Determinants of Corporate Corruption: An investigation of the supply-side of corruption in development projects financed by Multilateral Development Banks

by

Sanjeev Narrainen

This thesis is submitted in partial fulfilment of the requirements for the award of the degree of Doctor in Criminal Justice of the University of Portsmouth.

15th March 2019
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Declaration

Whilst registered as a candidate for the above degree, I have not been registered for any other research award. The results and conclusions embodied in this thesis are the work of the named candidate and have not been submitted for any other academic award.

Word count : 50,056

Signature : 

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Date : 15th March 2019
Acknowledgements

Firstly, I would like to express my deepest gratitude to my supervisors, Dr. Branislav Hock and Mr. Chris Lewis for their guidance throughout this research. Their knowledge, experience and wisdom were a continual source of inspiration. Their support and motivation throughout is very much appreciated.

Conducting this research has been a long, challenging, exciting and insightful experience. I would also like to especially thank my wife and my two lovely sons, Joy and Yuv for their patience and encouragement during my research journey.

I would like to dedicate this thesis to my dad who passed away during the conduct of this research. I know he would have been very proud of me.
Abstract

International development projects represent a fertile ground for corporate corruption. This form of corruption emanating from the supply-side has become pervasive and entrenched in the corporate world. In recent years, an increasing number of corporates have been sanctioned by multilateral development banks for their participation in corruption schemes. While international development banks seek to support governments in their development agenda, corporate corruption can significantly undermine such action. This is a big challenge for donors in their quest of increasing investment in development.

The primary purpose of this research is to identify the main determinants that encourage corporate corruption in development projects financed by multilateral development banks. The research questions explore the challenges facing corporates; the effectiveness of multilateral development banks’ sanction regime; the definition of project success in relation to such projects and how corporate corruption is instigated and facilitated by corporates. This research uses a mixed method approach, comprising: survey, case study, interview and content analysis.

This study identifies tension between the corporate pecuniary objectives and the compliance landscape of multilateral banks. Based on the empirical findings, corporate corruption is established to be a symptom of ‘corporate brain disorder’ - which needs to be addressed from the supply-side. This research contributes to knowledge on corporate corruption by identifying the determinants of corporate corruption namely; minimising of competition; maximising of profit; institutional blindness, and avoiding uncertainty. In light of the increasing compliance landscape, it is recommended that multinational corporations mitigate corruption risks based on the proposed Narrainen’s Project Governance Framework. It is also argued that the definition of project success needs to be extended so that the corporate objectives are aligned with the compliance requirements.
This research offers insights to policy makers in addressing corporate corruption risk. The findings will contribute to guiding donor agencies in their anti-corruption strategies with more focus on the supply-side. There are significant research opportunities associated with this, including further exploration of corporate dynamics and top management perspectives.
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<tbody>
<tr>
<td>ACFE</td>
<td>Association of Certified Fraud Examiners</td>
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<tr>
<td>AfDB</td>
<td>African Development Bank</td>
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<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>AIIB</td>
<td>Asian Infrastructure Investment Bank</td>
</tr>
<tr>
<td>ANC</td>
<td>African National Congress</td>
</tr>
<tr>
<td>BRICS</td>
<td>Brazil, Russia, India, China and South Africa</td>
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<tr>
<td>BPS</td>
<td>British Psychological Society</td>
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<tr>
<td>CCCC</td>
<td>China Communications Construction Company Ltd.</td>
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<tr>
<td>CCCCG</td>
<td>China Communications Construction Company Group</td>
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<tr>
<td>CFE</td>
<td>Certified Fraud Examiners</td>
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<tr>
<td>CFHEC</td>
<td>China First Highway Engineering Company</td>
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<tr>
<td>CO</td>
<td>Corrupt Organisations</td>
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<td>CoST</td>
<td>Construction Sector Transparency Initiative</td>
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<td>CPI</td>
<td>Corruption Perception Index</td>
</tr>
<tr>
<td>CSF</td>
<td>Critical Success Factor</td>
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<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<td>DoJ</td>
<td>Department of Justice</td>
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<tr>
<td>EBEN</td>
<td>European Business Ethics Network</td>
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<tr>
<td>EBRD</td>
<td>European Bank for Reconstruction and Development</td>
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<tr>
<td>EIB</td>
<td>European Investment Bank</td>
</tr>
<tr>
<td>EPC</td>
<td>Engineering, Procurement and Construction</td>
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<td>EPCM</td>
<td>Engineering, Procurement, Construction and Management</td>
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<td>ESKOM</td>
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<td>FAR</td>
<td>Federal Acquisition Regulations</td>
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<td>FCPA</td>
<td>Foreign Corrupt Practices Act</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>HPA</td>
<td>Hitachi Power Africa</td>
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<td>HPE</td>
<td>Hitachi Power Europe</td>
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<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>IACD</td>
<td>Integrity and Anti-Corruption Department</td>
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<td>IADB</td>
<td>Inter-American Development Bank</td>
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<tr>
<td>IB</td>
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<td>IDP</td>
<td>International Development Project</td>
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<td>IFIs</td>
<td>International Financial Institutions</td>
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<td>IsDB</td>
<td>Islamic Development Bank</td>
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<td>LNG</td>
<td>Liquefied Natural Gas</td>
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<td>MDBs</td>
<td>Multilateral Development Banks</td>
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<td>MNCs</td>
<td>Multinational Corporations</td>
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<td>OBEGEF</td>
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<tr>
<td>OCI</td>
<td>Organisation of corrupt individuals</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic and Cooperation Development</td>
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<tr>
<td>PEPS</td>
<td>Politically Exposed Persons</td>
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<td>PM</td>
<td>Project Management</td>
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<td>PwC</td>
<td>PricewaterhouseCoopers</td>
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<tr>
<td>RCMP</td>
<td>Royal Canadian Mounted Police</td>
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<tr>
<td>SDG</td>
<td>Sustainable Development Goal</td>
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<tr>
<td>SEC</td>
<td>Securities Exchange Commission</td>
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<tr>
<td>SMEs</td>
<td>Small and Medium Enterprises</td>
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<td>TI</td>
<td>Transparency International</td>
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<tr>
<td>TSKJ</td>
<td>Technip S.A, Snamprogetti, Kellogg, Brown and Root, inc., and JGC Corporation</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<tr>
<td>UNCAC</td>
<td>United Nations Convention Against Corruption</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<tr>
<td>UNECA</td>
<td>United Nations Economic Commission for Africa</td>
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<td>UNODC</td>
<td>United Nations Office on Drugs and Crime</td>
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<td>USA</td>
<td>United States of America</td>
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<td>VoIP</td>
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<td>WBG</td>
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Dissemination of interim results of this research

Conferences Papers presented by Author:

  6 - 8 September 2018, Vienna, Austria.
  **Paper presented:** Deconstructing corporate corruption in international development projects.

- **4th OBEGEF International Conference**
  **Paper presented:** The watchdogs are not barking! Deconstructing organisational corruption in international development projects. - A Case study of firms sanctioned by the African Development Bank.

- **2017 OECD Global Anti-corruption and Integrity Forum** (Appendix II)
  In the Public Interest: Taking Integrity to Higher Standards.
  2 - 3 March 2017, Paris, France
  **Paper and poster presented:** Mitigating Corruption Risk in international development projects funded by multilateral development banks – Towards a redefinition of project success.

  24 – 25 November 2016, Cape Town, South Africa.
  **Paper presented:** Towards a new paradigm to mitigating Corruption Risks in international development projects. – The case of projects funded by the African Development Bank.

Book Chapter

Chapter 1  Introduction

‘Institutions are not necessarily or even usually created to be socially efficient; rather they, or at least the formal rules, are created to serve the interests of those with the bargaining power to create new rules.’ - Douglas. C. North (1994).

This chapter begins with an overview of the crucial role multilateral development banks\(^1\) (MDBs) play in supporting international development projects. It explores the vulnerabilities of corruption in such projects. It then elaborates on the context of existing research and the complex landscape surrounding corporate corruption. This chapter then looks at the aims of the research and identifies the research questions.

With corporate corruption becoming pervasive and difficult to deal with (Berg, Jiang and Lin, 2012), donors are very much concerned about its impact on aid effectiveness. There is no longer a question of shame or social condemnation (Moriconi, 2018) in the practices of these firms. This research provides a macro perspective analysis of corporates through the lens of the supply-side. The main research interest is to enhance understanding surrounding the determinants or situational factors in explaining the propensities of these corporates to instigate or facilitate corporate corruption in development projects. It concludes with consideration for reflective practice and a description of the thesis structure.

\(^1\) Multilateral Development Banks are international financial institutions that channel funds from multiple donors to countries with a development agenda.
1.1 The role of MDBs in developmental projects

Development projects financed by MDBs are recognised to play a crucial role in the social-economic development process of recipient countries (Gurria and Volcker, 2000; World Bank, 2017; UN, 2017). Aid disbursed by these MDBs is normally based on the socio-political context of the recipient countries with the primary objective of improving the country’s wealth, ensuring development, and the eradication of poverty. The aid can be either in the form of grants or loans. While the implementation of these MDB-financed projects rests with recipient governments, their agencies and firms are contracted out to deliver these development projects.

The last decades have seen a rise in the number of development projects financed by MDBs in their quest to address infrastructural gaps worldwide. In 2017, an accumulated $67 billion had been disbursed by these MDBs for financing infrastructural development projects worldwide (UN, 2018a). This amount is expected to significantly increase in the coming years. As per the Article of Agreements establishing these respective MDBs, they are required to ensure that funds are used for their intended purposes. Therefore, these MDBs have a responsibility to ensure that no funds are wasted in corruption or other malpractices – hence the setting-up of an investigative body within these MDBs in ensuring integrity of these financed projects.

1.2 The challenges of corruption in development projects

With MDBs investing heavily on development projects worldwide, unfortunately, such a huge amount of aid has the propensity to attract corruption - a phenomenon which Báger (2011) refers to as ‘development corruption’. Indeed, in such projects, contractors face many difficulties in managing corruption risks arising due to complex interfaces with the executing agencies (Osipova and Eriksson, 2013), along with varieties of stakeholders (Olander and Landin, 2005). The challenges facing these MDBs are indeed a matter of
concern as corruption has evolved into a more complex socio-political phenomenon (Gurria and Volcker, 2001). Furthermore, the international prevalence of corruption, coupled with continued globalisation, increases the likelihood that multinational firms will encounter government rent-seeking\(^2\). This has led scholars to claim that the ability to deal with corrupt practices is an important capability of firms (Kwok and Tadesse, 2006; Oliver and Holzinger, 2008; Uhlenbruck et al., 2006). Yet, few studies have considered the role of the private sector in facilitating corruption (Hellman et al., 2003; You and Khagram, 2005). Indeed, corruption represents a major risk in international development projects (Diallo and Thuillier, 2010; Mukini and Price, 2014; Leiderer, 2012), as it has the potential to seriously compromise desired development outcomes (Kramer, 2007; U4, 2016). Several opinion polls worldwide have shown that there is widespread public concern that some foreign development assistance from donors is wasted due to corruption (World Bank, 2003; KPMG, 2015; TI, 2017). While these projects greatly assist countries in meeting their development goals, unfortunately, studies reveal that they may also be lightning rods for corruption (World Bank, 2009; ADB, 2017; AfDB, 2018). Unfortunately, the risks of corruption and malpractices are more prevalent in these types of projects given their complexities and uncertainties (Khang and Moe, 2008; Guo et al., 2014). Moreover, it can increase the cost of doing business (Tekin-Konu, 2006). This can be a serious issue as these MDBs are mobilizing funds to address infrastructural gaps at country-level.

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2 Defined as ‘the fact or practice of manipulating public policy or economic conditions as a strategy for increasing profits’ or in the case of governments, government revenue.
1.2.1 Why is corruption a problem in development projects?

According to the World Bank (2015), corruption can increase the cost of projects by 20% to 25%. Undoubtedly, the cost of corruption in international development projects is significant (Gyimah-Brempong, 2002; World Bank, 2015). With the sanctioning of prominent corporations such as Siemens, Alstom, and SNC Lanvalin by MDBs in recent years, it is imperative to address the issue of corruption from the supply-side. Corruption, in any of its forms, is detrimental to the effectiveness of humanitarian aid. Isopi and Mattesini (2008) examine the relationship between aid and corruption. According to them, corruption depends upon the ‘political and institutional environment of the recipient country’, and more hazards arising from corrupt bureaucracies, which divert aid from its intended source.

Many researchers have expressed concerns over the effectiveness of international aid as the success of aid projects is considered to be below the acceptable level in terms of quality and standards of works (Gould and Amaro-Reyes, 1983; United Nations, 1990; Mauro, 1995; Francis et al., 2008). Francis et al. (2008) associated corruption with its detrimental impact to the effectiveness of aid, citing its high propensity to divert funding from its intended purpose. According to estimates, it is more than 5% of global GDP ($2.6 trillion) flows to corruption each year with over $1 trillion paid in bribes (WEF, 2009). Studies on corruption confirm its destructive and negative effect on the cultural, political and economic fabric of society at the national level (Akindele, 2005; Kunicova, 2006; Sikka, 2008). It is in fact, considered as an international problem that may has a negative impact on development and which can be a serious threat in the development process of aid-recipient countries (World Bank, 1997). Researchers further argue that corruption can seriously affect development projects as they may fail to be completed or, if completed, may not be of the required quality and standards (Sikka, 2008). For instance, Gyimah-Brempong (2002), observed that in
African countries, which are large recipients of external aid and with high levels of corruption, the risk of aid siphoned into private wealth, thus retarding development. This is a real problem. The harmful effect of corruption is incompatible with sustainable development (Issa and Alleyne, 2018).

1.2.2 The challenge of MDBs in mitigating corruption risks

Addressing corruption for promoting development effectiveness and enhancing governance has been one of the major priorities of many donors and development partners (UNDP, 2014). Corporate corruption exists in different forms. In international business (IB), corruption often takes the form of bribery. It is also termed ‘foreign bribery’ as these MNCs tend to bribery in different jurisdictions. Foreign bribery is, indeed a common and widespread means for MNCs to win contracts abroad and to unduly influence policy-making (Hellman et al., 2003). According to Hock (2018), third parties who become involved in the corrupt schemes, complicate this type of foreign bribery. There is much speculation as to why firms engage in corporate corruption and how to curb it. However, management researchers have carried out relatively little theoretical or empirical work on corporate corruption and no studies have investigated situational factors contributing to corporate corruption in developmental projects.

With few comprehensive theories on corporate corruption, it is difficult for researchers to identify conditions that lead to corporate corruption. Additionally, a common assumption in the literature on corporate illegality has been that individuals are the perpetrators of the offences (Hellman, 2017). With recent corporate scandals of firms involved in MDB-financed projects, it is imperative to understand the new frontier of anti-corruption research. Perhaps the definition of corruption as advocated by MDBs, which define it as ‘using public office for private gain’ (Bhargava, 2015) is the major reason why these multilateral donors
have focused predominately on the demand-side of corruption. Against this backdrop, there is need for thorough research in shaping anti-corruption discourse and policy prescription.

With more aid flowing to countries with weak governance structures, containing the risks of corruption is becoming an ongoing battle for MDBs. In light of their development agenda, the MDBs have a responsibility to ensure that funds are not squandered or diverted.

1.3 The duality of corruption

A body of literature has classified corruption as a public sector problem (Rose-Ackerman, 1996; World Bank, 1997). However, some studies have also argued that corrupt practices are a major feature of private sector activities (Harsh, 1993; Bakre, 2007; Sikka, 2008; Otusanya, 2010). For corporate corruption to occur there needs to be both a receiver and a supplier. In these development projects, the demand-side deals with corrupt institutions and public officials who, for instance, demand bribes to conduct business transactions, whereas the supply-side deals with those who instigate or facilitate the corrupt practices and, thus, perpetuate a corrupt system. Government interventions in private organisations is a major cause of corruption (Donahue, 1989; Gillespie and Okruhlik, 1991; Lambsdorff, 2006).

In the dominant IB domain, the common assumption is that governments are instigators of corruption to which multinational corporations (MNCs) may have to comply (Habib and Zurawicki, 2002; Rodriguez, Uhlenbruck and Eden, 2005; Uhlenbruck, Rodriguez, Doh and Eden, 2006; Brouthers, Yan and McNicol, 2008; Cuervo-Cazurra, 2016; Petrou and Thanos, 2014). For this reason, corruption is treated as exogenous to the MNCs. It is viewed more as a feature of the host country environment in which the MNCs’ decision makers are faced with the dilemma between risks and opportunities. Admittedly, much of the focus is of the impact of host country corruption on the MNCs, with the only dimension of corruption examined being bribes or kickbacks demanded by public officials.
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There has been much debate on this orthodox treatment of corruption, which overlooks the ‘supply-side’ of the corruption scheme committed for the benefit of the corporate. While it is axiomatic, for a corrupt act to occur there should be both the ‘corrupt’, representing the demand-side, and the ‘corruptor’, representing the supply-side. In fact, recent studies agree that the supply-side - residing in large corporations and multinationals - may play a significant role in instigating and facilitating large scale corruption (Murphy, 2011; Otusanya, 2011; Sikka and Willmott, 2010; 2013; Sikka and Lehman, 2015). Arguably, these firms are turning increasingly criminogenic, favouring supply-driven corruption. In light of the global importance of tackling the scourge of corruption, it is clear that it is an area that needs to be investigated further in order to better understand corporate corruption and to ultimately control it.

1.4 Research gap in the study of corporate corruption

Given the complexities of corruption at corporate level, a large body of corruption literature has underscored the need to examine corruption at the individual level (for example, Brass, Butterfield and Skaggs, 1998; Jones and Ryan, 1997; Treviño, 1986). From a public-sector perspective, corruption is often portrayed as an individual-driven phenomenon (Banfield, 1975). On the other hand, from a business perspective, it is depicted as corruption from the supply-side. Such corruption transactions are either as unavoidable for firm’s operations, or as an investment for privileged treatments from the public sector (Banfield, 1975; Martin et al, 2007; TI, 2009). Nevertheless, there are some few studies that have examined corruption at a broad corporate level as acts committed on behalf of the corporate and for the corporate benefits (for example, Baucus and Near, 1991; Brief, Buttram and Dukerich, 2001; Hill, Kelley, Agle, Hitt and Hoskisson, 1992; Sonnerfeld and Lawrence, 1978; Pinto et al., 2008; Voliotis, 2017). Yet the corporate perspective remains an area that has been underexplored.
(David-Barrett, 2017; Shepherd and Button, 2018), simply due to the ignorance that these corporates can be instigators or facilitators of corruption for their corporate benefits.

Moreover, research has predominately focused on the demand-side while the supply-side represented by MNCs has received little attention (Beets, 2005; MacMurray, 2006; Vogl, 1998). Researchers recognise the need to focus on the supply-side of corruption (see for example, Sung, 2005; Ashford, Veron et al., 2006) to address it effectively. In contrast, a body of literature has documented the role of the private sector in perpetuating corrupt practices through a variety of business vehicles (Briloff, 1976, 1981; Tinker, 1985; Bakre, 2007; Sikka, 2008; Otusanya, 2010). Research in the criminology and business ethics areas has considered corporate malpractices from a variety of perspectives. They include the following:

- the organisation as a perpetrator of crime (Sutherland, 1949; O’Leary-Kelly et al., 1996; Collins et al., 2009);
- the agent or employee as a perpetrator of crime (Zyglidopoulos and Fleming, 2008); and
- the organisation as a victim of crime (Lacey and Cuganesan, 2004; Den Nieuwenboer and Kaptein, 2008).

Studies recognised the role of the private sector in perpetuating corrupt practices (Briloff, 1976, 1981; Tinker, 1985; Bakre, 2007; Sikka, 2008; Otusanya, 2010). Given the complexity of corruption, understanding bribery at corporate level is also fraught with the difficulties of identifying who is to be blamed, who is the beneficiary, who is the victim, and what are their respective roles (Button, Shepherd and Dean, 2018). In fact, organisation theorists have identified aspects of the organisation that could facilitate corruption (Finnely and Lesieur, 1982; Hill et al., 1992; Szwajkowski, 1985; Vaughan, 1983; Waters, 1978).
However, these studies focus on corruption practices perpetrated by individuals for their self-interest.

Against the above background, this research seeks empirical contributions to increase our understanding of corporate corruption in development projects whereby globalisation and financialisation have changed the structure and strategy of MNCs (Yamin and Ghauri, 2010; Morgan, 2014; Coe, Lai and Wojick, 2014).

1.5 Understanding the thesis

A fundamental question that preoccupies academic research into corruption is: how do corrupt relationships arise between the parties involved (Button, Shepherd and Dean, 2018; Hock, 2018). This research was influenced by the lack of insight into how corporate corruption evolves. While the conspiratorial relationship may not be difficult to establish for petty corruption involving individuals (Fletcher and Hermann, 2012; Graycar and Sidebottom, 2012), this may not be so for corporates (United Nations, 2013; Graycar and Prenzler, 2013; Button, Shepherd and Dean, 2018). The problem is further compounded in the international context by legal and cultural variations (Melgar et al., 2010).

There is a corpus of scholarly work, which addresses the broad field of white-collar crime and fraud (Cressey, 1953; Sutherland, 1940). Unfortunately, they focus on a narrower issue of corruption and anti-corruption policies based on corruption perpetrated by individuals for their own benefit (Brytting et al., 2011; Eicher, 2012; Kubbe and Engelbert, 2018). There is, however, very little research into why and how individuals engage in corruption for organisational benefit (Mazar et al., 2008; Welsh et al., 2015).

Despite the very serious and significant impacts that corporate corruption may have on society, empirical studies illustrating its negative impact in development projects have been very limited (Zahra et al., 2005). However, recently, there have been a few studies that highlighted the nefarious effect of corporate corruption and have underscored the need to
address it (see for example, Ashford, Gioia, Robinson, and Treviño et al., 2008; Voliotis, 2016; Turnley et al., 2018). Therefore, the current study not only attempts to fill the gap of research on corporate corruption, but also to contribute in providing empirical insights of corporate dynamics and to identify the situational factors conducive to corporate corruption. While the fraud triangle introduced by Cressey (1953), offers the paradigm to explain the corrupt behaviours (Brytting et al., 2011; ACFE, 2014) of perpetrators within organisations, it may not be appropriate to explain corporate corruption, which is predominantly for corporate benefit, hence the need to identify the main determinants of corporate corruption.

1.5.1 Rationale of the research
The motivation of this study derives from the growing concern of donors about the impact of corruption in development projects from the supply-side. Empirical research on the consequences of corruption confirms that it has a variety of detrimental effects (Khang and Moe, 2008; Guo et al., 2014) affecting the poor and vulnerable who most need these projects. It has become increasingly apparent that IDP provides a supply-side stimulus that encourages corporates to instigate or facilitate corruption (Murphy, 2011; Otusanya, 2011; Sikka and Willmott, 2010; 2013; Sikka and Lehman, 2015). While it is axiomatic that ‘it takes two to tango’, the supply-side residing in MNCs as facilitators or instigators has gained little attention as compared to the demand-side (Murphy, 2011; Otusanya, 2011; Sikka and Willmott, 2010; Sikka and Lehman, 2015).

1.5.2 Aim and objectives of the study
The goal of this research is to examine the determinants that surround corporate corruption for those corporates that are engaged in development projects. In light of the potential serious consequences of corporate corruption on development projects, the questions that arise are: what are the determining factors that are encouraging corporates to become criminogenic? Are corporates instigators or facilitators of corporate corruption? Are corporate objectives in line with corporates involvement in corrupt transactions? This study
Chapter 1

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explores the determinants of corporate corruption in development projects financed by MDBs. Its focus is on the supply-side of corruption in the realm of IB, with particular focus on infrastructural development projects. It aims to add to the body of knowledge regarding the corporate dynamic to engage in corporate corruption on financed projects. It will help to identify the determinants that contribute to spawn corruption in developmental projects from the supply-side. This research will be beneficial to international financial institutions and multilateral and bilateral donors that are very much concerned about the risks of corruption on projects they are financing but have little ability to control such risks due to scant research in the field of corporate corruption. It may also be of interest to the many researchers who have focussed their efforts on the demand-side of corruption, thus broadening the sphere for further research.

The main research question that this thesis will address is:

**What are the determinants of corporate corruption in development projects?**

The following sub-questions were developed to address the research gap and to further define the research problem while addressing the main research question. Due attention was given in ensuring that the sub-questions are clear, specific, answerable and substantially relevant (Punch, 2005).

1. **What are the challenges facing MNCs involved in international development projects?**

MNCs are facing fierce competition in IDPs. It is important to understand the challenges facing these MNCs. This research approaches corporates, which have been cross-debarred by the MDBs through a survey questionnaire in order to throw more light on the challenges they faced during the implementation for the MDB-financed projects and that might have influenced these corporates to act corruptly. The unstructured interview, the survey questionnaire and the case study method also help in throwing more light of the challenges these corporates face. This sub-question is appropriate to understand the motivations of
Chapter 1

Introduction

these corporates in engaging in corporate corruption. It is directly linked to the main question.

2. How effective are the MDBs sanctions regimes in mitigating corruption risks?

With MDB’s sanction regimes, corporates and consultants debarred by one MDB are automatically cross-debarred by others, thus restraining them from obtaining future contracts financed by any MDB that is party to the Agreement of mutual enforcement of debarment decisions during the debarment period. This form of sanctioning addresses in particular the supply-side of corruption. The sanction regime is considered effective if it acts a strong deterrent to corrupt practices. The continual debarment of corporates by MDBs may be indications of the ineffectiveness of the sanction regime. It deems appropriate to look at how effective the sanction regimes are in mitigating corruption. The survey questionnaire and the unstructured interview are used to capture the perception about the effectiveness. The responses obtained through the different methods used in this research are helpful in identifying the determinants of corporate corruption.

3. How is the definition of project success conducive for corporates engaged in development project to controlling corporate corruption?

In the light of the potentially serious consequences of corporate corruption, the question arises of how and to what extent is this risk managed? In line with these approaches, this study investigates what measures/tools corporate actors have in protecting the corporates from corporate corruption. A qualitative content analysis is used to demystify the definition of project success as referred to in the project management (PM) literature.

4. How is corporate corruption triggered by corporates representing the business side?

Corporate corruption is essentially a corrupt act initiated by the corporate actors. The findings to this research question are important in identifying the instigators and the
facilitators of such type of corruption. The flow of the corrupt transactions would be helpful to explain the determining forces facilitating such transactions. The findings will also identify the active and passive actors who are involved in the corrupt schemes. The combinations of methods help to understand how corporates instigate or facilitate corporate corruption.

1.5.3 Methodological approach

In order to empirically investigate the determinants of corporate corruption, it is imperative to have a research design that will capture the multidimensionality and complexity of the phenomenon. In order to grasp the challenges posed by the research, a mixed-method approach was most appropriate to capture the different perspectives of the phenomenon under study. In a similar vein, it is important to understand the different individuals, third parties, agents and organisations that connive in orchestrating these corrupt schemes (Button, Shepherd and Dean, 2018; Hock, 2018; Tillman, 2009) in order to conjure up the full scheme of corporates’ involvement in corporate corruption. This research builds upon the feedback and comments received following the author’s presentations of different conference papers related to this study at international conferences.

In fact, the new approach to research in corruption encourages researching the phenomenon from a macro-level perspective instead of the individualistic self-interest perspective (Hellman, 2017). The methodology used requires the identification of the different stakeholders who can contribute their different perspectives to the research.

- The quantitative survey targets sanctioned firms which have been cross-debarred\(^3\) by the MDBs but which have not entered into a negotiation agreement process prior to being sanctioned. With the survey questionnaire, there is opportunity to

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\(^3\) A firm that has been debarred from participating in aid projects by one MDB is also forbidden to bid for aid projects financed by other MDBs signatories to the Agreement of the Mutual.
investigate the perception of sanctioned corporates and to understand better their motivations for corporate corruption.

- A case study method is used to understand the ‘how’ and ‘why’ firms\(^4\) engaged in corrupt practices using real case scenarios (Yin, 1994). According to Reeves-Latour and Morselli (2018), case studies can offer an empirical assessment of the realities of corporate crime in the field of corruption research. In fact, with corruption being a secretive process (David-Barrett, 2017), the case study method provides the best way to tap information about the mechanisms employed by these firms (van Erp, 2017). It also offers the possibility to examine the effect of certain patterns under controlled conditions, therefore contributing to internal validity (Kriz, 2005). The four cases from the AfDB were chosen, as it is the only MDB that has started negotiating settlements with sanctioned entities which provides for financial penalties. It is a relatively new process that started in 2013. During the conduct of this research, only five negotiations were conducted. The justifications for selecting these four cases are as following:

  - The cases involve development projects
  - These firms were found guilty of corruption and were sanctioned
  - Information on the cases was available in the public domain

One of the biggest advantages of this method is that it provides an effective means of gathering information in a limited period over a wide geographic area.

- The qualitative interview method targets professionals who have been working for the African Development Bank (AfDB) and have wide experience in the oversight of projects.

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\(^4\) As per the Mutual agreement, negotiation is one method. One requirement is to publicise the information.
Finally, a qualitative content analysis method is used to understand the extent to which the definition of project success in PM literature is responsive to addressing corporate corrupt risks.

Given the limitations of a single method, the different methods used for this research complement one another. Therefore, we argue that the mixed method approach used to answer the research questions is both appropriate and justifiable.

1.5.4 Significance of the research

This research looks into the causes of corruption from the supply-side, that is, contracting firms engaged in development projects. This research fills a gap in the literature by trying to understand why these corporates in particularly are more susceptible to commit corruption for their organisational benefits.

It is also a fact that the PM literature has focused little on international development projects (Ahsan and Gunawan, 2010; Ika et al., 2010). However, to tap into the full potential of PM, it is essential that appropriate conditions are present in the right situations and in the right circumstances (Jugdev and Müller, 2005; Ika, 2009). According to the literature, it is noted that while management dimensions such as time, cost and quality are recognised as important elements, project impacts\(^5\) are given low priority (Diallo et al; 2004, p.19).

This research will make a valuable contribution to the corpus of knowledge in the field of corporate corruption. It aims to contribute to an improved understanding of the underlying determinants of corporates facilitating corruption for their corporate benefit. It also contributes to a better understanding of the dynamics of corporate corruption in development projects.

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\(^5\) The Bonny Island case and China Communication Construction Company cases
1.6 Structure of thesis – outline and methodological choices

This thesis comprises eight chapters and is organised as follows:

Chapter 1 puts the research in context. The first section situates the context of the research and provides an overview of the research topic. The second section provides the aim and scope of the research study. The research questions that guide the study are also defined.

Chapter 2 examines the contributions made by MDBs in fighting corruption in their financed projects. It also examines the experience of the Foreign Corrupt Practices Act (FCPA) in addressing foreign bribery. Finally, it identifies the limitations of MDBs in addressing the supply-side of corruption due to the predominant focus on the demand-side.

The body of work drawing on the theoretical and conceptual background of corruption at corporate level is critically examined in Chapter 3. This chapter reviews the available literature and shows the gaps in the literature regarding the study of corporate corruption in development projects.

Chapter 4 details the empirical research methodology adopted for this research and describes the mixed method approach in more depth. The core of the research is founded on the constructionist perspective, seeking to identify the determinants of corporate corruption using a combination of methods.

Chapter 5 reviews the cases of four firms, which have been investigated following allegations of malpractices and successfully entered into Negotiated Settlement Agreements\(^6\) (NSA) with the AfDB. Following the settlements, these firms agreed to pay a financial penalty to AfDB in order to compensate for the damages caused due to their

\(^6\) A Negotiated Settlement Agreement (NSA) is an agreement between the corporate under investigation and the MDB. The corporate agrees to cooperate, provide all required information, and pay a financial penalty mutually agreed with mitigating factors.
involvements in corrupt schemes. Based on the observed trend, it is argued that the corrupt schemes are orchestrated by the corporate brain.

Chapter 6 analyses the findings of the different methods used in this research. It adds to the context of corporate corruption by analysing the phenomenon from its various dimensions based on the discussions from Chapter 4.

Chapter 7 discusses the key research findings building from the mixed methods used and examines the results of the thesis. It also explains the whole phenomenon of corporate corruption employed by corporates for their corporate benefits.

Chapter 8 outlines the conclusions of this thesis. It is a reflective account of the processes and particulars of the study. This chapter summarises the research findings and concludes with why sanctions remain an important tool to counteract corruption in development project. It also shows how multinational firms have to revamp themselves in proactively addressing corruption risks from the supply-side. While positioning the study in the context of corporate corruption, it also identifies the research limitations and opportunities for further research.
Chapter 2  Contribution of MDBs to fighting corruption

2.0  Introduction

This chapter highlights the key roles of MDBs in financing development projects in their member countries. Internationally, the pressure to fight corruption has increased since the 1990s (Mugiu-Pippidi, 2011). The investigative mandates of these MDBs are explored and the key features of the MDB sanctions system are examined. Fighting corruption is now part of global actions such as the United Nations (UN), the Organisation for Economic Corporation and Development (OECD), the MDBs and national development discourse. MDBs and international organisations have adopted tools and strategies to address corruption in all its forms. Foreign bribery is a form of corruption, which MNCs can resort to given that they are operating in multiple jurisdictions.

Foreign bribery involves actions in multiple jurisdictions and affects multiple parties. Through extraterritoriality, MNCs can be prosecuted for transnational bribery. In addition to being investigated by MDBs, these corporates can also be investigated under different national laws. For example, the FCPA asserts territoriality in both national and foreign jurisdictions. Its impact will be reviewed, particularly on MDB-financed projects.

In the pursuit of their anti-corruption agenda, MDBs, together with national agencies, are strengthening the enforcement landscape, thus opening corporates operating in the global marketplace up to increased prosecution. This chapter also looks at the efforts undertaken
by MDBs in tackling the supply-side of corruption. The purpose of the MDBs’ anti-corruption sanctioning system is to ensure that the funds are not being misused and to avoid doing business with entities and/or individuals that have been found to have committed prohibited practices, including corruption.

2.1 Definition of corruption

In this study ‘organisation’ refers to the private profit-driven business organisation. It is also referred to as ‘firm’ or ‘corporate’. Corruption is a complex and multifaceted phenomenon with multiple causes and effects, occurring as it takes on various forms and functions in differing contexts. In this thesis, corruption is taken as an illegitimate exchange of resources involving public and private corporations for private ends. It includes corruption between corporates and government agencies. For this research the term ‘corruption’ is used as synonymous to fraud, embezzlement, misrepresentation, conflicts of interest, and other malpractices that are committed by corporate actors represented by the private sector on behalf of the corporations and for corporate benefit. As a primary form of corruption, bribery is the payment in money or kind given or taken in a corrupt relationship. Fraud is an economic crime that involves some kind of trickery, swindle or deceit.

It must be noted that the definition of corrupt acts varies across nations. For instance, the US FCPA 1977 defines bribery as ‘the offer, promise or gift of undue pecuniary or other advantage, whether made directly or through intermediaries, to a person holding public office for that person to commit an act or refrain from acting in relation to the performance of official duties’. The World Bank defined corruption as ‘the abuse of public office for private gains’ (World Bank, 2001).

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7 As defined under the Uniform Framework for Preventing and Combating Fraud and Corruption (the ‘IFI’ Framework).
2.2 The scope of the problem

Corruption is a significant obstacle to international development. It undermines confidence in public institutions, diverts funds from those who are in great need of financial support, and violates business integrity. It is ‘like cancer, retarding economic development’ (World Bank, 2001). Corruption often transcends borders. Dr. Akinwumi Adesina – the President of the AfDB in his speech at World Peace Summit in South Korea in February 2019 highlighted the problems associated with corruption when he mentioned: ‘corruption does not invest in the future, it kills the future’ (AfDB, 2019).

In order to tackle this global problem, worldwide cooperation is needed. The World Bank (2001) identified corruption as a global challenge and the single greatest obstacle to economic and social development. It is estimated that more than $1 trillion flows to bribes annually (World Bank, 2004), representing about 5% of the world GDP. Likewise, the African Union has estimated the cost of corruption in Africa at $148 billion annually, which is equivalent to 25% of Africa’s GDP (OECD, 2014).

The prevalence of corruption among other institutional factors is recognised to increase the costs of firms doing business and to be the cause of a reduction in productivity (World Bank, 2005). As a result, corruption can be anticipated to increase the cost of investment projects and transaction costs (Gyimah-Brempong, 2002). While the capacity of firms to influence the procurement process through private payments to political officials and bureaucrats may be beneficial to firms, it is considered to be highly injurious to the economy as a whole (Hellman, Jones and Kaufmann, 2000).
Chapter 2  Contribution of MDBs to fighting corruption

2.3 MDBs’ mandates

MDBs are international financial institutions that provide financial assistance to developing countries in order to promote economic and social development. The assistance is typically in the form of loans or grants for investment projects and policy-based loans. Project loans include large infrastructure projects in the road, energy, water and sanitation sectors and other developmental projects. Over the last decades, governments in developing countries have made significant improvements in health and education through MDB financing (Easterly, 2006). MDBs have played a crucial role in supporting economic development and fighting poverty over the 70 years since the creation of the World Bank. Unfortunately, these investments come with the potential for fraud and corruption (World Bank, 2015).

The Addis Ababa Agenda for Action on financing the post-2015 Sustainable Development Goals (SDGs) called for MDBs to scale up their financing and technical assistance to meet these ambitious objectives (UN, 2018b). The SDGs are broader and more ambitious in scope than the Millennium Development Goals, covering areas where multilaterals have extensive experience, such as the infrastructure and energy sectors (UN, 2015). The MDBs’ role in supporting international development and fighting poverty goes beyond the sectors of intervention. MDBs tend to channel a higher share of aid to poorer countries than bilateral donors (Dollar and Levin, 2005) and they are better at providing information and at monitoring recipients’ use of funds (Rodrik, 1996). The negotiations between recipient countries and multilateral agencies therefore tend to be less politicised than with bilateral donors (Rodrik, 1996).
Table 1: Mandates of the MDBs

<table>
<thead>
<tr>
<th>Multilateral development banks</th>
<th>Region Covered</th>
<th>Mandates</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Bank</td>
<td>Worldwide</td>
<td>End extreme poverty within a generation and boost shared prosperity</td>
</tr>
<tr>
<td>New Development Bank</td>
<td>Worldwide</td>
<td>To foster development in infrastructural project</td>
</tr>
<tr>
<td>African Development Bank</td>
<td>Africa</td>
<td>Promote sustainable economic growth and reduce poverty in Africa</td>
</tr>
<tr>
<td>Asian Development Bank</td>
<td>Asia Pacific</td>
<td>Eradicate poverty in Asia Pacific</td>
</tr>
<tr>
<td>European Investment Bank</td>
<td>Europe</td>
<td>Contribute to the development of the internal market of the European Union</td>
</tr>
<tr>
<td>European Bank for Reconstruction and Development</td>
<td>Europe</td>
<td>Foster the transition towards open market-oriented economies and private and entrepreneurial initiatives in central and eastern European countries</td>
</tr>
<tr>
<td>Inter-American Development Bank</td>
<td>South America</td>
<td>Promote the economic and social development of the developing member states, individually and collectively</td>
</tr>
<tr>
<td>Islamic Development Bank</td>
<td>Islamic Countries</td>
<td>Foster economic development and social progress in member countries and Muslim communities, individually as well as jointly, in accordance with the principles of the Shari’ah</td>
</tr>
</tbody>
</table>

The current list of MDBs, their mandates, and the total investments made are shown in Table 1 and Figure 1 respectively. The World Bank is the largest of the MDBs, followed by the regional development banks. MDB financing assistance provided to large emerging economies is important because these countries have substantial numbers of people living in poverty and MDBs provide financial assistance for projects which governments might be reluctant to borrow for. In addition, MDBs assistance helps address environmental issues and promotes better governance and provides important technical assistance to which emerging economies might not otherwise have access. The Asian Infrastructure Investment
Bank\(^8\) (AIIB) and the New Development Bank (often called BRICS Bank \(^9\)) are the most recent MDBs set up to address the financing needs of developing countries.

![Disbursements by MDBs](https://developmentfinance.un.org)

**Figure 1 : Annual disbursement made by MDBs**

*Source: https://developmentfinance.un.org*

Figure 1 above shows an increasing trend in the total amount disbursed to different development projects worldwide.

### 2.3.1 MDBs’ fight against corruption

In the last decades, there has been increasing concern about corruption in development projects financed by MDBs (World Bank, 2017). Anti-corruption initiatives have gained prominence on the global and national political agenda (Navot and Cohen, 2015) because of the willingness of donors and governments to address related corruption issues (Hors and

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\(^8\) AIIB was launched in October 2014 and focuses on the development of infrastructure and other sectors in Asia.

\(^9\) The BRICS bank refers to the initials of the five countries that have made finance available to this most recent development bank: Brazil, Russia, India, China and South Africa.
Tamesis, 1999). MDBs are under increasing pressure to ensure that aid is used for its intended purpose. In fact, the US Senate Foreign Relations Committee\textsuperscript{10} (2006), in *Multilateral Development Banks: Effectiveness of Infrastructure Projects*, commended the efforts of the MDBs to control corruption in development projects and called for a sustained effort in addressing the problem of corruption globally. Aid efforts may not achieve their desired objective unless they are offered in an environment that stimulates self-sustaining growth and development (Jain, 2001).

In the landmark case of the *World Bank Group v. Wallace* (2016), the Supreme Court of Canada recognised the roles of state actors and international organisations in their cooperation in the increasingly active global fight against corruption. Recent cases of sanctions imposed on well-known companies like Siemens AG, Alstom SA, and SNC-Lavalin Group Inc. by the World Bank and, consequently, cross-debarred by other MDBs, have unveiled well-orchestrated corporate corruption schemes operating at the organisational level (World Bank, 2018a). Paradoxically, while these sanctioned companies have supposedly anti-corruption programmes in place, such measures did not prevent top management from engaging in corrupt practices for their corporate benefits. MDBs have adopted a procedure to sanction prohibited practices. However, this is an ‘administrative remedy’ utilised to disqualify contractors from obtaining public contracts or acquiring extension to existing contracts.

### 2.3.2 MDBs’ investigative mandate

MDBs are concerned with the pervasive effects of corruption in the countries and sectors they serve. The Articles of Agreements, which set up the different MDBs, require that they have fiduciary responsibilities of ensuring proper use of funds. The creation of anti-

\textsuperscript{10} The Foreign Relations Committee began in 2004 with the objective of reviewing US policy towards the multilateral development banks.
corruption mechanisms enables these MDBs to fulfil their fiduciary duty to ensure that funds are not being squandered or diverted.

MDBs have established sanctions mechanisms and compliance procedures in an effort to fight off fraud and corruption in projects they have financed. Contracting firms and individual entities found guilty of sanctionable practices by one of the MDBs are automatically cross-debarred by the others. Following the adoption of the Agreement for Mutual Enforcement of Debarment Decisions, the cross-debarment of sanctioned entities among the different MDBs became operational as of April 2010.

The signatories to this agreement are the World Bank, the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, and the Inter-American Development Bank. In 2018, MDBs have debarred 73 corporates (World Bank, 2018a). As of 31 December 2018, 580 corporates have been cross-debarred by the signatories to the agreement (World Bank, 2018b). The sanctions regime implemented by these MDBs is quite recent; consequently, their impact in developing corruption resilience have yet to be understood.

2.3.3 MDBs’ enforcement landscape
The origins of the fight against corruption in MDBs dates back to 1996 when the then-President of the World Bank, James Wolfensohn, acknowledged that corruption was pervasive in international development. The IDB and WB systems were heavily influenced by the suspension and debarment system of the US Federal Acquisition Regulations Systems (FAR). The FAR regulates the way in which US federal agencies exercise their discretion in deciding which contractors to exclude from public procurement on the basis they are not being ‘presently responsible’. The concept of ‘present responsibility’ provides the US government with the necessary tools to avoid doing business with those contractors or providers that have not been responsible in fulfilling ‘their legal or contractual
obligations’. The purpose of the suspension and debarment system is to reduce the ‘overall risk of harm to the procurement system’.

MDBs have an extensive footprint in developing economies in response to the emerging multi-polar enforcement landscape. Among the leading players shaping the enforcement landscape are the MDBs that focus on developmental projects. MDBs have a credible enforcement capacity with an investigative mandate for examining corrupt cases and applying sanctions to corporates found guilty. The authority for these MDBs to sanction arises contractually through financing agreements made between a borrower country and the financial institution. Figure 2 below shows the number of firms sanctioned by different MDBs. Corporates participating in a project that is financed - wholly or partly by MDB’s are subject to their sanctioning authority. There is no exception to this authority, and therefore corporates can be the subject of an MDB investigation related to a project with only marginal MDB financing.

The definitions of sanctionable practices used by the MDBs are broad and capture a wide range of misconduct (PwC, 2016). Moreover, the administrative system is based on a burden of proof of ‘more likely than not’ which makes corporates that are subject to an MDB’s investigation more vulnerable to being sanctioned. MDBs adopted this concept of cross-agency ineligibility in 2010 when they signed the cross-debarment agreement, which allow signatories to recognise the debarment decisions of any one of them. Under this agreement, all MDBs adopted the same definitions of sanctionable practices.
2.3.4 Anti-corruption efforts of MDBs

MDBs are interested in the cause and effect of corruption from a development perspective and, as such, tend to sanction companies. However, they are more interested in confronting the pervasive effect of corruption in development projects in the countries they serve. MDBs are entrusted to ensure that the funds they have received and administer are used only for their intended purposes of development.

The purpose of MDBs’ anti-corruption sanctioning system is to ensure that funds are not being misused and to avoid doing business with entities or individuals who have been found to commit prohibited practices, including corruption. A prohibited or sanctionable practice as defined under the *Uniform Framework for Preventing and Combating Fraud and Corruption* (also known as the ‘IFI’ Framework’) is one that includes:

1. *corrupt practice*: ‘the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party’;
(2) **fraudulent practice**: ‘any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation’;

(3) **collusive practice**: ‘an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party’; and,

(4) **coercive practice**: ‘impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.’

In the case of MDBs, investigations and sanctions procedures are clearly administrative in nature and rooted within the principles of global administrative law (Dubois and Nowlan, 2010).

### 2.3.5 The sanctions process

The MDBs adopted the General Principles and Guidelines for Sanctions in 2006. It harmonises the principles for the treatment of corporate groups. However, there has been no harmonisation of the sanction procedures utilised by the MDBs to impose debarments and suspension. The base sanction recommended by the General Principles and Guidelines is a debarment period for three-years, which may be increased or decreased depending on mitigating or aggravating circumstances. Based on the General Principles and Guidelines for Sanctions, aggravating circumstances that are considered when determining the debarment period include:

- Severity of the violation;
- Harm caused to public welfare or to the project;
- Construction to the investigation process;
Other circumstances, such as past sanction.

In a similar vein, mitigating circumstances that must be considered and which may decrease a debarment period include:

- Minor role played by party;
- Corrective action taken by corporate to terminate the sanctionable conduct;
- Cooperation of corporates in the investigation process.

The settlement process of these MDBs are broadly similar. The figure 3 below illustrates the salient stages in the settlement process. It details the enforcement action by these participating institutions. It also prescribes the range of sanctions against sanctioned firms or individuals. As per the sanctions guideline adopted by MDBs, the following sanctions are applicable:
MDBs adopted the ‘MDB Harmonised Principles on Treatment of Corporate Groups’ in September 2012. The following sanctions are provided under this agreement:

(i) *Debarment.* This refers to a limited period after which the entity may be released from debarment;

(ii) *Debarment with conditional release or reinstatement.* This refers to release of sanctioned entity from debarment after complying with the conditions imposed by the institution;

(iii) *Permanent or indefinite debarment.* This is imposed when there are no reasonable grounds for the rehabilitation of the sanctioned entity through compliance;

(iv) *Conditional non-debarment.* This imposed on entity when it has to comply with specific remedies or preventive actions in order to avoid debarment;

(v) *Letter of reprimand.* This is issued when there are minor or isolated violations.

(vi) *Restitution/ financial remedies.* This is imposed when there is a quantifiable amount to be restored following the violations.

### 2.3.6 Cross-debarment of corrupt firms

While the harmonisation of the definitions of sanctionable practices among MDBs has contributed to bring uniformity, it has also raised the costs of misconduct. Under the *Agreement for the Mutual Enforcement of Debarment Decisions* signed in April 2010, any entity debarred by one of the MDBs may be subject to automatic debarment by the other signatories to the agreement. Thus, a corporate found to have engaged in a sanctionable practice in one country might face the loss of business opportunities across the entire spectrum of emerging markets. Importantly, the automatic nature of cross-debarment prohibits a sanctioned entity from contesting the ruling of one MDB in front of the tribunal.
of another. The Agreement makes provisions for MDBs to engage into NSA with the firms under investigation if they are willing to cooperate with the investigation.

2.3.7 Negotiated settlement agreements

The recent introduction of a formal settlement mechanism to the MDB sanction process is a welcome development that, in theory, provides a less costly, more expedient method for resolving an investigation. However, the value proposition of a settlement should be evaluated carefully on a case-to-case basis. The terms included in MDB settlements can often be quite onerous, with past agreements containing substantial fines, periods of debarment, commitments to align internal business process with MDB guidelines, and the retention of costly third-party monitors. In fact, in Chapter 5 the four case studies analysed are those, which have been investigated by the AfDB before entering in NSAs. During the investigation process, parties who do not fall under the mandate of the MDBs to investigate, like the involvement of public officials are referred to the national authorities for investigation.

2.3.7.1 Referral to national authorities

Recently, MDBs are developing a closer relationship across jurisdictions. It is common for MDBs to refer cases to national authorities for investigation by anti-corruption agencies leading to prosecution and/or sanctions. In some cases, referral reports are submitted even before the MDBs substantiate allegations of misconduct. In the case of Alstom, while conducting the investigation, the World Bank also referred the case to the national authority in Canada for criminal investigation (World Bank, 2018a). Consequently, corporates may have to face multiple enquiries simultaneously. With multiple authorities pursuing a case based on the same underlying facts, there is no restriction by the double jeopardy safeguards. With the emergence of a multi-polar enforcement environment, corporates may face
administrative actions by more than one MDB while at the same time they can face civil or criminal liabilities in their national jurisdictions.

### 2.4 The Foreign Corrupt Practices Act

The FCPA enacted in the United States of America (USA) in 1977 makes it illegal for companies and their supervisors to attempt to influence foreign officials with personal payments or rewards. The FCPA can apply to conduct anywhere in the world and extends to publicly traded companies including their officers, directors, employees, stockholders, and agents. Agents include third-party agents, consultants, distributors, joint-venture partners, and others. The FCPA applies to any person who has a certain degree of connection to the USA and engages in foreign corrupt practices. Figure 4 shows the different parties that have been sanctioned under the FCPA.

![Figure 4: Distribution by parties sanctioned](image)

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The nationality principle of the act makes it applicable to any act by US businesses, foreign corporations trading securities in the US, American nationals, citizens, and residents acting in furtherance of a foreign corrupt practice, whether or not they are physically present in the US. Since 1998, the anti-bribery provisions of the FCPA now also apply to foreign firms and persons who cause, directly or through agents, an act in furtherance of such a corrupt payment to take place within the territory of the US. The SEC and the Department of Justice (DoJ) are jointly responsible for enforcing the act.

The FCPA has criminalised foreign bribery and created special accounting provisions to address the corresponding accounting irregularities generated by the payment of bribes (Porrata-Doria, 1986). Two main provisions are the driving force of the FCPA: (a) an enforcement mechanism that criminalises the payment of bribes to foreign government officials, enforced by the DoJ; and (b) an accounting requirement to properly reflect transactions in order to help prevent corruption, designed as a civil enforcement tool. It also requires corporates whose securities are listed in the USA to meet its accounting provisions.

![Figure 5: Number of cases received under the FCPA](image_url)
Corporations covered by the provisions are required to (a) make and keep books and records that accurately and fairly reflect the transactions of the corporation and (b) devise and maintain an adequate system of internal accounting controls. The sanctions for FCPA violations can be significant. Civil enforcement actions can be brought against issuers and their officers, directors, employees, stockholders, and agents for violations of its anti-bribery or accounting provisions. Corporates and individuals that have committed violations of the FCPA may have to renounce their ill-gotten gains and in addition pay civil penalties. In recent years, the DoJ and the SEC have demonstrated more interest in investigating FCPA violations (Huskin, 2008). For the 2017, firms have paid a total of $10.71 billion as penalty fees for allegedly paying bribes to foreign officials to the amount of $4.9 billion (FCPA, 2017).

![Figure 6: Yearly sanctions and total bribery payment under the FCPA](image)

The above figure shows the trends of the yearly number of cases involving bribery of foreign officials.
2.5 Concluding Remarks

This chapter sets the scene for the research. MDBs have adopted policing measures through the establishment of compliance and sanctions procedures to combat fraud and corruption in development projects. This chapter examines the mechanism that MDBs have in sanctioning corrupt firms or individuals. With the adoption of the Agreement for Mutual Enforcement of Debarment Decisions, sanctions decisions are recognised and enforced among the MDBs. The compliance landscape on legislations like the FCPA, which have extraterritoriality regarding bribery of foreign officials by firms in different jurisdictions, has been examined as corporates sanctioned by these MDBs have also been sanctioned by the SEC.

While the sanctioning of firms through debarment and cross-debarment can be effective in eliminating the ‘bad apples’ from the basket, there appear to be no strategies among MDBs to address the root cause of the scourge of corporate corruption. The following chapter will
Chapter 2 Contribution of MDBs to fighting corruption

identify the literature gap and the dearth of knowledge on corporate corruption to develop an in-depth understanding of the phenomenon.
Chapter 3  Review of literature on organisational corruption

3.0  Introduction

Underpinning this research, in order to provide the background for the identification of the research gap and to thereafter express the research problem and formulate the research questions, a comprehensive review of the relevant literature was undertaken.

This chapter identifies and discusses the theoretical perspectives of the phenomenon of organisational-level corruption in development projects. This chapter situates the study within the contemporary context and provides a framework for the thesis. The first part of this chapter explores the available literature underpinning corruption in organisations. A holistic or dynamic understanding regarding the interplay of environmental, organisational, and individual forces, which gives a macro view, helps to understand the evolution of corporate corruption in development projects. This systemic view is also important because corruption appears to thrive in particular organisations, industries and national environments (Ashforth et al., 2008). The impact of the private sector and the extent to which its practices are convergent with corrupt practices (de Sousa and Freitas, 2012; p. 491) is then explored further.

Corruption is not just the behaviour of a single individual but includes organisations and industries. In this research, organisational corruption is based on the definition of Anand et al. (2004) and Sherman (1980) as abuse or misuse of authority for personal, sub-unit, or
organisational benefit. This chapter examines the extent to which the research aims have been addressed by the existing literature. Finally, it assesses the relevance of the existing literature and research in addressing organisational corruption in development projects. The review provides a critique of the theoretical concepts in order to highlight a number of areas for further research. It also summarises the current gaps in knowledge.

3.1 Understanding the phenomenon of corruption

The consensus is that a comprehensive definition of corruption is lacking in the literature. Corruption has been defined in many different ways based on the perspectives from which it is viewed. While scholars dispute the definition, no one disputes that corruption needs to be controlled. The World Bank (2010) defines corruption as ‘the abuse of public power for private benefit’. Some scholars tend to associate the term ‘corruption’ with ‘the misuse of public office for private ends or private gain’ (McMullan, 1961; Nye, 1967; Klitgaard, 1998; Rose-Ackerman, 1999). Clearly, these definitions preclude corruption within the private sector although it is clear that such corruption exists (Tanzi, 2002). In fact, most definitions of corruption are gleaned from public sector perspectives (Friedrich, 1993; Rose-Ackerman, 1996; Shleifer and Vishny, 1993; World Bank, 1997) and overlook corruption from the supply-side, that is, from a private sector perspective. In this view, corruption is referred to as ‘abuse of entrusted power for private gain’ (TI, 2015).

There is a strand of the theoretical literature arguing that corruption can have a positive impact on the development process (Leff, 1964; Huntington, 1968). According to Fazekas (2017), corruption may allow contractors to circumvent bureaucratic procedures such as red tape. Beck and Maher (1986) also share this point of view; they posit that corruption may even serve to ensure that projects are awarded to the most efficient firms. However, empirical studies clearly illustrate the negative effects of corruption (Mauro, 2002; Tanzi, 1998; Akindele, 2005; Sikka, 2008). Some of the literature condemns it as it institutionalises
negative practices by pushing up costs and excluding poorer people from social activities (Wrath and Simpkins, 1963; Sikka, 2008; Bakre, 2008; Otusanya, 2010). Corruption has also degraded the governing system, which has threatened the hope of people for a better quality of life and a more promising future (Wolfowitz, 2007). Scholars argue that corruption may destroy the functioning of vital organs of a nation state (Akindele, 2005; Kunicova, 2006; Sikka, 2008). Recognising the multidimensional and elusive phenomenon of corruption, Zakiuddin and Haque (2002) note:

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

Based on the observations made by Zakiuddin and Haque (2002), it is clear that corruption cannot only be limited to the public sector. The justification for including private corruption is because corruption occurs at the interface between the private and public sectors, with government officials and companies seeking competitive opportunities in their quest to maximise profit (Akindele, 2005; Sikka, 2008).

3.1.1 Corruption in development projects

Corruption is considered a major impediment to development as it diverts resources away from public services (Dellicour and Sacaze, 2012, p. 552) and erodes the foundations of fair business practices (OECD, 2006). Corruption diverts funds, resulting in services of poor quality or services that are simply unavailable (Lukito, 2015; Fletcher and Hermann, 2012; Graycar and Sidebottom, 2012). Corruption is socially harmful in that it wastes public funds (Sung, 2002).
Corruption is considered as one of the biggest global issues of our time and one of the world’s most talked about problems (TI, 2016; ACFE 2018), hindering IB (Malgwi, 2016). While the exact cost of corruption is difficult to measure (Lambsdorff, 2007), it has been estimated that between 10-30% of investment in publicly funded construction projects may be lost through mismanagement and corruption and could reach $2.5 trillion by 2020 (CoST, 2012). Other research has found that estimates of 20-30% of project value lost through corruption is widespread (Wells, 2014; Stansbury, 2005). According to the United Nations Economic Commission for Africa (UNECA, 2009; 2016), it was estimated that in 2004, the African continent lost more than $148 billion to corruption, representing approximately 25% of its gross domestic product. In addition, the AfDB estimated that some $30 billion in aid for Africa ends up in corruption (AfDB, 2006, p. 7).

Given the above, corruption is considered as an undesired phenomenon (Andersson and Heywood, 2009; Della Porta and Vannucci, 2012; Lambsdorff, 2007; Rothstein, 2011) with a negative social and economic impact on projects. For the example, the Padma Bridge Project in Bangladesh financed by the World Bank is tangible evidence of the impact of corruption on a development project following which the contracting firm - SNC-Lavalin - was sanctioned (World Bank, 2013). Mitigating corruption is beneficial for investment (Guetat, 2006), it reduces public spending (Delavallade, 2006) and the cost of doing business decreases in a less corrupt environment (Tekin-Koru, 2006). According to Rose-Akerman, (1999, p. 9), corruption is seen by many as one of the principal impediments to the development of an efficient government system, since it is conceived as a ‘symptom that something has gone wrong in the management of the state’. Corruption is a multilevel phenomenon involving individuals, organisations, nationalities and nations (Ashforth, Gioia, Robinson, and Treviño, 2008).
3.1.2 Aid versus corruption

Studies have found varying effects of foreign aid on corruption. Some scholars assert that aid fuels corruption (Asongu and Nwachukwu, 2016; Busse and Groning, 2009; Brautigam and Knack, 2004; Knack, 2001) while others assert that it reduces corruption (Mohamed, Kaliappan, Ismail, and Azman-Saini, 2015; Okada and Samreth, 2012; Tavares, 2013). Some studies even found that foreign aid does not have any significant effect on corruption (Ear, 2007; Menard and Weill, 2016). Consequently, the link between development aid and corruption remains uncertain. According to David-Barrett (2017), these contradictions are due to serious theoretical and methodological difficulties in analysing the relationship.

Researchers have long recognised the corrosive effect of corruption on the cultural, political and economic fabric of society (Akindele, 2005; Kunicova, 2006; Sikka, 2008). The negative impact it has on developing countries can also be explained due to the lack of effective mechanisms in place to deter and root out corruption. Some researchers have even argued that the inability of the state to develop and enforce regulations to counter corruption is because of corrupt public officials (Bakre, 2007; Otusanya, 2010).

3.1.3 The concept of corporate corruption

Corruption is becoming widespread and deeply embedded in business thoughts and practices (Ashforth et al., 2008). In fact, corruption at the nexus between business and government is viewed as rampant in most economies (Luo, 2005). According to Neu, Everett and Rahaman (2015), government officials engaged in corrupt practices form the demand-side of corruption and the private sector the supply-side. While the extant literature predominantly focuses on the demand-side of corruption (Tanzi, 1998) involving public officials, there is very little literature on the supply-side of corruption in the private sector (Hellman et al., 2003; You and Khagram, 2005). Few studies have considered the role of the private sector in facilitating corruption (Harsh, 1993; Hellman et al, 2003; Otusanya,
Flowing from this logic, it can be argued that contractors and consultants working on development projects would be considered as vehicles of corruption facilitating corruption from the supply-side. While there is scant research on the causes of corruption on development projects, it is clear that recipient countries should not be solely blamed for it. The interactions between private organisations and government institutions can be conducive to corrupt practices.

A body of literature has documented the role of the private sector in perpetuating corrupt practices through a variety of different mechanism, including misrepresentation of information and other fraudulent practices (Briloff, 1976, 1981; Tinker, 1985; Bakre, 2007; Sikka, 2008; Otusanya, 2010). However, successive governments in developing countries have done little to bring culprits to justice due to poor regulation and ineffective sanctions (Bakre, 2007; Otusanya, 2010). However, more recently, research has focused on corruption in private firms (Aguilera and Vadera, 2008; Argandona, 2003; Ashforth and Anand, 2003; Bayar, 2005; Pellegrini, 2011; Shore and Haller, 2005). Della Porta and Vannucci (2012) posit that for the corruption scenario to exist there should a contractual relation between at least one of the corrupt party and the organisation from which the resources are extracted. It has been further argued that, in some cases there could be more than two parties involved (Pellegrini, 2011; Varese, 2000). Interestingly, Johnston (1997) includes private parties in his definition by defining it as ‘the misuse of public roles and resources or the use of illegitimate forms of political influence by public and private parties’.

Governments procure goods, works and services, involving huge amounts of money. Public procurement systems are the bridge between public requirements and private sector providers. Due to the huge amount of money involved in procurement activities, this is a fertile ground for corruption (Hawkins et al., 2011; Søreide, 2002; Rose-Ackerman, 1999). While there have been many efforts to regulate the conduct of government officials in government procurement through anti-corruption legislation and procurement reforms, it
remains vulnerable to corruption (OECD, 2016; UNOCD, 2012). Sikka and Lehman (2015, p. 9) refer to public officials as ‘greedy, deviant, opportunistic and lacking in self-control’. While many controls are in place from the demand-side, there is little effective control from the supply-side. Galang (2012) asserts that the differing effects of corruption across countries has varying consequences on the performance of contractors. This can be attributed to differing national attributes, such political structures, cultural norms and history (Husted, 1999; La Porta et al., 1999) which have a direct influence on the supply-side of corruption in these funded projects.

### 3.1.4 Impact of corruption on projects

According to Wei (2000), the prevalence of corruption in a recipient country discourages foreign direct investment (FDI). Rajeev (2003) notes that corruption is a common feature for most developing countries because of inadequate government policies to counter it. He further asserts that firms are enticed into a vicious cycle of corruption because the likelihood of being caught is negligible when compared to the benefits that can be gained. In fact, empirical studies point to the negative impact corruption can have on development: researchers claim that corruption can skew public spending on basic infrastructure (Delavallade, 2006) and even increase the cost of development (Tekin-Koru, 2006; Guetat, 2006).

Corruption is deleterious to economic and institutional development (World Bank, 2000). While the exact volume and extent of corruption is difficult to estimate (Serra and Wantchekon, 2012), endeavours have been made to quantify it. The European Commission (2011) estimated it to be around $2.6 trillion a year. Clearly, this figure is significant enough to have a serious social and economic impact on the lives of citizens (Sikka and Lehman, 2015). According to Bhargava (2006, p. 5), corruption is perceived as a ‘cost reducing growth and development through the diminution of investments made at the domestic and international levels’.
3.1.5 Corruption in victimology

Corruption has many victims: the state, competing firms, the community, and even societies, including the actors who indulge in corruption. While some studies view corporate crime as a ‘victimless crime’ (Croall, 2001, pp. 8-9; Wells, 2014, p. 26), some empirical studies consider it to have a negative impact on the poor and vulnerable. A culture of competition coupled with a complex set of organisational values and beliefs can have a ‘criminogenic effect on organisations’ (Coleman, 1995, p. 363). While competition produces maximum economic value for society as a whole, this demand for success and the pursuit of wealth is seen by criminologists as criminogenic in itself (Punch, 1996). Even, globalisation is considered as contributing to a criminogenic development, which multiplies, intensifies, and activates ‘criminogenic asymmetries’ that lie at the root of corporate crime (Passas, 1998).

3.2 Incentives to commit fraud

Existing literature provides an explanation on the motivations of individuals who commit fraud for their individual interests (Cressey, 1953). Experts in the field of fraud have conceptualised fraud in organisations by referring to the ‘fraud triangle’. The three points that are referred to are: the opportunity to act fraudulently; an incentive or pressure to do so; and rationalisation of their actions (see figure 8). The three elements should be present for a fraudster to commit the fraud. Clearly, the fraud is motivated for individual gain (Morales et al., 2014). However, organisational fraud is conceived of, as a dual failure, one in individual morality, and the other in the organisation’s endeavours to control individual probity (Morales et al., 2014). Based on Berger’s (2011) classification, Sutherland provides a micro-sociological perspective on his analysis of white-collar crime, whereas Cressey focuses on an individualistic explanation. According to Cressey’s individualistic theory, embezzlement is an act committed by the individual for the sake of his own financial interest. Cressey argues that the motivation is due to an individual problem. When
considering the spectrum of perspectives in the field of academic criminology, Cressey’s thinking appears to be rather restricted. His analysis does not extend beyond the individual perspective.

Cressy is not interested in identifying external factors that may explain why certain problems become ‘non-shareable’. Overall, Cressey’s (1953) findings do not tell us much about the sociological causes of ‘fraudulent’ violations. Mainly, they focus attention on the idea that embezzlement is committed when an individual considers that his situation makes the act of misappropriation feasible. Cressey focuses on phenomena located within the individual – perceptions, opinions and justifications that one gives to oneself. In so doing, his theorising is consistent with individualistic explanations of criminal behaviour (Berger, 2011, p. 30), overlooking the micro-sociological as well as macro-sociological explanations and marginalising social environments and circumstances.
3.2.1 Critics of the fraud triangle

Coleman (1985) criticises Cressey for his non-shareable financial problem as he undermines external factors that could presumably explain it. Clearly, Cressey identifies individualist motives based on moral deviance and downplaying socio-political roles. Nevertheless, it has been used as a justifiable argument to explain organisational fraud (Abbott, 1988). From Cressey’s perspective, the organisation is solely responsible for ensuring that there is a proper system of internal control within the organisation. As such, when a fraud occurs in an organisation, both the individual and the organisation are to share the blame (Morales et al., 2014).

Notwithstanding the above shortcomings, several researchers have drawn heavily on the fraud triangle to elaborate their conceptual framework (Cohen et al., 2010; Murphy, 2012; Murphy and Dacin, 2011; Srivastava, Mock and Turner, 2009; Stuebs and Wilkinson, 2010). Some argue that the basic principles and assumptions stand good and can even be used to predict the presence of fraud within an organisation (Cohen et al., 2010; Murphy, 2012; Murphy and Dacin, 2011; Wilks and Zimbelman, 2004) while others argue the effectiveness of the fraud model to be unconvincing (Strand et al., 2010; Wilks and Zimbelman, 2004). The main weaknesses are internal control and the morality of individuals.

Subsequent studies draw on the modified version of the fraud triangle. For instance, Fitzsimons (2009) and Murdock (2008) have instead used the terms pressure, motive and need. Many authors replace opportunity with the effectiveness of internal control (Albrecht et al., 2004, 2010; Alleyne and Howard, 2005; Clayton and Ellison, 2011; Fleak et al., 2010; Hillison et al., 1999; Kelly and Hartley, 2010; Peterson and Gibson, 2003; Ravisankar et al., 2011; Srivastava et al., 2009; Strand Norman et al., 2010). According to Albrecht et al. (2010), this neglect is justified as the three branches of the fraud triangle are correlated. Some authors even talk about a fourth dimension which is the capability to commit fraud.
(Wolfe and Hermanson, 2004; Dorminey et al., 2010; McKnight et al., 2008). In some cases, the fraud triangle is even enhanced in conjunction with a theory, namely the routine activity theory (Ramamoorti, 2008) or the attribution theory (Wilks and Zimbelman, 2004). Ethical organisations and those that purport to be ethical, have an onus upon them to show that their efforts are both humanitarian and that ethical failure on the part of a humanitarian organisation could well result in diminished contributions and a lessening of effectiveness. Both efficiency and moral probity are essential for such organisations.

Wolfe and Hermanson (2004) introduce a fourth factor, namely the capability of the perpetrator to perform the corrupt acts. Dellaportas (2013) proposed that the diagrammatic representation might be misleading as it may infer equal weightage of the factors and reject the fourth dimensions as proposed by Wolfe and Hermanson (2004). Morales et al. (2014) have criticised the fraud triangle model for its inexplicit and unconvincing empirical assumptions. The empirical findings of this research identify four key determinants to explain corporate corruption (see figure 26 above). These results find an echo in the conclusions of Morales et al. (2014) who highlights that ‘by applying the fraud triangle some important influences, such as capitalist competition and external societal pressure, may be missed out.’ This study proves this assertion to be correct.

3.3 Criminological theories on organisational corruption

Research in organisational corruption is anchored in and built upon different theories. Depending on which perspectives the researcher is looking at, these theories can be used to partially or fully explain the phenomenon under study. Some of the theories below have been used to explain the organisational involvement in corrupt practices, albeit in different set up.
3.3.1 Strain theory

Strain theory could predict rule breaking in any organisation, at every level. On the basis of a meta-analysis of studies of the effectiveness of deterrence of corporate crime, Simpson (2006) concludes: ‘The evidence is far from conclusive regarding whether corporate violators should be criminally prosecuted or whether other justice systems (civil or administrative) produce higher levels of corporate compliance or if sanctions should be directed toward the company, responsible managers, or both’. This is the limitation of the effectiveness of criminal law: you can put them in jail, but you cannot put them out of business (Huisman and Nelen, 2007).

3.3.2 The rational choice approach

The rational choice approach argues even more explicitly, that corporate crime, like all other organisational acts, is based on an assessment of costs and benefits made in connection with the efforts to attain the objectives. According to this theory, corporate crime can occur even where an organisation has no problem in achieving its objectives. Rules are broken if this would be more advantageous than observance and the benefits easily outweigh the risks – for example, the risk of being caught and sanctioned. The establishment of an organisation creates a boundary with the outside world and results in a distinction between what is important and what is not important to the functioning of the organisation (van de Bunt, 2010).

3.3.3 Social disorganisation theory

Social disorganisation theory is a macro-level criminological theory intended to explain how aspects of a community contribute to deviant and criminal behaviour among its residents. The theory traces its roots to Parks and Burgess (1925). Shaw and McKay’s (1942) social disorganisation theory is an expansion of Burgess’s (1925) concentric zone model aimed at identifying the facets of the community that lead to crime and delinquency.
Shaw and McKay (1942) assert that these facets do not directly cause crime, but rather impair the ability of residents in the area to engage in both formal and informal social control of their neighbours to prevent crime and deviant behaviour. Sutherland (1937) avers the causes of criminality do not lie in the psychological traits of the individual, but instead in the socialisation and cultural traits that allow certain individuals to indulge in criminal behaviours. He further postulates that criminology greatly underestimates (or even obscures) the violations of law perpetrated by persons of the upper socio-economic class (Sutherland, 1983). His hypothesis highlights socialisation and learning process as central explanations of criminal behaviour, in contradiction to the traditional theories of crime that ascribe criminal behaviour to poverty and its associated pathologies (Shapiro and Schall, 1990). According to Sutherland (1949), employees perform unethical or even illegal acts as they discover that their professional success will depend on this. As Berger (2011, pp. 6-7) points out, Sutherland’s broader definition of white-collar crime also includes violations of non-criminal law.

### 3.3.4 Dimensions of national culture

Many theories have been advanced in an attempt to delineate the relationship between corruption and national culture. Various approaches to the theory of governance such as organisational theory (Heady, 2001), cultural theory (Parsons, 1951), structural-functional theory (Almond and Coleman, 1960), and political elasticity theory (Werlin, 2003, 2007) have attempted to explain the relationship between general governance and the cultures of different nations. However, the explanations offered by these theories have been inadequate. More specific theories have attempted to address the dimensions of particular national cultures by reviewing frameworks of national culture (Hofstede, 1980; Kluckhohn and Strodtbeck, 1961; Ronen and Shenkar, 1985; Schwartz, 1994; Triandis, 1995; Trompenaars, 1993; Trompenaars and Hampden-Turner, 1998).
3.3.5 Different labels for corruption at organisational level

3.3.5.1 White-collar crime

White-collar crime that characterises the field of criminology has spurred much disagreement over its nature (individual or collective) and cause (moral or sociological) (Benson and Simpson, 2009; Berger, 2011; Coleman, 1985; Colvin et al., 2002; Poveda, 1994). Accordingly, Berger (2011, p. 27) suggests distinguishing between macro-sociological, micro-sociological, and individualistic models in the studying of white-collar crime. Macro-sociological theories focus on the broader historical, economic, and political factors that impact organisations, while micro-sociological theories ‘focus on the link between individual actors and their immediate organisational circumstances’ (Berger, 2011, p. 117). For their part, individualistic theories ‘focus on the causes of crime that are located within the individual rather than the social environment’ (ref needed again).

In 1939 Sutherland introduced the criminological concept of white-collar crime and defined it as a ‘crime committed by a person of respectability or high social status in the course of his occupation’ (Sutherland, 1961, p. 9). Interestingly, he pointed out that it can be committed on the individual or the organisation’s behalf. According to Sutherland, all forms of white-collar crime do not necessary fall under criminal law and thus can also be resolved using civil procedures or disciplinary actions. As such, it may not fall under criminal law offences. He also mentions the ability of organisations to commit white-collar crime without being perceived as criminal or without being detected or prosecuted. He explained this by the cultural homogeneity of people working for government.

The problem associated with corruption is its covert nature. It operates like a vicious cycle whereby the problem is magnified over time - the greater the ability to corrupt, the greater the ability to remain invisible (Beare, 1997, p. 68). Contrary to the individual pathology of corrupt offenders, from a macro perspective, white-collar offenders are psychologically ‘normal’ (Coleman, 1998, p. 178). The limitation of legislations in countries with
anticorruption laws yields less optimistic results as criminal sentences are limited (Huberts and Nelen, 2005) or the cases end up with disciplinary sanctions or being dismissed for lack of evidence (Slapper and Tombs, 1999, p. 87). This problem is even more acute in the private sector.

3.3.5.2 *State-corporate crime*

Government corruption involves officials using public resources and authorities for their personal gain (Rodriguez, Uhlenbruck, and Eden, 2005). However, most research in government corruption is anecdotal and lacks theoretical grounds on the mechanisms on which it operates (Berkovich, 2016). State-corporate crime provides a framework for studying forms of organisational deviance created or facilitated by the intersection of political and economic institutions (Kramer and Michalowski, 2006, p. 18). The state, as participant in the commission of corporate crime, acts either as a facilitator or as the initiator. However, as noted by Kramer et al. (2002), certain behaviours committed at the intersection of corporate and state are not regarded as criminal even though they may cause social harm. Corruption can therefore be a casual factor or a result of this nexus of state-corporate relations leading to deviant behaviour. In fact, the concept of state-corporate crime reflects the fulfilment of mutually agreed objectives of a public agency and a private entity achieved through cooperative illegal activity (Friedrichs, 2007, p. 147).

Normally, state-facilitated activities occur when government institutions fail to restrain illegal acts because of collusion between the state and corporate actors. Arguably, as observed by researchers, for the deviant action to occur, there needs to be some assistance from the other party (Kramer et al.; 2002, p. 270; Aulette and Michalowski, 1993, p. 173; Green and Ward, 2004, p. 28; Whyte, 2003, pp. 579-580).

Kramer et al. (2002) provide an overview of the origins of the concept of state-corporate crime, a term that views the harmful actions of state regimes as a type of corporate
offending. Many of these offences would not be treated as criminal by the justice system, but some researchers may label the behaviours as criminal (Machin and Mayr, 2013; McMullan, 2006; Wright et al., 1996). Kramer et al. (2002) contend that the integrated theoretical model of state-corporate crime provides criminal or deviant behaviour at the organisational level. They argue that the pressure for goal attainment, perceived attractiveness of illegitimate means, and an absence of effective social control (Kramer et al, 2002, p. 274) can be ingredients for criminal events. However, this model has been criticised by Mullins and Rothe (2007) for failing to take account of other social dimensions that are instrumental to the crimes of the powerful. The criticism is based on the assertion that the international sphere is a real and important layer of social reality that can both facilitate and inhibit state criminality.

3.3.5.3 Organisational crime

Organisational crime is defined as a ‘type of white-collar crime that is enacted by collectivities or aggregates of discrete individuals in the context of complex relationships and expectations among board of directors, executives, and managers, and among parent corporations, corporate divisions, and subsidiaries’ (Baker and Faulkner, 1993, p. 842). However, Schrager and Short (2014) also include individual action in their definition. Sherman (1980) disagree with this definition. According to him, it should include top management as the main actors. Subsequently, Ermann and Lundman (2002) talk about organisational elites as facilitators of organisational crime.

The literature on organisation studies identified a competitive environment as a precondition, which can encourage an organisation’s members to engage in corrupt activities (Baucus, 1994; Baucus and Near, 1991; MacLean, 2001; Szwajkowski, 1985; Zahra et al., 2005). This competitive environment in turn lures organisations to encourage
their employees to behave illegally to attain organisational financial goals (Ashforth and Anand, 2003; Brief et al., 2001; Vaughan, 1983; 1996).

3.3.5.4 **Occupational corruption**

Occupational corruption is precisely what Sutherland (1953) claimed about organisations despite his definition of white-collar crime being criticised. Clinard and Quinney (1973, p. 188) originated the concept of occupational crime. The other part of white-collar crime is organisational crime or crime committed by an organisation or a member of an organisation in the interest of the organisation. The lack of clear definition of corruption, coupled with the difficulties of leaving the criminal law borders behind, have impeded criminologists to research corruption at the organisational level.

3.3.5.5 **Corporate Crime**

Studies have shown conflicting results regarding the causes of corporate illegality. Some studies indicate that large firm size (Bacus and Near, 1991; Cochran and Nigh, 1987; Dalton and Kesner, 1987; Simpson, 1986), environmental scarcity (Staw and Szwajkowski, 1975), and poor financial performance (Cochran and Nigh, 1987) may lead to corporate deviances. Contrastingly, other research shows that large firms do not commit proportionately more violations than smaller firms (Clinard et al., 1979), and that poor performance is not a cause of corporate illegality (Baucus and Near, 1991).

Researchers agree that traditional criminological theories may not apply to corporate crime. Typically, traditional criminological theories ignore organisational factors, while explanations for corporate offending must consider these same factors to fully understand corporate offending. The societal response to corporate offending tends to minimise the seriousness of these offences. Calavita and Pontell (1993) suggest that corporate crime should be conceptualised similarly to organised crime with a focus given to the organisation rather than the status of the offenders. Moreover, Passa (2005) points out that some
corporate misdeeds may not technically be illegal according to criminal law. Many researchers recognise that a definition of a behaviour as illegal by the justice system does not necessarily label that behaviour as criminal.

Some authors define corporate crime as an illegal way to achieve legal objectives (Shover, 1978; Finnery and Lesieur, 1982; Kramer, 1982). Interestingly, they are committed individually or in groups by employees of the organisation within the context of the normal operation of organisational activities. Normally, in the case of corporate crime, employees of the organisation are the perpetrators who act in their capacity as dedicated members of the organisation to commit the crimes. Corporate crime is becoming an ongoing reality and no organisation is immune to its destructive effects (Said and Johari, 2016). Therefore, it is imperative to understand the patterns of corporate crimes and why the corporate actors are willing to engage in corrupt transactions.

For criminologists, corporate crimes extend beyond the legal boundaries of crime. From a criminological perspective, it includes behaviours, which can be socially harmful, but which are not necessarily criminal offences under the law per se. Van de Bunt (1994) recognises the damaging effects of corporate crime. He proposes to curb harmful behaviours by fostering social responsiveness. Sutherland (1949) failed to recognise that power buttresses social status. By failing to recognise this power factor, Sutherland did not distinguish between individual and corporate crime. This idea is based on a number of theoretical assumptions about the causes of corporate crime. The well-known anomie theory of Merton (1938) still serves as an important source of inspiration in this connection: organisations are primarily geared to achieving specific objectives, in most cases, maximising profits. They always operate in an uncertain environment, are continually in competition with other organisations and are tempted to resort to illegal methods if these would make it easier to achieve their objectives.
Numerous case studies confirm that organisations can indeed be induced to engage in criminal behaviour through specific, adverse market conditions (Bensman and Gerver, 1963; Leonard and Weber, 1970; Calavita and Pontell, 1990). However, this explanation is incomplete since corporate crime also occurs in other conducive circumstances. Indeed, there are a few empirical indications that there is a greater likelihood of corporate crime when the problems of attaining objectives increase.

3.3.5.6 Economic Crime

The concepts of economic crime and corruption vary across societies and perhaps rank as amongst the costliest of all criminal activities. Economic crime and corruption can be overlapping concepts. Grabosky (2001) argues that economic crime is among the costliest of all criminal activities. He generally refers to economic crime as fraud in its various manifestations. Major forms of economic crime are fraud against governments, insurance fraud, fraud against employers, fraud against shareholders, bribery and corruption, money laundering etc. One of the ways in which economic crimes differ from conventional crimes is that the detection and investigation of these crimes has been, and still is, the concern of a wide range of regulators (Grabosky, 2001).

3.3.5.7 Political corruption

Political corruption is the abuse of entrusted power by political leaders for private gain, with the objective of increasing power or wealth. Political corruption does not necessarily involve money changing hands; it may take the form of ‘trading in influence’ or granting favours that poison politics and threaten democracy. Political corruption is an obstacle to transparency in public life due to the secretive connections it entails. It involves a wide range of crimes and illicit acts committed by political leaders before, during, and after leaving office. It is distinct from bureaucratic corruption insofar as it is perpetrated by political leaders or elected officials who have been vested with public authority and who
bear the responsibility of representing the public interest. In other words, political corruption takes place at the highest levels of political authority where policy formulation and legislation are tailored for the economic gain of both the politicians and the legislators (Bakre, 2008). In a survey conducted by OECD in 2016, it was found that among companies around the world, many indicated that undue political pressure was used to gain business advantage, despite legislation that aimed to level the international playing field.

3.4 Organisational dimension of corruption

Graycar and Prenzler (2013) identify three corruption involvements, namely:

- corrupt individuals;
- corrupt groups; and
- corrupt organisations.

According to Graycar and Jancsics (2017), when actions influence public policy, we need to focus on the organisational dimension. According to Graycar and Jancsics (2017), bribes reallocate organisational resources in order to serve organisations’ goals, enhance their business, and guarantee their long-term survival.

3.4.1 The criminology of corruption

Criminology is a scientific discipline, which studies crime as a phenomenon. According to criminologists, using a criminological perspective to study corruption, gives a better understanding of corruption as a criminal phenomenon. Different concepts have been used for the study of corruption as a criminal phenomenon, namely, organised crime, occupational crime and organisational crime, depending on the research perspective.

Corruption is an elusive phenomenon conceptually (Jancsics, 2014) and is predominantly perceived to be a deviation from social rules (Friedrich, 1993; Huntington, 1968; Serra and Wantchekon, 2012). Corruption is also a multidimensional phenomenon. There have been different theories of corruption, which address:
• the role of the economy (Campos et al., 1999; Mauro, 1995);

• the state (Rose-Ackerman, 1999; Holmes, 2000; Riley, 1993; Jomo and Khan, 2000); and

• society (Gupta, 1995; Pavarala, 1996; Ledeneva, 1998).

From a micro-level perspective, many studies have attributed corruption to the individual’s predispositions, including:

• a lack of integrity (Frost and Rafilson, 1989);

• moral identity (Aquino and Reed, 2002; Reed and Aquino, 2003);

• self-control (Marcus and Schuler, 2004);

• empathy (Eisenberg, 2000);

• low levels of cognitive moral development (Kohlberg, 1969; Treviño, 1986; Treviño and Youngblood, 1990; Weber and Wasieleski, 2001); and

• diagnosable psychopathology (Babiak and Hare, 2006).

From a macro-level perspective, studies have shown that unethical organisational climates (Victor and Cullen, 1988) and cultures (Treviño, Butterfield and McCabe, 1998) can influence the propensity of an individual to commit corruption. Empirical evidence suggests that motivations for corruption are wide-ranging and can be explained by a number of criminological perspectives, including:

• strain theory (Merton, 1938, 1957);

• rational choice theory (Becker, 1968, 1976; Clarke and Felson, 2004);

• differential association (Sutherland, 1947); and

• social disorganisation theory (Shaw and Mckay, 1942).

Jancsics (2014) classifies the different studies of corruption into three main categories:

• a micro-level perspective, whereby the individual actors make the decision to corrupt;
• a macro perspective that focuses on social norms and the structural arrangements that encourage corruption; and
• a relational approach that examines social interactions and networks among corrupt actors.

A micro perspective gives a restricted understanding of how the organisational environment becomes corrupt over time and how individuals are interlinked in the corrupt networks. Corruption is not only a state but also a process (Ashforth et al., 2008). As such, it is a dynamic disease and can evolve in complex ways. Moreover, corruption is an emergent phenomenon that is difficult to predict. Therefore, individual traits and organisational characteristics measured in a snapshot fashion are unlikely to depict the true corruption scenario.

The dynamics between government and corporate organisations has spurred much debate (Ring, Bigley, D’Aunno, and Khanna, 2005) and there is an increasing literature in organisation studies focusing on corruption, either as an individual or as an organisational issue (Coleman, 1987; Sherman, 1980; Wheeler and Rothman, 1982; Hellman, 2017). From a structural perspective, it is agreed that that corruption is not an individual act or decision but rather a phenomenon that is institutionalised and embedded into a social structure (Anders and Nuijten, 2008). Consequently, individuals are enticed into corruption because organisations produce a culture that encourages deviation from formal rules and procedures, which becomes normalised in the long term (Vaughan, 1996).

3.4.2 Corporate responses to corruption

Galang (2012) avers that firms are not passive responders to government corruption. Through their strategic activities, they are actually active contributors in abetting or resisting government corruption. A firm’s strategic reaction to corruption builds on a framework first proposed by Austin (1990). Most firms react by conducting activities that primarily benefit themselves at the expense of other economic players: this reaction can worsen the impact
of corruption (Galang, 2012). The interplay between external political institutions and social norms with the internal organisational structure can play a vital contingent role in inducing individual firm reactions to corruption (Wade-Benzoni et al., 2002; Zahra et al., 2005).

Differences in each firm’s corporate culture and structure determine the receptivity of individual managers to external pressures and thus influence the firm’s decision on how to react to these perceived pressures (Delmas and Toffel, 2008). Prior research points to board composition, organisational culture, and senior leadership as among the more influential factors affecting the individual employees’ probability of engaging in illegal activities (Zahra et al., 2005).

3.4.3 The causes of corruption in organisations

An explanation for the causes and occurrence of corrupt activity is usually found in the interaction of individual and social structures. The causes of corruption have been examined from a variety of perspectives; for example: public choice; ‘bad apple’; organisational culture; clashing moral values; and the ethos of public administration. With regard to public choice theory, the individual is portrayed as a rationally calculating person who decides to become corrupt when the expected advantages of the corrupt activity outweigh its expected disadvantages (Rose-Ackerman, 1978; Klitgaard, 1988; Graaf, 2007). There is a causal chain from bad character to corrupt act; in other words, the cause of corruption is found in defective human character and a predisposition toward criminal activity (Punch, 2000; Graff, 2003). Organisational culture theories focus on the culture and structure of the organisation within which the agent is working.

Mbaku (1991) has argued that in societies where public service remuneration levels are relatively low, a significant part of the public employee’s total compensation may be derived from engagement in outside activities, resulting in a significant increase in bureaucratic corruption. People’s behaviour is shaped by their culture (Mbaku, 1996; Akindele, 2005). As Mbaku (1996) notes, corruption in developing countries is often believed to arise from
the clash or conflict between traditional values and the imported norms that accompany modernisation and socio-political development. The vacuum created by this conflict opens up opportunities for individuals to behave in a manner justified by neither modern nor traditional norms (Bayley, 1966; Alam, 1989; Gillespie and Okruhlik, 1991). Some have argued that government intervention in private sector activities is a major cause of corruption (Donahue, 1989; Gillespie and Okruhlik, 1991; Lambsdorff, 2006).

It has been argued that, as corruption is a social practice perpetrated by individuals and organisations, it is an inherently difficult task to measure the involvement of these social actors (Dreher et al., 2004; Seligson, 2006; Urra, 2007; Sikka, 2008). Developing countries cannot be accused of being corrupt without the connection of corrupters- the supply-side (Varese, 2000; Sikka, 2008). Thus, corruption has been theorised using a variety of methodological frameworks in order to throw light on the practice as a social and a political problem. (Bakre, 2007) argues that anti-social practices cannot easily be perpetrated without the involvement of intermediaries and professionals.

3.4.4 Social norms in shaping organisational behaviours

Social norms are the general behavioural expectations that people hold in a given context and represent one of the most powerful ways that people influence each other’s behaviour (Cialdini, Kallgren and Reno, 1991). People are eager to behave in socially approved ways, and, as a result, attend both consciously and unconsciously to myriad environmental and social cues in search of guidance (Betterhausen and Murnighan, 1985; March, 1994; Weber, Kopelman and Messick, 2004). These findings suggest an intersection between social norm theory and social identity theory (Tajfel, 1982). Essentially, people copy the behaviour of in-group members.

Some commentators have described organisations as inherently amoral – that is, incapable of attending to the moral implications of their actions (Ashforth and Anand, 2003; Brief,
Buttram and Dukerich, 2001; Clinard and Quinney, 1973; Gross, 1978, 1980). Gross (1978) even claims that ‘all organisations are inherently criminogenic’. Others have asserted that organisations frequently develop cultures that tolerate violations of the law that benefit them (Apel and Paternoster, 2009; Jacklall, 1988; Sutherland, 1983).

### 3.4.4.1 Socialisation

Organisational socialisation sets up role expectations for individuals, communicates which organisational goals are important, and establishes appropriate ways to achieve them. Socialisation processes are agnostic about questions of morality. However, when individuals are new to an organisation or when a pre-existing organisational culture re-socialises them to new institutional demands, they look for cues from others to identify appropriate behaviour (Bettenhausen and Murnighan, 1985; Weber et al. 2004). They may acclimatise to norms that are morally corrupting (Ashforth and Anand, 2003; Brief et al., 2001; Coleman and Ramos, 1998; Shweder, Mahapatra and Miller, 1990). Thus, through socialisation processes, organisations can reinforce social facilitators of moral neglect (Ashforth and Anand, 2003).

### 3.4.4.2 Organisational goals

Fundamental to organisational life, goals are often set for individual, team, and firm-level activities and are then regularly monitored and assessed to maximise performance. The evidence that goals motivate behaviour is overwhelming (Locke and Latham, 2009). However, concern that goals can degrade moral behaviour is growing (Barsky, 2004, 2008; Ordonez et al., 2009; Schweitzer et al., 2004). Individuals appear to be more likely to behave unethically when goals have been set for them compared to when they have been asked simply to ‘do their best’, particularly when they just ‘missed’ those goals (Schweitzer et al., 2004). Goals often involve profit targets, driven by a ‘bottom-line mentality’ (Wolfe, 1988) in which self-interest is the primary motivation and profit the primary objective.
At the individual level, when employees engage in corruption for the benefit of the organisation, they are expecting a variety of benefits, such as a promotion, a raise, or a bonus (Stevenson and Wagoner, 2011). Goals promulgated by organisational authorities may cause employees to neglect the moral implications of the actions they take to meet these goals through a phenomenon called goal shielding. By mobilising and focusing our behaviour toward specific ends, goals lead us to neglect other (often desirable) behaviour (Shah et al., 2002). Goals and incentives can both telescope our attention toward an outcome and blind us to the reasons the goals or incentives were set up in the first place.

3.4.4.3 Group loyalty

As Ashforth and Anand (2003) note, group loyalty is a fundamental facilitator of moral justification. If the main intrapersonal consequence of moral neglect is a failure to acknowledge or integrate moral considerations into decision-making and behaviour, moral justification prompts us to reconstrue immoral choices as morally innocuous or even morally righteous. Organisations can reinforce social influences that lead to moral inaction or immoral action because they are commonly structured in ways that allow employees to minimise moral agency for their actions.

3.5 Organisational corruption

Corruption in organisations is a complex phenomenon (Ashforth et al., 2008). It is described as an organisational pathology that results from built-in features of governance interactions and impediments created by a bureaucratic structure (Ackerman, 2001). From this perspective, corruption based on the organisational level is perceived to be less about individual transactions and more about networks of factors (Schmidt, 2016).

Pinto, Leana, and Pil (2008) distinguish between ‘organisations of corrupt individuals and corrupt organisations’. The propensity for employees in an organisation to commit fraud and corruption increases in the absence of concrete sanctions at organisational level (Button
et al., 2015). This is particularly true for those contracting organisations that are called upon to implement development projects in aid-recipient countries because malpractices and corruption thrive in weak control environments and where the risk of detection is weak (Dorminey et al., 2010, p. 558). From a criminological perspective, the commission of an act of corruption involves a decision-making process (Prabowo 2014, p. 310) where a number of variables are taken into consideration prior to its commission. It is also argued that human action is organised around calculative strategies aimed at utility maximisation relevant to the employees of these contracting organisations (Hayward, 2007, p. 223).

Arguably, it is individuals who are the vehicles facilitating corrupt practices. From a micro perspective, the predominant explanation for corruption resides in the attributes of individuals or groups of individuals colluding. However, there is wide recognition that internal forces within the group or the organisation influence individual behaviours. This view shifts the focus from corrupt individuals within organisations to corrupt organisations.

3.5.1 The two dimensions of corruption in organisations

Researchers have used different theoretical perspectives from disciplines such as economics, political science, criminology, sociology, and management studies to explain organisational corruption. Among the different perspectives are:

- (individual) the principal-agent models (Banfield, 1975; Klitgaard, 1988; Rose-Ackerman, 1975; Tirole, 1996);
- (group) social networking (Brass et al., 1998; Nielsen, 2003);
- ethical decision-making frameworks (Ferrell and Gresham, 1985; Jones, 1991; Jones and Ryan, 1997; Treviño, 1986; Treviño and Youngblood, 1990);
- models of corporate crime (Albanese, 1988; Braithwaite, 1984; Clinard and Yeager, 1980; Pearce and Snider, 1995); and
normalisation of corruption (Ashforth and Anand, 2003; Brief et al., 2001; Gioia, 1992).

While there is a rich body of literature on corruption based on a variety of perspectives, the dynamics of corruption remain difficult to explain because of the often-overlapping concepts (Simpson, 1986).

According to Pinto, Leana and Pil (2008), it is important to assert whether the individual or the organisation is benefiting from the corrupt activity. This is an important dimension to be considered as the organisational level of analysis (Finney and Lesieur, 1982). While an organisation may put in place appropriate structures to prevent corruption within and against it, it can encourage corruption on its behalf (Ashforth and Anand, 2003). The organisation is still considered the primary and direct financial beneficiary (Wheeler and Rothman, 1982). Researchers into organisational corruption - where the actions directly rebound to the benefit of the organisation and its owners/shareholders - have recognised its negative impact (Baucus, 1994; Daboub et al., 1995; Schrager and Short, 1978). They have classified it in various ways as:

![Figure 9: The two dimensions of organisational corruption](image-url)
illegal corporate behaviour (Clinard, Yeager, Brisette, Petrashek and Harries, 1979);

unlawful organisational behaviour (Vaughan, 1983);

corporate crime (Albanese, 1988; Braithwaite, 1984; Clinard and Yeager, 1980; Pearce and Snider, 1995);

business crime (Clarke, 1990);

corporate fraud (Comer, 1998); and

corporate deviance (Ermann and Lundman, 2002).

What is common in this type of organisational corruption is that it is carried out by organisation’s members (Baucus, 1994; Daboub et al., 1985; Schrager and Short, 1978).
3.5.2 Collusion among corporate members

According to Pinto et al. (2008), collusion among organisational members is an essential component of corporate corruption. It can either be top management (Daboub et al., 1995; Kesner, Victor, and Lamont, 1986) or a group of an organisation’s members (Braithwaite, 1982; Clinard, 1983). It is clear that corporate crime is usually a top-down phenomenon in which organisation members who are in position of power, organisational elites (Ermann and Lundman, 2002) or the top management team undertake, directly or through their subordinates, collective and coordinated corrupt actions that directly benefit the organisation. This is an organisational-level phenomenon where the organisation is both the primary beneficiary and responsible for the corrupt act. Pinto (2008, p. 532) termed this as a ‘top-down phenomenon where the organisational elite has embraced corrupt ways of doing business for its own clique’s benefit or to benefit the whole organisation’. He further asserts that this corruption typically involves third parties or external actors.

However, Schrager and Short (1978, p. 411) come up with a controversial definition of organisational crime. They define it as acts committed by ‘an individual or a group of individuals in a legitimate formal organisation in accordance with the operative goals of the organisation’. This perspective of including individual action is debatable. Here, the argument of Sherman (1980) is shared given the difficulties that could arise in assessing the intent of individual action, thus blurring the definition. There is no much consensus among researchers that the collusion among organisational members is an essential component of corporate corruption.

3.5.2.1 Organisation of corrupt individuals

According to Pinto et al. (2008), corruption at the organisation level can manifest itself through two distinct dimensions: organisations of corrupt individuals and corruption organisations. An organisation of corrupt individuals is an organisational behavioural
phenomenon where the individuals or groups of individuals are the primary beneficiaries. Researchers have described it as a bottom-up phenomenon because it represents the behaviour of lower grades of staff (Brief et al., 1993; Kozlowski and Klein, 2000).

Social literature considers the corrupt organisations phenomenon as involving a group rather than an individual actor. When organisations are being investigated for corruption, the first defence of senior management is often an attempt to scapegoat the individual members who have been found to be directly involved in the corrupt behaviour (Ermann and Lundman, 2002). Indeed, according to Ashforth and Anand (2003), organisational structures and processes are often contrived to isolate senior managers from blame.

3.5.2.2 Corrupt organisations

There is much literature on collusion among members of the organisation (Brass et al., 1998; Ferrell and Gresham, 1985; Jones, 1991; Jones and Ryan, 1997; Robinson and Bennett, 1995). However, a few studies confirm the existence of collusion between members of the organisation for the benefit of the individual at the cost of the organisation (Ashforth and Anand, 2003; Chang and Lai, 2002; Mars, 1974). Corporate crime and organisational crime are enacted by an organisation’s members, which can either be top management (Daboub et al., 1995; Kesner, Victor, and Lamont, 1986) or a subset of employees (Braithwaite, 1982; Clinard, 1983). According to Pinto et al. (2008), some senior management may be unaware because of group-level structural holes.

Corrupt organisations are described as a discrete top-down phenomenon (Pinto et al., 2008) where influential members of the organisation influence lower-level employees to act in a particular way (Kozlowski and Klein, 2000) and coordinate corrupt actions that primarily benefit the organisation. While the organisation is the primary beneficial of such corrupt actions, it is also the culpable entity. According to Needleman and Needleman (1979), the corrupt organisation phenomenon could be the result of either crime-coercive or crime-
facilitator crime facilitation. In a crime-coercive situation, pressure is exerted on the member to commit the act for the benefit of the organisation, whereas in a crime-facilitator situation, the organisation is indirectly encouraging the corrupt behaviour. Farberman (1975) used the term *criminogenic mechanism* to describe the conducive environment that allows or encourages criminal activity.

There are strong arguments that this phenomenon not only encourages corrupt behaviour for organisational benefits but also normalises and perpetuates corruption in the organisation (Anand, Ashforth and Joshi, 2004; Ashforth and Anand, 2003). When members put themselves at legal and reputational jeopardy to engage in corrupt practices that primarily benefit the organisation, it is likely that they identify with the organisation strongly to begin with, and that identification is further strengthened by the corruption (Pinto et al., 2008). In fact, it is considered that there should be combination of persons and situations that is most likely to result in organisation-level corruption (Kidder, 2005; Ryan et al., 1997; Pinto et al., 2008). The corruption mechanism in corrupt organisations necessarily involves the internal employee and third parties who are external to the organisation (Baker and Faulkner, 1993; Geis, 2002).

If corrupt behaviour does spread through the organisation, it is more likely to permeate vertically through superior-subordinate relationships, termed *crimes of obedience* and *routinisation* (Hamilton and Sanders, 1999; Kelman and Hamilton, 1989). Industry mindsets, sometimes termed *industry culture* (Baucus and Near, 1991; Christensen and Gordon, 1999) or *industry recipes* (Spender, 1989), may result in many organisations (within a particular industry) adopting similar corrupt organisation-type practices.

Criminogenic mechanisms refer to mechanisms that allow or encourage criminal activity (Farberman, 1975). The management literature has examined a variety of criminogenic mechanisms, such as transaction systems (Vaughan, 1982), organisations (Waters, 1978), market structures (Farberman, 1975), industries (Denzin, 1977; Tillman and Pontell, 1995),
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and governments (Glasberg and Skidmore, 1998). Daboub et al. (1995, p. 141) have posited that firms in certain industries are more likely to commit corrupt acts (Baucus and Near, 1991; Simpson, 1996) and that firms in certain sectors have similar rates of corrupt activity (Cressey, 1976). Svensson (2003) explains these differences across industries through legal structures, regulations, government monitoring and different opportunities for wrongdoing. Black (2004) identified building construction as vulnerable to corrupt organisation (CO) type corruption.

Competition could provide the motivation for attaining the desired levels of performance (Sethi and Sama, 1998; Vaughan, 1983; Waters, 1978). It has been argued that even in the CO model, corrupt behaviour can permeate the organisation (Hamilton and Sanders, 1999; Kelman and Hamilton, 1989). In general, organisations adopt CO practices to be in line with the industry ‘mindset’ (Baucus and Near, 1991; Christensen and Gordon, 1999). In fact, when the members of an organisation engage in corrupt practices that primarily benefit the organisation, they are putting themselves at legal and reputational risk. Pinto and el al. (2008) assert that this is possible when the members identify strongly with the organisation. He also warns that organisation engaged in CO run the risk of eventual extinction. To date, theory and research on corruption in organisations has primarily focused on its static antecedents. Fraud is contagious and corrosive and ‘allow[s] small frauds to escape unpunished and they will soon grow’ (Comer, 1985). Some sort of process must have taken place in these companies through which they turned increasingly corrupt over time.

Much theoretical and empirical research has been conducted into the causes of corruption in organisations (Baucus and Near, 1991; Daboub et al., 1995; Treviño and Weaver, 2003; Vardi and Weitz, 2004). Weick (1979), however, holds that when factors are highly interdependent – as many organisational processes are (Masuch, 1985) – focusing on a single factor obscures the fact that organisational degradation processes may grow in scale.
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over time. Robinson and Greenberg (1998) made a case for examining the dynamics of corruption in organisations followed by Treviño et al. (2006).

3.5.2.3 The corporate dynamics of corruption defined

Following Sherman (1980), Ashforth and Anand (2008) define corruption as the misuse of authority for personal, subunit, and/or organisational gain (2003). They interpret misuse of authority as violating organisational and/or societal norms by way of using whatever one is entrusted with in the course of performing one’s job. The focus is on organisational factors. As organisational factors are embedded in the structure and culture of the organisation, as such, they may stimulate or impede employee corruption. The relationship between organisational factors and corruption is usually depicted as a static relationship. It is further exploited in different studies: ethical climate (Peterson, 2002); role-set configurations and opportunities (Vardi and Weitz, 2004); and impact of leadership (Sims and Brinkmann, 2002). There are also studies based on a number of factors (Brief et al., 1995; Giacalone and Greenberg, 1997; Treviño and Weaver, 2003).

3.6 Project management principles in development projects

PM is the process that enables a project to be completed successfully (Turner, 1993) while Atkinson et al. (2006, p. 23) suggest that ‘the objective of PM is to mitigate risks in projects while ensuring that the specified objectives are met’. Turner (1993, p. 75) defines a project as ‘an endeavour in which, human, material and financial resources are organized in such a way as to undertake a scope of work, of particular specification, within the cost and time constraints, so as to achieve beneficial change defined by quantitative and qualitative objectives’. PM involves techniques and concepts that can play an important role in the management of projects.

While PM offers useful methodologies, approaches, tools and techniques for it may not necessarily lead to project success because of inherent obstacles. Ika (2012) identifies the
following three major obstacles: political; organisational; and cultural. Out of the three obstacles, he identifies the cultural trap as the one that has greatly influenced project success. Because of the different cultures of countries, the PM approach should be tailored to overcome these obstacles (Stuckenbruck and Zomorrodian, 1987). According to Mir and Pinnington (2014), organisations involved in development projects should invest in PM for increased project success.

3.6.1 Definition of project success

By their very nature, each development project is different. Since no two projects are similar in complexity, the criteria for measuring success of a project vary (Müller and Turner, 2007). In fact, there is no universally agreed criteria for measuring the success of a project (Westerveld, 2003). According to Müller and Jugdev (2012), the crux of the problem is because a clear and standard definition of project success does not exist. Taking into consideration the problem of finding a clear definition of project success, there is consensus of the importance of developing a meaningful and measurable construct of project success. Moreover, stakeholders interpret project success differently (Cleland and Ireland, 2006; Lim and Mohamed, 1999). There is scant literature on the drivers of success of funded projects (Khang and Moe, 2008; Diallo and Thuiller, 2004, 2005; Ika et al., 2010). These projects are characterised by their own specificities (Diallo and Thuiller, 2004, 2005) and, consequently, the PM literature is unable to address these specificities (Diallo and Thuiller, 2005; Khang and Moe, 2008; Ika et al., 2010; Ika et al, 2012).

3.6.2 Project governance

Fighting corporate corruption requires continuous intervention of the organisations implementing the project during the project life cycle. This is true for all levels of management and for all subcontractors. Sitorus and Scott (2009) rightly indicate that to eliminate corruption there should be organisational adaptation. The challenge for corporates is therefore to reconcile the management of projects with the overall governance structure
so that PM techniques and tools for different projects are aligned with the strategic objectives of the organisation (Too and Weaver, 2014). It is recognised that a lack of appropriate governance structures during project developments is a major constraint (Crawford et al., 2008; Sargeant, 2010). In order to respond to the project and organisational project governance should be aligned to the overall PM techniques throughout the project lifecycle (Sanderson, 2012).

Governance is central for an organisation in ensuring that corrupt behaviour is kept at bay. It is, therefore, important that governance should run from the board level; top management down to the operational level (Klakegg et al., 2008). With an appropriate governance system, the contours of structures used by the organisation is defined. It also ensures that rights and responsibilities are allocated within those structures and management is operating with the parameters of the defined structures. Many researchers have rightly argued that the main objective of project governance is about the creation of accountability frameworks (Knode, 2004: Ross and Weill, 2002).

There should be effective support of the organisation’s management system for the project governance system to operate. Too and Weaver (2014) refer to the role of management as the mirror image of governance to illustrate the strong management commitment that should exist for the governance system to work effectively. Consequently, the success or failure of a project is strongly dependent on the support of top management (Young and Jordan, 2008; Lechler and Cohen, 2009).

**3.6.3 Corporate factors**

While much corrupt behaviour could be based on characteristics of the fraud triangle, there remains some corruption that remains ‘mysterious’ and ‘difficult to understand’ (Ashforth et al., 2008, p. 670). In recent years, increasing attention is being devoted to examining fraud in organisational settings (Ashforth and Anand, 2003; Collins et al., 2009; Palmer, 2008;
Zahra et al., 2005). The framework begins with an individual who is not predisposed towards fraud and has not knowingly committed fraud before, facing both the opportunity and motivation to commit fraud. For example, it can be used to explain how fraud becomes normalised within an organisation, consistent with Ashforth and Anand (2003). In the first phase, top management makes a ‘rational’ decision to commit fraud that outweighs the costs.

By interviewing persons convicted of embezzlement, Cressey (1973) categorised conditions in fraudulent financial activities into pressure/incentive, opportunity, and attitude/rationalisation. The fraud triangle indicates pressure/incentive to perpetrate fraud, opportunity to carry out the fraud, and attitude/rationalisation to justify fraudulent action. Such events or conditions are referred to ‘fraud-risk factors.’ Although these fraud-risk factors do not necessarily imply the existence of fraud, they are often present in circumstances where fraud exists.

3.7 Concluding remarks

There is a clarion call to move the research agent beyond the individualistic acts of deviant behaviour (Della Porta and Vannucci, 2012; Hellman, 2017). Criminologists agree that in order to understand the phenomenon of corporate corruption, there is a need to focus on the larger institutional environments in which they operate that facilitate their crimes and how those environments were created. There is in fact a lack of extant literature on how corruption evolves at organisational level (Jávor and Jansics, 2016). This thesis focuses on corporate corruption by focusing at the macro-level perspective. By focusing on a macro-level associated with corporations coupled with the research strategy as set out in Chapter 4, the dynamic and complexity of corporate corruption will be studied. This will provide a more comprehensive picture of how the organisational structure, component characteristics,
and relationship dynamics shape the opportunity and motive for corporate corruption in development projects.

The literature on corruption provides an individualistic vision of corruption and there is a dearth of studies on the organisational aspects for organisational benefits. While the factors in Cressey’s theory (1973) may still be present in the corporate setting, the predominating determinants are not the same. The motivations of the corporate actors do not necessarily hinge on individual pressure but instead on other factors beyond the individual perspective that will be investigated in this research.
Chapter 4  Research Methodology

4.0  Introduction

This chapter introduces the methodology used in this research, starting with a restatement of its aims and objectives. The literature review identified the research ‘gap’, which set the road map for this research in order to empirically identify determinants of corporate corruption. The different data collection tools used to achieve the research objectives are explained. The discussion that follows focuses on the rationale of each data collection tool and the reasons for its use with particular reference to relevant literature. The ethical considerations identified in this methodology, and the methods employed to mitigate them, are also considered. Finally, the chapter reviews the limitations of the methodology and its possible impact on the ability to achieve the research’s aims and objectives.

4.1  Aim of this thesis

The aim of the research project has been stated as:

*To identify the determinants of corporate corruption in international developmental projects.*

In order to achieve this aim, the following four subsidiary research questions have been examined:

- What are the challenges facing MNCs engaged in international development projects?
• How effective are MDBs’ sanctions regimes in mitigating corruption risks?

• How is the definition of project success conducive to controlling corporate corruption?

• How is corporate corruption triggered by corporates representing the business side?

The literature review developed in chapter 4, identifies areas of prior scholarship and locates the research within the context of existing literature. It reveals gaps that exist in the literature and points to a need for further research to better understand corporate corruption. The overarching research question provides the general direction in understanding the research problem. It also serves as a basis for the emerging four sub-questions of the research. While the main question allows to capture the basic goals of the study, the four subsidiary questions that emerged were helpful in reorienting the study design and collection of data. These sub-questions narrow the broader focus of the overarching question while giving direction to the different type of data that need to be collected.

• The first question seeks to identify the challenges facing MNCs involved in international development projects. This sub-question is appropriate in understanding the motivations of these corporates in engaging in corporate corruption. While researchers have identified the external corporate environment as conducive to corruption, there is a lack of empirical research regarding the challenges facing these MNCs.

• The second question looks at the effectiveness of the sanction regimes in mitigating corporate. It will also help to understand whether the sanctions regime has to be reviewed to better address the phenomenon of corporate corruption. There are no prior research done on the effective of the sanction regime of MDBs.
• The third question seeks to identify whether the definition of project success is conducive for corporates to controlling corporate corruption. This is a gap that this study will address.

• The fourth question helps to understand how these corporates instigate or facilitate corporate corruption. Based on the literature review, there is a death of research on corporate actors’ involvement. This question will throw more light on the modus operandi of the corporate actors.

4.2 Complexity of research in the field of corruption

As a criminological researcher, it is essential to identify different forms of evidence, data or information in answering the research questions (Crowther-Dowey and Fussey, 2013) raised by the research. In undertaking criminological research, it is incumbent upon the researcher to develop detailed and sophisticated understanding of the different methods to be adopted in addressing the research questions. However, there is also a prior question that needs to be addressed: how can the nature of corruption be studied? Treisman (2000) points out the difficulty of empirically studying corruption because its determinants tend to change so quickly that its cause and effect become inextricably interwoven. Moreover, Jávor and Jancsics (2016) warn of the difficulties in capturing the complexity of organisational corruption with a single perspective. In general, researchers agree that a more comprehensive understanding of corruption requires an interdisciplinary perspective (Ashforth et al., 2008; Getz 2006). This research adopt such perspective.

4.2.1 Challenges and benefits of being an insider researcher

In the context of this research, the researcher is an insider-researcher, working as a Senior Investigator for the AfDB. Insider-researchers are those who choose to conduct research within the organisation to which they belong to (Breen, 2007). In the process of determining
the research questions, the insider status of the researcher affected the process. While the main research question emerged from the researcher’s passion and interests in the topic, the subsidiary research questions emerged through a reflective and reflexive process and the ethical stand taken by the researcher. As an insider researcher, it is imperative that ethical issues related to anonymity of the organisation and participants to the study as well as compliance and access to privileged information that emerged throughout the research process are properly addressed (Smith and Holian, 2008).

Conducting insider research is a complex process with many benefits, but it also poses significant challenges and opportunities. The merits and demerits of insider research has been probed quite extensively in the literature. Scholars have identified advantages of being an insider-researcher. Some of the advantages identified in conducting of this research are:

- Ability to ask meaningful questions and to identify non-verbal cues as well as the ability to project a more truthful, authentic understanding of the culture under study (Merriam, Johnson-Bailey, Lee, Kee, Ntseane, and Muhamad, 2001; p. 411);
- Researcher has greater understanding of the culture being studied (Bonner and Tolhurst, 2002);
- Expediency of access for the researcher (Chavez, 2008, p. 482);
- Acceptance by participants to participate in the research (Dwyer and Buckle, 2009);

Some of the constraints of conducting research as insider-researcher identified by scholars are:

- Researcher’s prior knowledge can be considered a bias (DeLyser, 2001; Hewitt-Taylor, 2002);
- A deterrent to objective perception and analysis (Aguiler, 1981, p.15);
Inherently biased being too close to the culture (Merriam et al., 2001);

Insider’s privileged access (Drake, 2010);

Insider researcher may become privy to confidential information about colleagues and/ or institution (Bell, 2005).

In order to mitigate any potential bias as a result of the researcher status, trustworthiness of data gathered was ensured through accurate data collection.

4.3 Research philosophy

In designing criminological research, it is not only necessary for the researcher to appreciate different research methods but also to understand the philosophical assumptions underpinning the methodologies adopted and their implications for the nature of the knowledge to be produced (Denscombe, 2010, p. 116). The epistemological approach adopted to the research needs to be justified, taking into consideration its limitations and the sourcing of information. Whilst, for some, the choice of research paradigm may be couched on ideological commitments, for others, a pragmatic approach to the appropriateness of the research prevails (Denscombe, 2010, p. 128; Johnson and Onwuegbuzie, 2004).

Epistemology is concerned with ‘how we know what we know’ about the social world (Baille, 2003, p. 94), while ontology is concerned with observing and understanding the social world. Researchers can take a positivist or an interpretivist position depending on their perception of the social and physical worlds. The epistemological position and the ontological perspective of the research tend to be associated with particular methodologies.

In the case of this research, initial explorations indicated that a constructionist perspective was the most appropriate. According to Berger and Luckman (1966, p. 30), in order to grasp the reality of society, the researcher needs to focus on how reality is constructed. The focus of this research is the multidimensional nature of corruption and the interaction of different
actors within and outside the corporates involved. As such, the constructionist paradigm is considered most appropriate in understanding the perspectives of the participants through observing their meaning, habits, routines and categorisations (Alvesson and Skoldberg, 2009). The overriding principle in constructionism is to maximise research objectivity in inherently subjective sociological questions. An adaptive mixed method approach is considered the most appropriate to answer the multidimensional and elusive concept of corruption in organisations (Denscombe, 2010, p. 134).

4.3.1 Research strategy

The research strategy adopted in this thesis is guided by the research questions. Using quantitative methods has the advantage of providing a holistic picture of the different questions raised in this research and will engender greater focus when using the qualitative methods (Morgan, 1998; Morse, 1991) at a later stage. In embarking on the research questions, the different research methods and strategies were analysed. The benefit of using combined both quantitative and qualitative methods have been assessed to be very useful (Branner, 2005). The main premise of mixed methods is that it is possible to use different data collection methods to look at the same issue.

The research method consists of how the researcher collects, analyses, and interprets the data (Creswell, 2009). From the outset, it was clear that this research study demanded a robust research strategy to demystify the supply-side of corruption emanating from the business side. The research environment influenced the research process (Brannen, 2010). For the purpose of this study, the findings were collected, scrutinised and reviewed holistically in line with the research questions (Remenyi et al., 1998). Corruption thrives on secrecy, hence the need to adopt different methods so that the research questions are answered using the different perspectives (Getz, 2006). In line with Evertsson (2017), the research process adopted helps to understand the problem under scrutiny in a holistic way.
Quantitative research alone does not seem to tell the whole story about the nature of corporate corruption. It ignores the characteristics and details of the context of the corruption cases. Quantitative research cannot account for contingency, which is so important for social research – and especially corruption research. This is because of the complexity of the phenomenon of corruption. Consequently, it says little about the causes of corruption (de Graaf, 2007) and seldom leads to policy advice.

The quantitative element of the research is an important component that supports the qualitative endeavour by targeting firms aggrieved by being sanctioned/cross-debarred by MDBs. The quantitative procedure involves one component: a survey questionnaire addressed to firms which have been debarred and have not engaged into a NSA with the MDB.

The deeper qualitative research employed three components:

- Semi-structured interviews provided data from a broad range of perspectives involving different actors within the AfDB.
- A multi-case study of four firms which have engaged in NSAs with the AfDB.
- A qualitative content analysis gave an in-depth understanding of project governance in MDB-financed projects, including whether firms are equipped to address corporate corruption risks effectively and to ultimately achieve project success.

Due to scant literature on corporate corruption, an explorative and inductive research strategy was chosen. Specifically, a multiple case study design was used, which focuses on the dynamics present within single settings (Eisenhardf, 1989; Herriott and Firestone, 1983; Yin, 1989) to generate a theory in the shape of propositions (Gersick, 1988; Harris and Sutton, 1986). This method is fitting when not much is known about the phenomenon that
is being researched and/ or when the phenomenon is complex. In fact, researchers recommend this line of action (Eisenhardt, 1989; Glaser and Strauss, 1967; Hoffling, 2002).

It is essential that the research questions are addressed from an objective point of view to yield constructive findings. Moreover, to obtain valid and reliable findings the research methods have to be appropriate and achievable (Bryman, 2012). The research methodologies used were influenced by the researcher’s epistemological and ontological assumptions. The researcher’s interpretivist stance is that the social world is different from the physical world in that its realities are socially generated, implying the need to study the people involved in its processes.

4.4 Using mixed methods for this study

Rossman and Wilson (1985) identified three reasons for combining quantitative and qualitative research:

- Firstly, combinations are used to enable confirmation or corroboration of each other through triangulation;
- Secondly, combinations are used to enable or to develop analysis in order to provide richer data; and
- Thirdly, combinations are used to initiate new modes of thinking by attending to paradoxes that emerge from the two data sources.

By examining published research, Greene, Caracelli, and Graham (1989) inductively identified the following five broad purposes or rationales of mixed methodological studies:

(a) triangulation (seeking convergence and corroboration of results from different methods studying the same phenomenon),
(b) complementarity (seeking elaboration, enhancement, illustration, and clarification of the results from one method with results from the other method),
(c) development (using the results from one method to help inform the other method),

(d) initiation (discovering paradoxes and contradictions that lead to a reframing of the research question), and

(e) expansion (seeking to expand the breadth and range of inquiry by using different methods for different inquiry components).

It is agreed that pragmatism is a well-developed and attractive philosophy for integrating perspectives and approaches. It offers an epistemological justification (i.e., via pragmatic epistemic values or standards) and logic (i.e., to use the combination of methods and ideas that helps one best frame, address, and provide tentative answers to one’s research questions) for mixing approaches and methods.

Furthermore, the mixed methods research paradigm offers an important approach for generating important research questions and providing warranted answers to those questions. This type of research should be used when the nexus of contingencies in a situation, in relation to one’s research question(s), suggests that mixed methods research is likely to provide superior research findings and outcomes.

Based on a survey of research method literature (Beurig and de Vries, 2015; Silverman, 2013; Bryman, 2008; Robson, 2011; Jupp, 1989; Mc Neill and Chapman, 2005), the research questions addressed in this thesis were achieved by using a mixed method approach, as follows:

(i) An online questionnaire survey;

(ii) A qualitative interview schedule;

(iii) A case study;

(iv) A qualitative content analysis.
Prior to starting the study, several possible data-gathering approaches were considered. Clearly, the schemes, preferences and motivations of offenders represented by the corrupt firms are directly important to this study. However, direct access to offenders for interviews is problematic as they are virtually inaccessible in terms of post-event research. An online survey questionnaire was administered and is considered an efficient and effective means of reaching the intended audience as the link to the survey could be emailed to the sanctioned firms with an attached covering letter explaining the objective of the research and the importance of their responses.

4.4.1 Justifications for using mixed methods

Guided by the research questions above, this research used mixed methods to appreciate the multidimensionality of the phenomenon under study. The benefits of combining methods is well recognised by many researchers (Branner, 2005). Moreover, attributing specific quantifiable values to continually changing social phenomenon is a key challenge for criminological research (Crowther-Dowey and Fussey, 2013).

As noted by Hobbs (1998, p. 14), using a range of quantitative and qualitative methodologies has merits in criminological research as it can forcibly be helpful in finding the link between criminality and control. In a similar vein, Ziedonis (2004) proposes to use qualitative methods to build an initial theoretical framework, followed by a quantitative method to test and build on the theory proposed. This approach has the merits of providing a holistic picture of the different questions raised and it can test hypotheses. The mixed method approach also has the merit of providing an analytical framework to uncover the micro-level interactions of individuals while considering macro-level institutional embeddedness (Bandelj, 2012; Emirbayer and Goodwin, 1994). The principles and rationale for using of the qualitative and quantitative tools are outlined below. A mixed method is broadly defined as:
'Research in which the investigator collects and analyses data, integrates the findings and draws inferences using both qualitative and quantitative approaches or methods in a single study or a program of inquiry.' (Tashakkori and Creswell, 2007, p. 4).

The different tools for data collection are used in a well-coordinated manner. Moreover, the use of a mixed method approach allows the triangulation of results and thus remains an effective approach in testing the validity and reliability of data collected (Greene et al, 1989, p. 256). Individual data collection methods inherently have advantages and limitations when compared with other methods. The use of a mixed method approach exploits the strengths of each method used (Jick, 1979, p. 604) while mitigating deficiencies (Greene, 2008, p. 17). These selected data collection methods provide specific types of data and lead to better quality results (Johnson and Onwuegbuzie, 2004, p. 15) and throwing more light to the phenomenon of corporate corruption.

4.4.2 Reflexivity

Recruiting of participants and negotiating access to organisations for the conduct of research are often difficult, particularly when the topic is sensitive, or the subjects are vulnerable persons (Kalof, Dan and Dietz, 2008, p. 116). Usually, researchers are complete outsiders, which means they have to win the trust of the participants or their gatekeepers to gain initial access and then maintain that trust throughout the research (Clark, 2011). However, there are cases when the researchers are complete insiders (for example, Holdaway, 1997), or temporary insiders (for example, Ditton (1977)). For the outsiders, the level of scrutiny, trust and consequent access may be contingent on the race, ethnicity, religion, gender and socio-economic group of the researcher in relation to the subject participant or group (Lumsden and Winter, 2014, p. 5).
It is essential that the research questions be addressed from an objective point of view so that constructive findings can emerge through the process. To yield valid and reliable findings the research methods have to be appropriate and achievable (Bryman, 2012). The research methodologies are based on the reflection of the author’s epistemological and ontological assumptions. For the purpose of this research, the participants were not interviewed as representatives of their organisation but more as individuals.

### 4.5 Using triangulation

Triangulation is a technique that is used to validate data through cross verification from two or more sources (Bogdan and Biklen, 2006). Cohen and Manion (2000) define triangulation as an ‘attempt to map out, or explain more fully, the richness and complexity of human behaviour by studying it from more than one standpoint’. In particular, it refers to the application and combination of several research methods in the study of the same phenomenon. Triangulation is recognised to be beneficial for increasing the understanding of the studied phenomenon (Olsen, 2004), increasing accuracy of the study (Campbell, 1966; Denzin, 1978; Smith and Kleine, 1986; Webb, 1966) and clarifying disparate results (Mertens and Hesse-Biber, 2012). To address the research questions identified in this research from different angles and in different ways, the concept of triangulation was applied (Denzin, 1970, p. 300). More specifically, cross-method triangulation, which concentrates on the use of different data collection methods for addressing the research questions, was used.

The use of triangulation depends on the researcher’s philosophical position. However, when such is the case, the researcher has to justify the use of this strategy in their research (Knafl et al., 1996). With triangulation strategy, multiple methods, including qualitative and quantitative methods, are used to study a research question (Jick, 1979). Howe (2012) submits that triangulation puts the data into a more explanatory framework. As advocated
by Denzin (1978), triangulation enables the researcher to increase the accuracy of the study while enhancing the viability and reliability of the research findings (Maguire, 2000). As identified by Shih (1998), the two reasons for using triangulation for this research hinge on the purposes of confirmation and completeness. Triangulation is also used for validating quantitative studies by the qualitative studies. This is generally the case when the research phenomenon under study has little theoretical underpinnings.

4.5.1 Methodological triangulation

The primary philosophy of mixed method research is that of pragmatism. Mixed method research is ultimately an approach to knowledge that considers multiple viewpoints, perspectives, positions, and standpoints. The convergence of findings stemming from two or more methods ‘enhances our beliefs that the results are valid and not a methodological artefact’ (Bouchard, 1976; p. 268). Denzin (1978; p. 14) recommends the use of between-method triangulation, contending that by utilising mixed methods, ‘the bias inherent in any particular data source, investigators, and particularly method will be cancelled out when used in conjunction with other data sources, investigators, and methods’ and ‘the result will be a convergence upon the truth about some social phenomenon’.

Morse (1991) outlined two types of methodological triangulation:

- simultaneous triangulation represents the simultaneous use of qualitative and quantitative methods in which there is limited interaction between the two sources of data during the data collection stage, but the findings complement one another at the data interpretation stage.

- sequential triangulation is used when the results of one approach are necessary for planning the next method. Conversely, at the design stage, qualitative data can assist the quantitative component of a study by helping with conceptual and instrument development. At the data collection stage, quantitative data can play a role in
providing baseline information and helping to avoid ‘elite bias’ (by talking only to high-status individuals).

4.6 Case study

A case study is various defined as a method, methodology, or research design (Bassey, 1999; Merriam, 1988, Feagin, Orum and Sjoberg, 1991; Yin, 1994). Some researchers depict it as as a research strategy and not as a method (Hartley, 2004; Titscher et al., 2000). The objective of using case studies as a research strategy stems from the desire to understand a complex social phenomenon (Yin, 2003b). As highlighted by Yin (1981), case study strategy allows the researcher to retain the holistic and meaningful characteristics of real-life events while understanding complex social phenomena.

Case study is used as a rigorous qualitative research strategy (Hartley, 1994; 2004) and is considered as one of the most common examples of qualitative research (Stake, 2000). It is an approach to research which allows for a closer look and understanding of the multiple facets of the phenomenon being researched (Baxter and Jack, 2008) by answering ‘how’ and ‘why’ types of questions. According to Miles and Huberman (1994), a case is a phenomenon of some sort occurring in a bounded context.

By adopting an explorative case study design, it allows to study the way in which firms become corrupt. Compiling a longitudinal history of each firm, including its violations, top management involvement in the activities, and the corporation’s responses to the illegalities, will allow a closer examination of the relationships between leadership behaviours by top executives and patterns of corporate illegality. This method provides s valuable information about the firms, particularly when researchers cannot gain access into the corporates. These case studies provide a unique opportunity which otherwise would not have been possible. Therefore, a case study seems appropriate to study the phenomenon of corporate corruption and the business interactions, because it allows for an in-depth analysis.
of the roles and activities of different actors and their relations. Moreover, it allows the researchers to study the interconnectedness of factors in explaining the phenomenon under study.

According to Van Wynsberghe and Khan (2007) a case study is a ‘transparadigmatic and transdisciplinary heuristic that involves the careful delineation of the phenomenon from which evidence is being collected’. Therefore, a case study can be used irrespective of one’s research paradigm and discipline orientation. Case studies offer the advantage of richer details of actual cases and their contextuality. Coupled with the within-case analysis is a cross-case search for patterns (Eisenhardt, 1989, 540). Yin (2014) identifies the three necessary conditions for using a case study method as follows: ‘doing a case study would be the preferred method, compared to the others, in situations when

(1) the main research questions are ‘how’ and ‘why’ questions;

(2) a researcher has little or no control over behavioural events; and

(3) the focus of study is a contemporary phenomenon’.

All three conditions are present in this research. Using a case study method allows for the exploration and understanding of complex issues of the corruption scenario through an in-depth investigation. It has been used by researchers as a research method in education (Gulsecen and Kubat, 2006), sociology (Grassel and Schirmer, 2006) and community-based problems (Johnson, 2006). This method enables the researcher to gain a better insight of behavioural conditions through the actor’s perspective. It has the merits of explaining both the process and outcome of a phenomenon through complete observation, reconstruction and analysis of the cases under investigation (Tellis, 1997).

According to Yin (1994), generalisation of results from case studies, from either single or multiple designs, stems from theory rather than populations. By replicating the case through
pattern-matching, a technique linking several pieces of information from the same case to a theoretical proposition (Campbell, 1975), multiple-case design enhances and supports the previous results. This helps raise the level of confidence in the robustness of the method. Inevitably, a careful design of a case study is therefore very important for efficiency and viable results.

4.6.1 Case study for this research

The AfDB through its investigative department, investigates allegations of fraud and corruption on its funded projects. Firms or individuals found guilty of malpractices are sanctioned and as such are ineligible to be awarded contracts depending on the sanctioned period. In 2010, MDBs have signed an agreement known as the ‘Uniform Agreement for Cross-Debarment’, which renders a firm or an individual debarred by one of the MDBs to be automatically cross-debarred by other development banks. Firms which have engaged in a NSA with the AfDB have been selected as the case study could be readily be accessed as a result of the author’s professional practice and ‘insider’ relationship (Vinten, 1994, p. 30). An aspect of this restricted nature was overcome through the insider positioning of the researcher. It is an intensive study and required extremely good planning and design and a robust approach to data analysis.

As part of the agreement, a firm, which is under investigation, may enter into a negotiation with the MDB undertaking the investigation by paying a financial penalty and consequently obtaining a reviewed sanction. In the case of the AfDB, this NSA requires the full collaboration of the firms under investigation during the investigation process. While NSAs are not very common, from January 2012 to August 2017, five NSAs have been negotiated between the AfDB and firms found guilty of fraud and corruption. Out of the five firms, one firm was involved in the procurement of goods while the remaining four were involved in development projects. The four companies involved in developmental projects are used as case studies in this research. When the NSAs were completed, much information on the
companies became available in the public domain. Given the secretive nature of corruption, tapping this information may prove to be very beneficial in understanding the corruption scenario from the business side. The case studies are used to better understand the mechanism employed by these MNCs in international development projects. According to Vaughan (2006), while case studies can be useful to study corruption, they may not necessarily provide an insider’s understanding, as the cases uncovered may be biased by political interests. This is echoed in the findings of the case studies.

Detailed case studies of corporate corruption is an appropriate way to study the process through which corporates become corrupt. As a result, the case study methodology adds to the quantitative research. Moreover, the case studies will allow us to study the phenomenon within their context. This could provide a way to move with policy formulation in the context of the research. In fact, researchers (Anechiarico and Jacobs, 1996; Della Porta, 1997; Hoffling, 2002) recommend this approach. Each case study represents a corrupt corporate scenario, including the modus operandi in carrying out the corrupt scheme. The four cases for this research were chosen from the cases investigated by the Investigation Department of the AfDB, as of September 2017, which had been successfully brought into NSAs. Four cases were chosen to help understand the dynamics present within single settings (Eisenhardt, 1989; Herriot and Firestone, 1983; Yin, 1989). They enable a cross-case search for patterns (Eisenhardt, 1989, p. 540) to tease out the predisposed causes of corporate corruption. Conversely, it is argued that a single case study will provide the triggering causes instead of the predisposed causes (De Graaf, 2009).

In fact, case studies generate a mass of data that, when analysed and organised, will probably provide a way to move forward with policy experiment (Anechiarico and Jacobs, 1996). In this research, the four corruption cases are studied within their context, which provides a way to move to policy formulation (Anechiarico and Jacobs, 1996; Della Porta and Vannucci, 1997; and Hoffling; 2002).
4.6.1.1 Challenges of this research

It must be noted that there are considerable difficulties involved in collecting data on corrupt activities because corruption is, by its very nature mutually beneficial dishonesty, which is very difficult to investigate. Moreover, it involves secrecy of actors. For these reasons, it is extremely unusual for any individual acts involved to volunteer to provide details during the research process. Therefore, an empirical or practical descriptive work provides the most valuable way in developing our knowledge and understanding of the processes and practices that mark corruption. The guiding logic of this analysis is that understanding who were involved in these schemes leads us to an understanding of how these schemes were carried out. This will ultimately move to better understanding the broader institutional arrangements that lead to epidemics of corporate corruption.

The researcher’s in-depth knowledge of and immersion within a case may lead more readily to confirmation bias than in some other forms of study. While the researcher is engaged with the literature, the formulation of the research question emerges. This engagement grounds the study and informs the study design, including the case selection. It provides insight where it was previously impossible. The nature of the case, its boundaries and features and why it was selected should be set out clearly (Gerring, 2004). Case studies are particularly prone to selection bias (Geddes, 2005). They are considered more useful when seeking to derive descriptive rather than causal inferences. Descriptive inferences are the process of using the facts we know to learn about facts we do not know.

Researchers are prone to make mistakes when undertaking a deductive study to test the congruence of rival hypotheses in a context where they have insufficient knowledge about the independent variable causes. Case study findings are reached through a process of logical valid inferences regardless of whether the data collected and analysed is qualitative, quantitative or both (King, Keohane and Verba, 1994). The analysis may also allow for causal interferences to be made that explain what effects would be expected to
occur if certain conditions were fulfilled in this and another context. However, the case study method is structured with triangulation of data at the fore, allowing the researcher to reach robust findings reached by integrating analysis from multiple data points gathered using different methods.

4.6.1.2 Case selection and adequacy of sample size

The case study approach has been used extensively in IB research to investigate numerous topics (Bartlett and Ghoshal, 1987; Johanson and Valhne, 1977; Porter, 1990). The qualitative sampling is about appropriateness, purpose and access to good information (Coyne, 1997; Hilebrand, Kok and Biemans, 2001). Critics of the case study method believe that the study of a small number of cases can offer no grounds for establishing reliable or generalizable findings. Moving from this, a small number of cases or subjects may be extremely valuable and represent adequate numbers for a research project. This is especially true for studying hidden or hard to access populations such as deviants or elites. The adequacy of sample size in case study research is relative and dependent on the purpose of the study, where different sample strategies require different minimum sample sizes (Sandelowski, 1995). Dubois and Gadde (2002) argue that the choice of the number of cases depends on the type of research question. Researchers argue that using a greater number of cases brings more breadth but less depth (Rajin and Becker; 1992).

According to Eisenhardt (1989), four to ten cases work well in generalisation of theory while Miles and Huberman (1994) argue that a maximum of 15 cases is appropriate for high complexity. In fact, there are no precise rules regarding the number of cases to be selected. Scholars highlight that, where a phenomenon is in question, only a single case is required to show that it does exist (Easton, 1998; McKeown, 1999).
4.6.2 Shortcomings of case study method

While the use of a case study makes the findings and analysis context specific (Abercrombie et al, 1984, p. 34), it can nevertheless negatively impact the ability to make generalisations based on the findings (Gerring, 2004, p. 346). A limited ability to make generalisations has the potential to limit the relevancy and impact of a piece of research.

From the outset, this research sought to obtain a better insight into organisational corruption by collecting real and detailed cases of the corrupt transactions involving the different actors. Of particular interest were factors such as hiding mechanisms and collusion that might contribute to ‘successful’, undetected corruption. According to Hartley (2004), case study research is a detailed investigation with the aim of providing an analysis of the context and processes for the theoretical issues being studied. Case studies can be used to generate hypotheses and build theory (Eisenhardt, 1989; Hartley, 1994; 2004). In order to avoid pitfalls associated with case study, researchers recommend that there are boundaries to limit any research questions that are too broad (Stake, 1995; Yin, 2003a). The boundaries indicate the breadth and depth of the study. Different approaches have been suggested so that the study remains reasonable in scope, namely time and place (Crewell, 2003), time and activity (Stake, 1995), and definition and context (Miles and Huberman, 1994).

Case study research can be used with other research strategies addressing related research questions in different phases of a research project. Hartley (1994) proposed that a case study be used followed by survey-based research to test the emerging findings. Guided by the research questions, it is important to identify the type of case study that is most adapted (Stake, 1995; Yin, 2003a). In this research, a multiple-case study approach is chosen as it will help to understand similarities and differences between cases. It will also enable the replication of findings across cases. Data is collected and analysed in an iterative process which ultimately allows for theory development based on the empirical evidence obtained (Hartley, 1994; 2004).
4.6.3 Philosophical underpinnings of case study method

According to Yin (2003), a case study design should be considered when the focus of the study is to answer ‘how’ and ‘why’ questions. Case studies are widely used in organisational studies and across the social sciences, and there is suggestion that the case study method is increasingly being used with a growing confidence as the case study is a rigorous research strategy in its own right (Hartley, 1994). According to Yin (2003a, p. 2), ‘the distinctive need for case studies arises from the desire to understand complex social phenomena’ because ‘the case study method allows investigators to retain the holistic and meaningful characteristics of real-life events’ such as organisational and managerial processes.

A key decision for the researcher is to decide whether the research will be based on a single case study or on multiple cases (Hartley, 2004, p. 326). In fact, evidence for case studies can be sourced from documents, archival records, interviews, direct observation, participant-observation, and physical artefacts (Yin, 2003a). Besides, a careful description of the data and the development of categories in which to place behaviours or processes have proven to be important steps in the process of analysing the data.

The data may then be organised around certain topics, key themes, or central questions, and finally the data needs to be examined to see how far they succeed or fail to fit with the expected categories. Yin (2003) maintains that data analysis consists of ‘examining, categorizing, tabulating, testing, or otherwise recombining both quantitative and qualitative evidence to address the initial propositions of a study.’
Table 2 : Documents referred to in the case study

<table>
<thead>
<tr>
<th>Documents referred to in the case study</th>
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</thead>
<tbody>
<tr>
<td>AfDB Annual Reports</td>
</tr>
<tr>
<td>AfDB Press Releases</td>
</tr>
<tr>
<td>Affidavits</td>
</tr>
<tr>
<td>Annual Reports of Companies under negotiation</td>
</tr>
<tr>
<td>Courts Judgements</td>
</tr>
<tr>
<td>Journal Articles</td>
</tr>
<tr>
<td>Newspaper Articles</td>
</tr>
<tr>
<td>Press Releases</td>
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</tbody>
</table>

4.6.4 The four case studies referred to in this research

The four cases were selected as empirical cases as they have undergone negotiated settlements with the AfDB following an investigation conducted by the Integrity and Anti-Corruption Department (IACD). These corporate scandals have international reach as these firms were also sanctioned. In addition, they paid a financial penalty and were eligible to a reduced debarred period which also made them eligible for cross-debarment from other MDBs. The mechanisms employed by these firms in perpetrating the corruption schemes will be studied and will definitely contribute to the literature. Case study is used as a rigorous qualitative research strategy (Hartley, 1994, p. 2004) and is considered as one of the most common forms of qualitative research (Stake, 2000). It is an approach to research which allows for a closer look and understanding of the multiple facets of the phenomenon being researched (Baxter and Jack, 2008) by answering ‘how’ and ‘why’ types of questions.
According to Miles and Huberman (1994), a case is a phenomenon occurring in a bounded context. According to Hartley (2004), case study research is a detailed investigation with the aim of providing an analysis of the context and processes for the theoretical issues being studied.

### 4.7 Qualitative content analysis

Content analysis is a popular research method used for qualitative research in the health sector. It is a flexible method for analysing text data (Cavanagh, 1997). It focuses on the characteristics of language as communication with attention to the content or contextual meaning of the text (Lindkvist, 1981; McTavish and Pirro, 1990; Tesch, 1990). The text data can be in verbal, print or electronic form. It includes a range of analytic approaches from impressionistic, intuitive, interpretive analyses, to systematic, strict textual analyses (Rosengren, 1981). Weber (1990) claims that the specific type of content analysis approach depends on the theoretical and substantive interests of the researcher and the problem under investigation. The objective of using content analysis is ‘to provide knowledge and understanding of the phenomenon under study’ (Downe-Wamboldt, 1992, p. 314).

Qualitative content analysis is a method used to interpret qualitative data. Content analysis is described as a method to classify written or oral materials into identified categories of similar meanings (Moretti et al., 2011). Content analysis is primarily used as a quantitative research method. However, this method has been criticised because it can simplify and distort meaning as a result of breaking down text into quantifiable units in the analytical process. Kracauer (1952) advocates a qualitative approach to content analysis in which meanings and insights can be derived from the text more holistically. Qualitative content analysis is flexible in the use of inductive and deductive analysis of data depending on the purpose of one’s studies (Elo and Kyngas, 2008).
A researcher who uses qualitative content analysis aims to ‘systematically describe the meaning’ of materials that the researcher specifies from the research question (Schreier, 2012, p. 3). Qualitative content analysis is frequently employed ‘to answer questions such as what, why and how, and the common patterns in the data are searched for’ by using a consistent set of codes to organise texts with similar content (Heikkila and Ekman, 2003, p. 138).

Table 3: Content analysis based on Hsieh and Shannon’s approach

<table>
<thead>
<tr>
<th>Types of Content Analysis</th>
<th>Aim</th>
<th>Appropriateness of approach</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional</td>
<td>To describe a phenomenon</td>
<td>When existing theory or research literature on a phenomenon is limited</td>
<td>Concept development or model building</td>
</tr>
<tr>
<td>Directed</td>
<td>To validate or extend conceptually a theoretical framework or theory</td>
<td>Existing research on the phenomenon is incomplete</td>
<td>Offer supporting or non-supporting evidence to a theory</td>
</tr>
<tr>
<td>Summative</td>
<td>To analyse manuscript types</td>
<td>Combine the above</td>
<td>Combine the above</td>
</tr>
</tbody>
</table>

Hsieh and Shannon (2005) have identified three approaches for qualitative content analysis, namely conventional, directed and summative, which are used to interpret text data from a naturalistic paradigm. In a summative approach to qualitative content analysis there is an identification and quantifying of certain words or content in texts with the purpose of understanding the contextual use of the words or content (see table 3 above). This approach may also include latent content analysis, which refers to the process of interpretation of content (Holsti, 1969). The focus in this analysis is to discover the underlying meanings of the words or the content (Babbie, 1992; Catanzaro, 1988; Morse and Field, 1995). The data analysis begins with searches for occurrence of the identified words to allow for the context
associated with the use of the word or phrase. It is an unobstructed and non-reactive way to study the phenomenon of interest (Babbie, 1992). However, it is noted that the findings from this approach may be limited by their inattention to the broader meaning.

4.8 Using qualitative methods – the interview schedule

In answering the research questions, the most appropriate participants for the qualitative interviews are professionals with wide working experience at the AfDB. 23 interviews were conducted. These professionals have a wealth of experience in procurement of aid-financed projects in Africa. This fits with the view that the only way of discovering anything about the lived realities of crime, deviance and social control is to talk to the people have experienced and understand it (Cromwell and Olson, 2003; Cromwell, 2010; Caless, 2011). Undoubtedly, this enables the researcher to delve into deeper thoughts and feelings (Crowther-Dowey and Fussey, 2013).

In this research, a semi-structured interview schedule was developed in order to ensure an objective interview structure. All the interviews were conducted by the author between March and August 2016. The interview was done in both English or French depending on the language the participants is comfortable. Due to the nature of the interviews, they were not recorded digitally and the participants were informed about it. However, transcripts were made that were subject to content analysis, coding and thematic classification. Interviews are an effective method of collecting qualitative data on a one-to-one basis. This method allows for a rich data collection using open-ended questions (Caplow, 1956, p. 165), which are an opportunity for the researcher to probe further for clarification based on responses obtained from respondents. In selecting this data collection tool for this research project, it was envisaged that this tool would be used to expand on the quantitative questions posed in the questionnaire, thus following the mixed method approach (Halcomb and Davidson, 2006, p. 40). Semi-structured interviews with professionals engaged in
development projects (see table below) were used to identify and categorise substantive statements (Gilham, 2005, p. 136) and relevant themes. The interviews with different categories of staff covered their perceptions of corruption in the field of development. In answering the research questions, the most appropriate participants for the qualitative interviews were investigators, internal auditors and procurement specialists at the AfDB. These professionals have wide experience in working with MNCs in aid-financed projects in Africa. However, it is also recognised that these professionals may only provide insight from the MDB’s perspective. The table below shows the total number of interviews undertaken as the grade of the interviewees.

<table>
<thead>
<tr>
<th>Grade of interviewee</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors and Managers</td>
<td>3</td>
</tr>
<tr>
<td>Procurement Specialists</td>
<td>8</td>
</tr>
<tr>
<td>Investigators and Integrity Specialists</td>
<td>7</td>
</tr>
<tr>
<td>Internal Auditors</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23</strong></td>
</tr>
</tbody>
</table>

The sample was not intended to be representative of the population but to ensure a sensible breadth of perspectives. The overriding objective was to recruit participants who were directly involved in one way or the other with developmental projects in different countries. As the topic was of a very sensitive nature, the participants were interviewed in their personal capacities and not on behalf of the organisation they are representing. In fact, it was explicitly mentioned at the beginning of each interview that whatever responses they were going to give would not be attributed to the organisation they were working for. The interviews were not recorded so as not to embarrass the participants due to the confidential
nature of corruption. However, all responses obtained were noted down and transcribed. Approximately 25 hours of interviews ranging from 50 to 75 minutes each were transcribed. The coding process was guided by the research questions. Thirteen (13) interviews were done in English while ten (10) interviews were done in French.

Two prospective participants who were approached to participate in the interviews withdrew at the beginning of the exercise. At the start of the interview process, they were asked if they were confident and were willing to continue. The two prospective participants raised anonymity concerns as a staff of the AfDB. The process was clearly explained to them and they were informed that they could withdraw from the interview any time. Consequently, they choose not to participate in the interview exercise. The geographical distribution of the interview participants are shown in the table below. Among the 23 participants, 10 participants were female representing 43.5% and 13 were male, representing 56.5%. 73.9% of respondents have more than 12 years of working experience while the remaining 20.8% have between 7 to 12 years of working experience with MDBs.

<table>
<thead>
<tr>
<th>Region</th>
<th>No. of interviewees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 North Africa</td>
<td>5</td>
</tr>
<tr>
<td>2 South Africa</td>
<td>5</td>
</tr>
<tr>
<td>3 East Africa</td>
<td>5</td>
</tr>
<tr>
<td>4 West Africa</td>
<td>4</td>
</tr>
<tr>
<td>5 Central Africa</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23</strong></td>
</tr>
</tbody>
</table>

The professionals participated in the interviews willingly. Some were passionate about the topics and elaborated at length. Their confidence was boosted by not recording the
interviews. Most of the interviews were conducted out of their office. Seven interviews were conducted in the cafeteria while six were conducted at the interviewee’s home. The remaining ten interviews were conducted via Skype as they were located in different countries. The method supported a non-judgemental, relaxed atmosphere that allowed the interviewees the leeway to express themselves freely and willingly.

Unlike written data collection methods, the conducting of interviews was affected by various factors, such as location and the comfort of the interviewee, and verbal/non-verbal cues from the interviewer (Dexter, 1956, p. 157). However, effective pre-planning reduced such negative effects and selecting a location which was quiet, comfortable and free from interruption, greatly increased the effectiveness and flow of the interview. Conducting interviews was a time-consuming process and therefore the total number of interviews was limited. As a result, a manageable number and range of interviewees were selected (Goldie and Pritchard, 1981, p. 64). An information sheet (see Appendix III) to gain informed consent was designed and given to interviewees at the start of the interview. This document explained the nature of the interview and the types of questions that would be asked. The interviewees were told that they could pass on any question that they were uncomfortable with or did not wish to answer.

The use of an interview schedule allowed for information on specific points of interest to be obtained but also allowed for additional unexpected information to be gathered which could prove beneficial during analysis. The semi-structured nature of the interview therefore relies on a series of prepared prompts and sub-questions to ensure that ‘the interview does not go off on a tangent’ (DiCicco-Bloom and Crabtree, 2006, p. 315). The interviewee-led nature of the interview meant that the interviewee should be more relaxed and therefore more willing to supply in-depth answers to the questions asked.
4.8.1 Using Skype as an interview tool

Out of the twenty three (23) participants interviewed for this research, ten (10) participants were interviewed via Skype, representing 56.5% of the interviewees. With internet-based methods of communication influencing our daily lives, researchers have new possibilities to contact participants situated in different geographical locations (Rowley, 2012, p. 264) breaking down the barrier of 'time and space' (Burkitt, 2004, p. 222). The internet is becoming a powerful tool for future research (Illingworth, 2001) as it provides 'new horizons for the researcher' (Coomber, 1997). Voice over Internet Protocol (VoIP) technologies (such as Skype and FaceTime) give researchers the possibility to interview research participants using voice and video across the internet via a synchronous (real-time) connection. However, such VoIP technologies, in spite of their growing importance in everyday life, have had very limited coverage so far in terms of academic research. There have been very few articles covering qualitative interviews using video and audio VoIP tools as their main topic (Cater, 2011; Deakin and Wakefield, 2013; Hanna, 2012; Janghorban et al., 2014; Seitz, 2015; Sullivan, 2012).

The essence of qualitative interviews is to enable the researcher to engage with participants on a deeper level, to understand how they view corruption. As highlighted by Rowley (2012, p. 262), 'interviews are useful when: the research objectives centre on understanding experiences, opinions, attitudes, values, and processes'. Indeed, engaging with participants via Skype enables the sample to be purposeful (Mason, 2002; Sparkes and Smith, 2014) and the researcher to 'explore multiple facets of a problem and investigate issues holistically' (Sparkes and Smith, 2014, p. 70) and 'select persons … that… represent the range of experience of the phenomenon' (Maykut and Morehouse, 1994, p. 57).

Skype and other VoIP technologies provide a platform that moves us towards an opportunity for a more democratic research process. Fleitas (1998, p. 286) argues that 'distance is a variable that prevents an international representation of participants in most qualitative
studies. The internet eliminates this barrier'. Kozinets (2009, pp. 70-71) highlights the problems faced by researchers, stating that: ‘once someone clears the financial and technical hurdles required for aptitude at computer-mediated searching and communication, an extremely wide array of social interactions is made accessible to them’.

Online social interactions manifest this ethos through the general democracy and inclusiveness of many, if not most, online social groups. Deakin and Wakefield (2013, p. 5) correctly posit that Skype provides 'an opportunity to talk to otherwise inaccessible participants'. In fact, without Skype it would have been impossible to reach out the interviewees for this research as they are scattered geographically. Research findings by Carr (2001) suggest that synchronous online methods may be just as effective as more traditional methods. On the other hand, as Seitz (2015) argues, technical difficulties may create a loss of intimacy. However, in the context of these interviews, there was no problem regarding rapport with participants.

According to Hesse-Biber and Griffin (2012, p. 56), nonverbal cues such as 'tone of voice, and gestures, all provide a certain richness to qualitative data'. Cohen et al. (2007, p. 153) agrees on the importance of nonverbal cues, stating that, because of the absence of such cues, 'telephone interviews can easily slide into becoming mechanical and cold'. Novick (2008, p. 5) further highlights this point in saying that 'nonverbal data, which includes responses such as facial expressions and body language' can be lost in some forms of interview, such as when using telephone interviews. According to Talja and McKenzie (2007, p. 102) 'paralinguistic cues such as gesture, facial expression, and tone of voice can both convey emotion and provide the hearer with clues for interpreting the meaning of an utterance'.

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4.9 Quantitative method: the survey questionnaire

Questionnaires provide a useful data collection tool to obtain large-scale quantitative data, which can be analysed statistically, and graphically (Murray, 1999, p. 148). Given the large numbers of participants scattered worldwide, this data collection tool was identified as appropriate to gain standardised responses. A semi-structured questionnaire was designed (Appendix IV). These questions were aimed at examining the experiences of firms sanctioned by MDBs and their perception about corruption emanating from the supply-side.

The standardised nature of this data collection tool means that it could easily be understood by respondents and effectively reproduced across different environments (Boynton and Greenhalgh, 2004, p. 1313). The fixed nature of the questionnaire format provided an opportunity for extensive refining through piloting of the draft questionnaire and redrafting to ensure the questions were relevant and written in plain English (Rattray and Jones, 2007, p. 237). The fixed nature of the tool means that changes to questionnaire cannot be made after the fact, meaning that effective piloting and drafting is required before the questionnaire is deployed (Boynton, 2004, p. 1372).

Moreover, given the geographical spread of these sanctioned firms, it was not feasible and practical to visit each firm, as this would prove too costly in terms of finance and time. SurveyMonkey - an online survey tool was used for the conduct of the survey. The link to the questionnaire was e-mailed to participants and the responses collected and analysed online (Appendix V). As part of the author’s Advanced Research Technique module of the Professional Doctorate Part I, the quantitative method was tested in a small-scale study. A questionnaire was designed and piloted. Feedback was used to fine-tune the questionnaire for the main research, which targeted 125 debarred firms. These contractors were selected from the list of debarred entities posted on the AfDB’s website and available on the websites
of other MDBs. For the purpose of this research, the survey was an appropriate mean to establish the perception of corporates on the sanction of MDBs and to provide their appreciation of the sanctioning process. The survey also enabled us to glean information on the drivers of corporate corruption and in conjecture with other methods enable us to answer the main research questions addressed in this research.

4.9.1 Limitations of the study

The purpose of this research is to investigate the determinants of corporate corruption by analysing the dynamics of corporate corruption in implementing international development projects. From the outset, two significant limitations emerged. The first limitation was that the research was limited to multinational firms engaged in infrastructural projects worldwide, as these firms represent a significant percentage of firms awarded MDB-financed contracts in different countries. The research does not consider local firms as the main contracting agents, though it may be understood that in some cases these local firms may be acting as subcontractors for the MNCs.

The second limitation was the obvious difficulties associated with research into corruption, that although having been extensively researched, it continues to retain a secretive existence making the full demystification of the phenomenon extremely difficult, if not impossible. Corporate corruption remains a secretive process. Again, although extensively documented, the increasingly sophisticated mechanism and ingenuity employed by corporates together with the involvements of different actors make it difficult to identify every aspect of the process nature without generalising particular aspects, sometimes based only upon suggestive evidence.

As elaborated, the research study used a constructivist approach involving different perspectives of corruption occurrence in organisations. The author took the position that the specific research issue justifies the use of mixed methods. This position supports the choice
of mixed methods because of the need to collect information about multiple perspectives in answering the research questions.

4.9.2 Ethical considerations

The approach to research ethics is based on the guidance issued by the British Psychological Society (BPS, 2010). The practices and processes required by the University of Portsmouth were followed. Ethical approval was obtained from the Ethical Committee (see Appendix VI). The key ethical issue related to the collection of confidential organisational information and limited personal data. It is essential under these circumstances that disclosures do not cause harm to the participants or their organisations (BPS, 2010, s2.4). The BPS (2010, s3) recommends undertaking an ethical risk analysis. The participants freely and willingly provided all of the responses. No vulnerable individuals were involved to necessitate additional precautions.

One of the main ethical considerations presented during the design of this research project was the nature of corruption. However, throughout the design and data collection phases, there was no reference to confidential materials or information garnered based on the researcher’s experience as an Investigator. The interactions with professionals were handled sensitively due to the subject matter. Given the range of data collection tools used it was important to inform respondents of both what purpose the data was collected for and who would have access to it. In order to reassure participants, the interviews were not recorded because of the sensitive nature of corruption dealt with in this study. Moreover, this provided anonymity to the participants. This was an essential criteria for their participation.

The issue of the anonymity of respondents was dealt with differently for each data collection tool. The questionnaires did not ask any personal and identifying questions. The protection of anonymity was further enhanced through conducting the interviews after office hours in private places. At no time were the names of the interviewees, and the
organisations they represent, recorded; the interview transcripts were labelled only with the code of the participants.

It is important that ethical considerations be taken into consideration in the conduct of a social research project ‘from its design to conclusion’ (Fossey et al., 2002, p. 723). Professional researchers have an obligation to act ethically (Kalof et al., 2008). In fact, it is crucial that the researchers give due considerations to any ethical concerns that may arise at every stage of the research design in order not to undermine the findings of the research (Holloway, 1997). The overall objective of such considerations on the part of the researchers is to protect all potential research participants from ‘harm and risk, while respecting vulnerable populations’ (Cresswell, 2003, p. 64). Noaks and Wincup (2004) argue that there is a need to protect the rights of the participants while seeking to achieve the informed consent and the promises of confidentiality made by the researchers.

Ethical considerations vary depending on the position of the researchers. While it may be much easier to anonymise records in quantitative research (Fossey et al., 2003), it may be more challenging in qualitative research as the researchers have to deal with a variety of ethical issues such as the sensitivity, feelings and thoughts of participants which can undermine the anonymity of the informant in the research. Holloway (1997) argues that the issue of protection of anonymity is important where the researcher is part of a profession or organisation, which can give rise to conflicting expectations. It is incumbent upon the researcher to ensure that these issues are properly addressed.

Corruption research has the potential to raise ethical issues based upon its confidential nature and protection of insider information (Tilley, 2009). The research methodology also presents several ethical considerations, ranging from using insider information, to the ability to influence the research process. Accessibility presented a significant challenge for this research given the confidential nature of the investigation process. The adoption of the
research methodology implies that the researcher has acquired an internal perspective for the conduct of the research. This ‘internal perspective’ provides opportunities for ethical breaches. To circumvent this issue, all the information used was available in the public domain and participants were allowed to withdraw from the research at any point.

The survey questionnaire was disseminated through SurveyMonkey, which was in fact an ideal platform as it kept the respondents anonymous. In drafting the questionnaire, questions relating to details and information about the company, which could make them identifiable, were deliberately skipped (Fossey et al., 2002). Subsequent interviews endeavoured to secure the identity of the participants. The questions asked were specific to the research questions and refrained from asking about the personal experiences of the participants (Creswell, 2003). To ensure full anonymity, a numerical code represented each participant.

4.10 Concluding remarks

This chapter covers the research process, the data collection phase and the ethical dilemmas faced in this research process. The adoption of a mixed method perspective to conduct the study was the result of pragmatism. The primary interest of this study was to test a new concept, which has not been thoroughly addressed in the literature. The research questions, which are of the ‘what’ and ‘how’ type, are appropriate for mixed methods analysis (Tashakkori and Creswell, 2007, p. 207). Table 5 below summarises the key methodological choices used to answer the research questions based on the objectives set out in this research.
### Table 6: Data collection methods relevant to each research question

<table>
<thead>
<tr>
<th>Aim of research</th>
<th>Objectives</th>
<th>Data Collection Methods</th>
</tr>
</thead>
</table>
| What are the determinants of corporate corruption in international developmental projects? | What are the challenges facing MNCs engaged in international development projects? | • Survey Questionnaire  
• Interview  
• Case study                                                                 |
| How effective are the MDBs sanctions regimes in mitigating corruption risks?     | How effective are the MDBs sanctions regimes in mitigating corruption risks? | • Survey Questionnaire  
• Interview  
• Case study                                                                 |
| How is the definition of project success conducive in controlling corporate corruption? | How is the definition of project success conducive in controlling corporate corruption? | • Qualitative Content Analysis                                                        |
| How is corporate corruption triggered by corporates representing the business side? | How is corporate corruption triggered by corporates representing the business side? | This objective will draw upon all the data collection methods as outlined in this methodology |
Chapter 5  Case studies of sanctioned firms

5.0  Introduction

It is instructive to examine a few scenarios, based on real events, in which the mechanism for corporate corruption can be understood and analysed. Following investigation of alleged corruption cases by the AfDB and full admission of guilt, five companies agreed to engage in a negotiation process with the AfDB. The option of payment of a financial penalty and a restricted debarment period were offered to them as mitigating factors for their collaboration. Out of the five firms, one firm was involved in procurement of goods while the remaining were involved in development projects. The four companies sanctioned by the AfDB are used as case studies in this research.

As recommended by Seawright and Gerring (2008), the cases are selected in a sound manner. Case studies are a good way to understand the processes involved and it affords the opportunity to observe the sequence of events that lead to certain outcomes (Peters, 1998). These four case studies were selected to demonstrate how motivations and opportunities for corporate corruption develop within these corporates. They also highlight the roles of the different actors in the process. These cases were selected following preliminary data analysis according to three criteria. Firstly, they were identified as important and clear cases of corporate corruption that could be referred as ‘revelatory cases’ (Yin, 2013, p. 27). Secondly, the cases are MDB-financed projects in the developmental area. Finally, in order to ensure the integrity of the research process, it is essential that information pertaining to
Chapter 5  

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the cases be obtained from the public domain in order not to compromise the whole process. The cases referred to in the case study have gone through the negotiation settlement agreement that requires all information to be in the public domain after the investigation was conducted, hence information on the cases was easily accessible. With case study methodology, a combination of data sources is used to derive in-depth insight of the phenomenon of corporate corruption in real-life context. This combination provides robust, reliable and valid inferences about the phenomenon under investigation.

5.1  Case study one: the Bonny Island Affair

5.1.1  Companies involved in the project

Snamprogetti Netherlands B.V. is based in the Netherlands and provides oilfield services. It operates as a wholly owned subsidiary of Snamprogetti S.p.A - an Italian Engineering Procurement and Construction contract (EPC) company that was subsequently, acquired by Saipem S.p.A. In 1990, a joint venture of four companies was formed for bidding on the Bonny Island Project in Nigeria. The joint venture (TSKJ) consisted of the following companies:

1. Technip S.A;
2. Snamprogetti;
3. Kellogg, Brown and Root Inc; and
4. JGC Corporation - an EPC Company.

5.1.2  The project

The AfDB had contributed $100 million in financing to the project for an overall contract volume of $6 billion (AfDB, 2014). Between 1995 and 2004, Nigeria LNG Ltd - a public body created specifically to develop the Bonny Island project - awarded four EPC contracts to the joint venture (FCPA, 2010). The project consisted of building liquefied natural gas
(LNG) facilities on Bonny Island. While the first contract was awarded through a competitive tender, the three remaining contracts were awarded directly to the joint venture, which include a consortium of four companies (Narrainen, 2018b).

5.1.3 The corruption scenario

The joint venture hired agents to assist them in winning EPC contracts. Mr Tesler – a citizen from the United Kindom - and a Japanese Consultancy Company were appointed as agents to negotiate contracts. They engaged into networking with high-level public officials and channelled bribes to high-level Nigerian government officials. Tri-Star Investments Ltd – a company incorporated in Gibraltar, represented by Mr Tesler and the Japanese Company - was used as a vehicle to channel the bribe money from the joint venture to government officials (AfDB, 2014).

5.1.4 Admission of guilt

Following allegations of corruption, AfDB instigated an investigation against TSKJ. Snamprogetti Netherlands B.V admitted to have engaged in corrupt practices by affiliated companies from 1995 until 2004 in relation to the award of AfDB-financed services contracts for liquefied natural gas production plants on Bonny Island, Nigeria. In fact, from 1995 to 2004, the TSKJ companies made improper payments totalling $180 million to government officials in return for the award of the Bonny Island contracts (AfDB, 2018). The payments were channelled through two joint ventures to bribe Nigerian government officials to obtain engineering, procurement and construction (EPC) contracts.

5.1.5 The Bribery Scheme

Snamprogetti and its joint venture partners conspired to pursue lucrative contracts through a massive bribery scheme (NLNG) between 1995 and 2004 to build LNG facilities on Bonny Island. The government-owned Nigerian National Petroleum Corporation (NNPC) was the largest shareholder of NLNG, owning 49% of the company. Snamprogetti
authorised the joint venture to hire two agents - Mr Jeffrey Tesler and a Japanese trading company - to pay bribes to Nigerian government officials (including top-level executive branch officials) in order to assist Snamprogetti and the joint venture in obtaining the EPC contracts (Narrainen, 2018a). Before the award of the EPC contracts, Snamprogetti’s agents met with top-level public officials of the Nigerian government in order to request a representative with whom the joint venture should negotiate bribes on behalf of Nigerian government officials. The joint venture paid an approximate amount of $132 million to a Gibraltar corporation controlled by Mr Tesler and more than $50 million to the Japanese trading company during the course of the bribery scheme.

5.1.6 Debarment and sanctions by AfDB

Following allegations of corrupt practices, a thorough investigation was conducted by the Investigation Department of the AfDB. Snamprogetti recognised the facts and was willing to settle the case through a negotiated settlement with the AfDB against a reviewed debarment period and payment of a financial penalty. Consequently, it was agreed that the three joint ventures would be debarred for a period of three years each (see table 6) and a total of $22.7 million to be paid as a financial penalty to the AfDB (see table 7). These corporates were also cross-debarred by other MDBs.

Table 7: Debarment period imposed by AfDB

<table>
<thead>
<tr>
<th>Firms debarred by AfDB</th>
<th>Debarment period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Serviços de Engenharia Lda</td>
<td>3</td>
</tr>
<tr>
<td>2. TSKJ II – Construções Internacionais Sociedade Unipessola Lda</td>
<td>3</td>
</tr>
<tr>
<td>3. LNG – Serviços and Gestão de Projetos Lda</td>
<td>3</td>
</tr>
</tbody>
</table>
5.1.7 Financial penalties paid to the AfDB

Table 8: Penalty fees paid to AfDB

<table>
<thead>
<tr>
<th>Companies</th>
<th>Country of incorporation</th>
<th>Financial Penalty $million</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Kellogg Brown and Root LLC</td>
<td>US</td>
<td>6.5</td>
</tr>
<tr>
<td>2 Technip S.A.</td>
<td>France</td>
<td>5.3</td>
</tr>
<tr>
<td>3 JGC Corp.</td>
<td>Japan</td>
<td>5.2</td>
</tr>
<tr>
<td>4 Snamprogetti Netherlands B.V</td>
<td>Netherlands</td>
<td>5.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>22.7</strong></td>
</tr>
</tbody>
</table>

5.1.8 Charges under the FCPA

Snamprogetti was charged in the US District Court for the Southern District of Texas for violating the anti-bribery provisions of the FCPA regarding illegal payments made to foreign officials to facilitate the award of future contracts obtained in connection with the Bonny Island project. Snamprogetti agreed to pay a $240 million criminal penalty to resolve related charges under the FCPA.

Kellogg Brown and Root LLC was ordered to pay a $402 million fine and to retain an independent compliance monitor for a three-year period in order to review the design and implementation of its compliance programme. Mr Tesler was indicted in February 2009 on charges related to the FCPA for his alleged participation in the bribery scheme.
Snamprogetti reached a settlement of a related civil complaint filed by the US Securities and Exchange Commission (SEC), charging Snamprogetti with violating the FCPA’s anti-bribery provisions, falsifying books and records, and circumventing internal controls. As part of that settlement, Snamprogetti and Ente Nazionale Idrocarburi (ENI) - its parent company - jointly agreed to pay $ 125 million in disgorgement of profits relating to those violations (FCPA, 2014).

5.1.9 Negotiation with Nigerian authorities

Nigerian authorities also investigated the Bonny Island case. Snamprogetti Netherlands B. V. entered into a settlement and non-prosecution agreement with the Nigerian authorities in connection with contracts to build liquid natural facilities on Bonny Island. It agreed to pay a criminality penalty of $ 30 million and a legal reimbursement fee of $ 2.5 million.

5.1.10 Key outcomes of the Bonny Island Case

The case demonstrates a deliberate intention of the corporate to secure advantages for corporate benefits. The following salient issues emerged from the case:

- Top representatives of the firms orchestrated the bribery scheme
- The use of third parties to channel the bribe does not absolve the company of wrongdoing
- The corporates do not claim ignorance of the practice and hence becomes party to it.
- Corporate benefits were obtained through future contracts

5.2 Case study two: Medupi Case

5.2.1 The Company

Hitachi Ltd is a Japanese multinational with its headquarters in Japan. The company has more than 330,000 employees around the globe. The company is diversified and operates in
different business segments, including amongst others, the energy sector. In 2005, Hitachi created a subsidiary company - Hitachi Power Africa (HPA) in South Africa to establish its presence in that country and to bid for any public and private contracts, including government contracts to build two new major power stations.

In 2007, HPA won a $1.6 billion contract to provide boilers for the Medupi power station, while Alstom, a French company, was awarded a $1.01 billion contract to supply the turbines for the Medupi plant (AfDB, 2018). Later, the newly created subsidiary - HPA sold 25% of its stock to Chancellor House Holdings (Pty) Ltd (Chancellor) - a local South African company - that served as a cover-up for the African National Congress (ANC), which is the South Africa’s ruling political party. Undoubtedly, this arrangement gave the front company and, indirectly, the ANC, the ability to share the profits from any power station contracts that Hitachi secured. Soon after the arrangement, Hitachi was awarded two subsequent contracts to build power stations in South Africa and $5 million was paid as ‘dividends’ based on profits derived from the contracts to ANC through the Chancellor. It was also found that Hitachi paid the front company an additional $1 million in ‘success fees’ that were recorded as consulting fees in its books and records.

5.2.2 The project
On 30 October 2007, Eskom – a public utility owned and operated by the South African government - awarded the AfDB-financed Medupi power station boiler works to the consortium of HPE and HPA for a total amount of $1.6 billion. The project comprised the design, manufacture, supply, erection and commissioning of six coal-fired steam generator units for the Medupi plant in South Africa.

5.2.3 The corruption scenario
The SEC found that Hitachi had paid Chancellor House about $1 million, which was essentially an incentive for Chancellor House to influence tenders for the award of future projects to Hitachi. Hitachi concealed the ‘success fee’ arrangement made with the ANC for
funding Chancellor House as a consultancy fee in its books and records for the year ended on December 31, 2008. The inaccurate books and records of Hitachi’s subsidiary were reflected in Hitachi’s financial statements for the fiscal year ended March 31, 2009, which were filed with the commission.

This case raised the serious issue of manipulation of contracts behind the scenes in order to influence the process. The arrangement made by Hitachi gave Chancellor – and, by extension, the ANC - the ability to share the profits from any power station contracts secured by the awarding company. It was found that Hitachi entered into an undisclosed ‘success fee’ arrangement with Chancellor. This ‘success fee’ was in fact a form of reward for the Chancellor’s engagement in providing future contracts.

During the bidding process, Hitachi was fully aware that Chancellor was a funding vehicle for the ANC. Hitachi, nevertheless continued to collaborate with Chancellor in order to be under its political influence. This political connection helps to obtain government contracts. Because of this arrangement, it was noted that Hitachi was awarded power station contracts in South Africa worth approximately $5.6 billion in Medupi and Kusile. In April and July 2008, Hitachi paid Chancellor ‘success fees’ totalling approximately $1 million. In its books and records, for the year ended December 31, 2008, this was deliberately recorded as ‘consulting fees’ instead of ‘success fees’.

Furthermore, it was noted that in 2010, Hitachi Power Africa also inaccurately recorded a dividend worth over $1 million to be paid to Chancellor, its 25% shareholder. This was recorded as dividends in the books and records for the year ended 31 December 2010 of the subsidiary when in fact it was an amount due for payment to a foreign political party in exchange for its political influence in assisting Hitachi in getting two government contracts. The subsidiary’s inaccurate books and records were consolidated into Hitachi’s financial statements for the fiscal year ended March 31, 2011. Eskom’s decision to award Hitachi the
contract was the subject of much criticism. The chairperson of Eskom’s board was a member of the ANC’s national executive committee and a trustee of Chancellor House Trust.

5.2.4 Consequences of the Medupi corrupt transactions

The Medupi plant was scheduled to be in full operation by the end of 2011. However, as a result of a number of reports on defective welding in the boilers manufactured by Hitachi and failed software trials by Alstom, the assignments could not be completed in time leading to delays in the construction and completion of the station.

5.2.5 Settlement with SEC

In September 2015, the SEC charged Hitachi Ltd with violating the FCPA for inaccurately recorded and improper payments to South Africa’s ruling political party in connection with contracts to build two multi-billion-dollar power plants.

Hitachi’s misconduct violated the books and records and internal accounting controls provisions of the federal securities laws, specifically Sections 13(b) (2) (A) and 13(b) (2) (B) of the Securities Exchange Act of 1934. The US SEC charged Hitachi for allegedly making ‘improper payments’ which were ‘inaccurately recorded’ under the US FCPA to the ANC in connection with the $2 billion Medupi power plant deal. Hitachi agreed to pay $19 million to settle the case. According to the SEC’s complaint filed in the US District Court for the District of Columbia:

- Hitachi knew that Chancellor House Holdings (Pty) Ltd was a funding vehicle for the ANC during the bidding process.
- Hitachi nevertheless continued to partner with Chancellor and encourage the company to use its political influence to help obtain government contracts.
- Hitachi paid ‘success fees’ to Chancellor for its exertion of influence during the Eskom tender process pursuant to a separate, unsigned side-arrangement.
5.2.6 The outcome of the AfDB’s investigation

The AfDB undertook an investigation into the alleged sanctionable practices of the consortium of Hitachi companies – the German-based Hitachi Power Europe GmbH (HPE) and its South African subsidiary Hitachi Power Africa (Pty) Ltd (HPA) in the power station boiler works contract of Medupi. The investigation revealed that HPE in Germany and its South African subsidiary, HPA engaged in corrupt transactions in order to be awarded the boiler works contract. The AfDB successfully entered into a negotiated settlement with Hitachi in November 2015.

A settlement was reached between the AfDB and Hitachi Japan for a twelve-month debarment with conditional release upon HPE and HPA respectively. It was also agreed that AfDB would terminate debarment as soon as Hitachi implements its integrity compliance programme to the standard set by the AfDB’s Integrity Compliance Guidelines. Moreover, Hitachi voluntarily agreed to pay a financial penalty to AfDB, which will be used to fund worthy anti-corruption causes on the African continent (AfDB, 2014). However, the amount paid to the AfDB remains confidential.

5.2.7 Key outcomes of the Medupi case

The case study shows that the corrupt scheme was orchestrated at corporate level in order to secure corporate benefits in the form of future contracts. The following issues were identified in this case study:

- Influential and secretive contacts were established between top management representatives and the bribe-takers.
- The bribery was camouflaged as payment of consultancy fees in order to avoid detection.
- The bribe receivers had direct privileged contacts with the government of the day.
• The bribe supplier obtained corporate benefits in the form of future contracts.

5.3 Case study three: the Batshamba-Tshikapa Road case

5.3.1 Case background

China First Highway Engineering Company Ltd (CFHEC) established in April 1963 is a major contractor for Chinese highway projects in China and abroad. CFHEC is affiliated to China Communications Construction Company (CCCC) and is located in Beijing. CCCC was founded by the China Communications Construction Group (CCCG) and was incorporated in 2006. The company and its subsidiaries are mainly engaged in the design and construction of transportation infrastructure, dredging, and heavy machinery manufacturing.

5.3.2 The Fraudulent scheme

CFHEC submitted its bid for the construction of the Batshamba-Tshikapa road project in the Democratic Republic of Congo following floating of bids for international tender. The bid submission provided for the bid, the company misrepresented information in the bid document by fraudulently claiming that it was involved in a similar type of work in Congo (AfDB, 2014). In fact, the Congo project referred to in the Bid document submitted was an AfDB financed project. The project was not undertaken by CFHEC as it claimed. This fraud was identified during the evaluation of the bids and this triggered an investigation by AfDB.

5.3.3 AfDB’s sanctions imposed

Following the investigation process. The company agreed to settle the case through a settlement agreement with AfDB. The AfDB debarred CFHEC for corruption. A three-year debarment was imposed on China First Highway Engineering Co Ltd (CFHEC) following admission of fraudulent and collusive practices in the AfDB-financed project. As part of the settlement agreement and in accordance with the AfDB’s sanctions procedures, the AfDB debarred CFHEC for a period of three years with conditional release. As per the Agreement,
the debarment period could be reviewed to 24 months if CFHEC complied with all conditions of the agreement. The company agreed to pay a financial penalty of $18.86 million. This supports initiatives for preventing and combating corruption in AfDB’s member countries on the African continent. The AfDB also reprimanded CCCC, which is the CFHEC’s parent, for a lack of oversight regarding a subsidiary’s bid for an AfDB-financed project. The debarment of CFHEC qualifies for cross debarment under the April 2010 Agreement for Mutual Enforcement of Debarment Decisions entered into by MDBs.

5.3.4 The Batshamba-Tshikapa project

In 2012, CFHEC submitted a bid for a contract in the context of the AfDB-financed Batshamba-Tshikapa Road Improvement Project in the Democratic Republic of Congo. In an attempt to make CFHEC’s project performance experience appear more substantial, the company fraudulently represented that it had been awarded another AfDB-financed contract in the past and submitted forged documents in their bid documents. In addition, CFHEC engaged in a collusive practice by sharing preparation of bids with a competitor while bidding on the same project.

5.3.5 Debarment by the World Bank

In July 2011, the World Bank debarred CCCC Limited, and all its subsidiaries, for fraudulent practices under Phase 1 of the Philippines National Roads Improvement and Management Project. CCCC was ineligible to engage in any road and bridge projects financed by the World Bank Group for a period of 6 years and 6 months until 12 January 2017.

5.3.6 Key findings of the Batshamba-Tshikapa Road case

- The misrepresentation in the bidding document involved top-level management representatives.
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- The objective of this fraudulent scheme was to secure the contract; that is, to obtain a corporate benefit.

5.4 Case Study four: Marrupa-Kazo case

5.4.1 The company

Founded in 1911, SNC-Lavalin is one of the leading engineering and construction groups in the world and a major player in the ownership of infrastructure. From offices in over 50 countries, SNC-Lavalin’s employees provide EPC and EPCM services to clients in a different industrial sectors, including mining and metallurgy, oil and gas, infrastructure and power. SNC-Lavalin also combines these services with its financing and operations and maintenance capabilities to provide complete end-to-end project solutions.

5.4.2 The project

SNC-Lavalin Inc (SNCLI) was awarded a contract in October 2008 to supervise the construction of the 66-kilometre road and bridge construction project between Marrupa and Litunde in Niassa Province, Mozambique. In December 2010, the company was awarded another contract by the Uganda National Roads Authority to supervise the upgrading of the 75-kilometer Kazo-Kamwenge road running from Nyakahita to Kamwenge in Uganda. Both projects were financed by the AfDB.

5.4.3 Prior sanction by the World Bank

In April 2013, the World Bank Group announced the debarment of SNCLI - in addition to over 100 affiliates - for a period of ten years following the company’s misconduct in relation to the Padma Multipurpose Bridge Project in Bangladesh. SNCLI is a subsidiary of SNC-Lavalin Group, a Canadian company, and represents more than 60% of its business. The debarment was part of a Negotiated settlement between the World Bank and SNC-Lavalin Group following a World Bank investigation into allegations of bribery schemes involving SNCLI and officials in Bangladesh.
While the investigation was ongoing, the World Bank’s investigative department also learned of misconduct by SNCLI in relation to the World Bank-financed Rural Electrification and Transmission Project in Cambodia. One condition of the settlement agreement was that the debarment period can be considered for a reduced period of eight years if the companies comply with all conditions of the agreement. The remainder of the SNC-Lavalin Group has been conditionally non-debarred for the same period. Moreover, it was agreed that the remainder of SNC-Lavalin Group faces debarment if they fail to comply with the terms and conditions of the agreement.

5.4.4 The corrupt scheme

Employees of SNC-Lavalin ordered illicit payments to public officials in connection with contracts awarded in 2008 and 2010. Following investigation by AfDB, a settlement was concluded with SNC-Lavalin in October 2015. The settlement followed an investigation pertaining to contracts awarded to SNC-Lavalin on two AfDB-financed projects in Uganda and Mozambique. The agreement resolved allegations uncontested by the company of illicit payments ordered by SNCLI employees to public officials in order to secure future contracts. Under the terms of the settlement agreement, the AfDB imposed a conditional non-debarment on SNC-Lavalin for a period of two years and ten months. Further, SNC-Lavalin agreed to make a settlement payment of $1.2 million in support of activities and programmes combating corruption on the African continent.

5.4.5 Investigation by Canadian authorities

SNC-Lavalin is scheduled to appear in court for a criminal fraud case filed in Canada. The Royal Canadian Mounted Police (RCMP) alleges that SNC-Lavalin paid nearly $47.7 million to public officials in Libya between 2001 and 2011 to influence government decisions. It also charged the company, its construction division, and its SNC-Lavalin International subsidiary, each with one charge of fraud and one of corruption for allegedly defrauding various Libyan organisations of around $129.8 million.
SNC has said it will plead not guilty and that the charges stem from alleged activities of former employees who face criminal charges.

### 5.4.6 Key findings from the Marrupa-Kazo case

- Top management representatives were involved in the bribery scheme.

- By agreeing to go through the negotiated settlement, the company recognises its fault.

- The corporate secured further contracts through the bribery scheme.

- The bribe receivers represent influential public officials.

### 5.5 Patterns observed in the case study

To find cross-case patterns, Eisenhardt (1989) suggests using techniques that require the researcher to capture the novel findings that may exist in the data. In order to streamline the amount of data obtained in multiple case studies, the important characteristics of the phenomenon under study were identified based on the cases (Miles and Huberman, 1994).

Patterns were derived before drawing a schematic representation depicting the corporate corruption scenario. From the within-site analysis, plus various cross-verification, the schematic representation of the corporate corruption scenario emerged. The next step was to systematically compare the emergent frame with the evidence from each case in order to assess how well or poorly it fits the case data. The central idea is that researchers constantly compare theory with data-iteration towards a theory, which closely fits the data. A close fit is important to building good theory because it takes advantage of the new insights possible from the data and yields an empirically valid theory.
In the reiterative process, interviews were used to gain maximum confidence in the external validity of the propositions. The interviewees were given a chance to comment on the propositions and research findings, helping to make sense of the data.

5.6 Findings and discussion

The four case studies demonstrate the corrupt schemes that corporates develop in order to obtain corporate benefits. Key themes emerged from the case studies and these can be used to predict the patterns and future trends. Accordingly, these firms are operating in organisational climates that are making them criminogenic by engaging in corporate corruption. These findings suggest that those actors involved in the bribery scheme are top management representatives and they are acting for corporate benefits. This is in line with structural approach, whereby corporate corruption emerges as a phenomenon that is institutionalised and embedded into larger social structure (Anders and Nuijten, 2008). According to Jansics (2014), social factors influence the way of corporates behave in the corporate world while transcends individual actions.

The research findings on the corporate corruption scenario derived from the four cases found the following key themes: i) the corporate set up; ii) the corrupt network; iii) the corporate benefit obtained. To complement the findings of the case studies the data that emerged was compared with existing knowledge in the corruption literature.

5.6.1 Key findings

(i) The corporate set-up

It is notable that in the four cases, the firms accepted the guilt of corruption offences and voluntarily agreed to engage in a negotiation process. Also, it was noted that the representatives of top management of the contracting firms were well aware of the scheme at the outset. In three cases, the bribes offered were disguised in the form of dividends,
consultancy fees, or simply as normal monetary payments. This fact was even concealed in the books and records of these companies. In these three cases, there were well-orchestrated plans between representatives of the corporates (bribe suppliers) and the bribe receivers. In all three cases, the corporate actors act as the assertive bribers. In this scenario, the public officials represent the submissive bribe receivers. In the two cases agents/intermediaries were used in the bribery scheme in order to disguise the motive of the bribes. The cases provide no tangible evidence to show that the top management representatives responsible for the projects obtained any individual benefit. Often, there are penalties for those who work in corrupt networks but refuse to cooperate (Anand and Joshi, 2004; Dohmen and Verlaan, 2004; Meeus and Schoorl, 2002).

(ii) The corrupt network

It is clear from the cases that the initiative to engage in corruption schemes was initiated by the corporate actors. It was also noted that the corruption took place by building in a long-term relationship. A common characteristic of a corrupt network is confidentiality within the relationship and secrecy towards outsiders. In order to build trust within the network, it was observed that in two cases, the firms indirectly channelled bribes through an agent or used shell companies to channel pecuniary benefits to officials. Corruption tends to become endogenous (situations are created that facilitate its existence), tending to grow and becoming organised and institutionalised.

(iii) Corporate benefit

It is clear from the four cases that the companies were effectively trying to gain a competitive advantage. While in one case the fraud was detected during the bidding process (case of Batshampa–Tshikapa), in three cases the corruption scheme continued for a period ranging from two to four years. Surprisingly, in these three cases, the companies benefitted
from additional contracts or extension of the existing contracts without going through competitive process.

The schema below depicts the trend and pattern that emerged from the four case studies. It provides insights into how the benefits obtain from the corrupt transactions can incentivise actors from the corporate and the receiving sides to participate in the transactions. It helps to have an improved understanding of corporate corruption dynamics. The corruption scheme developed by these firms is apparent. They deal mostly with public officials close to the political elites through different secretive schemes in order to siphon facilitation money to those who are in positions of power to influence future decisions. This corruption scheme instigates from the supply-side, whereby the firms engaged in development projects prospect the environment and are willing to pay facilitation money for its corporate benefits.

In all cases, cooperation between public and private actors is critical, reflecting the fact that bribery and corruption is typically based on an exchange between these two types of actors (David-Barrett, 2017).

![Figure 11: Corruption scenario from the supply-side](image-url)
The findings as illustrated in the schema depicted above, show that the benefits generate rationalisations for corruption. This claim is supported by (Paternoster and Simpson, 1996; Pinto et al, 2008; Whyte, 2016) who assert that organisations adopt corrupt behaviours when they want to gain a corporate advantage. The above illustration provides insights into how actors are incentivised in the corrupt transactions.

5.7 Corporate corruption: beyond individual control.

There is much debate in the literature on organisational misbehaviour (Vardi and Weitz, 2004) as to whether the corrupt scheme is more a function of the individuals or the organisational and societal variables (Brass, Butterfield and Skaggs, 1998; Treviño and Youngblood, 1990). The evidence from the case studies supports the argument of many social researchers (see for example, Hoetjes, 1998; Vardi and Weitz, 2004) that an explanation of the scheme employed for corporate corruption seem to be caused by factors beyond the individual control.

The cases demonstrate how the corporate corruption occurred and highlight the central role of the actors in the process. It is argued here that individual perspectives are integrated in the collective brain, which represent the corporate brain. The schemes employed in the case studies involved different individuals who have influential power in the hierarchy at corporate level. The four cases studies examined confirm this. The corrupt actors represent top-level representatives who have decision-making power. It is also worth noting that they act collectively and represent the corporate brain that sets the strategic direction of the corporates. Consequently, it represents a collective action that brings benefits to the corporate. In fact, it was noted in the four cases that strategic decisions to corrupt were orchestrated by top managers. The schema developed above (see figure 11) represents the
vicious cycle that occurred in the corporate corruption scenario. It also offers insights in the mechanism employed by corporate actors.

5.8 Concluding remarks

The case studies provide important insights into the roles and activities of the different actors and the causal mechanisms employed by the corporate actors for corporate corruption. The synthesis of information performed through these case studies allows not only for learning about the paths of corruption, but also the involvement of the actors both at corporates and institutional level, in allowing the corrupt transactions to go undetected. The case studies provide the how and why of the corporates’ involvement through the presentation of the bribery scheme as illustrated in Figure 10 above. The phenomenon of corporate corruption has been demystified and key themes have been extrapolated from the case studies in describing the phenomenon under review. The case studies reviewed add to criminological scholarship by demonstrating that corporate corruption is a phenomenon that is orchestrated from the supply-side for the ultimate benefit of corporates. It further depicts a secretive scheme with the participation of corporate actors who have decision-making powers at management level. The case studies also depict a common trend, whereby corporates are becoming instigators or facilitators of corruption from the supply-side.
Chapter 6  Findings and analysis

6.0 Introduction

This chapter analyses and presents the results obtained through the different methods. These methods have been useful in tapping the phenomenon under study and in depicting the mechanism employed by corporates engaged in developmental projects. In fact, this study confirms the complementarity of the qualitative and quantitative methods by providing satisfactory answers to the research questions (Evertsson, 2017). What follows in Chapter 6 is an insight of the findings and analysis of the specific research data. All data in this research study comes from the following sources:

- Case studies of four firms that have been sanctioned by AfDB and have consequently engaged in NSAs (covered in Chapter 5).
- Qualitative content analysis of selected academic research journals to identity in what way project success is associated with development outcomes.
- 43 responses out of 125 obtained from the survey questionnaire (representing a 34.4 % response rate).
- 23 interviews of professionals with wide experience in MDBs’ operations to capture the propensity of MNCs in engaging into corporate corruption.
Finally, the findings from the different methods are triangulated and combined to provide a framework that can be used to explain the determinants of corporate corruption. This framework is specific to corporate behaviour among MNCs in multilateral aid and has been created by the author to add to our clarity and understanding of the drivers of corporate corruption.

### 6.1 Data quality and data analysis

Following data collection, rich empirical materials about the different aspects of the phenomenon were acquired. In the conduct of the research, attention was made to data quality (Yin, 2003a), data credibility (Lincoln and Guba, 1985; Miles and Huberman, 1994), and construct validity (Yin, 2003b). Data obtained in this research were analysed concurrently. The quantitative responses from the interviews were analysed using Microsoft Excel. Qualitative responses were compiled and grouped by types of questions. The data sets from the qualitative and quantitative methods were jointly reviewed and compared. From the qualitative data, patterns were identified via a multi-step coding process. Codes were assigned to the qualitative data and the results collected were compared with the quantitative results. The data sets are connected together and embedded in the results. Corroboration was sought between the interview data, case study data, the quantitative survey responses and the qualitative content analysis data. Contradictory evidence was sought but no major divergence was not found. The credibility and authenticity of data were obtained through the triangulation process and validation of interview participants.

All data obtained were coded according to the main constructs. After the coding process, an analytical approach was undertaken to determine patterns and explanations. Key themes were identified to establish a meaningful description of the data (Taylor, 2001). The illustrative presentation helped clarify the mechanism of corporate corruption and in explaining the ‘how’ and ‘why’ of the observed phenomenon.
The results from the questionnaire were complete, consistent and clear. Respondents completed all the questions. The four case studies were representative of the phenomenon being studied as they provide for saturation of information. As for the semi-structured interview, all participants completed the interview. They voluntarily gave responses to all the questions. All the interviewees provided useful information. No interview data were discarded.

![Visual diagram of triangulation](image)

**Figure 12 : Visual diagram of triangulation**

The mixed method approach allows for the triangulation of perspectives to understand the corporate corruption phenomenon (see figure above). The qualitative and quantitative methods used bring real contributions and provide important answers to the puzzle of what causes corporate corruption. The results from one data source are reinforced by the different sources. This gives more credibility to the analysis as a whole.
6.2 Part I: case study method

The four case studies help to understand the corporate corruption schemes employed by these corporates. Detailed information on various facets of the corruption scheme were obtained (Yin, 2006). Based on empirical data, an in-depth understanding of the phenomenon was used to construct an explanation of the phenomenon under investigation. The case narratives were reconstructed from press releases, newspaper articles, annual reports, affidavits, and verdicts of the courts.

6.2.1 Findings

6.2.1.1 Sophisticated schemes employed by corporates

The findings illustrate how these corporates use different schemes to disguise the purpose and the ultimate recipients of the illicit payments (bribes). They use sophisticated means to disguise the corrupt schemes while avoiding detection. In particular, shell companies - as in the case of Medupi, reviewed in Chapter 5, and off-the-books ‘slush funds’ were widely established and used. The study also observed that the general trend was to use consultants and agents as intermediaries to negotiate with the potential recipients of the bribes so as to ultimately facilitate and transfer illicit payments to them. This finding confirmed the point made by Sikka and Lehman (2015) that corporates operate according to the logics of competition and private profit.

Generally, corporates involved in corporate corruption often reap the advantages in the short or medium term through future contract awards. However, once, these malpractices are discovered and sanctioned, this usually leads to significant negative publicity. This significantly affects corporates’ reputation, status and relationship with customers in the long term (Pfarrer et al., 2008; Gillespi and Dietz, 2009; Greve et al., 2010; Lin and Chuang, 2016).
Over the last few years, MDBs have become experienced in sanctioning and cross-debarring firms for corrupt practices. This experience has in itself led to firms becoming more aware that corrupt behaviour is more likely to lead to more sanctioning in the current period than in the past. Naturally, debarment from multinational development works, even for a short time, will cause a loss of profits due to loss of future contracts. This will cause them to pause and seek other ways to maintain their profits than the current emphasis on corrupt practices. Unfortunately, the findings seem to confirm that this could eventually lead to new forms of corruption that need the attention of MDBs to strengthen their counter-measures.

The case study and the survey also provide the first indication of the dynamics of capture at play. The findings illustrate that capture of public decisions in contracts can be achieved through instruments such as corporate corruption. The findings of this research also provide further support that undue influence by corporates can be exercised without direct involvement of private actors with the representatives of the public sectors.

### 6.2.1.2 Involvement of top management

In all the four cases studied, it was noted that the corporate actors representing top management were directly involved in one way or another in the corrupt transactions. Based on the case studies, the findings point to the fact that the corporate corruption schemes are well orchestrated with the ultimate aim of benefiting these corporates. A general view on supply-driven schemes paid by these firms to different receivers does not confirm the assumption of the exceptionality of the corrupt schemes. There are clear violations of national and international corruption laws, including the sanctionable practices of MDBs (see, for example, the Marrupa–Kazo case reviewed in Chapter 5). Moreover, senior management often attempted to scapegoat the individual members found to be directly involved in the corrupt practice (Ermann and Lundman, 2002; Ashforth and Anand, 2003). This is consistent with the responses obtained from the interviews and the case study. The statement made by one interviewee testifies this:
‘You know this elaborated scheme is undertaken under the eyes of the management. They will justify it as having been done by the individuals who took advantage of loopholes in the procedures and systems’ – Interviewee 10.

One interviewee even went further by stating the following:

‘Top management are, for sure, the culprits. However, when the issues become in the public domain they have to find an excuse to get out of it. Do you think they will say management took the wrong decision? Never...’ – Interviewee 23.

Organisational structures and processes were often contrived to insulate senior managers from blame for the corrupt schemes to go undetected. The case studies confirm this. This also echoed by Wheeler and Rothman (1982) who claim that corporates are the primary beneficiary, even though the individuals could benefit financially.

6.2.1.3 Attributes of corporate corruption

While economists have tended to view reputational intermediaries as barriers to corporate corruption, sociologists and criminologists come to see them as key facilitators of fraud (Tillman, 2009). In this research, the passivity of the reputational intermediaries in detecting fraud was identified in the case studies. Undeniably, the role of ‘gate-keepers’ as reputational intermediaries is also important in facilitating this type of corruption. Based on the analysis of the cases, seven attributes associated with corporate corruption were identified. Table 8 below shows the seven attributes for corporate corruption to be effective.
Table 9: Attributes of corporate corruption

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Descriptions based on findings from the research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collective action</td>
<td>Involvement of top managers/ executives.</td>
</tr>
<tr>
<td>Key actors involved</td>
<td>Top executives, Directors, Managers, high-level public official.</td>
</tr>
<tr>
<td>Victims</td>
<td>States, bidders and users.</td>
</tr>
<tr>
<td>Beneficiaries</td>
<td>Firms winning the contracts.</td>
</tr>
<tr>
<td></td>
<td>High-level political parties.</td>
</tr>
<tr>
<td>Types of violations</td>
<td>Bribery, corruption, fraud, misrepresentations.</td>
</tr>
<tr>
<td>Intentionality of behaviour</td>
<td>To gain a competitive advantage for the benefit of the organisations.</td>
</tr>
<tr>
<td>Reputational intermediaries</td>
<td>Internal controllers, Internal Auditors, External Auditors.</td>
</tr>
</tbody>
</table>

6.3 Part II: qualitative content analysis

Using qualitative content analysis to review the PM literature, this research offers a better understanding of the limitations of PM in defining project success in international development projects. Relevant scholarly journals on PM that focus on project governance/project success issues were consulted for this research. Information gleaned from the literature was synthesised and used as input for this study (Harden and Thomas, 2010).
To this end, the *International Journal of PM* and the *PM Journal* were reviewed, together with prominent journals in the areas of fraud and corruption, spanning the years from January 1990 to June 2017. The research articles consulted have used qualitative, quantitative or mixed methods. The work of Jing et al. (2009), who adopted this approach in their studies of the construction sector, and of Onwuegbuzie et al. (2010), who defined this process of literature review as ‘an interpretation of a selection of published documents available from different sources that optimally involves summarisation, analysis, evaluation, and synthesis of the documents’ were important insights.

In this perspective, as proposed by Fink (2009), studies and analysis produced by researchers, scholars and practitioners were identified, evaluated and synthesised. The data gathering focused on academic journal articles. Shibboleth\(^\text{11}\) was used to gain access to these articles through University of Portsmouth credentials. In this regard, prominent journals dealing with issues of project governance and corruption issues were searched for. Based on the approach adopted by Jing et al. (2009), the scope of the search was extended to include common search tools such as Google Scholar.

From the search and a selection of relevant publications, the following keywords and combinations were used: ‘governance’, ‘project governance’, ‘project success’, ‘project failure’ and ‘corruption risk’. Sixty-three (63) journal articles relevant to the areas were screened. Thirty-five (35) journal articles relating to the searched keywords were consulted and the various definitions of project success were classified and categorised (see Appendix VII). Each journal article (n=35) was coded to refine the raw data and classify the information obtained. The refinement process excluded articles that did not relate to project activity in the academic field (n=28). This leaves 35 journal articles related to the subject

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\(^{11}\) Shibboleth is an authentication system, which enables access to remote users by using of the University username and password to access most of the University of Portsmouth Library’s electronic resources.
under study. PM is an evolving management concept and the journal is the most appropriate method with which to be updated on the latest literature on project success.

6.3.1 Findings

Out of the thirty-five (35) journal articles, only eleven (11) journal article refers to risk management. However, only one (1) journal article addresses corruption risk in projects. The remaining articles focus on cost, quality, and time factors, as the three important elements. The study also noted that the definition of project success used by different researchers in the journal articles varied.

Table 9 below summarizes the different definitions of project success as advocated in the journal articles. 83.8% of the research articles propose a strategy for project success that focuses on management issues to better manage projects. The remaining 17% advocate a strategy that takes in account the different stakeholders associated with the projects. This illustrates the underestimated benefit of a broader definition of project success based on external stakeholders.

<table>
<thead>
<tr>
<th>Elements on which definitions of project success is referred to</th>
<th>No. of articles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time, Cost and Quality Only</td>
<td>9</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>6</td>
</tr>
<tr>
<td>Environmental concerns</td>
<td>4</td>
</tr>
<tr>
<td>Risk management</td>
<td>11</td>
</tr>
<tr>
<td>Monitoring/ institutional environment</td>
<td>4</td>
</tr>
<tr>
<td>Impact on beneficiaries</td>
<td>5</td>
</tr>
<tr>
<td>Team work</td>
<td>3</td>
</tr>
</tbody>
</table>

Table 10 : Definitions of project success
For this research, the external stakeholders are the development partners, the inhabitants who benefit from the project and the MDBs. It is clear, therefore, that the definition of project success has not matured enough in light of sanctions imposed by MDBs.

Figure 13: Strategy for project success

6.3.2 Redefinition of project success

The concept of project success has been the subject of much debate in management literature and is pivotal to the literature of PM (Freeman and Beale, 1992). The dimensions (criteria) upon which one appreciates success and the factors of success themselves have been the focus of many studies. In order to measure the failure or success of a project, the evaluation dimensions must be well defined. In the PM literature, the evaluation dimensions of a successful project are generally limited to the traditional constraints of cost, time and quality. The findings of this study confirm this assertion.

Surprisingly, only one article refers to risk management for the identification of corruption risk with focus on mechanism to mitigating employees indulging in corrupt practices for their individual gains. The finding clearly shows that the issue of corporate corruption is not taken into consideration. However, it refers to corruption within corporates whereby employees commit corrupt acts for their private benefits. However, there is clearly no
attempt from PM perspectives to develop any strategy at corporate level to address the issue of corporate corruption. This finding from the qualitative content analysis method is indicative that PM theories on project success have not matured enough to address risks associated with corporate corruption.

Based on this, it will be helpful to incorporate corruption risk management with particular emphasis on corporate corruption in the definition of project success. Researchers refer to critical success factors in projects such as general conditions, events surrounding the implementation of the projects, and circumstances contributing to project success (Pinto and Slevin, 1988; Jugdev and Müller, 2005; Ika, 2009). In fact, some researchers have provided a list of success factors (for example. Cooke-Davies, 2002; Jugdev and Müller, 2005; Ika, 2009). The most well known list of success factors includes project mission, support from top-management, stakeholders-consultation, employees, project timeline, technical tasks, client-acceptance, monitoring and feedback, communication and finally, troubleshooting (Pinto and Slevin, 1988).

One interviewee commented on the notion of project success. He explicitly stated:

“For the corporates involved in developmental projects, the focus is predominantly to maximise profit. Satisfying the need of external stakeholders are their least concerns. I feel there is a limitation in the definition of project success. This is a big weakness’ - Interviewee 14.

6.3.3 Analysis

PM was developed in the 1950s while international development became prominent in the 1960s. These have grown in parallel but there have been very few attempts to bridge the two. From the literature the multiple benefits to be derived with a mature PM system in place is well noted (Bryde, 2003; Kwak and Ibbs, 2000). However, PM systems that exclusively pursue the success criteria based on cost, time and quality are ineffective in
addressing the challenges for internationally funded projects to thrive in a corruption-free environment. (Bourne et al., 2000; Walton and Dawson, 2001). Researchers have recommended the broadening of the definition of project success based on new identified success factors (Turner, 1993; Morris and Hough, 1987; Wateridge, 1998; Mc Pinto and Slevin, 1988; Saarinen, 1990; Ballantine, 1996).

MNCs should work on a more adapted approach that meets the exigencies of the external environment. Some researchers propose focusing on the expectations of multiple stakeholders (Maylor, 2001; Bryde, 2003; Tukel and Rom, 2001). This approach will be beneficial as the projects financed by MDBs have a great impact on stakeholders. The empirical findings show a reluctance in the literature to broaden the scope of project success. According to Chan et al. (2003), this reluctance to go beyond cost, time and quality factors is due to commercial pressures.

6.3.4 Narrainen’s Project Governance Framework

Research, such as that conducted by Wu (2005), has shown the importance of corporate governance systems on the level and incidence of corruption, especially in the private sector. This study finds that, despite the fact that project governance is considered important in practice, actual corruption risk management with regard to corporates working in development projects has not been developed much. The empirical findings of this research confirm that the existing PM approach – though it has as one of its functions the management of risks - is not mature enough to effectively counteract corruption risks in its internal and external environment in mitigating corporate corruption. This is because the definition of project success is too restricted.

PM principles in the framework represent the planning, organising, and controlling of organisational resources in order to achieve the specific goals or objectives. This study, using qualitative content analysis, confirms the constraints of cost, time and quality in achieving corporate objectives. PM operates in an organisational arrangement, hence the
Chapter 6

Findings and analysis

attempts of managers to implement the project objectives within the framework of the organisation structure. Consequently, corporates can define projects as successful even though they might not be well received by the intended clients. In the context of this research, the intended clients are the users of the development infrastructures, the states and the population.

A synthesis of the definition of process success based on the literature confirmed the restricted definition of project success as it is based on internal factors including time, cost and performance. External factors like corrupt practices, collusion involving corporate actors, and client’s satisfaction are simply ignored by management. Narrainen’s Project Governance framework proposes (see Figure 12) the integration of corruption risk management with PM principles in order to counteract corporate corruption. PM principles coupled with corruption risk management will avoid these corporates being trapped in the vicious cycle of corporate corruption and ultimately being sanctioned by the MDBs.

Fighting corruption in funded projects will require corporates to embed corruption risk management in PM. This will enable corporates to ensure there are adequate control mechanisms in place to control and mitigate corruption risks while ensuring that the cost, quality, time and other factors continue to be met. Ultimately, this will lead to project success as depicted in Figure 12. Project success is a multidimensional construct that includes both the short-term PM success, efficiency, and the longer-term achievement of desired results from the project, that is, effectiveness and impact (Judgev et al., 2001; Shenhar et al., 1997).

The value of this model is that it seeks a new definition of project success in development projects by considering both internal and external factors and is adapted to corporates involved in MDB-financed projects. By considering corruption risk management, the corporates will include mechanisms in place to address mitigation strategies for corruption,
including corporate corruption, to be detected. These lead to the ultimate goal of project success, which include not only maximising profit but also maximising delivery within the time constraints, while maximising their chances of winning future MDB-financed contracts.

Relying on the findings, the proposed the project governance framework is recommended to corporates engaged in executing development projects while the framework incorporates corruption risk management to address both corporate corruption and corruption by employees and ultimately leading to project success. This study finds that despite the fact that there is a need for governance in project implementation; in practice project governance, integrating with corporate corruption has not developed.

A systematic approach to mitigating capture risks is still lacking (OECD, 2017). The adoption of the model may also be beneficial to corporates in identifying and mitigating risks associated with capture. It will help to foster a culture of integrity at corporate level. Capture can facilitate corporate corruption, as corporate actors are involved in the process. The capture relationship involves at least different actors. As illustrated in the case study, the capture result in repeated interactions with actors from the receiving end, which over time create growing opportunities for the corporates. Corporates that rely heavily on third parties and agents are at risk, as any bribe paid by such actors may be difficult to monitor and control (David-Barrett et al., 2017). This research has drawn upon the current knowledge in PM and attempted to extend understanding by synthesising the existing literature by proposing a project governance framework that corporates may adopt to help make funded projects more corruption risk resistant. Sanctioned firms have to implement an integrity compliance programme in order to be reinstated after the debarment period. While this programme enhances systems and procedures within the corporate to bring an integrity culture, it does not specifically address corporate corruption.
Figure 14: Narrinen's Project Governance Framework

Corporates have to focus on enablers to get rid of unethical behaviour (Ho, 2011) so as to instil an anti-corruption culture. In light of the enforcement landscape of MDBs, there is an increasing need for ethics in the organisational fabric of the organisation to be improved.

6.4 Part III: analysis of survey questionnaires

This survey is used to capture the perceptions of corruption in corporates, which have been debarred by MDBs. The quantitative survey employs a Likert scale and it uses a five-point ordinal scale to rate the degree to which the respondents agree or disagree with a statement (1 = definitely disagree; 2 = mostly disagree; 3 = neutral; 4 = mostly agree; 5 = definitely agree). Forty-three (43) questionnaire responses were received out of 125 questionnaires
sent out, representing a response rate of 34.4%. The basic characteristics of the responses are outlined below. The tables and graphs illustrate the results and trends, together with discussions. Given the challenges faced in attaining research participants in corruption research and research generally, the final sample (representing 34.4%) is considered an adequate response for this research. In fact, a response rate above 20% is considered to be satisfactory and acceptable (Comford and Smithson, 1996; Fowler, 2002). Recent studies have demonstrated that a low response rate in survey research does not necessarily produce a non-response bias (Keeter et al, 2000; Karahanna et al, 1999).

However, despite the response rate, a non-response bias could arise in the findings. A non-response bias is the bias that results when respondents differ in meaningful ways from non-respondents. Therefore, it is essential to conduct a non-response bias test in order to demonstrate whether the non-respondents are similar to the respondents (Fowler, 2002; Karahanna et al, 1999). Therefore, in this research a test was undertaken to determine whether the characteristics of the respondents from the original responses are similar to the non-respondents. The test was conducted for demographics region and sector of operations. The findings suggest that the demographics and sector of operations showed no significant differences between the respondents and non-respondents.

![Figure 15: Workforce of respondents](image-url)
Respondents were also grouped as early or late respondents. The two groups were then compared on their responses to the Likert scale questions using t-tests. In short, while these items are statistically different, the differences are quite small and generally would not affect the overall interpretation of the results. This suggests that those non-respondents who returned the completed questionnaire after reminders were similar to the respondents from the original responses. Hence, this provides evidence that within the sample used for this research there are minimal chances that it is likely that data has a no-response bias. 57% of respondents have a workforce less than 2,000. 18% have a workforce between 2,000 and 5000. The remaining 25% of the respondents have a workforce of over 5,000, with 15% between 5,000 to 10,000, and 10% more than 10000. This illustrates that smaller enterprises are the ones, which are the most sanctioned.

Figure 16: Distribution of respondents by regions
Respondents were required to indicate their regions of operation. 93% of respondents said they operate in Africa while 76.7% operate in Asia. While the results obtained show that contractors are represented in all six continents, North America and Oceania remain the regions least represented. Many respondents are MNCs operating in multiple regions.

6.4.1 Sectors of activities of respondents

![Sector of Activities of Respondents](chart.png)

Figure 17: Sector of activities of respondents

As depicted in the above chart, the sectors in which the majority of the respondents are involved are namely: road development (48.8%), building infrastructure (37.2%), dams/bridges (32.6%), airports/ports (30.2%), and water and sanitation (20.9%). This is
representative of the major areas in infrastructural development financed by the different MDBs.

6.4.2 Corrupt actors involved

Respondents were asked to enumerate those actors, which, according to their experiences, are the most corrupt during project implementation. Politicians came top of the list, representing 38% of responses, followed by top managers (27%) and operations staff (20%).

It is clear that politicians or politically exposed persons (PEPs) were important actors in the corruption exchanges that took place between the business side paying the bribes and the bribe receivers (represented by the public sector).

**Figure 18: Percentage of Corrupt officials**

Based on these figures, the high percentage of 65% representing politicians and top managers combined has the propensity to make the corruption scheme supply-driven. While not ignoring the fact that these projects can also attract corruption based on the demand-side, involving operational staff and field workers, the high percentage of 65% of
politicians/top managers is a strong indication that corporate corruption is particularly facilitated by contracting firms for their corporate benefit through the networking of influential actors from the receiving end. The results of the case studies also confirm this scheme.

6.4.3 Causes of corruption

Part of question 4 of the survey questionnaire includes a series of questions seeking to understand better the causes of corporate corruption. Unsurprisingly, most of the respondents confirm that the environment in which they work pushes them to indulge in corrupt practices. They identify poor economic situations (81.4%), political instability (79%) and the local corruption culture (84.4%) as preconditions for corrupt practices.

One important response was that, 33 out of 43 (77%) claimed their companies had appropriate controls/safeguards in place to detect corruption before it occurred. This confirms that firms do have control mechanisms to identify malpractices committed at the organisational level. However, how far these controls are effective to address corporate corruption is not clear.

Most respondents (35 out of 43, or 81%) agreed that the debarment periods imposed by MDBs were too long. 19% of respondents preferred not to reply to this question. 70% responded that sanctions had a negative impact on their companies. 81% considered that the sanctions process was more a ‘name and shame’ game. However, only seven out of forty-three (17%) disagreed with this assertion. 81% of respondents claimed they needed to develop counter-strategies to deal with corruption in order to remain competitive after being sanctioned. 70% of respondents considered that the sanctions would ultimately lead to a decrease in the number of contracts they would get in the future. According to 79% of respondents, sanctions were not the appropriate punitive action. 70% claimed that the sanctions imposed would cause a reduction in the workforce of the company. This is also
echoed in the statements made by SNC-Lanvalin President and Chief executive Office, Mr. Robert Card, in press releases:

‘Even though SNC-Lavalin has already incurred significant financial damage and losses as a result of actions taken prior to March 2012, we have always been and remain willing to reach a reasonable and fair solution that promotes accountability, while permitting us to continue to business and protect the livelihood of our over 40,000 employees, our clients, our investors and our other stakeholders.’ - Mr. R. Card (Source: The Canadian, 2015).

Figure 19: Responses to Question 4
(i) The debarment periods imposed by multilateral banks are too long
(ii) Sanctions will have a negative impact on the future of our company
(iii) The number of contracts we will get will be decreased
(iv) The sanctions process will encourage less experienced and competent companies to enter the market
(v) Sanctions is not an appropriate punitive action
(vi) We were forced to reduce our workforce
(vii) We consider it to be a name and shame principle
(viii) We have developed a counter strategy for our company to remain profitable and stay in business
(ix) We would have preferred to go through an arbitration process
(x) We would have preferred to settle the issue through courts
(x) The sanctions process is unfair

Figure 20: Responses to Question 6
In a similar vein, Mr. Robert Card reiterated the impact of sanction on the company.

‘... any move to charge the company would immediately threaten its future and could force it to close down. Even if charged but not convicted, the damage to its reputation would be such that all of its government business would be at risk’ – Mr. R. Card (source: The Global and Mail, 2015)

This shows the effect of sanctions on firms. This finding confirms that sanction has a profound impact on firms. Of the remaining respondents, 26% claimed sanctions would not reduce corruption while 5% did not respond to this question. The finding shows that corporates would in fact prefer to escape debarment and engage in NSAs with MDBs. With this option, they can pay a financial penalty and get away with debarment, which may have a negative impact on their reputation. 65% of respondents preferred an arbitration process in lieu of the sanctions process. There is also strong disagreement, with 79% of respondents willing to settle the issue through court procedures. Only a minority (14%) said that resolving the issue through court procedures might be inappropriate. Corruption being a complex phenomenon to prove and the trial being lengthy may be a reason for them to still carry on with their business.

The findings regarding the fairness of the sanctions process are quite contentious with 23% respondents giving a neutral response. While 37% of respondents agree that, the sanctions process is fair and 40% claim the contrary. However, based on responses to what alternative mechanisms that they would prefer, it is clear that the sanctions process is preferred to arbitration or court action. To the question on whether the sanctioned firms negotiated to pay for a financial penalty in return for a reduced debarment period or no debarment, the responses were varied. 51% of respondents confirmed that the requests were made by the MDBs, while 42% claimed that they had not been approached for NSAs.
The reason for this is simply that not all firms are offered the opportunity to engage in a NSA with MDBs. More specifically, the responses regarding whether small companies are at a disadvantage amply provided the answer. In fact, 72% respondents agreed that small and medium enterprises (SMEs) are disadvantaged compared to big firms. The reason may be because SMEs do not have much resources to restore the market after their reputations have been damaged.

Only, 16% thought that this was not the case. Moreover, it is observed that a high percentage (82%) of respondents who thought that these companies would find other ways to commit malpractices, compared to 16% who thought it would not be the case. Based on this finding, it is clear that these corporates will find innovative ways for their corporate benefits. Consequently, this urges MDBS have to be proactive in their strategies in order to address

Figure 21: Responses to Question 7
the root cause of corporate corruption at its root. While 49% of respondents agreed that, the negotiation process is transparent, 49% disagreed and 2% preferred not to respond. Clearly, this finding identifies the negotiation process as lacking transparency.

While 96% agree that the sanctions process will bring down the level of corruption on projects, interestingly, 79% claim new forms of corruption may emerge. It corroborates with the above findings that perpetrators will find other means of deceit for corporate benefits. All agree that new forms of corruption will emerge. This finding is in line with the claim that corruption is dynamic in nature and perpetrators will find new ways of committing corruption for their benefits.

![Responses to Question 8](image)

**Figure 22 : Responses to Question 8**

There seems to be a consensus that small firms are at a disadvantage in comparison to big firms. Logically, the core of the negotiated settlement is the financial penalty. MDBs will tend to have settlements with big companies as they can pay for penalties. 84% responded
that big firms would benefit the most from the negotiated process. Moreover, 72% of respondents claim that the cross-debarment of firms by other MDBs will make small firms go out of business.

6.4.4 Political connections

It is not surprising that 88% of respondents claimed that political instability had certainly been a cause for these corporates to indulging into malpractices. According to Kew (2006), political instability in a country is the failure of the political class to adhere sufficiently to the basic tenets of democracy and constitutionalism. Harriman (2006, p. 2) asserts that political stability ‘has given rise to abuse of power, brazen corruption, disregard for due process and the rule of law, intolerance of political opposition, abuse of the electoral process and the weakening of institutions.’

These MDB-financed projects have a direct link to the government of the day in as much these investments are requested by the government. The decision of whether to extend the projects or not are taken by the ruling party. Corporates working on existing projects will certainly take advance of this political instability to set up networking with influential actors, as illustrated through the case studies for the ultimate corporate benefits.

One interviewee also revealed how political connections encourage corporates to engage in corruption through the privileged contacts they engaged in. He commented as follows:

‘MDBs encourage development irrespective of the countries. If the countries are receptive to development, these MDBs will be ready to invest in developmental projects. Politically instability in countries may be a reason why these countries want to engage in development projects with MDBs so as they have an upper hand in the procurement process.’ – Interviewee 11.

Another interviewee highlighted how political connections can encourage corruption emanating from the business side.
‘These development projects are the governments’ initiatives for development. Political connections in fact encourages the political agents, and all those that revolve around the influenced politicians to establish good contacts with contractors. These contractors are on the lookout for such opportunities. They are well connected and they can influence the process by providing competitive advantages to the contracting firms. This is how the corrupt transactions take place. It is not necessary for there to be a demand side. The business side represents the active corruptor while the public sector represents the positive corruptor by accepting the bribes’ - Interview10.

Based on the above findings, it is clear that political connections has an effect on the propensity of these corporates to become corrupt. Cingoano and Pinotti (2013) assert that corporate gain market power when they are politically connected. There is empirical evidence based on the findings that political connections increases the corporates market value of corporates engaged in development projects. These findings confirm that politically connected firms have a competitive advantage over non-politically connected firms. Researchers (Faccio, Mazulius, McConnell, 2006; Goldman et al., 2013; Igan and Mishra, 2014) made similar observations.

6.5 Part IV: Interview qualitative analysis

As set out in the research methodology section, this component of the research qualitatively explored the following:-

(i) causes and nature of corruption in development projects;

(ii) consequences of corruption;

(iii) sanctions process and

(iv) deterrence of sanctions.

The findings are discussed below.
The interviews were semi-structured: interviewees were free to follow up or raise any issues during the process. The same set of questions was asked to all interviewees (see Appendix VIII). The qualitative interviews were based on 23 in-depth questions with professional staff of the AfDB with wide experience in developmental projects. The empirical research reported here was carried out between May and August 2017. The participants have very close and direct insight into developmental projects and the phenomenon of corruption. Five core themes emerged from these interviews:

- Sweetening process;
- Corporate benefits;
- Game of power;
- Corrupt networks;
- Corporate actors

According to Jávor and Jancsics (2016), almost all corruption transactions have organisational aspects, as they necessarily involve organisational members or have organisational affiliations. However, there is a dearth of knowledge of the forces that give rise to and sustain corruption within these organisations.

6.5.1 Analysis – themes and categories

The first cycle was ‘process coding’ (Miles, Huberman and Saldana, 2013, p. 75), focusing on the causes of corruption and explaining ‘how’ and ‘why’ the corporate actors engaged in corrupt practices. The initial coding process emerged from the data while deliberately avoiding abstract notions. The second phase was ‘pattern coding’ (Miles et al., 2013, pp. 86-87) whereby codes describing similar behaviours were grouped into more general and abstract units of analysis. This enabled large amounts of codes to be placed into a smaller number of categories.
6.5.1.1 The sweetening process

Corruption does not always start with a direct bribe. Normally, it starts with a sweetening process, which serves as an enticement of the bribe-receiver/s. The grooming phase of the corruption process, if required at all, involves building rapport and pushing the boundaries of a relationship down, the ‘slippery slope’ towards the final act (Köbis et al., 2016). The corruptors manipulate the relationships to the point that affective bonds minimise the risks of rejection (Free and Murphy, 2015). At the same time, they are constantly watching out for the target’s weaknesses. To a question of how these corporates engage with the target in instigating the corrupt transactions, interviewees explained how these firms identified their preys.

‘these firms, through their wide field-experience, know exactly where the weaknesses are and who have powers in their hands to influence the procurement process. They will identify the persons and entice them into the bribery scheme. They are experts in it’ - Interviewee 14.

Another interviewee was more explicit by elaborating how firms approach their targets in elaborating the corrupt schemes.

‘the bribery scheme they are using has evolved, it’s no longer the traditional, under-the-table money now. It has become a well-orchestrated scheme, where these firms try to deceive the existing safeguards in their own companies so as to escape detection’ – Interviewee 11.

6.5.1.2 Corporate benefits

The issue of ‘top management’ involvement crops up in the interviews and case study review. In the four cases, top management involvement was identified as important in orchestrating the corrupt transaction. Selected verbatim quotations from the interviews are highlighted below to support this argument.
'I would say that, though these multinational firms might have robust codes of conduct/codes of ethics in place, it does not prevent them from committing a corrupt act which would ultimately benefit the whole firm' - Interviewee 15.

This is in line with what Anand, Ashford and Joshi (2004) assert: ‘while adopting such codes is a positive development, it is not sufficient as it can sometimes be used as a badge of morality’. To the question of why these types of funded-projects are vulnerable to corporate corruption, one interviewee explained:

‘...these multinationals are operating in different jurisdictions. They have to struggle to remain in business as obtaining a contract is a very competitive market. The competition is fierce, and they have to protect the interest of their companies. They will look for ways to lubricate the wheels of the business in order to secure future contracts’ - Interviewee 13.

Another interviewee was more explicit on describing how these multinationals are ready to do business:

‘those firms which have already won contracts will do their best to secure future contracts and, of course, this is not about petty corruption. There are finding mechanisms to influence decision-makers – those who have close contacts with politicians - to secure future contracts. In all circumstances, these firms are taking risks in order to obtain corporate benefits’ – Interviewee17.

The above responses are consistent with Passas (1998) who asserts that globalisation multiplies, intensifies and activates ‘criminogenic asymmetries’ that lie at the root of corporate crime. In fact, according to the rational choice approach, organisations are continuously assessing their costs and benefits. They tend to favour actions that increase their profit margin. Van de Bunt (1994) posits that this can occur even if firms have no problems in achieving their objectives.
Scholars have identified two perspectives of corruption in organisations by referring to the ‘bad apples’ and ‘bad barrels’ dichotomy (Ashford, Gioia, Robinson, and Treviño, 2008; Coleman, 1987; Pinto, Leana, and Pil, 2008; Wheeler and Rothman, 1982). Organisational corruption can arise due to individual greed (Treviño, 1986; Treviño and Youngblood, 1990) for private benefit (Aguilera and Vadera, 2008). This is a form of corruption against the corporate and is represented by the ‘bad apples’. Based on the ‘bad barrel’ perspective, corrupt behaviours, where organisations are the primary beneficiaries, takes place in accordance with organisational goals (Baker and Faulkner, 1993). This is reflected in the statements of the following interviewees who emphasised the notion of corporate benefit:

‘I sincerely believe no individuals within the organisation will have the guts to engage in a corrupt act, committing the organisation. The risks are too high. Those in positions of power could act only with the blessing of the stakeholders of the company’ - Interviewee 7.

‘They will never tell you the corrupt behaviour is part of the firm’s strategy even though the primary beneficiary of the corruption scheme is the company. I think it is more the issue of loyalty that explains this’ - Interviewee 5.

According to researchers, there are multiple factors to explain the bad barrel perspective of corruption (Kish-Gephart, Harrison, and Treviño, 2010) and the secretive actions surrounding it (Vaughan, 1996; 1999). In line with what Baker and Faulkner (1993) posit, organisational goals may dictate the corrupt behaviour in which the organisation is the primary beneficiary.

6.5.1.3 The game of power

Corruption actors use corporate resources to engage in corruption (Jávor and Jancsics, 2016). According to Bourgeois (1981), opportunities for corruption within a corporate arise
when there are surplus or unexploited opportunities in the system. One interviewee explicitly mentioned the modus operandi employed by top managers:

‘these firms operating in different jurisdictions; they have to be competitive. And they have to thrive to survive and have future contracts. Representatives of these firms use organisational resources in the corrupt exchange’ - Interviewee 5.

Another interviewee highlighted how the resources for corruption can be created:

‘...it’s not difficult. They know how to find the resources. Low quality material, poor workmanship provides cost savings. This provides the necessary resources in the corruption exchange, and the corrupt exchanges allow them to turn a blind eye’ - Interviewee 9.

The allocation of resources in an organisation is typically very unequal and often determined by power relations (Hills and Mahoney, 1978; Pfeffer and Leong, 1977; Rajan and Zingales, 2000). According to Dahl (1971), the basis of one’s power includes resources, opportunities, acts, and objects that can be exploited to affect others’ behaviour.

One interviewee explained how the game of power is very important in the corrupt exchanges:

‘...the higher up the hierarchy, the corporate representatives definitely have more power. They are like the commander of an aeroplane. They will act to the utmost benefit and interest of the organisation. I can say in most cases they are obliged to do so’ - Interviewee 17.

The above is in line with what Bacharach and Lawler (1981, p. 45) claim: ‘outcome is an important implicit element of power. Power must be impelling influence, therefore power that is not impelling is not power at all’. This power element is very important. According to Jávor and Jancsics (2016), the more powerful a corporate actor is the higher the
propensity to engage in corruption on behalf of the corporate. This research proves them right.

6.5.1.4 Corrupt networks

The first insight into corrupt networks appeared in the interviews. In trying to understand how linkages are built between the corporates and other stakeholders to complete the corrupt transactions, one interviewee revealed the following:

‘these high-level executives know very well the weaknesses in the system. They try to establish secretive networks with main stakeholders and engage in a sweetening process’ - Interviewee 3.

One interviewee explicitly identified the main stakeholders that the executives of the contracting firms will try to network with:

‘they aim higher up the hierarchy, because the higher they go the lower the risks of being detected. They target state-owned firms, governmental institutions, political nominees, and even political parties – all high-level public officials’ - Interviewee 1.

The above findings illustrate how the networking is built and are in line with what Javor and Jancsics (2016) refer to as the ‘professionalised’ corrupt networks. Under such networks, the actors who act on behalf of the corporates are able to achieve their objectives. Buckley et al. (1976, p. 75) explain: ‘these actors in these networks have meta-power’. The willingness to engage in these corrupt networks are triggered by powerful actors from the supply-side of the corruption scheme. This is clearly illustrated in the political nexus identified in the case study.

It is argued in this research that corporate resources are important elements in facilitating corporate corruption used by the corrupt actors used in the corruption schemes. These corrupt networks have strong link to political parties, public officials and oversights, as confirmed by the findings of the research. This finding corroborates with Nielsen (2003),
who posits that the characteristics of these corrupt networks are strong links with branches of government, watchdogs, auditing, and journalistic organisations. This research confirms this nexus. Furthermore, Jansics and Javor (2012) highlight the secretive nature and power of such networks as an essential element in the formation of such networks. The findings corroborate this assertion.

6.5.1.5 Corporate actors

The predominant sentiment expressed by respondents confirmed the cover-up of corrupt practices at management level. Respondents used words and phrases such as ‘intentionally turned off organisational control’; ‘turning blind eyes’; ‘control deactivation’; ‘authorised malpractices to go undetected’; and ‘ability to control and manipulate information’.

A respondent noted the following:

‘Top management within organisations are those who have power. They can make malpractices go undetected by turning off internal as well as external control mechanism …This is according to me what happens in corporate corruption’.

*Interviewee 5.*

Another interviewee emphasized how top management strive to embed the malpractices:

‘...when the corruption occurs at organisational level, top executives ensure that practices are concealed in the internal procedures and processes of the organisation. In this way, there is no risk that divergences are detected’.

*Interviewee 9.*

This is captured by Javor and Jancsics (2016, p. 547), who confirm that this deactivation control from organisational elites may allow the ‘middle level to legalise corrupt transactions by falsifying records and manipulate documentation’. Jancsics (2008) refers to the process whereby the organisational elites enable middle management to embed corruption in the formal process and procedures of the organisation as ‘technicisation’. In
fact, Interviewee 9 was referring to something similar to this technicisation phenomenon. Indeed, in the case studies presented, this phenomenon of falsely recording of statements is well noted.

The SEC has even taken these firms to task:

‘Big firms enjoy an unfair advantage compared to smaller contractors. Big firms have the capacity to pay huge penalties to avoid prosecution or as a mitigating factor for shorter debarment period. Money talks’ - Interviewee 15.

One interviewee further elaborated on what according to him is the approach of the MDB that is engaging with the firms found guilty of corrupt practices.

‘I don’t think agencies will approach a small firm to engage in a negotiated settlement knowing pretty well that it will not be able to pay penalty fee’ - Interviewee 10.

A corporate represents a power structure. As evidenced by the findings of the case studies and the interviews conducted, those in power, namely top management, have the control of the organisation’s resources. Moreover, they can influence organisational controls and manipulate the information and responsibility structure. This confirms Javor’s (1998) position on the power allows the dominant actors in these corporates to siphon off organisational resources for their corporate benefit. The influence over organisational controls is confirmed in the case study findings, as the internal controls in place could not detected the misrepresentations of books and records.

SNC Chief Executive Mr. Robert Card said in a news release that ‘the alleged reprehensible deeds were by former employees who left the company long ago and that any applicable charges should be applied against them and not the firm.’ (The Canadian Press, 2015). This
statement shows an attempt to divert attention to the employees’ involvement in the corrupt transactions instead of the corporate’s involvements.

This research confirms the cooperation of several corrupt actors in the arrangement of the corruption scheme. Insider actors represented by the supply-side transfer the organisational resources to the receiving actors. This finding emerged from the case studies. Researchers have named this as ‘corruption cliques’ (Brass, Butterfield, and Skaggs, 1998; Jansics and Javor, 2012). In fact, in this research this ‘corruption clique’ plays a crucial role in ensuring that the corrupt transactions are established.

6.5.1.6 Capture

The essential element of corporate corruption is capture. Capture is defined as the result or process by which public decisions over laws, regulations or policies are directed away from the public interest at the expense of a narrow interest group (Carpenter and Moss, 2014; OECD, 2017). It is, in fact the contrary of lobbying which is more transparent and open (Boehm, 2007). Public procurement is the area most captured (Boas, Hidalgo and Richardson, 2014; Bromberg, 2014; Hyytinen, Lundberg and Toivanen, 2008; Fulmer and Knill, 2013; Slinko, Yakovlev and Zhuravskaya, 2004). Actors from both the public sector and the private sector are involved in capture (Gournev and Bezlov, 2010; Szanto, Toth and Varga, 2012; Wedel, 2003).

Policy capture has pervasively negative impacts on the economy and society. More specifically, it can lead to misallocation of public and private resources, resulting in rent-seeking activities, inappropriate influence peddling, and corrupt practices. In fact, studies show that companies which are politically connected gain in market power and have a competitive edge over those which are not politically connected (Cingano and Pinotti, 2013; Faccio, 2006; Faccio, Mazulis and McConnell, 2006; Goldman, Rocholl and So, 2013). Companies that are not part of a capture network face economic disadvantages (OECD,
2016). Conversely, it facilitates access to more business opportunities than conventional business strategies. Surprisingly, capture affects democracies with strong public institutions. Johnston (2014) used the term ‘influence market corruption’ to describe the scenario where private wealth interests seek influence in strong public institutions. In many instances, the interviews explained this notion of capture. One interviewee explained as follows:

‘...these corporates establish strategic contacts with high-level officials...’

\textit{Interviewee 17.}

Another interviewee elaborated further.

‘ networking involving public officials/ private actors is an important vehicle for capture to occur, creating a sense of reciprocity where illegal payments and future contracts are linked.’ \textit{– Interviewee 5.}

### 6.6 Determinants of corporate corruption

The main categories were defined according to the research questions. Transcripts for relevant quotes from the interviews were assigned to the main categories. In a second step, the codes were grouped into subcategories. Data obtained through the quantitative and qualitative data analysis were integrated and merged to capture insights regarding the dynamics of corporate corruption. There exists different approaches to integrate qualitative and quantitative data (O’Cathain, Murphy and Nicholl, 2010; Creswell and Plano Clark, 2011). For the purpose of this research, a separative approach was undertaken. Data were collected and analysed separately and then integrated through themes in the elaboration of the results (Fetters et al., 2013). Integration through merging of data occurs when the two databases are brought together for analysis and for comparison.

The qualitative themes were compared with the survey results to assess concordance (Moseholm and Fetters, 2017). The quantitative data was also used to explain findings from
findings and analysis

the qualitative data. Quantitative and qualitative findings were synthesised through narrative both in the results and discussions through triangulation. The results were combined in a table format, where the frame of the analysis was the four overarching themes. The themes represent the four main determinants that encourages corporate corruption. The findings concurred with studies conducted by Gregory (1999) and de Graaf and Huberts (2008) whereby they posit that the private sector’s management style undermines the ‘ethics infrastructure’ in the public sector because their goals are focused on results. Furthermore, the empirical findings obtained confirms the assertion made by Pinto, Leana, and Pil (2008) that these corporates rather than the individuals are the principal beneficiaries of the corporate corruption.

For corrupt transactions, the different actors must inevitably have a goal and, consequently, they act to achieve it. For the actors to achieve their goals they should inevitably have power, as confirmed by the analysis of the cases. The actors from the corporates are predominantly from top management level, as confirmed by the case studies and the interviews conducted. Importantly, there are certain forces that encourage the actors from the supply-side to engage in the corrupt transaction. For the corrupt mechanism to be established, inevitably there should be a channel of communication between the instigators and the targets of the transactions. This has been echoed in the interviews and the case study.

An empirical approach starting with the set of determinants and then identifying the most relevant of them seems to be the most optimal solution. The key determinants for corporate corruption are identified as shown in table 10 below. The framework below is presented to conceptualise the understanding surrounding the determinants of corporate corruption. By synthesizing the findings through the different research methods, a matrix is provided which can be used to explain the phenomenon of ‘corporate corruption’ in development projects. From these findings, it is clear that the corrupt practices involving corporates are not mere
coincidence but are calculated risks taken by these corporates.

As the main themes evolved, it was tested extensively with each interviewee during the semi-structured interview in order to gauge its accuracy based on their extensive experience.

The four major determinants that represent the predisposition for corporate corruption were identified as:

- Minimising competition
- Institutional blindness
- Addressing uncertainty
- Maximising profit

**Table 11: The main determinants of corporate corruption**

<table>
<thead>
<tr>
<th>Minimising Competition</th>
<th>Institutional Blindness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capture</td>
<td>Tough economic times</td>
</tr>
<tr>
<td>Greater market share</td>
<td>Future contracts</td>
</tr>
<tr>
<td>Bending rules</td>
<td>New markets</td>
</tr>
<tr>
<td>Continuous competition with other organisations</td>
<td>Long-term contracts</td>
</tr>
<tr>
<td>Competitive market</td>
<td>Adverse market conditions</td>
</tr>
<tr>
<td></td>
<td>Economic instability</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Addressing Uncertainty</th>
<th>Maximising Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low corporate social responsiveness</td>
<td>Long-term goal</td>
</tr>
<tr>
<td>Political instability</td>
<td>Organisational financial stability</td>
</tr>
<tr>
<td>Underestimating social risks</td>
<td>Increasing shareholders wealth</td>
</tr>
<tr>
<td>Low level of responsiveness</td>
<td>Sustain financial health</td>
</tr>
<tr>
<td>Challenges in meeting organisational objectives</td>
<td>Strong financial stability</td>
</tr>
<tr>
<td>Rationality</td>
<td></td>
</tr>
</tbody>
</table>
It appears that corporates engaged in MDB-financed projects show a high propensity to engage in corporate corruption. The four major determinants represent the drivers that instigate these corporates to corporate corruption. The public officials represent the targets that facilitate the corrupt transactions. They may not necessarily represent the demand-side as they may be just the receivers of the bribes. The four main determinants that encourage corporate corruption to occur are explained below.

6.6.1 Minimising Competition

Regardless of what assets a company owns and how much cash it holds, loss over extended periods will eventually weaken a company's asset positions and decrease the amount of its cash holdings. When companies can operate at a consistent low-cost level, they will be in a better position to absorb any price decline or market downturn and stay profitable. The lower the cost, the larger the profit margin. If the cost rises to a level that results in a thin profit margin, companies become vulnerable to any price shock or sales deterioration and can sustain significant losses. To minimise loss, companies must aim to achieve the break-even sales volume by maintaining a satisfactory level of market share. With increasing competition, MNcs are thriving in international market. These corporates are looking for survival strategies. They are on the constant look out for market while minimising competition. Their objectives is to secure market without going for completion. Corporate corruption seems to be the quick and strategic instrument in achieving this.

6.6.2 Institutional blindness

These MNEs simply respond to the institutional weaknesses and fall into the vicious trap of corruption by supplying corruption. Studies have shown that strength of institution has a prevalence on corruption (Cuervo-Cazurra, 2008; Doh et al., 2003). Boddewyn and Doh (2011) explained that this institutional void lured corporates to engage in unethical behaviour. According to Khanna and Palepu (2010), MNCs adapt their business model to
address the cost of institutional voids. MNCs further entrench host-country corruption by institutionalising it as a norm and thus reinforcing the cycle (Luiz and Stewart, 2014). Ultimately, they become accomplices in the generation of conditions within the country of operation. The findings of this research converge to this assertion.

Luiz and Stewart (2014) argue that MNCs either can reinforce the vicious cycle of underdevelopment, institutional weakness, and corruption, or can, through their influence on institutions, create a virtuous reinforcing cycle, which promotes good corporate policy and development. MNCs are competing for markets globally. This study provides empirical evidence to show that corporates lack a systematic framework for generating insights about the future in a consistent and reliable manner. The results point to the fact that these corporates are fully aware of their involvement in the corruption schemes, but due to their institutional blindness, are ignorant that they are taking inappropriate risks and developing competitive vulnerabilities.

Institutional blindness is an organisational dysfunction that leads corporates to become disconnected with emerging realities. The effect on corporates is that they indulge in corrupt schemes without realising the consequences that they may be in if the corrupt schemes are unveiled. This research has identified common indications that corporates may be blinding themselves by limiting themselves to immediate success by instigating or facilitating corruption. Institutional blindness leaves a corporate vulnerable to corporate corruption. Institutional blindness can be fixed through the adoption of a project governance framework that effectively addresses corruption risks, including corporate corruption. It also empowers corporates to resist unforeseen corporate risks associated with corruption.

6.6.3 Addressing Uncertainty

Randomness and uncertainty play increasingly greater roles in determining business success, largely because of rapidly evolving social networks. It is human nature to want
to know everything. Being in possession of knowledge is central to the way human beings work and interpret the world around them, hence the need to address uncertainty by ensuring that the corporates get a competitive advantage. Companies may take different approaches to maximise profit or minimise loss based on their own organisational strengths. While product differentiation and low price can be critical to maximising profit, controlling cost and maintaining market share may be more important in minimising loss. The corporate world is full of uncertainties. In their quest to ensure stability and obtaining future contracts these corporates tend to indulge in corporate corruption.

6.6.4 Profit maximisation

Profit maximisation is the capability of the firm in producing maximum output with limited input, or by using minimum input to produce its stated output. It is termed as the foremost objective of the company. It has been traditionally recommended that the apparent motive of any business organisation is to earn a profit as it is essential for the success, survival, and growth of the company. Profit is a long-term objective, but it has a short-term perspective – that is, one financial year. Profit can be calculated by deducting total cost from total revenue. Through profit maximisation, a firm is able to ascertain input-output levels, which gives the highest amount of profit. Profit maximisation is a short-term objective of a firm while the long-term objective is wealth maximisation. Profit maximisation ignores risk and uncertainty, unlike wealth maximisation, which considers both.

The rationale behind profit maximisation is the need for the maximum level of accumulated profits for growth/expansion/diversification and protection against unforeseen situations like economic recession, natural disaster, unexpected losses in future, cut-throat competition and others. Conversely, the rationale behind wealth maximisation is to enhance shareholder wealth and confidence as a reward for their investment and to maintain their relationship and loyalty towards the company.
6.7 Concluding remarks

Drawing out meaning from the research data collected, this chapter has presented the findings in a structured way to answer the research questions raised. The findings sought to ensure that no data was ignored in establishing the dynamics that are embedded in corporate corruption. This research provides empirical evidence to suggest that corporate corruption is not merely an occasional ‘grease’ but may have become normalised and embedded in IB dealings of MNCs. Moreover, the findings also indicate that the recipients or beneficiaries are powerful, well-connected elites in the corporates. This is in line with the observations made by Rocha, Brown and Cloke (2011). Based on the findings, it is argued that corporate corruption is essentially a top-down phenomenon where the corporate elite embrace the corrupt ways of doing business for the corporate benefits.
Chapter 7  Discussions

7.0 Introduction

As described in Chapter 1, the overarching objective of this study is to understand the dynamics of corporate corruption and to identify the determinants that encourage it to occur in development projects. The purpose of this chapter is to discuss and reflect upon the findings. Chapter 7 aims to answer the pertinent questions this research has raised and synthesised the findings that emerged. The chapter considers the most informative and persuasive of the research findings in responding to the research questions. Gleaned from the empirical findings, responses to the questions are provided below.

7.1 Integration of findings

(i) What are the challenges facing corporates involved in international development projects?

The data obtained relating to this question was identified by way of the detailed survey, interview and case study. Ethics experts and organisation theorists often associate diverted behaviours in corporates as the responsibility of individuals. This study shows that senior managers/top managers who are actually involved in corporate corruption, do it for corporate benefit; hence, these corporates become responsible for their actions. Based on the different methods used, rich empirical materials were obtained confirming this.

This study considered the corporate perspective towards corruption and deconstructed the mechanism employed by corporates in the area of development projects in instigating
corrupt transactions. The findings show that corrupt transactions result from the prevalence of profitability objectives over the corporate and societal value of ethics. The findings further give credence that these MNCs have a high propensity to indulge in corrupt practices because of obstacles to their business development. Luo (2004) and Blundo et al. (2006) also highlight this point.

(ii) How effective are the MDBs’ sanctions regimes in mitigating corporate corruption?

The objective of the sanctions regime is to protect MDBs’ funds from being squandered. The survey findings depict the general feeling of discomfort among those corporates that have been sanctioned. While MDBs rely on debarment of corporates as a strategy against corruption, the problem that emerges is that there is a need to keep suppliers in the market for competition. As more corporates are sanctioned and excluded for participation in the market, the competition process is distorted and does not promote fair markets. While temporary debarment is justified, it may have a longer term impact on integrity and fairness with the automatic cross-debarment by other MDBs.

The cross-debarment appears to be effective but the contentions among the sanctioned corporates is that it would inevitably change the way these corporates do business in the future. It is explicit from the responses obtained from the survey that these sanctioned corporates are still thriving for markets, though they are not engaging in the MDB’s contracts. The most pessimistic are the small enterprises, which lack resources to have a wider grip on the market. Moreover, these small enterprises view themselves as being the most disadvantage compared to large multinationals, as according to them, the negotiation settlement process is opaque. They claim that these large multinationals are more likely to solicit MDBs for engaging in negotiated settlements as they can afford to pay huge financial penalties.
This research reveals that the present sanctions regime is not based upon an understanding of the root causes of corruption emanating from the business side. The integrity compliance programme, which sanctions firms have to comply with, before being reinstated as eligible contractors, does not necessarily treat the aspect of corporate corruption, albeit it focuses on corruption within the organisation. It predominantly treats corruption at corporate level by restraining individual actors from engaging in corrupt transactions. Consequently, it is argued that while the sanctions regime might be effective in restoring integrity to firms with corrupt individuals, it does not explicitly address corporate corruption, though the corporates do become conscious of its consequences once they are sanctioned.

(iii) How is the definition of project success helpful in restricting firms to engage in corporate corruption?

The concept of success in projects has been discussed in management literature and has been central to the literature of PM. Indeed, the qualitative content analysis has help to connect the literature on PM and corporate corruption. This study demonstrates that success can indeed, be evaluated only when the evaluation dimensions are adequately defined. This research confirms that the evaluation dimensions generally correspond to the traditional constraints. In other words, a project is usually considered successful if its implementation complies with the usual constraints of time, cost, and the client's terms of reference or quality. Here, we identify the strong influence of the corporate's philosophy upon which PM principles have structured itself.

For corporates engaged in development works, success is the assessment of the technical quality of outputs and through the evaluation of management performance. However, as demonstrated through this research, the client's agenda may be significantly different. In the case of development projects financed by MDBs, the definition of success corresponding to the traditional constraints does not fully reflect the external environment. This perspective
is therefore more of a global one. The raison d'être of a development project hinges on the satisfaction of one or more objectives. It is important to judge the project's success by the way the corporate manages the inputs and delivers the outputs, but also by evaluating the project's contribution to the development agenda.

This research establishes that, beyond the time, cost, and quality constraints, it is pertinent to consider another evaluation dimension to measure the development impact of the project. It is worthy to note that the research shows interesting empirical results for corporates engaged in MDB-financed projects to consider. The key to minimising corporate corruption risk is to develop and implement a risk-based approach at corporate level. Simply hoping that existing internal controls will detect and deter corruption risks will inevitably lead to increased losses for these corporates. With the risk based approach also factor in the corporate’s strategic objectives as well as its legal obligations. The ultimate challenge for management is how to manage corruption risks, involving both individual and corporate actors for corporate benefits.

Based on empirical evidence, this research shows that corporate corruption takes place at a high level of the hierarchy. The common feature of this type of corruption is that corruption is permeated within the organisations without being detected by their internal control mechanism. The findings of this research confirm other researchers’ assertions that a firm’s behaviour, strategy and response are shaped by its organisational environment (Lawrence and Lorsch, 1967; Meyer and Scott, 1983). Narrainen’s framework elaborated in Chapter 6 depicts this.

(iv) **How is corporate corruption triggered by corporates representing the business side?**

Corruption is a two-sided transaction, with a ‘payer’ (the supply-side of corruption) and a receiving side. On the supply-side, we are examining the extent corporates consider are
influenced by the public sector in instigating or facilitating the corrupt transactions. The present research confirms that corporate corruption is predominately instigated by MNCs irrespective whether the receiving-end demands for it or not.

In order to depict the supply-driven scenario in corporate corruption, MNCs instigate or facilitate the corrupt transactions. This research acknowledges the willingness of these corporates to instigate corrupt transactions with the target, which represents the government side. To illustrate the scenario of corporate corruption, in which the corporates are triggered to engage in corrupt scheme, the analogy below is used to explain how it can facilitate the corrupt transaction even in the absence of requests for bribery from the demand-side/ or receiving end. The objective is to illustrate how corporate corruption operates at the supply-side. It also helps to undersand the scenario involved with the different actors.

The analogy is based on the gravitation force that allows the water from the higher beaker to flow to the lower one. In the schema below, beaker A represents the corporates engaged in development projects while beaker B1 and beaker B2 represent public institutions in the country where the project is undertaken. In Figure 22 below, the beaker of water which is higher (in this case beaker B1), will flow down to the lower beaker A due to gravity. However, the valves, which are fixed along the water pipe, can constrict the water flow when they are closed. In scenario 1, beaker B1 is higher up than beaker A. It represents a high level of corruption characterised by poor governance and lack of anticorruption laws at the national level.

In this scenario, the risk for public officials to demand a bribe is high. Logically, in this set up, water will flow from beaker B1 down to beaker A. The valve in the pipe will allow the water to flow when it is open and will cease to flow when it is closed. Scenario 1 (see figure 23) represents the case where corruption is demand-driven as the corporate is responsive to the demand and will execute it.
Conversely, in Scenario 2 (see figure 24), beaker B2 is in lower position than beaker A, thus representing that there are checks and balances in the systems which constraints the public sector from engaging in any corrupt transactions. In such scenario, bribery of/ by public officials maybe an offence under the law. Public officials will be less likely to demand a bribe. In this situation, there will be a reluctance of public officials to ask for a bribe as the action carries higher risks. Under such a scenario, the contracting firm is more willing to instigate the corrupt transaction by entering into a secretive corrupt pact with public institutions or representatives of such institutions.

It is termed supply-driven as the initiative comes from the corporates, which represent the private sector. This is exactly what happens in the case of corporate corruption, whereby the corporates instigate or facilitate the corrupt transactions. Because corporates based in weak institutions face less monitoring by consumers and governments, they tend to behave more opportunistically, reducing the prudence of organisational processes (Lin and Chuang, 2016). Institutionalists have argued that when formal institutions are weak and malfunction, informal institutions emerge to fill the ‘institutional void’ and play a greater role in

**Figure 23: Demand-driven scenario**
governing human behaviour within the corporate (Peng et al., 2008, 2009; Mair and Marti, 2009; Dixit, 2004).

The situation is similar here. The corporate plays an active role in executing the corrupt transactions eventhough there is no demand. The valve is the analogy for internal controls that restricts the flow when closed. Similarly, when a risk-based approach is adopted at corporate level (represented by the valve closed) corporate corruption risks can be mitigated.

Finney and Lesieur (1982) suggest that corporate wrongdoing results from efforts to solve performance problems in the firms. This study proves this assertion. In fact, a highly competitive environment creates pressure or a need for illegality by restricting legitimate means for acquiring resources or attaining desired levels of performance (Vaughan, 1983). While it is argued that pressure and need can explain corporate illegality, there are other conditions that may lead to corporate illegality (Szwajkowski, 1985). Corporate corruption may occurs in the following scenarios, when (i) public sector represents the demand-side and (ii) the public sector is passive and represents the receiving end.
7.2 What are the determinants of corporate corruption in development projects?

This study illustrates that corporates engaged in development projects financed by MDBs try to establish or improve their positions by acquiring or controlling larger shares or take other actions to gain an advantage over competitors. Corporate corruption represents a deliberate means to gaining a competitive advantage. However, it does not occur inadvertently as corporate actors work towards achieving these corporate benefits. This research further demonstrates that corporates attempt to control or adapt to uncertainty in their environments and, consequently, corporate corruption may emerge in the quest of these corporates to seek a corporate benefit. This finding is in line with similar observations made by researchers of the causes of wrongdoing by firms (Aldrich, 1979; Pfeffer and Salanickm, 1978). Characteristics of the firm and the environment can predispose organisation members to behave illegally (Baucus, 1994).

Corporate corruption results from predisposition or a combination of situational factors, rather than from individual characteristics. This is also captured by an interviewee who highlighted that the corporate forces encourage the actors to engage in corrupt transactions for corporate benefit.

‘I view it as insane for an individual to take his own initiative to commit corruption on behalf of the company’ - Interviewee 11.

The first stage for the corruptor is to identify the potential target to corrupt. In a scenario involving different actors, this may not be a straightforward process. It is here that the major breakthrough is achieved by identifying whether the bribe-receiver is likely to be submissive. Based on the findings, we argue that the corporates, represented by top executives or management, play a dominant role in identifying the risks involved in engaging with submissive actors open to corruption. To explain the scenario, the analogy of
the mouse and cheese is referred to. This research identifies four main determinants that can explain the motives of the corporates to instigate or facilitate corporate corruption.

7.2.1 Mouse and cheese analogy to conceptualise corporate corruption

Firms are under incessant pressure from markets and from shareholders for higher profits and they have to distinguish themselves from their competitors (Sikka and Lehman, 2015). This study examines the environment, settings and the responsibilities of different actors involved in the perpetration of corporate corruption and shows that these MNCs has high propensities to indulge in corporate corruption. The analogy visually represents the ‘mouse’ as the corporates (the business side) and the ‘cheese’ as opportunities for corporate corruption. This analogy provide a simplistic framework for explaining corporate corruption etiology.

Figure 25: The mouse and cheese analogy

The mouse is the analogy of the corporate actor who represents the assertive corruptor, looking for opportunities to engage in corruption (represented by the cheese) for the benefit of the corporate (to relieve its hunger). The mouse sniffs the piece of cheese to ensure it is edible prior to consuming it. Through this sniffing process, a signal is sent to its brain. This information is processed and if it considers that the piece of cheese is not poisonous, that it
is consumable, only then the mouse will proceed to nibble the cheese. This is precisely what happens when a corporate is on the lookout for opportunities to corrupt.

This sniffing process whereby the mouse identifies the piece of cheese, is useful to explain the process the corporate undergoes to identify its potential target. Once the corporate has assessed its external environment, this information is sent for processing and consultation by top management (analogy of the mouse’s brain). If top management identifies that the environment is conducive to proceed with the corrupt transaction, then the appropriate mechanism is worked out by the corporate actors in order to instigate or facilitate the corrupt scheme while avoiding detection. Existing literature does not explain this process where the corporate is engaged in a thinking process before engaging in a calculated risk. This analogy throws more light on the processing of information by the corporate prior to engaging in corporate corruption.

7.2.2 **Determinants of corporate corruption based on Narrainen’s framework**

Based on the findings, this thesis proceeds to identify the processes and context, which shape the opportunities and drivers of the corporates to become criminogenic. In fact, the research findings the four major determinants that influence corporates to engage in corporate corruption. Aiming to present a corporate logic of corruption, this research suggests that the four determinants based on Narrainen’s framework shown below should be present, irrespective of the order. It is not based on individual actor but is described as a phenomenon where the collective action representing the corporate brain, which triggers the corporate corruption.
There is sound evidence of the framework being a reliable construct in identifying the determinants of corporate corruption in development projects more specifically in the infrastructural sector. The results show that these corporates develop certain inherent characteristics based on the four determinants, conducive to deviant corporate behaviours.

7.3 Concluding remarks

The empirical analysis offers two main results. It confirms that there is considerable propensity for MNCs to instigate corrupt transactions with actors from the public sector irrespective whether the targeting end represents the active or the passive corruptors. It appears that while these corporates tend to focus on time, cost, and quality in maximising profits, they also have a high propensity to indulge in corporate corruption in order to sustain their targeted objectives. This tendency can be explained in part by the inability of PM principles to effectively mitigate corrupt risk through a lack of proper definition of project
success. This chapter concludes by proposing four main determinants of corporate corruption that may be used to explain the propensity of the business side to engage in corrupt transactions with the public sector. The final chapter summarises the main conclusions raised by the research questions in the thesis and provides reflections on the limitations of the research.
Chapter 8  Conclusion

Chapter 8 pulls together the knowledge gained by the entire research study and concludes how it has advanced current knowledge and understanding surrounding corporate corruption. In this chapter, the key conclusions distilled from the study are presented and policy implications for International Financial Institutions (IFIs) and donors are highlighted. Finally, the chapter provides some directions for future research.

The overarching aim of this research was to identify the determinants that encourage corporate corruption to flourish in international development projects. The aim of this research has been successfully achieved through a better understanding of the dynamics of corporate corruption. The following four subsidiary research questions were developed to guide this research:-

(i) What are the challenges facing MNCs involved in international development projects?

(ii) How effective are the MDBs sanctions regimes in mitigating corruption risks?

(iii) How is the definition of project success conducive for corporates engaged in development project to controlling corporate corruption?

(iv) How is corporate corruption triggered by corporates representing the business side?
8.1 Main findings

Overall, the study addresses the research gap by providing empirical insights into the preconditions for corporate corruption to manifest in the realm of IB, with particular focus on development projects. This research contributes to the current debate and literature on corporate corruption. It is the first research study on the determinants of corporate corruption. No other study to date has analysed corporate corruption from a macro-perspective.

8.1.1 Determinants of corporate corruption

Risks associated with corporate corruption have gained prominence in recent years owing to the proactive enforcement of anti-corruption policies by MDBs and national legislations having extra-territorial reach. Empirical evidence from this study identify the tensions within organisations owing to the international context and particularly the legal, political and social dimensions of the corporate’s environment. Undeniably, corporates sanctioned by MDBs show weaknesses in their governance structure as they face reputational risks.

Arguably, corporates are responding to their corporate environment by developing strategic instruments counteracting the challenges they are facing. Consequently, these corporates are becoming instigators of corporate corruption for their ultimate corporate benefits. This research identified four main determinants encouraging corporate corruption, namely (i) minimising competition; (ii) institutional blindness; (iii) addressing uncertainty; and (iv) profit maximisation.

8.1.2 Corporate corruption – a threat to MNCs

Corporates need to be concerned of the scope of MDBs’ sanctions and the significant adverse business impact it may have on future contracts. Consequently, these corporates have a responsibility to ensure that their systems and control are in line with the MDB
integrity principles. There is no way out: if these corporates want to secure MDB-financed contracts, they have to comply with the MDBs’ requirements for integrity in order to avoid sanctions. This study shows that MNCs can play a significant role in instigating corporate corruption in collusion with different actors from the business side and public sector side.

Moreover, the findings also show that while corporate corruption may be compatible with the corporates’ objectives it may result from a tension between the corporate pecuniary objectives and the enforcement environment of MDBs, thus jeopardising the development agenda. Rose-Ackerman (2007) and Martin et al. (2007) made similar observations. Empirical evidence from the present research seems inconclusive: corporate corruption from a perspective of MDB-financed projects is a top-down phenomenon and provides a strategic instrument for corporates to gain corporate benefits. There are cost implications to firms when they are sanctioned by MDBs. There is also nonfinancial costs in the form of loss of reputation of the firms, loss of business partners and restriction to bid for future MDB-financed projects.

8.1.3 MNCs’ responsibility in mitigating corporate corruption

With increasing investments in development projects worldwide by international financial institutions, multinational firms are competing in the international arena for foreign markets. There are challenges for corporates doing business in developing economies where there is regulatory uncertainty, reduced transparency and accountability, coupled with economic, political and social turmoil. Successful companies must be agile and adapt to the changing risk profile of their expanding operations.

The findings show how these MNCs may face challenges working in multi-jurisdictions with multiple, diverse and possibly conflicting institutional forces (Marano and Kostova, 2016). These MNCs have to ensure that fair corporate practices are embedded in, and therefore reflect, the institutional environments in which they operate.
The external environment in which these MNCs are operating is shaping a corporate culture with corruption becoming normalised in corporates with the ultimate objective of obtaining corporate benefits. The results of this study show that there is an emergence of ‘criminogenic institutional framework’ in which corporates and/or their agents are encouraged to engage in corrupt transactions with the target actors. This study confirms that the corporations engaged in MDBs have a key role to play in anticorruption efforts, which increasingly include supply-side elements. The implementation of the Narrainen’s Project Governance framework can help achieve this.

8.1.4 Corporate corruption: a symptom of corporate brain disorder

Interestingly, this study shows that corporates engaging in corrupt behaviour do so without due regards to their corporate reputation at the time of committing the corrupt transactions. Based on the results of the study, this attributed to the effect of institutional blindness. Institution blindness is a metaphor used in the study to describe the inability of the corporate to understand the consequences of its action in the long-term following their debarments. The case studies reviewed in this research show that the corporates have benefited in the short-term but, in the long-term, they have been sanctioned, paid financial penalties, and have faced reputational risks. Undeniably, the corporate actors may not have envisaged this scenario at the time the corrupt transaction took place.

Corporates are viewed as social actors with motives, drives and intentions (Whetten, Felin and King, 2009). Consequently, the strategy put forward by these corporates ignore the consequences of their actions. Based on the findings of this research, these corporates were seen to underestimate corruption’s negative effects and overestimate its positive effects. This study develops new arguments on how these corporates respond to corporate corruption from the supply-side. It is based on the concept of corporate represented by the
‘corporate brain’. The corporate brain metaphor is of interest as a lens for considering long-term directions for the corporates (Cleverly, 2015).

Top management/representatives are important actors who collectively represent the brain of the corporates, in the sense that their actions decide on the corporate long-term strategy. These corporate actors play an important role in positioning the corporates in the long-term through their collective decisions and actions. Any good decisions or actions will benefit the corporates. Therefore, these corporate actors act for the corporate benefits. This research confirms that collective action at top management level is at the core of corporate corruption.

Furthermore, the empirical results of this study provide evidence that the supply-side driven by the corporates tend to anaesthetise institutions, representing the targeted actors through distribution of corporate resources. This is done by switching off internal controls within the corporates. It is further argued that this institution blindness is a symptom of corporate brain disorder, which is a determining factor that pushes corporates towards corporate corruption.

8.1.5 **Towards a redefinition of project success for MDB-financed projects**

This research contributes to a better understanding of how and why corporate corruption becomes prevalent among MNCs engaged in development projects. As opportunities abound in emerging markets, corporates need to look beyond the traditional risk paradigms to counteract the growing constellation of enforcement authorities. The elevated risk of sanctions within the context of a cross-debarment regime set up by MDBs makes it essential that these MNCs understand the unique legal and procedural environment of the MDB sanctions regime. As Hills et al. (2009, p. 73) put it: ‘corporates should be involved in increased anticorruption practices through a strategic lens’. Based on this research, the strategic lens for corporates, is to sustain future contracts of MDB-financed projects. This
can be achieved by integrating corruption risk management with PM principles during the implementation stage as depicted in the Narrainen’s Project governance model. Corporate corruption can cause significant damages to organisational integrity. Hence, these corporations are encouraged to mitigate corruption practices, to maximise operational efficiency and maintain a good reputation.

8.2 Contributions of this research

This thesis provides original knowledge to inform the debate on corporate corruption. Moreover, it can also act as a catalyst for further research in the field of corporate corruption. The contribution of this research to the extant literature is threefold:

- The study demonstrates that PM has not matured enough to integrate corruption risks (including corporate corruption) in its framework in the case of international development projects. There is also a gap in the literature when considering the contribution of PM as a field of knowledge to international development projects (Ika; 2012, p. 28). Its insight could be beneficial to PM literature insofar as it can be used in ID projects (Ika et al., 2010; 2012) in redefining project success. This research will be significant to both academic research and in practice because it has the potential to clarify the definition of project success.

The research will also be significant for contractors engaged in IDPs, insofar as its findings can help to build more resilience to corrupt practices from the supply-side. This will in turn help to mitigate corporate corruption and to ensure that funds that are allocated to projects are used for their intended purposes. Moreover, it will contribute to the generic literature on determinants of corporate corruption by addressing the root cause of the problem and to develop corresponding policies. Furthermore, it is envisaged that this research will open new arguments from a perspective, which has not been investigated before.
This study rigorously demonstrates, in the case of supply-driven corruption at corporate level, that the traditional Cressey’s fraud triangle - which has been used to explain the propensity of the individual actor/s to engage in corrupt practices - is insufficient in explaining corporate corruption. This study moves beyond organisations of corrupt individuals, to examine the determinants of corruption at corporate level. It proposes a risk-based approach to project success based on the Narrainen’s Project Governance Framework. It identifies the four determining factors that can be used to explain why corporate actors engaged in corporate corruption.

Finally, this thesis brings new knowledge to a strand of the literature by identifying the determinants of corporate corruption at corporate level. The study provides a more comprehensive picture of how the organisational structure, component characteristics and relationship dynamics shape the occurrence of corporate corruption.

The findings of this thesis have important implications for anticorruption policy. The results provide suggestive evidence that resolving the challenges in international development projects is an important channel towards instilling integrity in MNCs engaged in developmental projects because it will enhance aid effectiveness. The findings will contribute to guiding donor agencies in their anticorruption strategies with more focus on the supply-side of corruption. Based on the results of this study, the four determinants of corporate corruption can be referred to in explaining the propensity of corporates to engage in corporate corruption. In presenting these insights, a contribution is made to the on-going academic discussion of corporate corruption at the firm level. In sum, the determinants proposed in this research could be a promising framework for improving the theoretical understanding of corporate corruption, as well as policy-making to address corporate corruption.
8.3 Opportunities for further research

The findings provide important implications for further research in the area of corporate corruption and the effectiveness of interventions designed to address corporate corruption. The results reinforce the idea that certain situational factors may be used to explain the propensity of corporates to be corrupt. Building on the findings from this study, the following further research are recommended:

- The United Nations Office on Drugs and Crime (UNODC) has established that SMEs are more likely to be subject to corruption and perceive this as a major business obstacle (UNODC, 2012). SMEs are local or regional firms participating in markets where corruption may be common practice and the inability of these firms to address the corruption risks. These SMEs will undoubtedly face difficulties in conducting business in the face of increasing competition. The sanctions systems imposed by MDBs are sanctioning an increasing number of SMEs. Further research could investigate whether there is a correlation between size of firms and the propensity to engage into corporate corruption.

- According to Jávor and Jancsics (2016), the social environment created by corporates (the ‘bad barrels’) has a strong influence at the individual-level. Ashford and Anand (2003) postulate that, ‘corruption may become taken for granted and perpetuated in some organisations’. Based on these assumptions, it would be interesting to understand how corporate corruption can influence the behaviours of employees to be corrupt for their own personal interest. Moreover, collective individual acts may create an institutionalised system of corruption within an organisational context. Further research can help to understand how corruption becomes institutionalised and gradually embedded in organisational structures and processes. It can also explain the circumstances for the transition from corrupt organisations to corrupt individuals.
Pinto et al. (2008) argue that corruption by individuals for their personal benefits perpetrated against firms varies according to their hierarchical levels. They refer to it as a ‘bottom-up’ phenomenon. It is further argued that power dynamics within the organisational hierarchy shapes actors’ behaviour at different levels in the organisation (Hills and Mahoney, 1978; Pfeffer and Leong, 1977; Rajan and Zingales, 2000). Further research can help to understand the mechanisms employed at different hierarchical levels within firms and whether power dynamics has an effect on their motivations to engage in corruption.

There is a dearth of research focusing on corruption control in organisations. Controlling corruption at the organisational level is recognised to be complex (Ashford et al., 2008). In fact, this research confirms the secretive relationship involving top managers and other parties. Further work is required in understanding how corporates involve their top managers in corruption for the corporates’ benefit. This will be helpful in addressing corrupt behaviours among top managers and provide strategies to control it at corporate level.

Another promising area for future research is to explore the joint effects of the industry, firm, and individual variables on the extent and severity of top management fraud. Little is known about the effect of these variables on top management fraud, and the few studies to date have produced inconclusive results (Zahra et al., 2005).
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Appendices
Appendices

Appendix I – Certificate of Participation in the 4th OBEGEF International Conference

This is to certify that the paper The watchdogs are not barking! Deconstructing organisational corruption in international development projects. A Case study of firms sanctioned by the African Development Bank by Sanjeev NARRAINEN (Institute of Criminal Justice Studies – University of Portsmouth, UK) was presented at the 4rd OBEGEF Conference (I2FC2017).

Aurora A.C. Teixeira
Conference Chair
Appendix II – Poster presented at OECD Forum on Corruption
Appendices

Appendix III – Consent form for survey participants

Study Title: Understanding the drivers of corruption in contracting firms delivering international development projects in aid-recipient countries. Towards building a corruption risk mitigating strategy.

Consent Form

Name of Researcher: Narrainen Sanjeev
Name of Supervisor: Prof Chris Lewis Chris.lewis@port.ac.uk

Please initial box

1. I understand that my participation is voluntary and that I am free to withdraw at any time without giving any reason, (you might wish to add a constraint here - e.g. up to the point when the data are analysed)

2. I understand that data collected during the study, may be looked at by individuals from [company name / University etc.], or from regulatory authorities. I give permission for these individuals to have access to my data.

3. I agree to my interview being audio

4. I agree to take part in the above study.

Name of Participant:
Date:                     Signature:

Name of Person taking consent:
Date:                     Signature:

When completed: 1 for participant; 1 for researcher’s file.
Appendices

Appendix IV – Survey questionnaire

Survey Questionnaire on Sanctions Process of Multilateral Development Banks

1. Survey Questionnaire

1. Your organisation has a workforce of:
   - [ ] less than 2000
   - [ ] between 2000 to 5000
   - [ ] between 5000 to 10000
   - [ ] More than 10000

2. Please tick the relevant region(s) in which your organisation/ subsidiaries are active
   - [ ] Africa
   - [ ] Asia
   - [ ] Europe
   - [ ] Latin America
   - [ ] Northern America
   - [ ] Oceania
3. Your sector of activities are: (you may choose more than one)

- [ ] Road development
- [ ] Building infrastructure
- [ ] Dams and Bridges
- [ ] Airports/ports
- [ ] IT and Technology
- [ ] Water and Sanitation
- [ ] Agriculture
- [ ] Consultancy
- [ ] Others

Other (please specify) 

4. To what extent do you agree or disagree with the following about the causes of corruption / fraud

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<thead>
<tr>
<th></th>
<th>Definitely disagree</th>
<th>Mostly disagree</th>
<th>Neutral</th>
<th>Mostly agree</th>
<th>Definitely agree</th>
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<tbody>
<tr>
<td>Poor economic situation in the country of execution contributed to the malpractice.</td>
<td>□</td>
<td>□</td>
<td>□</td>
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<tr>
<td>Political instability in the country of execution has contributed to this shortcomings</td>
<td>□</td>
<td>□</td>
<td>□</td>
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<td>Corruption culture in the country of implementation is too strong</td>
<td>□</td>
<td>□</td>
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<td>The company did not have appropriate controls safeguards in place to detect the problems before it occurred</td>
<td>□</td>
<td>□</td>
<td>□</td>
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<td>□</td>
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</tbody>
</table>

Any comments:

□ □ □ □ □ □
5. According to you, which categories of public officials are the most corrupt?

- [ ] Politicians
- [ ] Top Managers
- [ ] Operational staff in the project
- [ ] Field workers
- [ ] Others
- [ ] Other (please specify)

6. To what extent do you agree or disagree with the following

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<tr>
<th>Statement</th>
<th>Definitely disagree</th>
<th>Mostly disagree</th>
<th>Neutral</th>
<th>Mostly agree</th>
<th>Definitely agree</th>
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<tr>
<td>(i) The delayment periods imposed by multilateral banks are too long</td>
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<td>(ii) Sanctions will have a negative impact on the future of our company</td>
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<td>(iii) The number of contracts we will get will be decreased</td>
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<td>(iv) The sanctions process will encourage less experience and competent companies to enter the market</td>
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<td>(v) Sanctions is not an appropriate punitive action</td>
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<td>(vi) We were forced to reduce our workforce</td>
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<td>(vii) We consider it to be name and shame principle</td>
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<tr>
<td>(viii) We have develop counter strategy for our company to remain profitable and stay in business</td>
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Appendices

<table>
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<tr>
<th>(i) We would have preferred to go through an arbitration process</th>
<th>Definitely disagree</th>
<th>Mostly disagree</th>
<th>Neutral</th>
<th>Mostly agree</th>
<th>Definitely agree</th>
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<tbody>
<tr>
<td>(ii) We would have preferred to settle the issue through courts</td>
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<td>(iii) The sanctions process is unfair</td>
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Any comments

7. To what extent do you agree or disagree with negotiation for financial penalty

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<th>Definitely disagree</th>
<th>Mostly disagree</th>
<th>neutral</th>
<th>Mostly agree</th>
<th>Definitely agree</th>
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<td>(ii) The negotiation process adopted by Multilateral Development Banks is transparent.</td>
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<td>(iii) Compliance programs requirement sanctioned companies are too rigid.</td>
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<td>(iv) Financial penalty is to the disadvantages to small companies</td>
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<tr>
<td>(v) Companies will find other way to commit malpractices</td>
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Other (please specify)


8. To what extent do you agree or disagree with the sanctions process

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<th>Mostly disagree</th>
<th>Neutral</th>
<th>Mostly agree</th>
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<td>(i) It will have an impact on the level of fraud and corruption on projects</td>
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<td>(ii) Entities will work on non-bank financed projects</td>
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<td>(iii) Big entities will benefit more than small entities</td>
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<td>(iv) Cross departments of entities will make small entities go out of the market.</td>
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<td>(v) Other forms of corruption will emerge.</td>
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<td>(vi) Multilateral development banks should find other means of sanctions.</td>
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Any comments
Appendices

Appendix V – SurveyMonkey analysis
Appendices

Appendix VI – Ethical approval

06 June 2016

Dear Sanjeev Narain

<table>
<thead>
<tr>
<th>Study Title:</th>
<th>Understanding the drivers of corruption in contracting firms delivering international development projects in aid-recipient countries. Towards building a corruption risk mitigating strategy.</th>
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<tr>
<td>Ethics Committee reference:</td>
<td>15/16:30</td>
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Thank you for submitting your documents for ethical review. The Ethics Committee was content to grant a favourable ethical opinion of the above research on the basis described in the application form, protocol and supporting documentation, revised in the light of any conditions set, subject to the general conditions set out in the attached document.

The Ethics Committee provides a favourable ethical opinion for this resubmission with the following requirements:

1. All the documentation has a complaints address: phil.clements@port.ac.uk (Head of Department)
2. The error in the student email address is corrected

There is no need to submit any further evidence to the Ethics Committee; the favourable opinion has been granted with the assumption of compliance

The favourable opinion of the EC does not grant permission or approval to undertake the research. Management permission or approval must be obtained from any host organisation, including University of Portsmouth, prior to the start of the study.
Appendices

Documents reviewed

The documents reviewed by The Faculty of Humanities and Social Sciences Ethics Committee.

<table>
<thead>
<tr>
<th>Document</th>
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Statement of compliance

The Committee is constituted in accordance with the Governance Arrangements set out by the University of Portsmouth

After ethical review

Reporting and other requirements
Appendices

The enclosed document acts as a reminder that research should be conducted with integrity and gives detailed guidance on reporting requirements for studies with a favourable opinion, including:

- Notifying substantial amendments
- Notification of serious breaches of the protocol
- Progress reports
- Notifying the end of the study

Feedback

You are invited to give your view of the service that you have received from the Faculty Ethics Committee. If you wish to make your views known please contact the administrator ethics-fhss@port.ac.uk

Please quote this number on all correspondence – 15/16:30

Yours sincerely and wishing you every success in your research

**************

Chair

Dr Jane Winstone

Email: ethics-fhss@port.ac.uk

Enclosures: “After ethical review – guidance for researchers”
# Appendix VII - List of journal articles consulted

<table>
<thead>
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<th>Definition of project success</th>
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## Appendices

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### Publication

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Appendix VIII – Interview Schedules

### Causes of corruption

*Causes de la corruption*

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<td>What are the common causes of corruption in bank-financed projects?</td>
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<td><em>Quelles sont les causes courantes de corruption dans les projets financés par la Banque?</em></td>
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<tr>
<td>2</td>
<td>Why do you think the contractors are willing to corrupt?</td>
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<td></td>
<td><em>Pourquoi pensez-vous que les entrepreneurs sont disposés à corrompre?</em></td>
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<tr>
<td>2a</td>
<td>Probe - Who are the professional working on the projects more likely to engage in corrupt activities?</td>
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<tr>
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<td><em>Explorer - Qui sont les professionnels les plus susceptibles de s’engager dans des activités corrompues dans le cadre des projets?</em></td>
</tr>
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<td>Do you feel that governments are doing much to discourage corruption in bank-financed projects?</td>
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<tr>
<td></td>
<td><em>Pensez-vous que les gouvernements prennent des mesures importantes pour décourager la corruption dans les projets financés par la Banque?</em></td>
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<tr>
<td>3a</td>
<td>Probe - What are the key reasons that encouraged such inaction?</td>
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<tr>
<td></td>
<td><em>Explorer - Quelles sont les principales raisons qui ont encouragé une telle inaction?</em></td>
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### Nature of corruption

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<td>Do you think the culture of the country and/or the culture of the organization encourages a culture corruption?</td>
</tr>
<tr>
<td></td>
<td><em>Pensez-vous que la culture du pays et/ou la culture de l’organisation encourage la culture de la corruption?</em></td>
</tr>
<tr>
<td>4a</td>
<td>Probe - Which one is predominant in a bank-financed project?</td>
</tr>
<tr>
<td></td>
<td><em>Explorer – Quel est l’élément prédominant dans un projet financé par une banque?</em></td>
</tr>
<tr>
<td>4b</td>
<td>Probe – To what extent, do you think the culture of the country or the culture of the organization is predominant? Why?</td>
</tr>
<tr>
<td></td>
<td>Is it more the local culture or the imported culture?</td>
</tr>
<tr>
<td></td>
<td><em>Explorer - Dans quelle mesure pensez-vous que la culture du pays ou celle de l’organisation est prédominante? Pourquoi?</em></td>
</tr>
<tr>
<td></td>
<td><em>Est-ce surtout la culture locale ou la culture importée?</em></td>
</tr>
<tr>
<td>5</td>
<td>Do you agree with the definition of corruption as the use of public office for private gain? Why?</td>
</tr>
<tr>
<td>---</td>
<td>-------------------------------------------------</td>
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<tr>
<td>6</td>
<td>What according to you should the most appropriate definition of corruption?</td>
</tr>
<tr>
<td>7</td>
<td>Do you think the mastermind behind the corrupt act is the employee or the corporate?</td>
</tr>
<tr>
<td>8</td>
<td>Why are corruption so prevalent in bank-financed projects?</td>
</tr>
<tr>
<td>9</td>
<td>How corruption can affects a project?</td>
</tr>
<tr>
<td>9a</td>
<td>Probe - What are consequences of corruption in a bank-financed project?</td>
</tr>
<tr>
<td>10</td>
<td>Can we say that the allegations received by MDBs represent the tips of the iceberg?</td>
</tr>
<tr>
<td>11</td>
<td>Are the sanctionable practices in MDBs wide enough to cover all types of corruption?</td>
</tr>
<tr>
<td>11a</td>
<td>Probe - What are prevalent corruption offences that are not covered?</td>
</tr>
<tr>
<td>12</td>
<td>To what extent do you agree that Negotiated Agreement with corrupt firms are appropriate?</td>
</tr>
</tbody>
</table>
### Appendices

<table>
<thead>
<tr>
<th>12a</th>
<th>Probe - How far it acts as a deterrent?</th>
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</thead>
<tbody>
<tr>
<td></td>
<td><em>Probe - Dans quelle mesure agit-il comme moyen de dissuasion?</em></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>12b</th>
<th>Do you consider it to be a fair process? And Why?</th>
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<tr>
<td></td>
<td><em>Estimez-vous que c’est un processus juste? Et pourquoi?</em></td>
</tr>
</tbody>
</table>

### Deterrent measures

*Measures dissuasif*

<table>
<thead>
<tr>
<th>13</th>
<th>How far do you think the investigation strategy of MDBs are efficient to discourage corruption? What can MDBs do differently?</th>
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<tbody>
<tr>
<td></td>
<td><em>Dans quelle mesure pensez-vous que la stratégie d’enquête des banques multilatérales de développement est efficace pour décourager la corruption? Que peuvent faire les BMD différemment?</em></td>
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<tr>
<th>14</th>
<th>Are Sanctions appropriate to bring an anti-corruption culture? How far are they effective?</th>
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<tbody>
<tr>
<td></td>
<td><em>Les sanctions sont-elles appropriées pour instaurer une culture anti-corruption? Dans quelle mesure sont-elles efficaces?</em></td>
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<tr>
<th>14a</th>
<th>Does it have a deterrent effect?</th>
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<tr>
<td></td>
<td><em>Cela a-t-il un effet dissuasif?</em></td>
</tr>
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</table>
Appendices

Appendix IX – Form UPR16

**FORM UPR16**
Research Ethics Review Checklist

Please include this completed form as an appendix to your thesis (see the Research Degrees Operational Handbook for more information)

<table>
<thead>
<tr>
<th>Postgraduate Research Student (PGRS) Information</th>
<th>Student ID: up71056</th>
</tr>
</thead>
<tbody>
<tr>
<td>PGRS Name: Narrainen Sanjeev</td>
<td></td>
</tr>
<tr>
<td>Department: ICJS</td>
<td>First Supervisor: Dr Branislav Hock</td>
</tr>
<tr>
<td>Start Date: 10 September 2015</td>
<td></td>
</tr>
<tr>
<td>Study Mode and Route:</td>
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</tr>
<tr>
<td></td>
<td>Part-time ☒</td>
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<td></td>
<td>Full-time ☐</td>
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<td>MPhil ☐</td>
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<td>PhD ☐</td>
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<td></td>
<td>MD ☐</td>
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<tr>
<td></td>
<td>Professional Doctorate ☐</td>
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<tr>
<td>Title of Thesis: Determinants of corporate corruption: An investigation of the supply-side of corruption of projects financed by Multilateral development banks.</td>
<td></td>
</tr>
<tr>
<td>Thesis Word Count: 49,609 (excluding ancillary data)</td>
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</tbody>
</table>

If you are unsure about any of the following, please contact the local representative on your Faculty Ethics Committee for advice. Please note that it is your responsibility to follow the University’s Ethics Policy and any relevant University, academic or professional guidelines in the conduct of your study.

Although the Ethics Committee may have given your study a favourable opinion, the final responsibility for the ethical conduct of this work lies with the researcher(s).

**UKRIO Finished Research Checklist:**
(If you would like to know more about the checklist, please see your Faculty or Departmental Ethics Committee rep or see the online version of the full checklist at: [http://www.ukrio.org/what-we-do/code-of-practice-for-research/](http://www.ukrio.org/what-we-do/code-of-practice-for-research/))

| (a) Have all of your research and findings been reported accurately, honestly and within a reasonable time frame? | YES ☒ NO ☐ |
| (b) Have all contributions to knowledge been acknowledged? | YES ☐ NO ☒ |
| (c) Have you complied with all agreements relating to intellectual property, publication and authorship? | YES ☐ NO ☒ |
| (d) Has your research data been retained in a secure and accessible form and will it remain so for the required duration? | YES ☒ NO ☐ |
| (e) Does your research comply with all legal, ethical, and contractual requirements? | YES ☒ NO ☐ |

**Candidate Statement:**
I have considered the ethical dimensions of the above named research project, and have successfully obtained the necessary ethical approval(s)

Ethical review number(s) from Faculty Ethics Committee (or from NRES/SCREC): 15/18/30

If you have not submitted your work for ethical review, and/or you have answered ‘No’ to one or more of questions a) to e), please explain below why this is so:

Signed (PGRS):  
Date: 15 March 2019