

# Chapter 2

## Social Capital, Corrupt Networks, and Network Corruption



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**Abstract** The network literature available presents valuable theories on corruption networks. These networks are goal-directed criminal networks, established to undertake criminal activities. This chapter presents a different outlook on the link between networks and corruption. It presents the concept of ‘network corruption’ which is the phenomenon of collective acting by networks which results in corruption even if the individual acting itself is not necessarily corrupt. This chapter is partly based on earlier cases studies which were investigated as corruption cases by the public prosecution services. People make group-serving or ‘sociocentric’ attributions to boost the performance of groups to which they belong, and this can turn into network corruption. The concept of network corruption considers corruption as a social process within networks. Its introduction implies the need to understand corruption as collective acting and thereby underlining the importance to incorporate network awareness and network responsibility in corruption literature and in practical policy making. Network corruption as a complex system provides insights into norm development in emerging networks which all of us need to keep an eye on when we involve and participate in networks, whether we participate as politician, civil servant, law enforcement official, journalist, entrepreneur, employee or citizen.

### 2.1 Introduction

Corruption undermines human development. It diverts public resources away from the provision of essential services. It increases inequality and hinders economic development by distorting markets for goods and services. It undermines rule of law and democracy, foremost because it destroys public trust in governments and leaders [2]. In many countries across the world corruption cases make the headlines. Expos-

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ing corruption and holding the corrupt to account can only happen if we understand the way corruption works and the systems that enable it [3]. The current literature and research on corruption in network-like structures mostly focusses on systemic corruption in the sense that most network members are involved in bribe paying of any sort. Ashforth and Anand [4] present a model to examine collective corruption. Although they still build their model on the idea of corrupt acts, their research is a step in the direction of understanding corruption to be embedded in collective structures and processes. They argue that there are three reinforcing and reciprocally interdependent processes (institutionalization, rationalization and socialization), which conspire to normalize and perpetuate corrupt practices so that the system beats the individual. Warren [5] points to the fact that in any democracy second-order norms of process can evolve that can quite properly bring new meanings of corruption in their wake. Zimelis [6] and Vergara [7] both argue that the corruption studies suffer from the bias of focusing on systemic corruption in developing countries and nation-states while an integrated approach to studying systemic corruption in western countries is needed. Vergara argues that the systemic corruption takes on the form of an oligarchic democracy, a non-representative liberal government.

## 2.2 Corruption

### 2.2.1 Existing Typology of Corruption

Before continuing with the exploration between corruption and networks, it is important to understand how scientists have explored the corruption concept. The corruption literature is characterized by the following polytomy: corrupt individuals ('bad apples') versus corrupt organizations ('bad barrels') versus corrupt systems ('bad barrel makers'). Corruption cases all have in common that somebody with power and influence knowingly uses his influence to e.g. assign a public contract, provide a permit license, refrain from carrying out safety measures, influence policies or laws and in return receives a favor given by a third party, who acted on behalf of themselves or others. Notwithstanding the possibility that extortion or other means of pressure were used to get these persons to do so, this way of acting was a conscious and rational choice of the individual; it is the individual who is corrupt. The 'bad apple' perspective blames the immoral individual whose personal characteristics cause the unethical behavior. As such, corruption is foremost a matter of rational choice or a calculated decision of an individual who instigates or accedes to an attempted corrupt transaction [8, 9].

Another approach is to consider corruption to be something at the level of the organization. The 'bad barrels' perspective links unethical and immoral organizational culture to corrupt practices. Pinto et al. [10] distinguish two distinct corruption phenomena at the level of the organization. The first appearance of corruption concerns the cases in which a significant proportion of an organization's staff act in

a corrupt manner but primarily for their own personal benefit (an organization of corrupt individuals). The second appearance concern the cases in which a group collectively acts in a corrupt manner for the benefit of the organization (a corrupt organization). Here, corruption can be seen as a social process, within the context of the organization, allowing the group to be organized in such a way that it commits corruption on behalf of the organization [9, 10].

Besides seeing corruption as a matter of individual choice or seeing corruption as related to the organizational context, corruption is also regarded as being understood from a system or ‘bad barrel maker’ perspective. Individuals and organizations are embedded in a larger societal system which influences their behavior. Johnston [11] is at the forefront in the academic debate when stressing the importance of understanding the system level of corruption. He understands corruption from the setting in which it evolves, both in terms of a country’s level of economic development and its level of democracy. This system level of corruption is acknowledged by scholars, policy makers and NGOs such as Transparency International. Klitgaard [8] and Nielsen [12] have tried to capture the elements of corrupt systems and introduced strategies to fix the systems that breed corruption. This system approach is reflected in Transparency International’s model of National Integrity System (NIS) and the model Local Integrity System (LIS) by Huberts and Six [13]). Both models understand corruption to emerge if there are weakness within societal foundations (economic, social, cultural) and both hard controls (e.g. strong and independent institutions, rules and checks and balances) and soft controls (e.g. public education, leadership) are not aligned.

### ***2.2.2 Adding a New Classification of Corruption to the Typology***

The exploration of the body of knowledge on corruption shows that corruption is a layered concept which leads to the conclusion that there is no definition of corruption which is universally agreed upon. Corruption literature does present a system approach of corruption, mostly by looking at how individual corrupt acts are in fact caused by the collective behavior of groups and organizations, here corruption becomes the norm and many are committing corruption. The other systems approach to corruption is understanding its emergence by pointing at the specific weaknesses within a given societal system. Both approaches imply a focus of corruption as an individual act in a certain context. Having assessed the most used corruption definitions and typologies, I have come to define corruption as “allowing improper interests to influence decision-making at the expense of the general interest”. This definition not only meets the idea of corruption as an individual act, it also meets the idea of corruption as collective acting even when individuals do not act corrupt.

The cases which were part of the work this article is based on were investigated as corruption cases by several national public prosecution services. All three cases

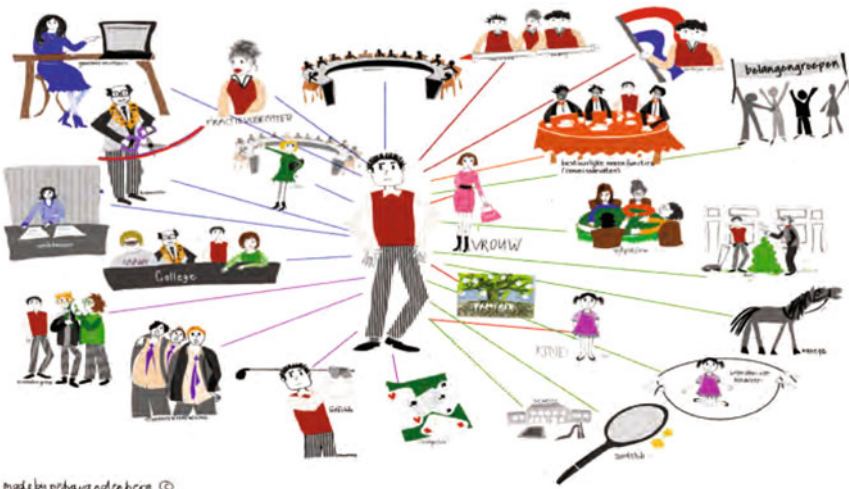
involved various other misconducts such as favoritism, abuse of power and conflicts of interests. Although large-scale corruption was suspected, the limited scope of the bribery provisions required evidence of each individual's abuse of power in return for a bribe or it had to be proven that an individual paid a bribe. In all three case studies such form of corruption could only be proven for a few individuals or not proven at all. This is not to say that there was no serious corruption, the corruption emerged in a more subtle way. It went beyond the level of individual acting and immediate and obvious influencing. Before going into detail, the following two visualizations are presented to illustrate the form of corruption which will be introduced as network corruption.

This network perspective is visualized in image 2 where a random local politician's personal and professional connections are all interwoven. The average corruption risk analysis looks at possible stakeholders and vulnerable bilateral relations as can be seen in image 1. However, when we incorporate networks into such a risk analysis other 'red flags' become visible. The center network in red is the small network of the politician and his family. The pink network is composed of the connections which are related to these family members (school, leisure and friends). The purple network is a representation of networks which developed during previous professions and studies. The blue network is the local governmental organization. The orange network represents the connections within the network of the political party to which the politician is affiliated. The green network consist of connections related to the portfolio of the politician. The politician himself and many other key figures visualized in this image all have power and influence which coincide with their formal positions and additional functions. Besides the formalized networks which coincide with these positions, they are part of more informal networks. Many of these networks overlap and directly create a risk of conflict of interest. These networks allow improper interests to influence decision-making at the expense of the general interest. This mechanism is seen in many of the official court and legal documents of the case studies. This is where current network and corruption literature fall short and the day to day reality of corruption prosecution is frustrated because here corruption is a collective network outcome developed over time without the easy to point at 'quid pro quo'. To be able to understand this corruption emergence, we need to use network theory and its explanations of mechanisms within social networks. Before presenting these mechanisms, a short distinction between several types of networks is presented.

### 2.3 Social Networks

Figure 2.1a and b have visualized the difference between the perspective on ones' bilateral or multilateral relations and what this could imply for corruption research. These formal and informal networks are all social networks which form the structure in which we as human beings connect with others. A social network is a set of actors and the set of ties representing some relationship or lack of relationship between the

a



b



**Fig. 2.1** This visualization is based on an example of a local politician and the formal and informal networks a politician is a member of. Such a network image can be made for any individual and is not limited to the political or local context. **a.** Visualization of a random local politician and his (bilateral) personal connections. **b.** Visualization 2 of a random local politician and how his personal connections are all interwoven

actors [14]. It is an arrangement of people crossed at regular intervals by other people, all of whom are cultivating mutually beneficial, give-and-take, win-win relationships [15]. So each social network is composed of actors and relations. Actors can be individual natural persons or collectives. Relations can best be described as the specific kind of connection or tie between these actors. Besides these basic characteristics of networks, we need to make a distinction between formal and informal networks and between goal-directed and emergent networks and take a closer look at the general characteristics of social networks. These will allow a further understanding of the link between networks and when they create social capital or corruption.

### ***2.3.1 Formal and Informal Networks***

Social networks can take on different forms. Social networks are not mere contacts, they imply mutual obligations [16]. An individual's network entails everyone from family members, friends and acquaintances to professional contacts. The visualizations above include a few well-known and obvious networks of a local politician. We can distinguish formal networks such as student associations, business clubs or political parties. These networks have a formal structure and formal hierarchy of their own. One facet of social connectedness is the official membership of such a formal organization, the other facet includes memberships of informal social networks. A social network distinguishes itself from official organizations because it is not formally founded but instead has an informal horizontal structure in which these beneficial relationships emerge. Putnam [16] distinguishes formal 'card carrying' membership from actual informal involvement in community activities, whereby the latter has more effect in terms of value. Networking requires individuals to stay in touch with their contacts formally or informally to know what they are up to and to stay informed about their needs. Actions of individuals and groups can be facilitated by their memberships in social networks, foremost because of their direct and indirect links to others in these networks. Social networks are not abstract concepts, they are the informal structures which we all find ourselves in while working or meeting friends. They do have effects which are real and noticeable. In this article we focus on the corruption effect of networks. Besides the distinction between formal and informal networks, we also need to consider the difference between goal-directed and emergent networks, in order to understand network goals outcomes.

### ***2.3.2 Goal-Directed Networks and Emergent Networks***

In order to understand the link between networks and corruption we also need to understand the coming into existence of networks. The literature on whole networks or (inter)organizational networks provides important insights into the way networks develop, how they are functioning and how social networks are embedded in larger

‘whole networks’. Whole networks are defined as three or more autonomous organizations collectively working together to achieve not only their individual organizational goals, but also a common network goal. These whole networks are complex systems and can either be goal-directed or emergent. Whole networks are a group of three or more organizations connected in ways that facilitate achievement of a common goal [17]. Such networks are often formally established and governed, and goal-directed, rather than occurring serendipitously. Relationships among network members are primarily non-hierarchical and participants often have substantial operating autonomy. Goal-directed networks are maintained in a more formal way, such as by means of contracts and rules [17]. Their relationships are maintained informally through the norms of reciprocity and trust. The multilateral relations define a whole network and are essential for achieving collective outcomes. Such networks are critical for resolving many of the problems and policy issues that office holders are confronted with. In many countries network involvement is welcomed because it is seen as an effective way to realize private sector consultation and participation [18].

Another category of networks is that of emergent networks. These networks develop organically and over time. Factors such as friendship, trust, or the need to acquire legitimacy or power are the basis of successful relationships [19]. Vilkas [20] revealed that emergent networks enable collective micro-processes such as negotiation, adaptation and integration thereby influencing formal structures and processes. As such, the impact of emergent networks should not be overlooked.

### ***2.3.3 General Characteristics of Networks***

In the following section, we will introduce key characteristics from social network science that will play a role in our analyses of networks and corruption. Although there are variations among networks, there are some features which all social networks have in common. Social networks have some distinguishing features: 1. The main characteristic of a social network is the absence of a formal structure and the presence of an informal structure. Networks are flat and horizontal, whereas formal organizations are governed by means of a certain hierarchy. Small groups add an important element to the way in which modern life is organized. It is a change from formal organizations in the direction of interpersonal unorganized or loosely organized connections [16].

2. A second characteristic is that a network does not have a formal leader or director but so-called centers of influence can be distinguished. This center of influence is the actor which has been part of a network for a long time or who has a high-profile position [15]. Although the actor may not be able to offer someone immediate advantages, he or she may be able to connect someone with others who can, while this connection might be useful in the future. The foundation for networking is based on the old expression “it’s not what you know, but who you know” [15]. Granovetter [21] did research into the strength of interpersonal ties and as an example showed

that although person A has a close connection with B and A also is closely connected to C, even though B and C have no relationship, common ties to A will at some point bring about a certain interaction. There is a likelihood that friendly feelings emerge once they met because of their expected similarity to A. A in this example can be seen as a center of influence in such a network.

3. A third characteristic is that social networks are dynamic, responsive and adaptive. Formal organizations are rather static and bureaucratic. Social networks are systems which consist of nodes (individual actors, people, or things within the network) and the ties, links or connections (relationships) between them. These nodes can be tangibles such as individual persons, regulations, institutions, permits or money, and intangibles, for instance, success, pride or feelings of loyalty and fear. The interconnections are the relationships which hold these elements together. Flows of information are the most important and common form of interconnections and become signals that trigger decision or action points in a system [22]. If a consistent behavioral pattern over a long period of time can be seen, this means that the feedback loop mechanisms are working.

4. The fourth characteristic of the social network is that it has a purpose. The goal or purpose of any network can best be characterized by looking at the conduct of the network members. This conduct reflects the collective goal and it can be different from goals formalized on paper. Brass et al. [23] note that those who interact within networks become more similar. As such, the common attitude of connected individuals is not only proof of the existence of a network; it is also evidence of the network's purpose. Goal-directed networks have been established with a goal in mind, while the emergent networks strive for a certain goal but this process is the outcome of an organically grown network. Social networks create an opportunity that may facilitate access to a variety of resources (finances, information and political support) which ensures one has adequate means to exist and be successful in a competitive society.

5. A fifth important characteristic of a network is that of 'actor similarity' [16, 23]. Similar people tend to interact with each other, or 'likes attract likes'. Similarity is thought to ease communication, increase the predictability of behavior, and foster trust and reciprocity. Individuals identify themselves with the network to which they are a member. Turner et al. [24] introduced this idea of 'self-categorization'. When people 'self-categorize', they are motivated by social group goals rather than individual goals, make the group's characteristics their own personal characteristics, and thus incorporate social group identities into their personal identities [25]. In social psychology, social identity theory is based on the idea that membership in social groups is an important determinant of individual behavior [25]. Social networks coordinate an individual's behavior and ethical decision-making in a certain direction. Social identity theory explains how a person has a social group identity in terms of 'identifying with' the collective [25]. As soon as a person identifies with others, their individual identity is re-framed in terms of others' identities. This implies that individuals contribute to the identity of the social group, which in turn influences their own identity. Ashforth and Anand [4] refer to a similar process being that of socialization. This process involves imparting to newcomers the values, beliefs,



norms and conduct, that they will need to fulfil their roles and functions effectively within the group context. As individuals seek to make sense of reality, they compare their own perceptions with those of others [23]. Ashforth and Anand [4] use the metaphor of a ‘social cocoon’ or ‘microcosm’ where newcomers of a group are encouraged to affiliate and bond with older members, fostering desires to identify with, emulate and please them. As such, they not only identify with the other group members and the collective they form together, but also identify with their own role in the collective [4].

The psychological and sociological mechanism of wanting to belong to a group and being less critical towards the conduct of in-group members has had implications in other disciplines. There is a legal concept named ‘willful blindness’, which refers to a situation in which a person intentionally fails to be informed about matters that would make one criminally liable [26]. So there is a possibility to know something and a responsibility to be informed, but it is avoided. Willful blindness originates from the fact that human beings have a tendency to build relationships that reaffirm their values, make them feel comfortable and blind them to alternatives. This form of negligence within networks has led to environmental disasters and the financial crisis [26]. This mechanism is likely to play a role in social networks examined by this study.

6. The sixth characteristic of a network is that it is not simply the sum of its members. Major societal successes and concerns are embedded in social systems. If a phenomenon is caused by a collective, but cannot be reduced to individual acts and members, it should be addressed as an independent actor.

## 2.4 Social Capital

The previous section dealt with the differences between formal and informal and goal-directed and emergent networks. These various networks all form a type of social capital that encompasses the connections that people have with other professionals, family, friends and acquaintances and which brings with it potential advantages granted by members of the network because they have power and influence. The relationships are based on the principle that people have a mutual concern for each other’s welfare and well-being. This “the need to belong” is a human desire for close relationships and a strong human motivation [27]. This desire for social connectedness is analogous to our needs for food and water [28]. What differentiates social capital from other forms of capital is that this capital is not located in the actors but in the relations they have with others [29]. Social capital, as defined by Putnam, “refers to networks and the norms of reciprocity and trust that arise from them” [29]. Fukuyama [30] states that “social capital is an instantiated informal norm that promotes co-operation between two or more individuals.” The OECD [31] defines social capital as “networks together with shared norms, values and understandings that facilitate co-operation within or among groups”. Most scholars consider the source of social capital to be located in the structure of the network [16, 29].

The reward of the social interactions is intrinsic. There is considerable consensus among scholars that the social interaction itself is the reward [32]. Network members might get economic advantages through the social networks, but this is not the initial motive for forming a network. According to Brass et al. [23] social capital is “getting ahead to be a matter of who you know, not what you know”. The people who do better in society are somehow better connected [33]. Certain people or certain groups are connected to certain others, trusting certain others, obligated to support certain others, dependent on exchange with certain others. Holding a specific position in the structure of these exchanges can be an asset in its own right [33].

The social network is seen as an important social organization or structure in our society. Scholars such as Granovetter [21] and Vilkas [20] have pointed to the failure to recognize the importance of these networks of personal relations in the economic system, while Fukuyama states that a loosely organized civil society serves to counter the power of the state and to protect individuals from the state’s power. If such social capital is absent, there is a risk of centralized tyranny and poor governance which can be the seed for corruption [30]. Warren [5] connects social capital to today’s democracies by stressing that democracies work when their people have capacities to associate for collective purposes. Human beings’ ability to organize themselves in networks is essential to ensure interest representation in a well-balanced society, economy and political environment. These networks are crucial in any democracy, whether it is an established and resilient democracy, a challenged democracy or a developing democracy. So far, the focus has been on the good side of social networks. However, the case studies this article is based on also indicate that there are risks involved in networking. Many corruption cases are brought in connection with networks and connections. Therefore the question remains what other effects or outcome social networking can bring about.

## **2.5 Deterioration of Social Capital**

### ***2.5.1 Legal Versus Illegal Networks***

The previous paragraphs dealt with the positive side of social networks: human beings’ ability to organize themselves in networks to ensure interest representation in a well-balanced democracy and economy or simply feel connected and protected with their friends and family. While such form of network organizations strengthen society, there are also networks created with criminal goals in mind which do the opposite and undermine society. Most empirical studies on networks focus on networks with either of such legal or illegal activities. Baker and Faulkner [34] distinguish legal networks from illegal networks. Participants in illegal and criminal networks conduct their activities in secret: they must conceal the conspiracy from outside ‘guardians of trust’ such as customers and non-participants inside their own organizations. Various practices and organizational devices are used to protect the secrecy of such a network.

Members may conceal its existence and their involvement in it by limiting face-to-face communication and leaders may be unknown to ordinary members. These goal-directed networks are established with a criminal goal.

Less studies have been carried out on networks involved in legal activities which at a certain point deteriorate. Neither the individual bad apples perspective nor the organizational bad barrels perspective fully explains unethical behavior in organizations. Unethical behavior is foremost a social phenomenon, which needs to be understood by looking at its embeddedness in the structure of social relationships [23]. They argue that interpersonal networks have an important effect on a variety of individual outcomes such as gaining influence and acquiring positions, but more work is needed on network antecedents to understand interaction patterns within and between organizations. This line of thinking calls for a network perspective, both internal and external networks, which are to be understood from their embeddedness in whole networks. Before introducing the far-reaching deterioration of social networks in the form of network corruption, we will first need to understand the two core elements which help to distinguish when a network is a form of social capital or whether it is deteriorating into corruption. These elements are: inclusiveness versus exclusiveness and specific versus generalized reciprocity.

### ***2.5.2 Inclusive Versus Exclusive Outcome***

The previous section dealt with the obvious difference between social networks and illegal networks. Some scholars argue that all forms of social capital can be put to unhappy purposes such as suppression or corruption [35]. The advantages that social networks bring about are only one side of the coin. The internal cohesion in networks is achieved at the expense of outsiders (Fukuyama, 2001: 8). In-group solidarity reduces the ability of group members to work together or cooperate with outsiders, thereby often imposing negative externalities on the latter. Fukuyama [30] refers to the corruption this might cause, in particular when the person involved is a public official. In such a case, in-group bonding can cause the cultivation of nepotism (in the interests of family or a group), thus depriving members outside the group from equal opportunity in accessing goods and services. The OECD also points at the risk of relationships which are too inward-looking and fail to take account of what's going on in the wider world [31].

A similar downside to social capital can be seen when differences in education, class and race, result in the underprivileged and disadvantaged losing their connections while the privileged continue to keep their social capital strong [5, 21, 36]. This form of association is considered to operate on the basis of implicit norms, whereby the cultural capital associated with higher education is valued and used to favor some and exclude others. Wuthnow states that social capital may function in an exclusionary way when “ it consists of limited networks that provide valuable information to some people but not to others (old boys’ networks, for example) or when associations set up expectations about membership that cannot be easily met

by everyone” [36]. These networks can be considered homogeneous in the sense that they consist of one or a few centers of influence with a closed group of individuals who are alike and share a certain background (study association, political party, historical roots). Also, they have successfully bridged with others because they work at or represent a wide spectrum of influential institutions or organizations in a given society. Such social networks exist across democratic and societal institutions and are present in the heart of the decision-making processes. This implies that social networks have the potential to enrich, help, support their members at the cost of the outsider. This is reason enough to consider how networks such as those of the local political visualized in images 1 and 2 influence one another and what the impact is in network members and outsiders. Before getting to that question, there is another aspect to consider: the element of reciprocity within networks.

### 2.5.3 *Generalized Versus Specific Reciprocity*

The reward of being part of a network is that the network or its members return something of value. This can best be described as the dominant norm being that of reciprocity whereby two forms of reciprocity need to be distinguished. Specific reciprocity is when an individual does something and a particular person does something in return [16]. This exclusive or specific reciprocity (the demand that any favor be reciprocated) tends towards exclusive ways of associating [5]. In this way, particularized reciprocity is seen as being bad for democracy, because it builds on and reinforces group separations. Fukuyama also points to the ‘negative externalities’ if groups achieve internal cohesion at the expense of outsiders: the larger society in which they are embedded [30]. This favor and return favor can either be a characteristic of a friendly gesture (gift) but equally can be an element of bribe paying.

Generalized reciprocity is noticeable when an individual does something without expecting anything specific back from that other person in the confident expectation that someone else in the network will do something for him at some point [16]. Those who generalize reciprocity will help others not because they expect a particular return, but because they believe that, should they need help in the future, someone else will demonstrate the same spontaneous generosity [5]. In our modern society, this form of generalized reciprocity is of particular value because not every single exchange needs to be balanced. This external focus is complemented by investments in the internal relations, thereby strengthening the social network’s collective identity and its effective governance [29]. This norm is derived from the network’s purpose and is an intangible element which steers behavior of the individual in the direction of the network’s purpose. The question is whether the generalized form of reciprocity linked to networks is a guarantee that opportunities will be available to all. Is it possible that our modern concepts of corruption oversee the potential risks of generalized reciprocity simply because from a legalistic point of view the specific form of reciprocity meets the requirement of the concrete and tangible ‘quid pro quo’?

### 2.5.4 *Reinforcing Mechanisms*

The general characteristics of social networks and their interplay with the elements of reciprocity and exclusion help in understanding how certain reinforcing mechanisms within social networks increase network deterioration. When individuals organize themselves in networks with people which they identify with, share ideas and beliefs with and these networks over time become the form of social network in which generalized reciprocity becomes the norm and the network becomes inward-looking, this means the network is deteriorating.

The social networks adapt to changing circumstances by attracting, selecting, socializing and retaining individuals to ensure continuity. Because they threaten the group's subculture, particular attention is paid to individuals who cannot be 'turned' [4]. Newcomers may be 'pressured' to encourage compliance with the group's norm. If unsuccessful, the punishment usually escalates and becomes exclusionary; a newcomer is rejected and induced to quit. Exclusionary punishment not only pushes the newcomer from the group, it reaffirms the norms and beliefs of the group by clearly drawing the line between 'acceptable' (corrupt) and 'unacceptable' (non-corrupt) behavior [4]. In this way, corruption is internalized by its members as permissible and even desirable behavior, and passed on to successive generations of members [4].

Social comparison theory explains how norm formation takes place. Often, individuals go back a long way and the norm formation in their closed networks was influenced by the social comparison among one another. If the networks emerge in the form of closed communities, this implies that the influence by outside attitudes is lacking, resulting in reciprocity being interpreted in a narrow sense; only applicable to the network members. Although Warren [5] looked at norm development within organized collectives such as institutions, he also explains how focusing on individual behavior might detract attention from norm evolution with corrupt outcomes [5]. Warren [5] and Ashforth and Anand [4] emphasize the importance of acknowledging how norms develop within collectives. In developed democracies, more and more influence and public purposes are attributed to nongovernmental organizations and profit-seeking businesses. The normalization of corruption occurs and becomes an ongoing collective undertaking due to the process of institutionalization, rationalization and socialization. Corruption becomes a property of the collective and thereby an integral part of the daily conduct to such an extent that individual members may be unable to see the inappropriateness of their behavior [4]. Corrupt individuals often acknowledge their conduct but deny the criminal intent [4]. Most individuals still uphold values such as fairness, honesty and integrity, even as they engage in corruption, that is, until the momentum of a corrupted system provides its own seeming legitimacy. This distances individuals and groups from the moral stance implied by their actions and perhaps even forges a moral turn around, in which the bad becomes good. Networks can create their own norms at odds with the outside world to the point where they become a 'law unto themselves' [37]. Because of this, networks can be quite secret and difficult to examine or regulate in their operation and endeavors.

The reinforcing mechanisms in networks result in the misuse of professional roles for network interests leading to preferential treatment of network members, thereby no longer serving the interests one has to observe when carrying out his role or profession. As such the actual informal role in the network influences the professional role one formally accepted. The individual examples of preferential treatment in such networks do not meet the criteria of the legal definition of corruption because there is no abuse of power in return for a private gain. However, the network dynamics allow improper interests to influence decision-making at the expense of the general interest.

## 2.6 Network Corruption

### 2.6.1 *Defining Network Corruption*

By introducing the idea of ‘network corruption’, the structure that nurtures the development of corrupt practices receives more attention, and this is a step in the direction of considering corruption as a complex system, the prevention of which requires alternative approaches.

Network corruption concerns individuals having organized themselves in networks that function as a social system in which the interaction of various individuals results in corruption but in which the behavior of the individual is not necessarily corrupt and can best be seen as a form of abuse of power, favoritism, conflict of interest, etc. The real corruption is in the nature of these networks in which network members favor other network members, thereby developing the norm of generalized reciprocity which results in the exclusion of non-network members. This is referred to as “network corruption” (corruption by the network) in addition to the corruption networks (corruption in a network). The recent study on the links between social networks and corruption defines network corruption as: “Informal collective cooperation in which professional roles are misused for network interests to such an extent that the dominant norm is that of generalized reciprocity, leading to the exclusion of others, while the members’ awareness of their network is reflected in their common attitude” [38].

Such networks often start off as normal healthy networks and can be seen as a valuable form of social capital in our society. But those features that allow networks to achieve positive results can also have a downside that leads to the deterioration of the networks. The result of the decision-making that has been influenced by undue interests is the core aspect of the corruption, and not the actual exchange of interests. This way, corruption is not something which can only be attributed to an individual. Here corruption is the outcome or result of a (social) process. Instead of assessing the nature of individual actions, this definition seeks to look at the outcome of a process before labeling something as “corruption” [38, 39].

**Table 2.1** The features of networks and the indicators when they form social capital or network corruption

Variable	Social capital	Network corruption
An informal collective cooperation	Cooperation	Misuse of professional roles for network interests
Shared interest	Specific reciprocity	Generalized reciprocity
Common attitude	Consciousness of the individuals	Consciousness of the collective
Closed character	Strong bond	Exclusion

The four features outlined in the table help us to see the mechanisms that cause networks to deteriorate. Although the exact tipping point for network deterioration is hard to discover, these features interplay in such a way that certain observable mechanisms start to work. The misuse of professional roles for network interests leads to the preferential treatment of network members, thereby preventing proper professional interests being served. In the process, the actual role in the network takes over from the professional role that had been formally accepted. As a result of the social process of these networks, preferential treatment becomes the norm (a form of generalized reciprocity). This implicit norm steers behavior to reinforce the norm, and network members are become blinded, no longer perceiving that they have a choice between a commitment to the network or to third parties [26]. The norm steers their behavior to such an extent that they act, refrain from acting, decide, and think in the interest of the network collectively, and in this way the network becomes closed, to the detriment of the rights of outsiders. This common attitude is strengthened by the network members increasingly identifying themselves with the network, and its closed nature leads to the absence of internal criticism and correction mechanisms. That, in turn, reinforces all the other features. The mutual reinforcement of these features corrupts the network [38] (Table 2.1).

When talking about network corruption, two aspects need to be distinguished. First of all, network corruption is about individuals being so entangled in a network that their individual conduct can influence one another in a way which is unexpected and results in effects which are unpredictable. This is complex collective acting (corruption by the network). Secondly, network corruption is the enabler of other forms of criminal conduct. Phone hacking, violating public procurement rules, vote buying, leaking of confidential information, fraud and intimidation are interwoven with the corruptive acting (corruption in the network). These crimes are interrelated and they all concern abuse of power, reciprocal mechanisms and acts related to the covering up of these acts.

Network corruption is neither about individual corrupt behavior nor about an entire state of being which is corrupt. Network corruption is the phenomenon which captures the collective conduct in a social network which at a certain point changes from social capital into corruption (emergence). Although decision-making is often influenced in unlawful and improper ways, corruption is in fact a violation of the essence of fair decision-making, whereby decision-making is no longer protected

by values of legitimacy, transparency and integrity. The improper interests influence decision-making in a more subtle way. Furthermore, by introducing ‘network corruption’, the structure in which corruption develops receives more attention, which means a step in the direction of considering corruption to be a complex collective behavior, the prevention of which requires alternative approaches.

### ***2.6.2 Implications of Network Corruption***

The main purpose of this chapter was to increase our understanding of the link between networks and corruption. The structure of a network and norm development can be fertile ground for committing collective corruption (corruption in the network). Although this is a risk to consider by social network members and policy makers, the legal provisions and policies available allow the effective prosecution and conviction of this form of corruption. This intentionally committing of corruption together with network members is of a different order than networks in which the norm of reciprocity slowly develops into corruption. Here they start to develop the characteristics of autonomous processes and organizations. This complex phenomenon can best be described as corruption by the network which exists alongside the corruption in the network. Network corruption exists above and beyond the individuals involved. As such, this chapter has followed up on the call by of Ashforth and Anand [4], Zimelis [6] and Vergara ([7], to add new integrated perspectives which help to understand and address systemic corruption in western societies. If networks form the context in which corrupt practices such as bribery become the norm, they are referred to as ‘corruption networks’. Although this phenomenon also concerns the link between network and corruption, this article dealt with a new phenomenon: network corruption.

When considering the implications of network corruption, it is foremost essential that we acknowledge that good people can collectively create corruption. Assessing ourselves and each other as ‘good apple’ or ‘bad apple’ is no longer valid when trying to prevent network corruption. This requires a different awareness: a network awareness. A network awareness implies that we all are aware that when we participate in networks, we automatically are influenced by these networks. Networks as such form valuable social capital but also have a downside or risk which too often we are not aware of. When wanting to prevent corruption we should have a network awareness in which we also keep an eye on the possible negative consequences of our networks and networking activities. It means we have to make concrete what roles we take on in these dynamic social networks and how we prevent these networks from becoming exclusive and built on generalized reciprocity. In doing so, we must acknowledge that these networks have a strong influence on how we observe ourselves and the network. The indicators in the table distinguish networks which form social capital from those who deteriorate into network corruption. These features can be operationalized in a network tool to assess the character of a person’s individual networks and meta networks within a certain context.



Many countries have legal anti-corruption and integrity frameworks. However, most frameworks suffer from loopholes when it comes to assessing the informal processes of networks; they fall short in recognizing network corruption. It is necessary to explain how independent legal instruments, such as rules on public procurement, revolving-door, lobbying and the various integrity policies such as code of conducts and obligation to register gifts and additional functions, not only seek to prevent the individual act of corruption but also corruption as an outcome of collective acting. Often bid rigging, revolving-door constructions and unfair forms of lobbying do not concern an individual seeking influence but are manifestations of a network.

When thinking about the collective behavior of networks resulting in damage, this also requires (re)considering the introduction of collective responsibility. Collective responsibility in addition to individual responsibility has been considered and used in exceptional cases of violence and crimes against humanity. However, in addition to network corruption, there are various other examples of serious societal or global damage caused by informal collectives, such as damage caused to the environment (global warming, loss of biodiversity) or harm to societal health (obesity). Although responsibility in a moral and legal sense starts with the search for who is to blame, this search will soon result in singling out individuals and their contribution to the collective harm. For instance, car owners are to blame for their cars' emissions and the effect they have on global warming, while national governments are blamed for not granting more subsidies for green and sustainable initiatives. These examples of complex collective acting and responsibility have a lot in common with the emergence of network corruption. It is the total sum of the parts which creates the negative impact while its individual parts are not necessarily a wrongful act. As a society we struggle to address responsibility for collective acting. However, if there is a consciousness of the collective this could be a reason to treat networks as a moral actor with similar responsibilities to prevent wrongdoing as legal entities have. If we gain a more overall network awareness and also challenge one another to reflect upon our role within networks and discuss the network' outcome with network members and outsiders, this could be step in the direction of collective responsibility for network outcomes.

The concept of network corruption we offer here intends to be a step towards conceptualizing corruption as a social process helping to lift the rational actor approach and positivist veil that currently hinders the effectiveness of anti-corruption policies in western democracies.

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