

# Corruption in Business – Are Management Attitudes Right?

Leyland F. Pitt  
Russell Abratt

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**ABSTRACT.** Corruption in business is as old as business itself. Corruption exists to some extent in all cultures, under all market systems and in all countries. The objectives of this paper are not to stand in judgement or to consider moral issues. This article considers the findings of a study concerning managerial attitudes towards corruption in business. The methodology involves a number of scenarios which could be construed as being deviant or dishonest. These are presented to respondents. Respondents are then asked questions regarding each situation. The findings were interesting. While the sample in general condemned corruption and corrupt practices, the perceived participation by the peer group was higher than one would have expected. The findings of a more comprehensive study of a similar nature should be meaningful to corporate policy in this regard, not only in respect of corruption, but also when decisions have to be made regarding the receipt of gifts.

## Introduction

Corruption in business is as old as business itself – corruption in the public sector even older.

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*Leyland F. Pitt is Senior Lecturer in Marketing in the Department of Business Economics at the University of Pretoria. He holds B Com(Hons) and an MBA from Pretoria University. He has wide business experience in industry. He is a well known consultant to commerce and industry.*

*Russell Abratt is Assoc. Professor of Marketing at the Graduate School of Business Administration at the University of the Witwatersrand, Johannesburg. He holds a B Com from the University of the Witwatersrand and MBA and DBA degrees from the Graduate School of Management at Pretoria University. He is a consultant to companies in South Africa, Zimbabwe and Swaziland.*

To obtain favours, payoffs are made; to gain special rights a gift is given. Corruption exists to some extent in all cultures, under all market systems and in all countries. In some cases governments and businesses depend on it for their very existence, in others it is condemned, despised and criticised, but never really eradicated. The objectives of this paper are not to stand in judgement or to consider moral issues. This article considers the findings of a study concerning managerial attitudes towards corruption in business. Whether all the situations used in the research are corrupt or not is a question of attitudes, values and opinions. The situations used cover a very wide spectrum, as will be explained.

There are a large number of rather beautiful synonyms for the word corrupt – left-handed, profligate, pernicious, improbius and tainted to mention but a few. The authors, however, prefer to see corrupt, or the corrupt person as one who uses the authority and position entrusted to him to hide one's own selfish advantage – to the disadvantage of the firm, and ultimately society as a whole.

## A question of attitudes

Deviant behaviour is often the result of, and is aggravated by, attitudes towards that behaviour. If shoplifting, for example, is seen really as “taking something” rather than theft, then it is obvious that it will not be regarded as a serious criminal offence. Similarly, if the attitude towards accepting a bribe is one of “everyone's doing it” or “I deserve it” or “it's not really wrong”, then one can assume that the corrupt

action will be an acceptable part of business life.

An attitude is a learned predisposition to react toward a subject/object or group of subjects/objects in a favourable or unfavourable way.<sup>1</sup> Attitudes are learned from a number of sources, of which personal experience, social influences and emotional reactions are among the more important. Various techniques have been developed over the years to measure attitudes. Based on the theory that "opinions are verbal expressions of attitudes", the Thurstone scaling technique was a pioneer tool in this field.<sup>2</sup> Over the years it has been followed by developments such as semantic differentials and multidimensional scaling techniques. The accuracy of attitude measurement, it should be mentioned, is affected by what social researchers called "halo effect", the tendency to be influenced by general impressions.

Measurement of attitudes towards deviant behaviour is made even more difficult by a host of other factors. Indeed, in measuring the attitudes of a dishonest person towards deviant behaviour, or his participation, one can scarcely hope to obtain honest answers from a person who is by definition dishonest.<sup>3</sup> In order to overcome this problem researchers have utilised the technique of perceived participation. By asking respondents to what extent members of their peer group participate in the activities in question the researcher is able to gain an indication of overall group participation (including that of the respondent).<sup>4</sup>

### Methodology of the study

The methodology utilised in this study is based on that used in two previous studies, designed to measure the attitudes of American housewives<sup>5</sup> and young South Africans<sup>6</sup> towards dishonest consumer practices. A series of situations or cases in the form of scenarios which could be construed as being deviant or dishonest are presented to respondents. Respondents are then asked three questions regarding each situation:

- (1) The extent of their approval/disapproval of the situation.
- (2) The degree of which friends or colleagues would act in the manner described.
- (3) The appropriate action which should be taken by management/the firm should they become aware of the situation.

Fifteen new scenarios were developed for this study suggesting situations which could possibly, from a management point of view, be construed as corrupt. As an additional background to the study, 25 companies listed on the Johannesburg Stock Exchange were telephoned and asked whether any written policy existed regarding the receipt of gifts and favours. While obviously not representative, it was interesting to note that only 15 of the 25 companies had a written policy in this regard.

### The sample

151 Questionnaires were submitted to respondents at top and middle management levels. Respondents were requested to complete the questionnaires and these were collected. Two respondents completed only Phase 1 of the questionnaire. While used for the analysis of Phase 1, the findings of Phases 2 and 3 are based on 149 respondents only.

#### EXHIBIT I

##### The scenarios

- (1) A purchasing manager is offered the sum of R5 000<sup>7</sup> on condition that he awards a large contract to a certain company. He accepts the offer.
- (2) A project engineer awards a sizeable tender.<sup>8</sup> A week later the company invites him on an all expenses-paid shooting trip to their private game reserve. He accepts their offer.
- (3) Members of a company negotiating team accept a potential suppliers invitation to lunch.
- (4) On condition that he let them know of rival tender prices, a tender official is offered the opportunity of having his home carpeted throughout. He supplies every price tendered.
- (5) A company official receives a bottle of whisky

- from a supplier as a Christmas gift. He phones to say thanks.
- (6) Shortly after awarding a large contract, a company official and his son are invited to join the suppliers at their private box at a major rugby match. They accept the offer.
- (7) Shortly before the announcement of a large new tender, one of the tender officials has half an ox and a case of whisky delivered to his home by one of the parties. He accepts the gifts.
- (8) A geologist working for a major mining group gains important information regarding the development of a new reef. He immediately buys 1000 company shares.
- (9) A branch manager receives a voucher for a weekends stay at a holiday resort from a supplier, as a birthday present. His secretary telephones his thanks.
- (10) A senior manager siphons petrol from his company car and transfers it to his wife's car for her shopping.
- (11) The marketing manager and his wife entertain friends at a top restaurant. He books the bill to his expense account ... dined with potential customers...
- (12) A company is known to be in the market for twenty heavy vehicles. One of the potential suppliers invites the specification engineer on an overseas trip so that he can "visit their highly sophisticated manufacturing facilities". He accepts the offer.
- (13) The financial manager knows that the next company report will be the best yet. He instructs his broker to purchase R10 000 worth of shares on his behalf.
- (14) On returning from a visit to a supplier a buyer finds his car boot filled with groceries. He does nothing about this.
- (15) On arrival at his hotel in another city, a company purchasing manager receives a phone call from the secretary of the suppliers sales manager. Her boss she says has instructed her to take him out for a "night on the town". He accepts her invitation.

### Phase 1

Referring to the situations presented, indicate how right or wrong you feel each to be by marking of against each. A four point scale was

used: definitely wrong, wrong, understandable, not wrong at all. Responses to Phase 1 are recorded in Exhibit II:

EXHIBIT II  
Degree of disapproval of situations

Situation	Definitely wrong	Wrong	Understandable	Not wrong at all
R5 000 bribe	94,5%	5,5%	0,0%	0,0%
Free hunting trip	9,0	30,0	41,0	20,0
Lunch	0,0	18,6	35,7	46,7
Competitor information	90,0	5,7	1,4	2,9
Xmas whisky gift	1,4	8,6	31,4	58,6
Rugby match	0,0	12,9	25,7	61,4
1/2 ox & case of whisky	47,1	40,0	7,1	5,8
Geologist knowledge	14,3	20,0	42,9	22,8
Free weekend	14,3	42,9	24,3	18,5
Petrol siphoning	78,6	17,1	2,9	1,4
False expense claims	58,6	30,0	7,1	4,3
Free overseas trip	15,7	32,9	28,6	22,8
Insider trading	28,5	38,6	24,3	8,6
Free groceries	38,6	45,7	12,9	2,8
Secretary	28,6	25,7	40,0	5,7

Situations scoring the highest degree of disapproval (*definitely wrong*) were Situation 1 (R5 000 bribe – 94,5%), 4 (information on competitor tenders – 90,0%) and 10 siphoning petrol – 78,8%). Situations scoring the lowest disapproval (*definitely wrong*) were Situation 3 (lunch – 0,0%), 5 (whisky gift – 1,4%) and 6 (rugby match – 0,0%). It does seem that the executives involved in the study tend to associate wrongness with the size of the gift, and the circumstances under which it is given. While only 1,4% felt that it was definitely wrong to

receive a bottle of whisky, 47,1% felt that it was definitely wrong to receive a case of whisky and half an ox.

“Referring to the situations presented, how often do you believe your friends/colleagues behave as described?” Once again a four-point scale was used: most of the time, once in a while, seldom, never.

### EXHIBIT III

Perceived participation by friends/colleagues

Situation	Most of the time	Once in a while	Seldom	Never
R5 000 bribe	1,5	3,0	27,9	67,6
Free hunting trip	13,2	52,9	29,4	4,5
Lunch	63,2	29,4	3,4	4,4
Competitor information	0,0	4,4	17,6	78,0
Xmas whisky gift	72,0	25,0	1,5	1,5
Rugby match	54,4	32,4	1,5	1,5
Half an ox & case whisky	5,9	26,5	39,7	27,9
Geologist knowledge	26,5	27,9	22,1	23,5
Free weekend	10,3	39,7	32,4	17,6
Petrol siphoning	5,9	11,8	39,7	42,6
False expense claims	7,4	19,1	48,5	25,0
Free overseas trip	14,7	29,4	33,8	22,1
Insider trading	19,1	33,8	29,4	17,7
Free groceries	7,4	27,8	33,8	30,9
Secretary	13,2	39,7	23,5	23,6

The most striking observations to be made from Exhibit III are as follows:

- Only 67,6% believe that friends/colleagues would never take a bribe (Situation 1).
- Only 78,0% believe that friends/colleagues would never disclose information on competitor tender prices (Situation 4).

- Only 42,6% believe that friends/colleagues would never siphon petrol from a company car (Situation 10).

It should be borne in mind that friends/colleagues may not always be in the position to disclose tender prices – a possible reason for the higher score of Situation 4.

The activities participated in most frequently were lunches (63,2%), accepting a bottle of whisky (72,0%) and accepting invitations to a rugby match (54,4%) – these would be participated in *most of the time*. Activities achieving high scores for *once in a while* were the hunting trip (52,9%), the free weekend holiday (39,7%), insider trading (32,8%) and a night with the secretary (39,7%).

Comparison of the results of Exhibits 2 and 3, while in the absence of statistical tests of significance, does indicate a difference between the degree of disapproval and the degree of perceived participation. For example, while 94,5% of the respondents regard the accepting of a R5 000 bribe as *definitely wrong* (Situation 1) in Exhibit II, only 67,6% of respondents indicated that their friends/colleagues would *never* accept it in Exhibit III. Similarly, while 47,1% of the respondents regarded the receiving of a large gift (half an ox and a case of whisky) as *definitely wrong*, only 27,9% felt that their friends/colleagues would never accept it, according to the response in Exhibit III.

### Phase 3

“Assuming that the company becomes aware of the situation, what action should it take?” Four alternatives, once again forming a four-point scale, were used: take legal action, dismiss the guilty party, issue a warning, do nothing.

Legal action as an appropriate measure is only indicated in three cases, namely Situation 1 (accepting a bribe 33,8%) 4 (tender information 22,1%), and 13 (insider trading 10,5%). Scores of 0,0% for legal action were recorded for situations 2, 3, 5, 6, 9, 12 and 15.

Dismissal is indicated in situations 1 (61,8%), 4 (60,3%), 8 (25,0%), 10 (44,1%) and 13

EXHIBIT IV  
Appropriate company action

Situation	Take legal action	Dismiss the guilty party	Issue a warning	Do nothing
R5 000 bribe	33,8	61,8	2,9	1,5
Free hunting trip	0,0	11,8	57,4	30,8
Lunch	0,0	0,0	33,8	66,2
Competitor information	22,1	60,3	13,2	4,4
Xmas whisky gift	0,0	1,5	13,2	85,3
Rugby match	0,0	1,5	20,6	77,9
Half an ox & case whisky	1,5	26,5	58,8	13,2
Geologist knowledge	5,9	25,0	32,4	36,7
Free weekend	0,0	14,7	55,9	29,4
Petrol siphon	7,4	44,1	47,1	1,4
False expense claims	1,5	23,5	64,7	10,3
Free overseas trip	0,0	17,6	48,5	33,9
Insider trading	10,5	26,5	38,2	25,0
Free groceries	1,5	11,8	66,1	20,6
Secretary	0,0	10,3	47,1	42,6

(26,5%). Warnings were regarded as being adequate in situations 2 (57,4%), 7 (58,8%), 9 (55,9%), 11(64,7%) and 14 (66,1%).

Respondents felt that nothing should be done in the case of a lunch (66,2%), receiving a bottle of whisky (85,3%), rugby match (77,9%) and a night out with the secretary (42,6%).

It is obvious from Exhibit IV that respondents are of the opinion that action in the form of legal procedure is very seldom warranted, and that warnings or even doing nothing are appropriate for most situations.

### Limits of this study

This study is obviously subject to certain limitations. The intention was to lay the foundations of a possible approach to the problem of studying attitudes towards corrupt business practices and to test this approach in order to conduct a more detailed research project at a later stage. More specifically the limitations are as follows:

The sample – only 149 respondents.

No sophisticated statistical analysis was undertaken. In-depth studies would include a planned sample design, tests of significance and correlation.

The halo-effect, as mentioned.

The problem of semantics: The wording of scenarios or situations will have a marked effect on reactions. Using two words such as “taking” on the one hand, and “stealing” on the other, to mean the same thing, would almost certainly affect responses. The gift situations used in the study reflect this. Situation 5 implies a bottle of whisky as a Christmas gift, while Situation 7 implies a case of whisky and half an ox in return for a favour. Comparison of the scores for these two situations in Exhibits II, III and IV reflects these attitudes. It would be interesting to compare attitudes with regard to the size of the gift – for example one bottle vs a case, under the same circumstances. An interesting consideration of course, is that gifts can mean different things to different people. A bottle of whisky could be more important to the man earning R500 a month than the case is to the executive earning R5000 a month.

### Conclusion

While the sample in general condemned corruption and corruptive practices, particularly in the more blatant situations, the perceived participation by the peer group was higher than one would have expected. Appropriate corporate

action in most cases was seen to be warnings, or to do nothing. Dismissal was only indicated in extreme cases, while legal action was not seen as fit by respondents. The findings of a more comprehensive study of a similar nature should be meaningful to corporate policy in this regard, not only in respect of corruption, but also when decisions have to be made regarding the receipt of gifts and in marginal cases.

<sup>3</sup> Pitt, L. F.: 1982, 'Fraudulent Consumers – The Attitudes of Young People to Consumer Initiated Fraud Against Business', *South African Journal of Business Management*. 13(4), p. 186.

<sup>4</sup> *Ibid.*, p. 186.

<sup>5</sup> Wilkes, R. E.: 1978, 'Fraudulent Behaviour by Consumers', *Journal of Marketing*, October, pp. 67–75.

<sup>6</sup> Pitt, L. F. *op. cit.*, pp. 183–188.

<sup>7</sup> R1 equivalent 80c US cents in April 1984.

<sup>8</sup> Note: In some countries tenders are known as bids.

## Notes

<sup>1</sup> Cohen, D.: 1981, 'Consumer Behavior' (Random House Business Division, New York), p. 264.

<sup>2</sup> *Ibid.*, pp. 287–288.

Dept. of Marketing,  
Graduate School of Business,  
University of the Witwatersrand,  
P.O. Box 31170,  
Braamfontein 2017,  
South Africa.

## Book Review Information

Normally we will devote about 10% of each issue to book reviews, with the following kinds of reviews being used:

1. *Rapid Reviews*. These are roughly 200-word reports in four parts, including:

(a) *bibliographic data* (author, title, publisher, place, year, pages, price);

(b) a *general appraisal* indicated by the symbols:

\*\* . . . Highly recommended.

\* . . . Recommended.

Ac . . . Acceptable (no serious errors or deficiencies).

NR . . . Not recommended.

(c) *specific ratings* of excellent, good, fair, poor or not applicable for:

Accuracy of information.

Scope (depth, completeness).

Clarity of writing (precision & organization).

Quality of illustrations (charts, figures).

Value of book when compared to other similar titles.

(d) a *short summary* of the book's contents.

2. *Regular Reviews*. These are roughly a maximum of 1250 words (5 type-written pages) long summarizing and appraising the contents of the book, and may be prefaced by a Rapid Review.

3. *Critical Reviews*. These are roughly a maximum of 2500 words (10 type-written pages) long and may also be prefaced by a Rapid Review.