Reflecting on the role of universities in the fight against corruption

Christian Hausera,*

*aUniversity of Applied Sciences HTW Chur, Chur, Switzerland

Abstract

Purpose – Corruption continues to ravage societies around the world. The fight against corruption can be fruitful only if approached from multiple standpoints. Thus, corruption must also be approached from an academic and educational perspective. The purpose of this paper is to provide a good practice example of how universities and business schools can take actions to align themselves with the international sustainability and anticorruption agenda.

Design/methodology/approach – The six principles of the United Nations Principles for Responsible Management Education (PRME) provide a framework for higher education institutions to address corruption-related issues. This paper presents the case story of the Swiss-based University of Applied Sciences HTW Chur, which developed an academic working agenda on corruption-related topics based on the principles of the PRME.

Findings – The case story shares the actions that HTW Chur has taken and the benefits that have resulted from the university’s work. The findings show that to address corruption-related issues, scholars from the university took actions related to four principles in the PRME: method, research, partnership and dialogue. Furthermore, the results indicate that in addition to the university itself, public and private institutions have also profited from the actions taken.

Research limitations/implications – This paper is founded on a single case story; thus, the usual limitations of this research design apply.

Practical implications – It becomes apparent that the needs of the private sector in the fight against corruption could be addressed by engaging in and strengthening partnerships with universities. Thus, it seems beneficial to develop guidelines and standards to facilitate collaborations and dialogue in a participatory and transparent way.

Originality/value – The paper provides a good practice example of how universities can take actions to align themselves with the international sustainability and anticorruption agenda.

Keywords Universities, Corruption, Extortion, Bribery, United Nations Principles for Responsible Management Education (PRME)

Paper type Research paper

Corruption is a complex, multilayered phenomenon. Thus, it is hardly surprising that no universal consensus has yet been reached on how to define it (Gordon and Miyake, 2001).
Critical objections to a globally uniform definition of the term indicate that corruption is a phenomenon that differs in appearance, extent and moral acceptance from culture to culture. Exponents of this view emphasize that the current understanding of corruption is strongly influenced by Western culture and worldview (Velasquez, 2004; Nuijten and Anders, 2007). To counter this objection, efforts are being made to achieve a more balanced understanding of this global phenomenon (UNDP, 2008). Transparency International (2008) defines corruption generally as the abuse of entrusted power for undue private gain. In this context, actions regarded as corrupt are linked to the view on what power is, where power comes from, and what should be done with it (Collins et al., 2009). Since power is typically associated with the governing of a state, corruption is primarily regarded as a concept related to public policy. In this context, two levels of corrupt behavior are often distinguished: grand corruption, otherwise known as political corruption and petty corruption. Grand corruption is associated with illicit behavior involving the application of undue political influence at high levels of government. This form of corruption typically involves significant monetary and/or nonmonetary values and is associated with far-reaching consequences for substantial parts of or the entire society. Usually, these grand monetary and/or nonmonetary advantages are offered to manipulate public policies and institutions as well as political processes (Pacini et al., 2002). Conversely, petty corruption relates to illicit behavior in everyday life, often lying at the interface between lower- to middle-level government bodies and private actors (UNDP, 2008; Elliott, 1997). Monetary and/or nonmonetary values are comparatively low and primarily affect the individual parties involved. However, critics of this distinction emphasize that in practice, there is no clear distinction between the two levels. Rather, the transitions are fluid, and petty corruption also has considerable effects on society, as it prevents effective and efficient administrative action and undermines the legitimacy of public institutions.

In addition to categorization according to different levels at which corruption occurs, a distinction is made between different types of corrupt behavior, including bribery, illegal gratuities, economic extortion and conflicts of interest (Wells, 2017). Bribery occurs when a monetary and/or nonmonetary advantage is granted, agreed or even offered in exchange for improperly influencing a discretionary decision (Pacini et al., 2002; Hauser and Hogenacker, 2014). By contrast, illegal gratuities are monetary and/or nonmonetary advantages for a discretionary decision that has already been made. Illegal gratuities are retrospective “rewards” that can nonetheless easily influence future decisions (Hauser, 2018). Economic extortion is another form of corruption whereby monetary and/or nonmonetary advantages are unjustly acquired through the use of threatened or actual force, instigating violence or fear in the extorted party (Neumann and Elsenbroich, 2017). Conflict of interest is another type of corrupt behavior, and it exists when a decision-maker has an undisclosed economic or personal interest in a particular decision, which could have negative consequences for the party who entrusted the decision-maker with the discretionary decision power (Wells, 2017). The aforementioned corrupt practices indicate that corruption does not necessarily always involve public officials but can also occur in business transactions that exclusively involve private sector actors.

According to Transparency International’s Corruption Perceptions Index (CPI), corruption continues to be a widespread global phenomenon. Corruption seems to be most prominent in Latin America, Africa, and Asia; however, it can be found, to varying extents, in all countries around the globe. Worryingly, over two-thirds of the world’s countries fall below the midpoint of the CPI, and the global average, as of 2017, is 43. Moreover, there has been a global trend of more countries declining, in other words, being perceived as becoming more corrupt, rather than improving (Transparency International, 2018a).

With an above-average level of corruption according to the CPI, it is apparent that Latin America and the Caribbean are two regions with high perceived levels of corruption.
(Transparency International, 2018a). While the CPI measures perceptions of corruption in a country, Transparency International’s Global Corruption Barometer (GCB) reflects public opinion. The GCB indicates that in 2017, almost two-thirds of people living in Latin America and the Caribbean believed that there was a rise in corruption levels from the previous year, and almost half thought that most or all politicians and members of the police force are corrupt. Worryingly, more than half of the respondents said that their governments are doing poorly in the fight against corruption, whereas only one-third said that their government is doing well. Furthermore, few people who are subject to corruption are willing to report the relevant acts, and those who do often suffer from retaliation. Despite these issues, 70 per cent of residents believe that ordinary people could together make a difference in the fight against corruption and would feel empowered to do so (Pring, 2017).

Looking more regionally, although the CPI of Brazil is higher than that of many other Latin American countries, implying that there is a lower perceived level of corruption in Brazil, corruption is nonetheless still highly prevalent. The most current GCB relating specifically to Brazil indicates that more than two-thirds of Brazilian residents feel that corruption is a serious issue in the public sector (Transparency International, 2013). Likewise, Brazil has been, and still is, the focus of one of the world’s largest corruption scandals to date.

Operation “Lava Jato” (“Car Wash”) is an ongoing investigation led by the Brazilian Federal Police that began in March 2014. Originally a money laundering probe, the investigation expanded to uncover a grand corruption scandal with severe implications for multiple Latin American countries and other countries in Africa and potentially Europe (BBC, 2017). At the center of the scandal and the ongoing trials, the Brazilian conglomerate Odebrecht has admitted to paying approximately USD 785 million in bribes to public officials, with over USD 26 million further alleged payments over a 30-year period (BBC, 2017). Odebrecht, which had its own specialized department for bribery, paid bribes and provided undue campaign funding to high-ranking politicians and public officials to pass favorable legislation and secure major work contracts, including contracts linked to construction work for the 2014 Soccer World Cup and 2016 Olympics (BBC, 2017; Chade, 2017). Seventy-seven Odebrecht executives have struck plea deals, further implicating high-ranking politicians and public officials in Latin American countries, leading to political unrest and uncertainty throughout Latin America (The Business Times, 2018). Business leaders, multinational enterprises (MNEs) and leading politicians have been caught up in the allegations, which range from bribery and money laundering to attempting to distort the democratic process, with more than 150 people arrested, prosecuted or facing criminal proceedings (Aljazeera, 2018).

Corruption scandals such as the one involving Odebrecht have a wide array of implications for the economy and society as a whole. Corruption is associated with major societal costs since illicit behavior endangers political stability, undermines democratic values, provides fertile ground for organized crime, and fosters a general loss of confidence in public institutions (Pereira Mendes, 2015; Frei and Muethel, 2017; Pacini et al., 2002). In addition, bribery and corruption undermine the market mechanism leading to distorted competition not only in the construction industry but also in other industries. Furthermore, bribery and corruption undercut transparency and disincentivize private investment, thus hampering economic growth (Frei and Muethel, 2017; Mauro, 1995; Osuji, 2011; Pacini et al., 2002) and leading to further social costs, including an increase in poverty, distorted access to public services and a decrease in public health (Frei and Muethel, 2017).

The Operation Car Wash probe received considerable support from the Brazilian public in the hope that it would create transparency within the country and pave the way for stronger accountability and public governance in the coming years (Lopez and Miroff, 2017). However, the fact that close to one-third of current government ministers are facing investigations for
crimes linked to the Odebrecht scandal (BBC, 2017), in combination with political pardons and clemency for public officials who have been implicated in the recent scandals, has led to an even greater lack of faith in the political system among Brazilians (Transparency International, 2018b). The insecurity, economic turmoil and lack of confidence in the government has led the public to call for a return to a military regime, with approximately one-third of the population in favor of military intervention (Woody, 2017). Against this backdrop, it hardly came as a surprise that his promise to end endemic corruption was one of the main reasons why Jair Bolsonaro, a former army captain who praises the country’s former military dictatorship, was elected as the 38th president of Brazil (Meredith, 2018).

Together with social and economic costs at the macro level, research indicates that corruption entails substantial costs for companies as well. Companies operating in areas where corruption is prevalent, regardless of their involvement in corrupt acts, suffer from higher direct costs. Wu (2009) estimates that operating in highly corrupt environments raises the direct cost of doing business by approximately 5 per cent. Furthermore, companies that have been directly involved in corruption face penalties and sanctions of 100 to 200 per cent of the initial sales revenue earned from corrupt transactions (Ambler, 2014; Frei and Muethel, 2017). Moreover, the extant literature suggests that companies that have previously been involved in corrupt acts are more likely to be subject to economic extortion (Block et al., 1982). For instance, if a company previously paid bribes, there is an increased likelihood that it will receive pressure from corrupt public officials to pay more and larger bribes in the future, thus enduring long-term bribe payment obligations. Furthermore, companies involved in corrupt activities face high indirect costs in terms of reduced trust in corporate governance, unethical employee behavior, distorted quality of internal processes and negative legitimacy spillovers when operating abroad (Frei and Muethel, 2017).

The high social and economic costs associated with corruption have led to an increasing demand from civil society to fight and ultimately eliminate corruption. Several international conventions, including the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the OAS Inter American Convention Against Corruption and the United Nation Convention Against Corruption, illustrate the current efforts to combat corruption on an international scale. The conventions play a key role in the fight against corruption by creating an international framework for how to tackle corruption worldwide, including obligations for governments to criminalize corrupt behavior, extend and tighten existing criminal laws, foster domestic prevention measures and cooperate internationally with other countries (Argandoña, 2007; OECD, 2018; UNDOC, 2018).

The fight against corruption can be fruitful only if approached from multiple standpoints. Aside from developing laws and regulations and other formal institutions, corruption must also be approached from an academic and educational perspective. One first step that universities and business schools can take to align themselves with the international sustainability and anticorruption agenda is by becoming a signatory of the United Nations Principles for Responsible Management Education (PRME). The six principles of the initiative address the responsibilities of higher education institutions in preparing current and future business professionals for the challenge of doing business in a sustainable and responsible way (Godemann et al., 2014).

The following paragraphs describe the case story of the Swiss-based University of Applied Sciences HTW Chur, which developed an academic working agenda on corruption-related topics based on the principles of the PRME. The case story shares the actions that the university has taken and the benefits that have resulted from the university’s work.

Founded in 1963, HTW Chur is an entrepreneurial and state-of-the-art institution for higher education. Approximately 1,600 undergraduate and graduate students are currently enrolled in
15 different programs. With the aid of lecturers with extensive experience in their field, the university is committed to combining study and applied research to support students in becoming responsible individuals with a clear ethical business base that they can carry with them on their career paths. In 2009, HTW Chur became the first public university in Switzerland to be a signatory of the PRME. As a founding member of the PRME Champions leadership group, the university has vowed to embrace the challenge of advocating education and applied research in the area of sustainable development. One area in which the university is an internationally recognized contributor to the field is its pioneering work in combatting corruption. This effort relates to Principle 10 of the UN Global Compact, “Businesses should work against corruption in all its forms, including extortion and bribery” and Target 16.5 of the UN Sustainable Development Goals, “Substantially reduce corruption and bribery in all their forms”.

As a university of applied sciences, HTW Chur is distinguished by its practical approach to research. To address the challenge of corruption, scholars from the university took actions related to four principles in the PRME: method, research, partnership and dialogue.

Research
Following Principle 4 of the PRME, scholars at HTW Chur engage in empirical and conceptual research to advance the understanding of corruption and foster the possibilities to fight it. To accomplish this goal, multiple yet interconnected interdisciplinary research projects have been conducted at HTW Chur.

Because of the scope and extensive media coverage of corruption scandals involving MNEs such as Siemens and Odebrecht, research efforts related to anticorruption tend to focus more on MNEs rather than on small- and medium-sized enterprises (SMEs). To learn more about how SMEs are affected by corruption, a study was conducted in which more than 500 internationally active Swiss enterprises were surveyed. The findings of this study highlighted two important issues. On the one hand, the survey showed that corruption is a critical issue for SMEs when operating abroad (Hauser and Kronthaler, 2013). On the other hand, the findings clearly indicated that internationally active companies do not anticipate the risk for potentially being confronted with corruption when operating in foreign countries where the level of corruption is perceived to be high. In contrast, it seems that firms tend to follow a reactive approach to the management of corruption risks and implement measures against corruption only if they have actually been confronted with the issue (Hauser and Hogenacker, 2014). Furthermore, internal control measures were analyzed that SMEs can use to reduce corruption risks in their business affairs. One key parameter identified as an important measure of corruption prevention was “tone from the top”, whereby it is imperative that senior managers convey to staff that corruption is not tolerated at any level, even if that means sacrificing business goals (Becker et al., 2012).

Another control measure was identified as being effective is training (Hauser, 2018), which led to the development of the “HONEST” project. The objective of “HONEST” was to develop an integrated training tool with the intent of reducing the existing lack of awareness and knowledge of corruption among current and future business professionals (Becker et al., 2013). The core of the training program is a computer-based simulation. With the help of the simulation, it is possible to raise the awareness of professionals by confronting them with dilemma situations involving corrupt behavior in a sheltered environment and providing instruction on how to act with integrity in such situations (Hauser and Nieffer, 2018).

In two further research projects, scholars at HTW Chur investigated the use of whistle-blowing reporting systems first in Swiss media companies (Dahinden et al., 2016) and second in the private sector (Blumer and Hauser, 2018). Whistle blowers are informants who give
information about a misdemeanor or malpractice occurring within their organization to an internal reporting system or the media. The findings show that only a minority of Swiss companies have an internal reporting system through which whistle blowers can anonymously report breaches of the code of conduct. This finding implies that companies should create more spaces where employees can speak up without the fear of being penalized.

The examples mentioned show that HTW Chur has developed a clear research focus on the issue of corruption prevention, investigating it from interdisciplinary perspectives. Examining the challenge from multiple angles allows the construction of an ever-expanding knowledge base and understanding regarding corruption and corruption prevention. This knowledge base grants the ability to support the university’s partners and other organizations in their efforts to fight corruption in a way that is best suited to their individual needs.

**Partnership**

Following Principle 5 of the PRME, HTW Chur engages in partnerships with actors from the public and private sectors and academia to strengthen and unite in the fight against corruption. As a university of applied sciences, HTW Chur actively searches for partners that can help the university not only work on issues from a theoretical perspective but also develop scientifically sound practical solutions. Partnerships are essential because they help to staunchly focus academic work on the needs of business practices in both the public and private sectors. These partnerships are seen as one of the core strengths and an integral part of HTW Chur’s organizational DNA.

In this context, the university has been collaborating in formal agreements with multiple internationally established companies. These companies include Credit Suisse, Nestlé, Roche, Switzerland Global Enterprises, the Swiss subsidiaries of Siemens and TATA Interactive Systems, as well as with many Swiss SMEs. Working with such renowned companies helps the university establish a distinguished reputation and adds credibility to its work. The collective actions involving the academic and private sector have led to the creation of innovative solutions to raising awareness of corruption and corruption prevention.

Additionally, HTW Chur has established partnerships with other PRME signatory universities to jointly develop the “PRME Anti-Corruption Toolkit”. This action pertains to Principle 3 of the PRME, as the toolkit provides guidelines for an anticorruption curriculum that can be taught in business schools and universities globally. At HTW Chur, lecturers base their teachings on the recommendations derived from the toolkit, helping to educate current and future business professionals on the issue of anticorruption in a timely and responsive manner. Addressing this sensitive issue at an early stage in students’ careers makes graduates from HTW Chur attractive to future employers.

**Dialogue**

Following Principle 6 of the PRME, dialogue has been a vital instrument in achieving what HTW Chur has thus far accomplished in the field of anticorruption. The university embraces the chance to incorporate its scholars’ knowledge with that of others and learn from collective experiences. One way that HTW Chur accomplishes this goal is through organizing and participating in events with institutions in the public and private sectors, including the Swiss State Secretariat for Economic Affairs (SECO), chambers of commerce, trade associations, and the UN Global Compact local networks. During these dialogue events, scholars have the opportunity to develop knowledge through giving and listening to speeches in a reciprocal manner. In past events, scholars from HTW Chur presented the results of their various research projects, enabling their audience to gain an understanding of and appreciation for the contributions of HTW Chur to anticorruption efforts. Likewise, the academics learn from
others’ experiences through listening to talks by other institutions. In this mutual learning process, all parties benefit from the shared experience and information.

For the most part, the benefits of these events pertain to raising awareness of corruption. For many SMEs, dialogue in these situations acts as the first introduction to the subject of corruption. Dialogue is a straightforward way that SMEs can inform themselves for the first time about corruption risks and what they can do in everyday business activities to fight those risks. These events also act as a networking tool, providing a foundation for obtaining assistance from and sharing knowledge with others in day-to-day business life.

Furthermore, scholars from HTW Chur are part of several expert roundtables and working groups on anticorruption. Together with the other members of these roundtables, these scholars work towards the common goal of sharing information and best practices on how to combat corruption. The knowledge shared in these roundtable discussions is paramount to applied research and gives practical relevance to committed, application-oriented academic work.

The research projects, method development, partnerships and dialogues in the field of anticorruption are valuable contributors to gaining momentum for implementing the PRME successfully at HTW Chur. The actions taken have become an integral part of the university, leading to the HTW University Board creating the first PRME Business Integrity Action Centre in Europe in 2016. The purpose of the center is to create a framework with regard to all activities undertaken in the field of anticorruption and integrity at the university. The activities in the PRME framework have created a structure to frame the university’s activities with regard to anticorruption. The framework has helped convey the message that HTW Chur is a top-level responsible institution for higher education and granted credibility to the university’s work. Furthermore, the PRME community has helped HTW Chur learn from international experience and international best practice sharing in the field of anticorruption.

In addition to the university, public and private institutions have also profited from the actions taken. Researchers have delivered speeches, trainings and workshops to several hundred entrepreneurs and business professionals from various organizations, including SMEs, large corporations and governmental departments in and outside Switzerland. By promoting dialogue between professionals, the university creates a safe environment for them to speak up and discuss any problems they may have related to corruption. HTW Chur realized that it is important for business professionals to become aware that they are not alone in facing corruption problems. It is only when firms realize that they are not alone that they can unite and take collective actions to fight corruption. The exemplary feedback that the university’s actions have received proves that HTW Chur has succeeded in its mission of raising awareness of corruption within the business community and public sector.

The aforementioned case story of HTW Chur paves the way for recommendations for future work at universities and business schools regarding anticorruption and integrity in the framework of the PRME. First, it is apparent that establishing anticorruption training and resource centers in more countries would be beneficial globally because they would foster knowledge transfer between academic and private sector institutions, focusing attention on SMEs. Currently, within the PRME community, the only existing centers accessible to SMEs outside Switzerland are located in Argentina and South Africa. Lacking the necessary resources to develop anticorruption training for their employees, SMEs are often vulnerable to corruption and hence tend to accept the status quo. SMEs are thus in urgent need of practical anticorruption training. To ensure sustainable growth and work towards the UN Sustainable Development Goals, universities and business schools can assist the SME sector by providing anticorruption trainings for local SMEs. Thus, anticorruption training and resource centers should positively improve the capability of SMEs to fight corruption through targeted training, mentoring and the sharing of good practices.
Second, it is apparent that the needs of the private sector in the fight against corruption could be addressed by engaging in and strengthening partnerships with universities and business schools. Partnerships between the academic and private sector can provide innovative solutions that are both theoretically and practically sound. To facilitate partnerships between universities and companies, it seems beneficial to develop a guideline to facilitate collaborations and dialogue in a participatory and transparent way. The guideline should describe and set standards for how to initiate and promote multistakeholder partnerships between academic and private sector institutions. The aim of these partnerships is to mobilize and share knowledge, expertise, technology and financial resources to support the anticorruption agenda in the involved countries. The guideline should describe good practice examples and approaches, as well as challenges and barriers to anticorruption-related partnerships between academia and the private sector. Thus, universities and business schools can base their partnerships with the private sector on recommendations derived from the guideline.

Ultimately, both the guideline and the training and resource centers should foster changes in the behavior and attitudes of current and future business professionals, resulting in a fundamental shift in operations when acting in environments in which the level of corruption is perceived to be high.

References


*About the author

Dr Christian Hauser is Professor of Business Economics and International Management at the Swiss Institute for Entrepreneurship (SIFE) at the University of Applied Sciences HTW Chur. He studied Latin American Studies at the Universities of Cologne/Germany, Lisbon/Portugal and Fortaleza/Brazil. He is co-founder and member of the advisory board of the junior enterprise Connosco, Cologne, and co-founder of the Cologne Latin America Symposium (CLAS). In 2006, he earned his doctorate in economics on foreign trade promotion schemes at the Faculty of Management, Economics and Social Studies at the University of Cologne. During his doctoral study, he worked at the Centre for the Portuguese Speaking World at the University of Cologne. In 2006, he joined the Institute for SME Research (IfM) Bonn as a postdoctoral research associate. Since July 2007, he has been working at the SIFE on topics including international entrepreneurship, SME and private sector development, corporate responsibility and business integrity. Dr Hauser is a member of the topical platform Ethics of the Swiss Academy of Engineering Sciences (SATW). He is a member of the United Nations Principles for Responsible Management Education (PRME) Working Group on Anti-Corruption and head of the first PRME Business Integrity Action Center in Europe. PRME is the academic branch of the United Nations Global Compact (GC). Christian Hauser can be contacted at: christian.hauser@htwchur.ch

Associate editor: Flavio Hourneaux Junior