



Procedural corruption in the North American hotel industry

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ABSTRACT

Procedural corruption is the intentional use of legal-rational authority based on formal rules for personal gain instead of organizational goals. The present study builds on the Opportunity-Motivation-Justification framework to examine the outcomes of procedural corruption in service organizations using the example of the hotel industry. Specifically, it uses a multiple case study strategy to investigate journalistic accounts and employee narratives on critical incidents of managerial authority abuse in four North American hotel properties. This study draws upon the cross-case synthesis technique to find subtle, collective, repeat, and multiple procedural offenses in the North American hotel industry. The investigation results lead to further proposition that effect, frequency, participation, and variety are the four dimensions of procedural service outcomes. These findings imply that service technology could represent an antecedent of procedural corruption.

1. Introduction

Corruption is a major threat to the sustainability of organizations. According to the Global Fraud Study 2016, corruption accounts for 35.4% of all occupational fraud and abuse cases, representing 5% loss of annual revenue in the average organization and costing US\$ 6.3 billion worldwide (Association of Certified Fraud Examiners, 2016). Corrupt outcomes in organizations include financial and psychological gains, non-financial resource substitutes, and other resources that have personal value to offenders, received as result of gratuities, extortion, withholding information, making favorable business deals, privileges, secrecy, bribery and other corrupt resource transfers (Aguilera and Vadera, 2008; Coleman, 1987; de Graaf and Huberts, 2008; Luo, 2004; Maner and Case, 2013).

On one hand, corruption undermines corporate social responsibility and sustainable development in an organization over time (Avram and Kühne, 2008; Jurkiewicz and Giacalone, 2016; Lamberti and Lettieri, 2009). On the other hand, organizations may suffer severe economic consequences of exposed and unexposed corruption. These consequences include intra-organizational collisions, reputational damage, legal action, and organizational death (Aguilera and Vadera, 2008; Pinto et al., 2008).

Procedural corruption is defined as an intentional exercise of legal-rational authority based on formal rules for personal benefit “when

employees at all or some levels of the organization do not follow or are not mandated to follow (ethical) procedures of business conduct, the procedural outcome” (Aguilera and Vadera, 2008, p. 441). Entrepreneurial activity reflects the choice of products and services that an organization provides to its target market, setting a strategic organizational goal (Miles et al., 1978). Interestingly, the question about the connection between entrepreneurial activity that underpins the business conduct in an organization and procedural corruption remains unanswered.

The purpose of this research is to advance the theoretical understanding of procedural corruption by examining the link between the procedural outcomes of corruption and service organizations. Service technology affects the goal, organizational structure and corresponding output of entrepreneurial activity in organizations (Chase and Tansik, 1983). Typical service organizations are hotels, transportation firms, financial service organizations, public administration, health care institutions and public universities (Daft, 2016).

Organizational corruption is a complex and multidimensional construct (Ashforth et al., 2008). Several studies have contributed to the understanding of corruption in organizations: top-down or bottom-top corruption antecedents (Bishop et al., 2017; Collins et al., 2009; Daboub et al., 1995; de Graaf and Huberts, 2008; Pinto et al., 2008; Smith et al., 2007), the offender's alignment with organizational interests (Ivkovic et al., 2016; Vadera and Pratt, 2013), normalization of

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collective corruption in organizations over time (Ashforth and Anand, 2003; Brannan, 2017; Greve et al., 2010; Lozeau et al., 2016; Palmer, 2008), categorization of corruption strategies between organizations (Conner, 2016; Luo, 2004; Luo, 2008a,b).

Taking the Weberian perspective, the emerging Opportunity-Motivation-Justification framework conceptualizes the abuse of authority by managers as leadership representatives (Aguilera and Vadera, 2008, p. 431). Weber distinguishes traditional, charismatic and legal-rational authority, based on its legitimacy (Finnis, 1985; Guzmán, 2014; Houghton, 2010; Weber, 1978). Contemporary organizational theory suggests that the Weberian typology may be extended by an authority type that combines different bases of legitimacy (Guzmán, 2014). Recent organizational studies also build on Weber’s authority types to explain the connection between social factors and job configurations (Miller, 2016). These theoretical extensions confirm that Weber’s perspective on authority in organizations has been “shaping the thinking of management scholars for more than a century and his influence will likely continue into the foreseeable future” (Houghton, 2010, p. 452).

According to the Weberian perspective, corruption is “the use of authority within organizations for personal gain” instead of legitimate organizational goals (Aguilera and Vadera, 2008, p. 433). According to Weber’s seminal works in organizational theory, three authority types – traditional, charismatic or legal-rational – result in different organizational structures, administrative staff, modes of authority exercise and kinds of obedience (Finnis, 1985; Guzmán, 2014; Houghton, 2010; Weber, 1978). The Opportunity-Motivation-Justification model explains the antecedents of authority abuse of each type and defines correspondent corruption types: categorical, schematic or procedural corruption (Fig. 1).

Current organizational theory conceptualizes procedural outcomes as abuse of legal-rational authority based on formal rules (Aguilera and Vadera, 2008; Weber, 1978). At the same time, the link between the procedural outcomes of corruption and service organizations remains unclear. Furthermore, an emergent model of organizational corruption as abuse of managerial authority developed by Aguilera and Vadera (2008) conceptualized the corrupt outcome without developing its measurement (Fig. 2).

This research fills the gap in the procedural corruption literature by addressing the following research question: what are the outcomes of procedural corruption in service organizations? Our paper takes a multiple case study using the cross-case synthesis technique (Miles and Huberman, 1984; Yin, 2009) to analyze evidence from four critical incidents of abuse of managerial authority in the North American hospitality industry.

The North American hotel industry constitutes a relevant field for examining procedural outcomes in service organizations. On one hand, the mature and highly structured North American hotel industry that draws extensively on formal rules is a relevant field for examining legal-rational organizations. Also, this paper focuses on hotel industry in one geographical area, drawing upon the theoretical premise that corruption may differ across organizational contexts (Ashforth and Anand, 2003). On the other hand, hotels are labor-intensive service organizations, in which individual workers play a greater role than in capital-intensive manufacturing organizations (Daft, 2016).

The major contribution that this first paper makes to the literature on procedural corruption in an industry is its use of an empirical rather than a conceptual approach to understanding the outcomes of managerial abuse of authority. This paper expands the literature on organizational corruption by developing a theoretical proposition regarding the dimensions of procedural outcome in service organizations. In addition, the study proposes by implication that the technology linking entrepreneurial activity and procedural outcomes may constitute an antecedent of procedural corruption. This paper also presents a set of practical implications for service organizations.

The likelihood of corruption among formal position holders is one of Weber’s concerns about legal-rational organizations (Finnis, 1985; Weber, 1978). The Opportunity-Motivation-Justification model of procedural corruption from the Weberian perspective elaborates upon this construct, its dimensions, and the relations among them (Aguilera and Vadera, 2008). At the same time, the theoretical distinction between bottom-up and top-down corruption creating organizational collisions (Pinto et al., 2008) confirms the need to examine the abuse of managerial authority, flowing from the top, more closely. Moreover, researchers call for future scientific inquiry through in-depth

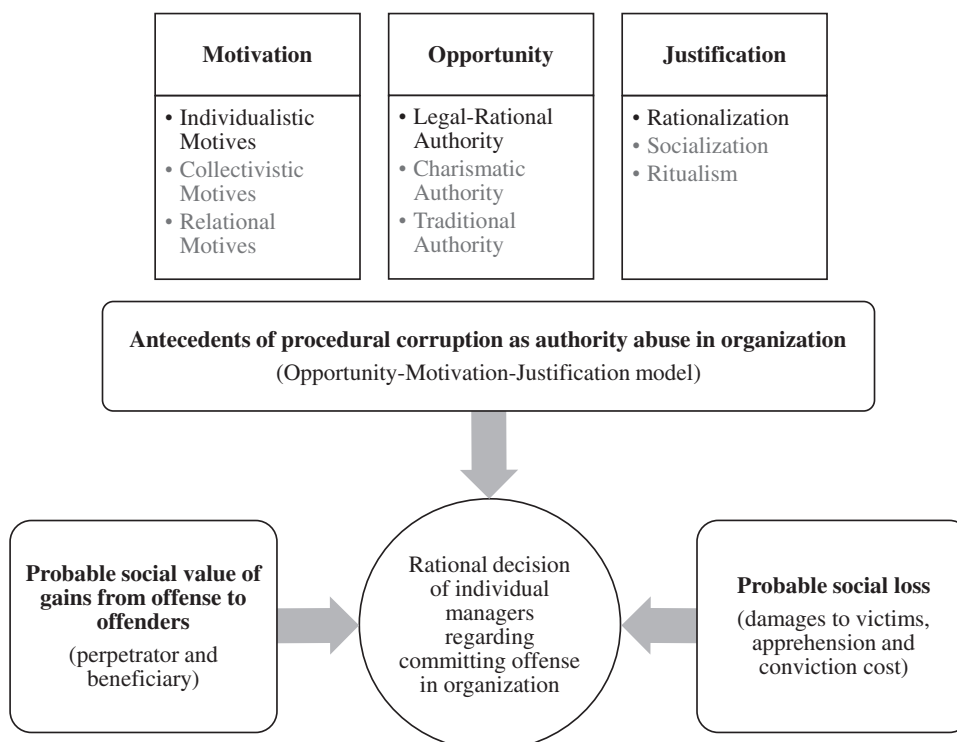


Fig. 1. Role of opportunity-motivation-justification antecedents in rational decision-making on corruption.

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