

TOWARDS A MODEL FOR ASSESSING CORRUPTANCE IN ORGANIZATIONS:  
A STUDY IN INDIAN STATE-OWNED ENTERPRISES



A THESIS  
SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS  
FOR THE FELLOW PROGRAMME IN MANAGEMENT (INDUSTRY)  
INDIAN INSTITUTE OF MANAGEMENT, INDORE

BY

**J. Vinayan**

Date: March 2016

THESIS ADVISORY COMMITTEE

Prof. Ranjeet Nambudiri (Chairperson)

Prof. Sushanta K. Mishra (Member)

Prof. Nobin Thomas (Member)

Prof. K. Praveen Parboteeah (Member)

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### Abstract

For an individual or a group working in an organization, the decision to carry out an unethical act and thereafter engage in corrupt activity is guided by individual, organizational and contextual factors (Jackson & Wood, 2013). While the final ‘last mile’ decision to act in this manner may be made by the person or group members *individually*, the *organizational and contextual* factors (which also hinge a lot on the organizational as well as market/industry/societal parameters) exert considerable influence on this decision. A significant chunk of the conversation on organizational corruption focuses on the phenomenon from an *ex post* perspective of ‘what went wrong?’ or ‘how did it happen?’ or ‘how does the world perceive this?’ not many *theoretical* efforts are seen asking the questions ‘what structural or procedural lacunae caused it?’ or ‘how might we have predicted or prevented it?’ or ‘could those loopholes have been plugged?’ Arising out of this gap in the literature and of a sorely felt need by practitioners in the fields of ethical oversight and vigilance, this study attempts to identify the concepts for a framework for assessing corruption risk vulnerabilities in organizations. From these concepts, using qualitative methodologies, we propose to formulate a model for corruption vulnerability in organizations using data on actual corruption cases from a premier Regulatory Body for Government-run (State-Owned) Enterprises in India - the Central Vigilance Commission. Subsequently we develop the framework into an Index which can be used by scholars as well as practitioners, controlling bodies and regulatory agencies to assess and grade organizations based on their corruption-vulnerability.

We propose the term ‘*Corruptance*’ to mean the perceived and assessed vulnerability of the systems and procedures of the organization to the risk of corruption; or lack of preparedness of the systems and procedures to the threat of internal corrupt activity. We also propose the concept of a *Corruptance Index* for organizations to indicate an aggregate assessed value of the structural and procedural lacunae or lack of preparedness of the organization in preventing misuse or abuse of the systems and procedures through these lacunae, which are what provide an environment conducive for corruption to flourish. The Corruptance Index for organizations will be different from the existing Corruption Indexes like Corruption Perception Index (Transparency International), Control of Corruption Indicator (World Bank) etc. in that the latter are all *perception-based*, assessed at *country-levels* and from *ex-post* perspectives while the Corruptance Index is derived from the *specific structural and procedural factors* at *organizational* level and is *ex ante* and *preventive* in perspective.

The theoretical concepts behind the Corruptance Index will be derived from extant literature on corruption- the theories, antecedents and effects, studies on analysis and measurement of corruption; several existing models in literature which attempt to assess or measure corruption will be analyzed to arrive at this conceptual framework. Data on

observed violations and irregularities from real-life corruption cases in public procurements collected from a Regulatory Body (Central Vigilance Commission of India) will be used in the development of the model. We will avail the assistance of three independent Domain Experts for some parts of this exercise of linking the physical corruption cases data with the theoretical foundations. A series of semi-structured interviews will be conducted with experienced senior-level practitioners in the ethical oversight and vigilance domains to verify and bolster the parameters for the framework derived from literature. After deriving the final framework the relative inter-se significance or weightages of the parameters will be assessed through an instrument administered to a population of some 200 senior ethical oversight and vigilance practitioners in State-Owned Enterprises in India. Finally, the Corruptance Index Instrument will be formulated using the theoretical model and the inter-se significance values derived above.

This study attempts to propose an Organization-level, ex-ante, predictive and preventive perspective on Organizational Corruption along with a useful grading and indexing tool for practitioners in the fields of Ethical Oversight and Vigilance. Thus this academic effort hopes to be a robust scholar-practitioner contribution to the Global fight against Corruption while extending the discussion linking the streams of Ethics and Corruption.

### **Key Words**

Organizational Corruption; Organizational Corruption Risk Vulnerability; Measurement of Corruption; Public Procurement; State Owned Enterprises; Corruptance; Corruptance Index;

## Acknowledgements

At the completion of a serious academic effort started rather late in one's life, it would be completely unfitting and remiss of me if I do not gratefully acknowledge the invaluable contributions from:

- God, for giving me the inspiration and energy to take up something so different, vast and completely outside the onerous duties of my profession in Government service, and at this stage in life.
- My family, for permitting me to spend quality time away from them for this course as well as the Thesis work; and for their love and faith in me.
- My Professors at IIM Indore, particularly the TAC Members, Prof. Nambudiri, Prof. Mishra, Prof. Thomas; and Prof. Praveen from Wisconsin, USA; for their unstinting support and guidance; also the wonderful academic faculty at IIM Indore who guided me through the classroom courses.
- My friends from FPM Office, led by Mr. Sandeep K Das who have given exemplary and efficient support all through the Modules and Seminars of the last three and a half years.
- All the Authors who I have quoted and based my paper on, you certainly know better!
- CVC of India for use of the data, the Circulars, and the official permissions and support.
- My colleague Vigilance Officers in the Government of India's SOEs, whose collective experiences and discussions prompted me to take up this particular area of work and I hope this work is of some small use in their work too.
- My Batch Mates from FPM-I 2013, with whom the ideas germinated, particularly Vinay Avasthi, for his help in the final stages.
- Lastly and most importantly my colleagues and friends in FACT, Kochi, Kerala specifically Mr. Synan, Mr. Rajeswaran and Mr. Sasikumar and the Members of the Vigilance Study Circle of Kerala, without whose assistance this work might never have reached a satisfactory conclusion.

J.Vinayan

12-03-2016  
IIM, Indore

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