## The Stressful Business of Corruption: the Relationship Between Social Identity Threat, Stress and Corrupt Group Behaviour



Submitted by Ketaki Ghosh Porkess to the University of Exeter as a thesis for the degree of Doctor of Philosophy in Management, March 2011.

This thesis is available for Library use on the understanding that it is copyright material and that no quotation from the thesis may be published without proper acknowledgement.

I certify that all material in this thesis which is not my own work has been identified and that no material has previously been submitted and approved for the award of a degree by this nor any other University.

Ketaki Porkess

## **Thesis Abstract**

Corruption in organisations is an on-going phenomenon. Previous academic research has examined corruption at structural and corporate levels. This research focused on small groups within organisations and the relationship between their corrupt behaviour and stress. Corruption, group behaviour and stress have all been studied in their own right, but this research brings these concepts together. The Social Identity Theory (SIT) with its focus on both inter-group and intra-group behaviour provided a framework for the work.

Previous research suggests that corruption in the workplace can occur when employees are put under pressure to meet difficult targets. SIT suggests that to support their group at such times, individuals who identify strongly with it may be prepared to modify their behaviour. Although, people may find behaving in ways contrary to their normal inclinations stressful, SIT also suggests that high identification with a group can lower stress levels. What was not known was whether these previous findings would apply in the case of corruption. The aim of this research is to investigate whether corruption is influenced by group behaviour, and whether stress is a factor in these acts.

A series of experimental studies was conducted in which the participants had the opportunity to behave corruptly. The results demonstrate that in all cases, this opportunity was taken, whether the participants were students or senior business executives. High identifiers behaved more corruptly than low identifiers and they experienced less stress. Women were found to be less corrupt than men. Leaders play a definite role in corrupt behaviour.

Qualitative analysis showed that corruption in groups is highly contextual and is accompanied by rationalisation. When group identification is strong in a team, and conditions present the opportunity, corrupt behaviour may occur even when threat to the identity is not high. This has led to a new model of corrupt behaviour in which opportunity and social identification definitely play their parts, while threat and/or stress may or may not. The implication is that strong identification between members within sub-units may result in employees behaving in corrupt

Thesis abstract

ways that may run counter to the norms of the wider organisation. However, the increased understanding of corrupt group behaviour that this research has provided will help to prevent such behaviour from occurring.

1.	Introduction and Background	13
1.1.	Introduction to the thesis	
1.2.	Background to the study of corruption	15
1.2.1.	Economic arguments for examining corrupt behaviour	20
1.2.2.	Social arguments for examining corruption	22
1.3.	Case studies	24
1.3.1.	Case study 2 - Leeson	24
1.3.2.	Case study 2 - Kerviel	25
1.3.3.	Case study 3 - Enron	26
1.3.4.	Case study 4 – Formula 1 cheating	27
1.3.5.	Case study 5 – The Milgram studies	28
1.3.6.	Case study 6 – My Lai massacre	29
1.4.	Scope of the research	30
1.4.1.	Role of organisations in corruption	31
1.4.2.	Corruption as a group phenomenon	32
1.4.3.	Beneficiaries of group corruption	33
1.4.4.	Social identification	35
1.4.5.	Social identity threat	36
1.4.6.	Social identity and stress	37
1.5.	Findings, implications and limitations of the research	37
1.6.	Summary of chapter 1	38
2	Corruption: Definitions and Models	41
2.1	What is corruption?	42
2.1.1.	Definitions of corruption	43
2.1.2.	Is cheating corruption?	50
2.1.3.	Is unethical behaviour corruption?	56
2.2.	Existing models for organisational corruption	62
2.2.1.	Individual and group level corruption	62
2.2.2.	Rest's framework of ethical decision-making	68
2.3	Summary of chapter 2	77
3.	Corruption: Debates and Underlying Concepts	79
3.1.	Where does corruption occur?	80
3.1.1.	The extent of corruption	81
3.1.2.	Corruption as isolated acts or organisation-wide action	82
3.1.3	The effect of size of organisations	83
3.1.4.	Corruption in local or small groups	85
3.2.	Who is likely to behave corruptly?	89
3.2.1	Is corruption a matter of bad apples?	91
3.2.2.	Obedience to authority	92
3.2.3.	Is corruption a matter of bad barrels?	95
3.2.4.	Is corruption as a result of bad cases?	97
3.3.	How does corruption occur?	101
3.3.1.	Conformity	103
3.3.2.	Rationalisation	105
3.3.3.	Groups norms	113
3.4.	Why and when does organisational corruption occur?	116
3.4.1.	Corruption and pressure	117

3.4.2.	Corruption and opportunity	119
3.4.3.	Corruption and social identification	123
3.5.	Summary of chapter 3	125
4.	Social Identity Threat, Stress and Corruption	129
4.1	Psychology and social identification	131
4.1.1.	Research into group behaviour	131
4.1.2.	Social Identity Theory	136
4.1.3.	Self-Categorisation Theory	143
4.2.	Social Identity Approach and group decision-making	152
4.2.1.	Social influence and group consensus	153
4.2.2.	Degree of identification	156
4.2.3.	Contextual nature of group consensus	158
4.2.4.	Types of group consensus	159
4.2.5.	Costs of group identification	165
4.2.6.	Social Identity Approach and group behaviour	166
4.2.7.	Social Identity Approach and small groups	173
4.2.8.	Summary of Social Identity Approach	174
4.3.	Social Identity Approach, threat and corrupt behaviour	175
4.3.1.	Social identity threat	175
4.3.2.	Types of threat	177
4.4.	Social Identity Approach, stress and corrupt behaviour	179
4.4.1.	Early approach to stress	179
4.4.2.	Models of the psychology of stress	181
4.4.3.	Social identity as a basis for coping	182
4.4.4. 4.5.	Stress as an adverse consequence of identification	185 186
4.3.	Summary of chapter 4	100
<i>5.</i>	Study 1 - Cheating in Individuals	189
5.1	Background to study 1	189
5.1.1.	Previous findings	189
5.1.2.	Social Identity Approach, corruption and stress	191
5.2.	Study 1 factors	195
5.2.1.	Study 1 independent variables	195
5.2.2.	Study 1 dependent variables	198
5.3.	Study 1	202
5.3.1.	Study 1 procedure	202
5.3.2.	Study 1 participants	203
5.3.3.	Study 1 design	204
5.3.4.	Study 1 measures	204
5.3.5.	Results of study 1	206
5.3.6. 5.3.7.	Discussion of study 1 results	214
5.3.7. 5.4.	Limitations of study 1 Conclusions from study 1	215 217
5.4.	Conclusions from study 1	217
6.	Study 2- Cheating in Groups	219
6.1	Previous findings	219
6.1.1.	Identification in organisations	220
6.1.2.	Identification and group dynamics	221
6.1.3.	Small groups and corruption	223
6.1.4.	Social identity and stress	225
6.2.	Study 2 factors	225

<b>8.</b> 8.1	Study 4 – Corrupt Behaviour in Groups Background to study 4	<b>299</b> 299
7.6.	Conclusions from studies 3a & 3b	297
7.5.	Limitations of studies 3a & 3b	296
7.4.5.	Discussion of study 3b results	296
7.4.4.	Study 3b qualitative analysis	295
7.4.2. 7.4.3.	Study 3b procedures, participants, design and measures Study 3b results	292 292
7.4.1. 7.4.2.	Background to study 3b Study 3b procedures, participants, design and measures	292 292
7.4.	Study 3b	292
7.3.9.	Limitations of study 3a	291
7.3.8.	Summary of study 3a results	290
7.3.7.	Study 3a qualitatvive analysis	278
7.3.6.	Discussion of study 3a results	274
7.3.5.	Results of study 3a	265
7.3.4.	Study 3a measures	264
7.3.3.	Study 3a design	264
7.3.2.	Study 3a participants	263
7.3.1.	Study 3a procedure	262
7.3.	Study 3a	262
7.2.3.	Study 3a dependent variables	262
7.2.2.	Study 3a independent variables	262
7.2. 7.2.1.	Study 3a characteristics	258
7.1. <del>4</del> . 7.2.	Study 3a factors	258
7.1.3. 7.1.4.	Leaders	257
7.1.2. 7.1.3.	Groups and stress	254 256
7.1.1. 7.1.2.	Group influence	254
7.1 7.1.1.	Background to study 3a Previous findings	251 251
<b>7.</b> 7.1	Studies 3a & 3b - Unethical Behaviour in Groups	<b>251</b> 251
0.0.	Conclusions from study 2	230
6.6.	The study design Conclusions from study 2	250 250
6.5.3. 6.5.4.	The participants	249 250
6.5.2.	The participants	249
6.5.1.	Data capture The tools	249
6.5.	Limitations of study 2	249
6.4.4.	Whistle-blowing	248
6.4.3.	Deviance	247
6.4.2.	Social inhibition	246
6.4.1.	Pressure to conform	245
6.4.	Issues raised from study 2	245
6.3.6.	Discussion of study 2 results	242
6.3.5.	Results of study 2	234
6.3.4.	Study 2 measures	232
6.3.3.	Study 2 design	232
6.3.2.	Study 2 participants	231
6.3.1.	Study 2 procedure	230
6.3.	Study 2	230
6.2.2.	Study 2 dependent variables	227
6.2.1.	Study 2 independent variables	225

8.1.1.	Social	identity Theory and group influence	301
		lidentity Theory and group influence	
8.1.2.		nce of individuals	302
8.1.3.		ers and stress	307
8.2.	•	4 factors	308
8.2.1.	-	4 independent variables	308
8.2.2.	Study	4 dependent variables	312
8.3.	Study	4	312
8.3.1.	Study	4 procedure	312
8.3.2.	Study	4 participants	313
8.3.3.		4 design	314
8.3.4.	•	4 measures	314
8.3.5.	•	ts and discussion of study 4	315
8.3.6.		4 qualitatvive analysis	327
8.3.7.	•	ssion of qualitative findings – study 4	337
8.4.		nary, limitations and discussion of findings of study 4	342
8.4.1.		nary of study 4	342
8.4.2.		ions of study 4	343
8.4.3.	Conci	usions from study 4	348
9.		mary, Implications, Limitations and Conclusions	351
9.1		ral discusion	351
9.2.		nary of findings	351
9.3.		arch Implications	356
9.3.1.		tunity for corruption	356
9.3.2.		xt of corruption	357
9.3.3.	Social	identification	358
9.3.4.	Leade	ership	359
9.3.5.	Group identification and stress		361
9.3.6.	Whist	le-blowing	362
9.3.7.	Implic	ations for managers	363
9.4.	Resea	arch Limitations	367
9.4.1.	Organ	isation size	367
9.4.2.	-	of time on corruption in organisations	368
9.4.3.		e of corruption	371
9.4.4.		term stress and corruption	375
9.4.5.		research limitations	375
9.5.		arch conclusions	376
0.0.	110000		010
Table	of Figu	ures	
<b>-</b> :			0.4
Figure	1.1.	Different types of perpetrators and beneficiaries of corruption	34
Figure		Perpetrators and beneficiaries of corruption	41
Figure		Range of corrupt workplace behaviour	48
Figure	2.3	Different forms of corruption	50
Figure	2.4	Dimensions of corruption	62
Figure	2.5	Some organisational factors affecting corruption	68
Figure:		Ethical decision-making model showing the influence of groups	75
Figure:		Model of corruption showing the effects of a moral framework	77
			70
Figure:	<b>პ</b> . T	Emergent model of corruption in organisations	79

Figure 3.2 Figure 3.3	Relationship between bad apples, bad barrels and bad cases Structures of corrupt acts	100 102
Figure 3.4	The role of pressure and opportunity in corporate corrupt behaviour	121
Figure 3.5	Influence of significant others in ethical decision-making	122
Figure 3.6	Pressure and opportunity as organisational factors in corrupt	123
Figure 3.7	behaviour Social identification, corruption, moral intent and action	124
Figure 3.8	Summary of models for corruption	127
Figure 4.1	The role of social identity in group behaviour	130
Figure 4.2	Relevant aspects of Social Identity Theory	143
Figure 4.3	Relevant aspects of Self-Categorisation Theory	150
Figure 4.4	Relationship between relevant SIT and SCT principles	151
Figure 4.5	Social identity continuum, self-categorisation and behaviour	153
Figure 4.6	The effect of social identification on decision-making	156
Figure 4.7	Effect of social identity processes on group behaviour	167
Figure 4.8	Influence of threat on social identification and corrupt behaviour	179
Figure 4.9	The process of social identity threat, stress and corruption	186
Figure 5.1	The role of social identity in corrupt behaviour	190
Figure 5.2	Impact of opportunity on the process of corrupt behaviour	193
Figure 5.3	Significantly higher scores under cheating opportunity	207
Figure 5.4	High identifiers scored most under ingroup threat	207
Figure 5.5	Significantly lower levels of cheating for the control group	208
Figure 5.6	Ingroup threat provoked most cheating by high identifiers	209
Figure 5.7	Stress was significantly lower in the ingroup threat condition	210
Figure 5.8	High identifiers experienced lower levels of stress	211
Figure 5.9	As cheating increased, stress decreased	211
Figure 6.1	Role of stress and super-ordinate identity threat in corrupt behaviour	220
Figure 6.2	High identifiers experienced less stress than low identifiers	235
Figure 6.3	Level of identification influenced cheating	236
Figure 6.4	Relationship between pressure and social identification	237
Figure 6.5	Women experienced more stress than men	239
Figure 6.6	Interaction between gender and threat levels for pressure	239
Figure 6.7	Interaction between gender and threat for team pressure	240
Figure 6.8	Women felt more under pressure to do well under high threat	240
Figure 6.9	Men put more pressure to cheat than women	241
Figure 6.10	Process model for corruption in small groups	245
Figure 7.1.	Threat, stress, identification, opportunity and corrupt behaviour	252
Figure 7.2.	Profits (unethical behaviour) rose with increasing threat	266
Figure 7.3.	High identifiers experienced lower levels of stress	267
Figure 7.4.	Higher levels of threat increased team leaders' unethical behaviour	268
Figure 7.5.	Men chose less ethical options than women	269
Figure 7.6.	Women had higher moral intent than men	270
Figure 7.7.	Women felt more under pressure to behave unethically	271
Figure 7.8.	Younger participants returned higher profits under threat	273
Figure 7.9.	Effect of increasing pressure on unethical behaviour and stress	293

Figure 7.10.	Increased identity threat encouraged unethical behaviour	294
Figure 7.11.	Increased identity threat reduced stress	295
<b>3</b> · ·	,	
Figure 8.1.	Identity threat, stress and opportunity in corrupt behaviour in	300
Figure 8.2.	groups Higher identifiers had higher scores, indicating higher levels of	316
rigule 0.2.	cheating	310
Figure 8.3.	Men had higher scores than women, implying higher levels of	317
rigare c.c.	cheating	017
Figure 8.4.	Men had higher levels of contextual ethics under cheating	318
1 19410 0.1.	conditions	0.10
Figure 8.5.	Stress was lower for high identifiers	321
Figure 8.6.	Women felt more pressurised than men	322
Figure 8.7.	Women felt more pressurised and showed less contextual	323
90	ethics	0_0
Figure 8.8.	Leaders had higher scores than non-leaders	324
Figure 8.9.	Higher levels of leadership in the identity salient condition	325
Figure 8.10.	Stress, social identity, threat and opportunity as factors in	350
J	corruption	
	·	
Figure 9.1.	Factors for corruption in organisations	352
Figure 9.2.	Social identification central to process of corrupt group	353
	behaviour	
Table of Ta	bles	
Table 1.1.	KPMG Survey (2007) – 'Profile of a Fraudster'	17
Table 1.2.	KPMG Fraud Survey (2009) – fraud threats	19
Table 1.3.	KPMG Survey (2007) – reasons for corrupt behaviour	19
Table 1.4.	KPMG Survey (2009) – consequences of fraud	20
Table 1.5.	Economic and social arguments for examining corruption	23
Table 1.6.	Classification of corruption as based on its beneficiaries	34
1 45.6 1.61	oracomodulor or corruption as based on the beneficialise	0.
Table 2.1.	Main points of definitions of corrupt behaviour	50
Table 2.2.	Comparison of cheating and corruption	56
Table 2.3.	Comparison of unethical behaviour and corrupt behaviour	60
Table 2.4.	Overlapping constructs representing misconduct in organisations	61
Table 2.5.	Some models of corruption	67
Table 2.6.	Overview of a moral framework	76
Table 3.1.	Effects of organisation boundaries on corrupt behaviour	89
Table 3.2.	Corruption as an interaction between individuals and groups	101
Table 3.3.	Summary of types of rationalisation	113
Table 3.4.	Summary of mechanisms of corruption	116
Table 3.5	Variation in employee conduct in using opportunity	120
Table 3.6	Influence of pressure and opportunity on corrupt behaviour	122
T-61 4 4		400
Table 4.1.	Summary of early research into group behaviour	136
Table 4.2.	Relevant points of Social Identity Approach	152
Table 4.3.	Relevant points of SIA and group decision making	166
Table 4.4.	Relevant points of SIA and group behaviour	172

Table 4.5.	Effect of social identification and types of threat on group behaviour	178
Toble 16		170
Table 4.6.	Social identity threat and group behaviour	179
Table 4.7.	Relevant points of Social Identity Approach and stress	186
Table 5.1	Summary of results for study 1	214
Table 6.1	Summary of results for study 2	242
Table 7.4	Describe findings common describe actual requite	074
Table 7.1 Table 7.2	Research findings compared to actual results – study 3 Summary of study 3a qualitative analysis	274 290
Table 8.1	Summary of study 4 results	327
Table 8.2	Summary of study 4 qualitative analysis	337
Table 9.1	KPMG (2007) survey compared with thesis findings	356
Table 9.2	Checklist for dealing with corruption	367
Table 3.2	Checklist for dealing with corruption	307
Table of Am	mandiaca	
Table of Ap	penaices	
Appendix 1		
A 1.1.	The Milgram Experiments	379
Appendix 2		
A 2.1	Kohlberg's Model of Moral development	381
Appendix 3		
A 3.1.	Milgram's explanation of his experiments	383
Appendix 4		
A 4.1.	Asch's experiments	385
A 4.2.	Cognitive Dissonance	386
A 4.3.	Self-Categorisation Theory – assumptions and hypotheses	387
A 4.4.	Sheriff's field experiments	395
A 4.5.	Meta-contrast	396
A 4.6.	Risky shift explanation	397
A 4.7.	Explanation of group polarisation	398
A 4.8.	Groupthink	400
A 4.9.	Influence of experts on group performance	402
A 4.10.	Types of threat	402
A 4.11.	The BBC Prison Study	404
Appendix 5		
Table 5.2	Reliability, means and contrasts of participants' responses for	407
I UDIG J.Z	cheating and stress – study 1	TUI
Toble 5.0		407
Table 5.3	MANOVA results for cheating and stress – study 1	407
Table 5.4	Significant correlations – study 1	408
Table 5.5	Study 1 - Reliability, means and contrasts of participants' responses – individual variables – study 1	409
Table 5.6	MANOVA results - individual variables – study 1	409

Appendix 6		
Table 6.2.	Reliability, means and contrasts of participants' responses for cheating and stress - study 2	411
Table 6.3.	MANOVA results for cheating and stress-study 2	411
Table 6.4.	Reliability, means and contrasts of participants' responses for pressure – study 2	412
Table 6.5.	MANOVA results for pressure – study 2	412
Table 6.6.	MANOVA results – effects and contrasts for gender - study 2	413
Table 6.7.	Significant correlations – study 2	413
Appendix 7		
Table 7.3.	Reliability, means and contrasts of participants' responses for unethical behaviour and stress - study 3a	415
Table 7.4.	MANOVA results for unethical behaviour and stress - study 3a	415
Table 7.5.	Reliability, means and contrasts of participants' responses for team leader - study 3a	416
Table 7.6.	MANOVA results for team leader - study 3a	416
Table 7.7.	Reliability, means and contrasts of participants' responses for gender - study 3a	417
Table 7.8.	MANOVA results for gender - study 3a	417
Table 7.9.	Reliability, means and contrasts of participants' responses for age - study 3a	418
Table 7.10.	MANOVA results for age - study 3a	418
Table 7.11.	Significant correlations – study 3a	419
Table 7.12.	ANOVA results for unethical behaviour and stress – study 3b	420
Table 7.13.	Reliability, means and contrasts of participants' responses for allocated time - study 3b	420
Table 7.14.	Significant correlations – study 3b	421
Table 7.15.	MANOVA results for unethical behaviour and stress – study 3b	421
Appendix 8		400
A 8.1.	Task continuum	423
A 8.2.	Escalation of corruption	423
Table 8.3.	Reliability, means and contrasts of participants' responses for cheating and stress – study 4	426
Table 8.4.	MANOVA results for cheating and stress– study 4	426
Table 8.5.	Reliability, means and contrasts of participants' responses for gender – study	427
Table 8.6.	MANOVA results for gender – study 4	427
Table 8.7.	Reliability, means and contrasts of participants' responses for age – study 4	428
Table 8.8.	MANOVA results for age – study 4	428
Table 8.9.	Reliability, means and contrasts of participants' responses for team leader– study 4	429
Table 8.10.	MANOVA results for team leader – Study 4	429
Table 8.11.	Reliability, means and contrasts of participants' responses for cheating – study 4	430
Table 8.12.	MANOVA results for cheating – study 4	430
Table 8.13.	Significant correlations – study 4	431
References	S	433

The Stressful Business of Corruption: The Relationship Between So	ocial Identity Threat, Stress and Corrupt
Group Behaviour	
	Table of Contents