Chapter 4

An Institutional Theory Perspective on Corruption
The Case of a Developing Democracy

Introduction

Over the recent years, it has been observed that there is no scarcity of scandals that illustrate the depth and pervasiveness of corruption in developing democracies such as South Africa. In the wake of these scandals, awareness has grown of the social, political, and economic costs resulting from corruption. According to Misangyi, Weaver & Elms (2008) there are two alternative frameworks that have dominated research into corruption. First, the economic perspective is concerned with the influence of rational self-interest, efficiency, and formal regulative structures in explaining the development of corruption. They go on to argue that this approach provides limited results in combating corruption as it does not include the normative and cognitive structures, while the second framework focuses extensively on culture, structures, and cognition within organizations. Further, they suggest that effective resistance to corruption must consider the complex relationships between institutional logics, resources required to sustain the elimination of corruption, and the institutional entrepreneurs who attempt to eliminate corruption.

This institutional approach to understanding corruption is used by Luo (2005) in the development of his model. Lou argues that many disciplines have examined corruption, however they have not been able to address the organizational context, behaviors, and processes that support corruption.
While Luo does not specifically use the terms “institutional logics” or “institutional entrepreneurs,” he does examine corruption in an organizational context taking the cultural, structural, and behavioral aspects into account. While Luo’s (2005) focus is on corruption in private commercial organizations, most corruption takes place in the public sector (Abdulai, 2009). Luo (2005) and he called for studies to be undertaken in different contexts. This chapter seeks to assess the applicability of Luo’s model to the public sector in a developing democracy, namely South Africa.

South African public servants are confronted by principles and philosophies of the past and the introduction of a new value system. The possibility that the transition process is facilitating the growth of corruption provides an impetus to devise systems of governance based on empirical research that may address the scourge of corruption (see I. Box 4.1). This has proved to be a difficult task and academic contributions in this domain are, as yet, limited. In part this is due to published literature lagging behind policy debates. A bibliographic search of electronic databases failed to identify any academic publications based on empirical studies in the area of corrupt behavior in developing democracies such as South Africa. Given the comments made by Misangyi, Weaver & Elms (2008) an institutional perspective was considered appropriate for this study.

A conceptual framework is offered in which institutional theory is discussed and its applicability to the study of corruption in organizations. The chapter also considers the New Institutional Theory (NIT), in particular the role of institutional logics and institutional entrepreneurs and how they underscore Luo’s model. Luo’s theoretical model is described and modifications to his model explained. Next the South African scenario is discussed. This is followed by a discussion about the South African public service in which the official attempts to counter corruption in the

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**Insight Box 4.1 White-Collar Crime**

**Did you know...?**

Edwin Sutherland introduced the term “white-collar crime” in 1939. He described it as an offense committed by a person of respectability and high social status in the course of his occupation. This was a landmark concept in criminology because, for the first time, it enlarged the scope of inquiry to include crimes of the upper class as well as the conventional crimes of the lower class.

The term “white-collar crime” has come to mean many things since Edwin Sutherland coined it more than 76 years ago.