key process:

Rewards induce newcomers to change their attitude toward the corrupt behavior (i.e., cognition → behavior)

Newcomers are induced to gradually escalate their corruption, fostering dissonance and attitude change (i.e., behavior → cognition)

In attempting to resolve dilemmas and other intractable problems, newcomers are induced to engage in corruption, fostering dissonance and attitude change (i.e., behavior → cognition)

Fig. 3. Socializing into Corruption.

nonetheless be required to learn and enact the role. Given that individuals seek to make sense of and justify their behavior, they are predisposed to find positive qualities in the role and identify with it (cf. honeymoon effect, Fichman & Levinthal, 1991). Further, the more that newcomers perceive their role entry and behavior to be volitional, visible, explicit and irrevocable, the stronger this predisposition (Salancik, 1977). Finally, the act of *doing* the new role psychologically engages the newcomers such that they *think* about and *feel* the role: the abstract and intellectual becomes concrete and visceral (Ashforth, 2001). Thus, behavior fosters cognition, which in turn reinforces the behavior.

As indicated in Fig. 3, these two routes to identification with a role are evident in how newcomers become socialized into corruption. The cognition → behavior route is evident in the process of *cooptation*, whereas behavior → cognition is evident in the processes of *incrementalism* and *compromise*.

### *Cooptation*

In cooptation, newcomers are induced by rewards to skew their attitudes if not their self-conceptions toward certain corrupt behavior (Darley, 2001; Sherman, 1980). Examples abound: financial brokers who, under the guise of advising clients, push offerings with higher commissions; contract researchers who spin their findings to support their sponsors' preferences; HMO doctors who earn cost reduction bonuses by curtailing possibly important medical tests; business and law schools that "game the system" to improve their national rankings; management consultants who push

the nostrums their firms are able to provide; journalists who soften their coverage of organizations paying speaking fees; and so on. [Latif \(2000\)](#) found that community pharmacists had lower ethical reasoning scores than first year pharmacy students and other health professionals, and that scores were negatively correlated (though not strongly) with pharmacists' experience. Latif attributed the findings in part to the difficulty of maintaining professional care in the face of financial incentives to stint on care.

Corruption via cooptation is often subtle because the individuals themselves may not realize how the rewards have induced them to resolve the ambiguity that often pervades business issues in a manner that suits their self-interest. [Bargh and Alvarez \(2001\)](#) describe how power tends to non-consciously activate personal goals and biases, guiding information processing and behavior – which the individual then rationalizes in socially desirable terms. Thus, a broker may honestly conclude that the offerings he is rewarded for pushing are in fact the best investments. As Bargh and Alvarez conclude, the road to hell is indeed paved with good intentions.

### *Incrementalism*

Research on the foot-in-the-door phenomenon and the escalation of commitment indicates that small and seemingly innocuous decisions and actions – where each is meant to resolve a pressing issue – can lead one down a road that one would not have taken if the destination had been clear at the outset ([Brief et al., 2001](#); [Dillard, 1991](#); [Johns, 1999](#); [Staw, 1997](#)). In terms of corruption, newcomers are initially induced to engage in small acts that seem relatively harmless and volitional as well as possibly visible, explicit and irrevocable. The acts, although small, create some cognitive dissonance (I'm an ethical person, so why did I do that?) that the newcomers can resolve by invoking the rationalizing ideologies that the subculture provides, thereby realigning their attitudes with the acts (I guess it must not be so bad). The realigned attitudes then facilitate an escalation of the behavior and the process continues. Thus, each step up the ladder of corruption enables later ones.

A police officer vividly describes the incremental seduction of corruption:

It may happen like this: The older man (senior police partner) stops at a bar, comes out with some packages of cigarettes. He does this several times. He explains that this is part of the job, getting cigarettes free from proprietors to re-sell and that as a part of the rookie's training it is his turn to "make the butts." So he goes into a Skid Row bar and stands uncomfortably at the end waiting for the bartender to acknowledge his presence and disdainfully toss him two packages of butts. The feeling of pride slips away, and a hint of shame takes hold. But he tells himself this is unusual, that he will say nothing that will upset his probation standing. In six months, after he gets his commission, he will be the upright officer he meant to be . . . One thing leads to another for the rookies. After six months they have become conditioned to accept free meals, a few packages of cigarettes, turkeys at Thanksgiving and liquor at Christmas from the respectable people in their district . . . So the rookies say to themselves that this is okay, that all the men accept these things, that it is a far cry from stealing and they still can be good

policemen . . . He even may find himself covering in on a burglary call, say to a drug store, and see some officers there eyeing him peculiarly. Maybe at this point the young cop feels the pressure to belong so strongly that he reaches over and picks up something, cigars perhaps. Then he is “in,” and the others can do what they wish. (Stern, 1962, pp. 98–99, 100; see also Stoddard, 1968)

Note the iterations of behavior and cognition, as well as the desensitization. The rookie officer was induced to engage in low-grade corruption (behavior) and assuaged his shame by convincing himself that he would desist when he passed probation (cognition). The incremental escalation of corruption (behavior), buoyed by a rationalizing ideology and the desire for acceptance (cognition), reduced the identity threat. Each escalation served as a *rite of incorporation* (Van Gennepe, 1960), testing and sanctifying the officer’s readiness to partake in more corruption. The image of the “upright officer” was soon forgotten, perhaps willfully so. As Bahn (1975) argues, the small gifts from shopkeepers soon become expected dues and the small luxuries, necessities.

More rigorous research on the acceptance of rationalizing ideologies also supports the notion of incrementalism. Minor (1984), drawing on Hirschi’s (1969) “hardening process,” found that adult deviant behavior (e.g. shoplifting) softened the moral evaluation of that behavior and enhanced the acceptance of rationalizations for it, which in turn facilitated further deviance. Minor’s findings suggest that the rationalizations were initially adduced retrospectively to assuage guilt, but then were available as a prospective ideology to ease future delinquency (Hunt & Manning, 1991). (Minor cautions, however, that the support for the causal model was only moderate.)

### *Compromise*

In the third avenue to corruption, compromise, individuals essentially “back into” corruption through attempts (often in good faith) to resolve pressing dilemmas, role conflicts and other intractable problems (Bird, 1996; Johns, 1999). For instance, politicians accrue power by forming networks, currying favors, and cutting deals, often causing them to support actors and causes they would otherwise avoid (Birnbaum, 1992). As the saying goes, “politics makes strange bedfellows.” It thus becomes very difficult for a senior politician to act exclusively according to his or her own ethical principals and preferences.

Bird (1996) provides an example of compromise from a corporate context. A plant manager faced the dilemma of either venting fumes and smoke into the environment, thus exceeding legal limits, or retaining them in the plant and jeopardizing the health of employees. Given the unwillingness of his superiors to address the issue, the manager chose to vent the bad air at night when it was less likely to be detected. Although the conflict afforded some denial of responsibility

(what else could I do?), it remains that the individual chose to pollute, thus potentially fostering some dissonance.

As denoted by the double-headed arrows in Fig. 3, cooptation, incrementalism, and compromise are frequently mutually reinforcing. It is often the coopting power of rewards that gives incremental corruption its periodic pushes and may tip the scales of compromise toward one action over another; it is often the seemingly small steps of incrementalism that lead newcomers to become more deeply coopted and compromised; and it is often the sense of being between a rock and a hard place that pushes newcomers to accept rewards that coopt and to continue down an existing path even as the stakes escalate. Sherman (1980) provides an example. Police detectives rely on informants for information about crimes. As a quid pro quo, the police often compromise with informants, overlooking their minor crimes. As the relationships with particular informants solidify, the police may come to depend on them, opening the door to cooptation and overlooking more serious misdeeds. Indeed, the police may shift, incrementally, from passively overlooking minor crimes to actively abetting more serious crimes.

The psychological trajectory of cooptation, incrementalism and compromise means that newcomers may be inadvertently seduced into corruption and may not realize that their actions could be construed as illegal or unethical (at least by outsiders) until they are partly down the slippery slope of corruption. One manager commented:

... my ethical standards changed so gradually over the first five years of work that I hardly noticed it, but it was a great shock to suddenly realize what my feelings had been five years ago and how much they had changed (Schein, 1968, p. 8).

By the time such a realization occurs, it may be very difficult to halt the behavior and extricate oneself from the strong situation without suffering stiff psychological, social, financial, and legal costs from guilt, shame, job loss, and so on (Darley, 1992). The temptation to simply continue and cover up one's misdeeds, abetted by the rationalizing ideologies, is very strong and – for many – overwhelming (see, for example, Vandivier, 1996). Thus, what may have been inadvertent now becomes deliberate. Darley (1992, p. 215) asserts that “this is a critical point at which those individuals can become evil actors.”

#### *What About Coercion?*

Hamilton and Sanders (1992) argue that there are two primary motives for complying with corrupt orders and thus committing “crimes of obedience”: loyalty/obligation and fear.<sup>5</sup> Loyalty/obligation is essentially an outcome of the three socialization processes discussed above. Fear, however, tends to follow a different dynamic.

Fear is induced by coercion, the threat of negative consequences such as ostracism and demotion. To be sure, *blatant* coercion facilitates the denial of responsibility and thereby compliance with corrupt directives. Such coercion, however, leaves less room for (perceived) volition, a key precondition for the dissonance reduction process discussed earlier. Newcomers subject to blatant coercion have a sufficient justification for their obedience – to avoid the threat – and thus do not need to realign their attitudes to accommodate the otherwise dissonant behavior. Indeed, blatant coercion may provoke resentment and reactance against the source of coercion and the targeted behavior (e.g. [Nail, Van Leeuwen & Powell, 1996](#)). The upshot is a greater likelihood of grudging compliance, whistle-blowing and voluntary turnover (and thus, risk of exposure). Further, coercion may affect behavior only as long as the pressure is applied. For these reasons, blatant coercion tends to be an ineffective means of *sustaining* corruption.

However, more subtle forms of coercion shade grayly into the dissonance inducing processes noted above. The more subtle the coercion (e.g. a manager casually suggests that a subordinate lie to a client), the greater the perceived ambiguity (e.g. does she really want me to do that? Am I expected to? What if I refuse?) and thus the perceived volition if the newcomer complies. [Brief et al. \(2001, p. 489\)](#) add that individuals are motivated to “view themselves as independent actors, not as mere pawns in the workplace.” Volition helps commit newcomers to their behavior, thereby triggering attitudinal realignment. Indeed, the dilemmas that foster compromise and the rewards that foster cooptation and incrementalism may be intended by the group to be subtle coercions. In short, the more subtle the coercion, the more likely that initial compliance will metamorphose into acceptance of the otherwise objectionable behavior. Corruption is therefore most difficult to resist when newcomers have only the *illusion* of choice regarding their behavior.

### *A Self-fulfilling Prophecy*

In his classic article, “The people make the place,” [Schneider \(1987; Schneider, Goldstein & Smith, 1995\)](#) argues that organizations institutionalize individual predispositions through three complementary practices: attraction (where individuals who perceive a good person-organization (P-O) fit seek employment), selection (where the organization seeks applicants with good P-O fit), and attrition (where members with poor P-O fit are more likely to leave, whether voluntarily or involuntarily).<sup>6</sup> We would add socialization as a fourth complementary process in that it further aligns the values, beliefs, and so forth of newcomers with the group, thus enhancing P-O fit. The result of these four processes is a collection of relatively like-minded individuals.



A corrupt group is likely to be even more homogeneous than a typical group. Because corruption represents deviance from societal values, a corrupt group needs to pay particular attention to attracting, selecting, socializing and retaining to ensure a good P-O fit. However, because groups do not advertise their corruption and it is very difficult to discern an applicant's receptiveness to corruption in a typical interview situation, a premium is placed on indicators of presocialization to corruption, the socialization process itself, and rewards (punishments) for compliance (noncompliance) with the corrupt practices.

For example, Mars (1994) describes how "wolfpacks" (i.e. where theft occurs through organized group efforts; e.g. dockworkers, sanitation workers) attempt to restrict entry to the occupation to family and friends who have been vetted and to allocate status, rewards, and tasks on the basis of seniority and age (thus encouraging conformity to group norms). Ponemon (1992) found that audit managers preferred to promote individuals whose ethical reasoning scores were similar to their own; auditors who progressed from manager to partner positions tended to have lower and more homogeneous levels of ethical reasoning; and auditors whose ethical reasoning scores were either above or below the norm tended to leave the firm.

Because they threaten the integrity of the corrupt subculture, particular attention is paid to individuals who cannot be "turned." Initially, newcomers may be punished in an *inclusionary* manner (e.g. through verbal rebukes, sabotage of tasks), that is, as a means of steering them back into the fold and encouraging compliance with the corruption. If unsuccessful, the punishment usually escalates and becomes *exclusionary* (e.g. through derogatory labels, ostracism), that is, a means of signaling rejection of the newcomer and inducing him or her to quit (cf. reintegrative vs. disintegrative shaming, Braithwaite, 1989). Exclusionary punishment not only pushes the newcomer from the group, it reaffirms the norms and beliefs of the group by clearly drawing the line between acceptable (corrupt) and unacceptable (noncorrupt) behavior. Eichenwald (1995) describes how senior executives at Prudential-Bache systematically marginalized, demoted and fired individuals who objected to the company's questionable practices and rewarded those who went along.

### *Ambivalence*

No matter how tightly wrapped the social cocoon, the newcomer remains a member of society and of other social groups and thus is aware of and has likely internalized general normative beliefs about right and wrong behavior. In short, the amoral familism described by Banfield (1958) is likely to be relatively rare. Thus, there may be an antagonism between one's membership in society with its universalistic attitudes toward corruption and one's membership in a group with its particularistic attitudes.

Of course, as noted, these universalistic attitudes are precisely what the rationalizing ideologies attempt to neutralize and antagonisms may be held at bay by compartmentalizing social domains. However, because the individual is both a member of various tribes and of society, the potential remains for a clash of normative systems – for the particularistic to be evaluated by universalistic standards. The likely upshot is *ambivalence*, a desire to both justify and renounce the corrupt behavior. For instance, a nurse, whose subculture rationalizes theft, attempted to explain her attitude to an outsider, the researcher:

I steal scrubs. I have a million pairs at home. I cut them off and make shorts. I realize it is a debt but you don't think about it. You think that they won't miss it but you know they do. I mean the scrub loss is \$11,000 a month. They take a beating (Dabney, 1995, p. 320).

One can sense her ambivalence as she perhaps sees her behavior through the eyes of an outsider.

As this example illustrates, normative clashes are most likely to occur if circumstances cause social domains to blur, such as when a public accusation of wrongdoing forces a group to explain their actions to outsiders (Chibnall & Saunders, 1977). In the absence of such blurring, the social-psychological compartmentalization of social domains appears to be fairly adept at keeping ambivalence in check.

### *Conclusion*

The socialization of newcomers into institutionalized corruption occurs in a social cocoon, a localized, self-referential world where skewed behaviors and ideologies are presented as normal and acceptable – if not desirable. The newcomers face a strong situation, but one that allows sufficient (perceived) volition to encourage the newcomers to internalize the corrupt behaviors and ideologies as their own. Socialization thus enables corruption to continue despite the inevitable turnover of group members.

## **INTERDEPENDENCE OF INSTITUTIONALIZATION, RATIONALIZATION, AND SOCIALIZATION**

We speculate that each of the three pillars of normalization – institutionalization, rationalization, and socialization – is necessary for corruption to become an ongoing, collective undertaking. In the absence of institutionalization, idiosyncratic acts of corruption would not become embedded in organizational structures and processes and thereby routinized; absent rationalization, it would be very difficult to persuade a collective to engage in corruption; and absent socialization, corruption might die out when the instigators left the group. As touched on earlier,

coercion can serve as a crude substitute for rationalization and socialization, but is unlikely to be viable beyond the short term.

We have presented the pillars of normalization as discrete phenomena. However, as shown in Fig. 1, each phenomenon reinforces and in turn is reinforced by the other two. Corruption, like any practice, is said to be institutionalized when it is stable, endures over time, resists change and is transmitted across generations (Oliver, 1992; Zucker, 1977). While we identified the ways in which corruption can become institutionalized, it can endure only when the individuals involved are not prompted by dissonance to seriously challenge established practices. The purpose of the rationalizing ideologies and the social cocoon of socialization that imparts them is to channel one's dissonance into acceptance of corruption or to mute moral awareness such that dissonance never arises. For example, Stevenson (1998) describes how boiler rooms minimize dissonance among telephone operators by creating a game-like atmosphere where attention focuses on the enactment of a salesperson identity and the pursuit of commissions, while the stigma of boiler rooms is projected onto the competition (We're better than them). Thus, socialization and rationalization enable corruption to become more firmly rooted in the group.

Further, socialization practices can themselves become institutionalized and more strongly influence whether newcomers buy into the corruption. According to Jones (1986), *institutionalized socialization* occurs when newcomers experience common indoctrination practices of fixed duration, content, and sequencing, under the auspices of veteran members. Conversely, *individualized socialization* occurs when newcomers are essentially left to sink or swim and represents socialization more by default than design. Jones found that the use of institutionalized socialization increases newcomers' acceptance of organizational activities and role definitions, likely for two reasons. First, when socialization practices are common to all participants, "the interactions among newcomers reinforce the definition of the situation offered by the socialization agent" (p. 264). This leads to common interpretations and less questioning of the status quo. Corruption is more likely to be accepted precisely because it is packaged in a totalizing way that does not encourage dissent. Second, institutionalized socialization can reduce newcomers' efforts to seek additional information beyond what the group provides. Miller and Jablin (1991) note that when newcomers receive inadequate information they try to reduce the uncertainty by engaging in an undirected and unmonitored information search. As a result, they may develop perspectives different from those promoted by the group. However, if a socialization program has been designed to provide answers to commonly asked questions, newcomers are less likely to be inquisitive and more likely to accept the proffered role definitions and practices. Thus, institutionalized socialization may forestall concerns about corrupt

practices by providing neatly packaged answers, preferably before the questions themselves arise.

Institutionalization similarly supports rationalization. Institutionalization renders belief systems into seemingly objective accounts of reality, external to any one person (Zucker, 1977). The big lie is thus transformed into the big truth. This process is well illustrated by Lifton's (1986) study of the role of Nazi doctors at Auschwitz. He describes the camp procedures that required Jews to run naked in single files while doctors selected those to be sent to the gas chamber. This and other processes dehumanized the prisoners, allowing doctors to follow the "denial of victim" tactic. Procedures also prescribed the extermination of all residents in a housing block when one resident developed an infectious disease. This allowed doctors to adopt the "appeal to higher loyalties" tactic wherein exterminations were justified as a necessary evil to prevent the spread of disease to the whole camp. Further, Auschwitz doctors were encouraged to develop elaborate outpatient treatment facilities to treat prisoners for minor diseases – even if those prisoners were ultimately destined for the gas chamber. This policy allowed the doctors to focus on the healing part of their work (Lifton called it the healing-killing paradox) and thus use the "refocusing attention" tactic. Institutionalization gave these rationalizations a weight and permanence that rendered them all the more credible.

Finally, socialization and rationalization are mutually reinforcing. The most difficult act of corruption is often one's first act. Rationalizing ideologies serve as a sedative that facilitates the newcomer's first steps down the road to corruption during the socialization process. Similarly, rationalizations are most difficult to accept when they are first proffered. The social cocoon of socialization provides a protective environment for positing beliefs that might cause newcomers to balk under other (unregulated) circumstances. For example, the incremental shaping of corrupt behavior facilitates the incremental acceptance of the big lie.

In sum, just as corruption is insinuated into the fiber and being of the organization through the process of institutionalization, so is it insinuated into the role behavior of individuals through socialization and the sedative of rationalization. As noted, the macro and the micro are mutually reinforcing.

## **IMPLICATIONS FOR RESEARCH AND PRACTICE**

Institutionalization, rationalization, and socialization serve to normalize corruption within the social domain of work and thus help keep doubts and guilt at bay. However, events that blur the line between the particularism of work and the universalism of society may make this clash of normative systems far more salient and cause ambivalence. Conversely, a clear line helps individuals and groups to

cognitively segment their micro and macro worlds, allowing them to blithely do what they might loudly renounce in other contexts.

### *Reversing Normalization*

Because of the fundamental attribution error – a tendency to attribute events to individuals rather than situations, particularly if the consequences of the events are severe (Ross, 1977) – it is easy to demonize individuals when wrongdoing is discovered. Indeed, senior managers routinely attempt to blame corruption on a few bad apples (Poveda, 1994; e.g. *Boston Globe*, 2002; Eichenwald, 1995). However, the intertwined processes of institutionalization, rationalization, and socialization conspire to normalize and perpetuate corrupt practices so that the *system* trumps the individual. Even “top managers’ ethical standards are not simply their own personal beliefs” (Coleman, 1998, p. 196): a CEO can become as enmeshed in the web of normalization as a middle manager.

That said, our analysis is *not* meant to exempt individuals from personal responsibility for corruption – particularly senior managers, with their relatively greater power and fiduciary responsibility for the organization. Our point is that when bad apples produce a bad barrel through institutionalization, the barrel itself must be repaired: only systemic responses can reverse systemic normalization.

Once corruption sets in, the mutually reinforcing processes of institutionalization, rationalization, and socialization create an unholy trinity that actively resists change. For example, Miceli and Near (2002) found that whistle-blowing was more likely to be effective if the wrongdoing was relatively minor and short-lived – that is, if the organization was less dependent on it. Indeed, whistle-blowing is so uncommon and fraught with career-threatening outcomes, that when three individuals did it in one year, they were named *Time Magazine’s* Persons of the Year in 2002.

Specific individuals may recognize that corruption exists but are often powerless to address it; in many cases, the role of such individuals changes over time from: (1) unbending resisters who “protest within the organization about unethical or illegal behavior” to; (2) implicated protestors who “acquiesce when they are ordered to conform,” and finally to; (3) reluctant collaborators who “become deeply involved in acts that they privately condemn” (Glazer, 1987, p. 188).

The case of TAP Pharmaceuticals, although not following the trajectory outlined above, is nevertheless a good illustration of the difficulties encountered by insiders trying to act against institutionalized corruption:

Douglas Durand left his job at Merck Pharmaceuticals to join TAP Pharmaceuticals as their Vice President for Sales. Within a few months of joining TAP, Durand became extremely

concerned about certain practices at TAP – giving doctors a 2% administration fee for prescribing TAP’s prostate cancer drug, Lupron; encouraging doctors to bill Medicaid for the cost of drugs that had been provided to them as free samples; and providing doctors with lavish discounts, gifts, and trips. Durand’s efforts to stop these practices were futile. He was told that he did not understand TAP’s culture and was kept out of key sales and marketing meetings. His requests for information about unethical practices were routinely ignored. He had been concerned that TAP did not have an in-house legal counsel but found out that TAP employees referred to such individuals as “sales prevention departments.” Finally, after several frustrating years, he informed the government. Confronted with overwhelming documentation about its rampant corruption, TAP negotiated a settlement, agreeing to pay a record \$875 million in fines (Summarized from [Haddad & Barrett, 2002](#)).

As this example shows, it is extremely difficult for inside employees to uproot corruption once it is normalized. As noted, because many of the practices are institutionalized and rationalized away, employees may not believe that they are corrupt and often have strong incentives to continue the behavior. In such situations, it is not uncommon for individuals attempting to eliminate corruption to encounter responses such as “You don’t understand the company culture” ([Haddad & Barrett, 2002](#), p. 128) and “We are following market rules” ([Berman et al., 2002](#), A1), or face sanctioning in other forms. For instance, employees who complained about sexual harassment at Mitsubishi America were “shut out of lucrative overtime opportunities or moved to undesirable shifts” ([Weimer & Thornton, 1997](#), p. 74).

The difficulty is further compounded because individuals who have unsuccessfully tried to disrupt normalized corruption are hesitant to report the corruption to external agencies. Research clearly indicates that whistle-blowers are routinely punished by their employers even as they are lauded by the public (e.g. [Miceli & Near, 1992](#)). As Douglas Durand (see example above) stated: “The idea of suing as a whistle-blower intimidated me. Nobody likes a whistle-blower. I thought it would end my career” ([Haddad & Barrett, 2002](#), p. 129).

Given the self-sustaining nature of normalized corruption, overcoming it typically requires the administration of a strong shock – typically from external sources. A common form of such a shock is media exposure. Significant negative exposure creates a socially undesirable image, often galvanizing change. [Dutton and Dukerich’s \(1991\)](#) study of the Port Authority showed that as the undesirability of an image increases, employees and top executives are more likely to reinterpret issues and question the appropriateness of actions that had been taken for granted. Additionally, public exposure often results in the forcible intervention of governmental/regulatory agencies that compel a reversal in normalized corruption ([Clinard, 1983](#)).

Once top management concludes that corruption has become intolerable, rooting it out is still a significant challenge. By definition, corruption is normalized when the group’s structure, processes, and employee mental models act together

to perpetuate unethical acts. Rooting out normalized corruption often requires a significant organizational change effort, where “strategies, power, structure, and systems are fundamentally changed into a new alignment” (Tushman & Romanelli, 1985, p. 173). Clearly, such an effort requires the involvement and support of senior executives (Boeker, 1997; Tushman & Romanelli, 1985).

Further, because top managers are part of the corrupt system, subject to many of the same normalizing pressures as others, the literature on organizational change suggests that creating the needed radical change usually requires the involvement of outsiders who have not been part of the system (Boeker, 1997; Tushman & Romanelli, 1985; Zimmerman, 1991). Indeed, after Mitsubishi America acknowledged the prevalence of widespread sexual harassment at its Normal (Illinois) plant, it hired the former Secretary of Labor, Lynn Martin, to look at its human resource management practices and recommend changes (Weimer & Thornton, 1997).

Because of the intransigence of normalized corruption, we strongly believe that corruption is best handled through *prevention* – through proactive means of forestalling corruption rather than reactive means of rooting it out. These means are not unknown (e.g. Lozano, 2000; Treviño, Weaver, Gibson & Toffler, 1999) – although they are practiced unevenly – and thus will be discussed only briefly. First, ethical values and awareness must be inculcated and institutionalized at all levels of analysis (individual, subunit, organization, industry) and incorporated into everyday decision making and action. For example, as noted, socialization processes are amenable to various content. Ethical training, based on a code of ethics that is grounded in specific role-based situations and dilemmas, can foster awareness of ethical issues and thereby forestall amoral calculations and expose the speciousness of rationalizations. Second, individuals at all levels of analysis must know they will be held accountable for means as well as ends, and real sanctions should be promulgated to encourage ethical behavior and discourage corruption. Because veteran peers and managers serve as potent role models, accountability also tends to make such individuals more effective socialization agents. Third, individuals should have access to the confidential advice of ethics officers or other experts regarding emergent ethical dilemmas and ambiguities (e.g. conflicts of interest, gift giving and receiving). Fourth, organizational practices should be made more transparent. For instance, social or ethics audits, inquisitive boards of directors, and confidential hotlines may surface a group’s ethics-in-use (versus espoused ethics) and nip incipient normalization in the bud. Fifth, regarding corruption against the organization in particular, organizations tend to get the respect they deserve: human resource management practices that communicate distrust and inequity often provoke retaliation against the organization (Cialdini, 1996). For example, although electronic surveillance may render employee actions more transparent (in line with No. 4 above), such intrusive practices should be used with

caution because they may incite corruption against the organization. Conversely, organizations that signal trust may undercut the motivation for corruption.

The above actions need to be enacted with a genuine desire for preventing corruption rather than as an impression management effort. In this context, Mathews (1988) found that firms that had adopted codes of ethics were *more* likely to engage in fraudulent activities. He attributed this finding partly to executives who – while formulating ethical codes and procedures – have been more “concerned with the control of illegal actions by mid- and lower-level employees against the corporation, rather than illegal actions taken on behalf of the corporation” (p. 83).

As a summary statement, Treviño et al. (1999, pp. 131–132) concluded from a study of over 10,000 employees from six large American companies that what helps an organization the most in behaving ethically is “consistency between policies and actions as well as dimensions of the organization’s ethical culture such as ethical leadership, fair treatment of employees, and open discussion of ethics.”

#### *Future Research*

The analysis suggests a number of promising directions for future research. Five examples will suffice. First, given the proposed interdependence between institutionalization, rationalization, and socialization processes over time, it is important that the trajectory of normalization be tracked through careful comparative case analyses. Existing ethnographic and journalistic accounts of such corruption provide telling anecdotes, but lack a systematic examination of how the proposed dynamics unfold over time. Intriguing questions include: Given the anecdotal evidence suggesting that corruption is typically opportunistic and emergent, under what conditions is the normalization process more likely to be proactively managed? Given the breadth of rationalizing ideologies and socialization tactics, how does the form of corruption affect the selection of ideologies and tactics (and vice versa)? And given organized crime, the Holocaust, and terrorist networks, what are the limits – if any – to what can be normalized?

Second, research should examine what kinds of subunits, organizations, and industries (and practices) are most susceptible to normalized corruption. For example, on one hand, a reasonable case could be made that large and diversified firms are most susceptible to normalization (Green, 1997). Such firms encourage senior executives to rely on financial outcomes to control subsidiaries, encourage subsidiaries to “look good” by skirting ethics and laws (Daboub, Rasheed, Priem & Gray, 1995), and have the requisite longevity and bureaucratic infrastructure for institutionalizing corruption and socializing newcomers accordingly. On the other hand, a case could be made that newer and more specialized firms are most susceptible to normalization. In today’s business environment, new



organizations have emerged to unseat traditional industry leaders – in part by deviating from tradition. Indeed, [Vaughan \(1983, p. 60\)](#) points out that leaders of such organizations operate on the principle that “new organizations only rise rapidly if they have some disrespect for traditional standards.” Because new organizations lack the checks and balances that are in place in the older (and more bureaucratic) organizations, their penchant for disregarding tradition may extend to accepted ethical practices. Similarly, specialized firms encourage employees to develop firm-specific skills that may limit employee mobility. This dependence may render employees susceptible to a win-at-all-costs attitude and to rationalizing ideologies for any resulting corruption (cf. [Vaughan, 1983](#)).

Third, although we have treated the normalization of corruption on behalf of the organization as equivalent to that of corruption against the organization, there are real differences that should be investigated. For example, identification, commitment, and other attributes that are usually highly valued are likely to predict corruption on an organization’s behalf, whereas precisely the opposite – disidentification, etc. – is likely to predict corruption against it (e.g. [Murphy, 1993](#); [Schwartz, 1987](#); see psychological extensions of [Merton’s \(1968\)](#) anomie theory of deviance ([Cohen, 1995](#))). Given the organization’s obvious opposition to corruption against it, corruption on behalf of the organization is likely easier to normalize. And given that the forms that corruption takes will usually differ (e.g. theft against the organization versus offering bribes on behalf of the organization), so too might the way that corruption plays out. For instance, all employees are likely to have opportunities to exploit the organization, whereas corruption on behalf of the organization may be confined largely to boundary-spanning roles.

Fourth, in focusing on the emergence of collective corruption, our model implies a certain inevitability to events, that initial decisions and acts lead inexorably to institutionalized wrongdoing. Clearly, this is not the case: our model is meant to be probabilistic, suggesting tendencies, not deterministic. Thus, an important research topic is the factors and dynamics that facilitate or retard normalization as well as the potential exit points where individuals and groups can halt the process. [Weitzel and Jonsson’s \(1989\)](#) model of organizational decline provides a useful analogy: they discuss five stages where individuals can intervene to stave off dissolution. Given the momentum associated with normalization, the earlier exit points are probably the most promising.

Fifth, the normalization model depicted in [Fig. 1](#) may be profitably applied to other organizational practices and forms that diverge from tradition or what is socially acceptable (though not necessarily corrupt). For example, the model may shed light on the intraorganizational dynamics of religious cults, radical entrepreneurial firms, and organizations offering such “dirty work” as industrial espionage and prostitution.

In closing, collective corruption represents a pernicious blight on society. Normalization is the process that not only enables individuals to leech off society while maintaining a self-image of probity, but embeds and routinizes that behavior in organizations so that it may be practiced on a wider scale and perpetuated indefinitely. As recent scandals from Enron to WorldCom to the U.S. Catholic Church make all too clear, it is vital that the normalization process be better understood so that it may be better prevented.

## NOTES

1. An individual also develops a generalized or *global* identity abstracted from his or her diverse social identities and idiosyncratic attributes such as traits. The global identity is both informed by the social identities and informs the selection and enactment of those identities. The upshot is a roughly coherent self-system (Ashforth, 2001; Epstein, 1980). However, a given social identity tends to be more salient *in its particular localized context* than is the global identity because the social identity is usually more situationally relevant and subjectively important (Ashforth, 2001).

2. Even regulatory agencies that are coercive may push organizations further into corruption. If an organization is labeled as corrupt, it may find legitimate opportunities blocked and internalize the social identity of “corrupt” (Ashforth & Humphrey, 1995; Braithwaite, 1989). Thus, “When organizations are treated as irredeemably crooked, they are more likely to become crooked” (Braithwaite, 1989, p. 346). However, these appear to be relatively rare occurrences.

3. Nonetheless, Robinson and Kraatz (1998, p. 207) argue that because “people tend to buy themselves what they sell to others (and vice versa) . . . we expect to find remarkable convergence between internally and externally directed” rationalizations.

4. Some scholars distinguish between neutralization and rationalization, arguing that the former pertains to prospective accounts whereas the latter pertains to retrospective accounts (Green, 1997). Because the rationalizations we review can be used either way, we do not distinguish between neutralization and rationalization.

5. Similarly, Hughes and Coakley (1991) argue that corruption results from being either overintegrated or overcontrolled (little real discretion to say no) regarding the local norms.

6. Although Schneider views this person-based “ASA framework” as contrary to the kind of situationist framework adopted in the current paper, we view the two frameworks as complementary: whether by design or default, people create the situational conditions in organizations that subsequently shape their own behavior and that of others.

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