



**University of  
Zurich<sup>UZH</sup>**

**Department of Business Administration**

**UZH Business Working Paper Series**

---

Working Paper No. 343

**Organizing corruption controls after a scandal:  
Regaining legitimacy in complex and changing institutional  
environments**

Stefan Schembera and Andreas Georg Scherer

25 February 2014

---

University of Zurich, Plattenstrasse 14, CH-8053 Zurich,  
<http://www.business.uzh.ch/forschung/wps.html>



**University of  
Zurich<sup>UZH</sup>**

UZH Business Working Paper Series

**Contact Details**

---

**Stefan Schembera**

stefan.schembera@business.uzh.ch

**Andreas Georg Scherer**

andreas.scherer@business.uzh.ch

University of Zurich

Department of Business Administration

Universitaetsstr. 84, CH-8006 Zurich, Switzerland

Tel.: +41 44 634 53 09

Fax.: +41 44 634 53 01

# **ORGANIZING CORRUPTION CONTROLS AFTER A SCANDAL: REGAINING LEGITIMACY IN COMPLEX AND CHANGING INSTITUTIONAL ENVIRONMENTS**

## **Abstract**

We study the corruption control strategies at three Multinational Companies (MNC) before, during, and after the disclosure of corruption scandals and the initiation of legal procedures. In particular, we want to explore why some MNCs after a corruption scandal exceed regulatory expectations, choose proactive strategies, and influence their environment as institutional entrepreneurs that define best practices and new industry standards. Other companies, by contrast, act in a more incremental and self-referred way. We build on the concept of legitimacy in institutional theory, distinguish four strategies to regain legitimacy: decoupling, isomorphic adaptation, moral reasoning, and substantial influence, and explain the choice and sequence of these strategies. While all three case firms managed to (eventually) adapt to the compliance requirements imposed by external regulatory authorities, we found that only very distinct constellations of scandal and reintegration process characteristics, such as the presence of a strong legitimacy shock and the necessity to react both radically and instantly, forces the company into the role of an institutional entrepreneur. In cases where such legitimacy shocks are lacking, companies have more time to react and hence rather choose to gradually adapt their organizational processes to regulatory expectations. Rather than acting as institutional entrepreneurs, these companies rely almost exclusively on participating in moral reasoning activities to safeguard their new anti-corruption strategy. However, if change processes occur rather reluctantly after the disclosure of a big scandal, we found that externally imposed monitors may exercise severe pressure forcing the transgressor to eventually install a leading set of corruption controls.

## **Keywords**

Corruption scandal, Foreign Corrupt Practices Act, Regaining Legitimacy, Institutional Entrepreneur

The authors acknowledge the financial support of this study by the SNF Swiss National Science Foundation for the project “Organizing for Corporate Social Responsibility” (100014\_137789). The authors thank the representatives of the involved companies for their willingness to take part in our interview series. We acknowledge the support by Pascal Raeber, Martin Schiller and Ivona Topalovic in transcribing and analyzing the collected interviews. Patrick Haack, Christian Voegtlin, Peter Fleming and Mike Pfarrer have provided very constructive feedback to previous versions of the paper.

## INTRODUCTION

Organizational corruption is a phenomenon that has existed since the earliest business transactions (Ashforth, Robinson and Treviño, 2008). Similarly, research on organizational corruption has been conducted for a long time; for example, the antecedents of this phenomenon have been analyzed for at least half a century (Ashforth and Anand, 2003; Finney and Lesieur, 1982; Simpson, 2002; Staw and Szwejkowski, 1975; Sutherland, 1949). These scholars focused on processes of normalizing corruption in organizations (Ashforth and Anand, 2003) or competitive pressures in certain industries (see also Coleman, 1987; Pinto, Leana and Pil, 2008) as two significant drivers of organizational corruption. Similarly, alternatives to control corrupt behavior have received attention in the literature (e.g. Klitgaard, 1988; Lange, 2008). The process of globalization intensifies the cross border exchange and relationships and leads to an increase in the dynamic and complexity of international business and intensity of competition (Scherer and Palazzo, 2008). In the past decades scholars realized the impact of the globalization process on the scope and relevance of corruption in global business (Barkemeyer and Preuss, 2012; Baucus, 1994; Pfarrer et al., 2008; Sanyal, 2005; Uhlenbruck et al., 2006). As a response to these challenges various national and international initiatives for fighting corruption have been launched: US Foreign Corrupt Practices Act 1977, foundation of Transparency International 1993, OECD Anti Bribery Convention 1999, inclusion of anti corruption principle in UN Global Compact 2004, UK Bribery Act in 2010 (for an overview, see e.g. Gebhardt and Müller-Seitz, 2011).

Despite rising expectations in the international institutional environment to fight corruption, we do not know much about how corporations operating internationally respond to such increasing and heterogeneous institutional demands. For a number of years, multinational corporations (MNCs) have formulated anti-corruption policies and have expressed commitment to impede and detect corrupt practices for example through participation in international anti-corruption initiatives that have emerged over the last decades. However, as recent scandals have shown (e.g. Siemens, ABB, Alstom, Daimler), corruption is still an endemic phenomenon. The 2006 to 2008 Siemens scandal, for example, showed that organization-wide corruption can still exist, even though the institutional environment has significantly changed over the last decades giving the fight against corruption higher priority (Gebhardt and Müller-Seitz, 2011; GibsonDunn, 2013; OECD, 2012a). Before the actual scandal, Siemens had established relevant anti-corruption policies and was a member of Transparency International (TI) and the UN Global Compact. Only after the scandal, however, it became evident that the

company policies had not been sufficiently institutionalized within organizational structures and processes, e.g. through awareness building, the alignment of incentive structures, and the establishment of enforcement and control mechanisms.

Pfarrer et al. (2008) provide valuable insights on how corrupt organizations can reintegrate after the disclosure of a corruption scandal. The authors conceptualize four stages that, if passed through successfully, may increase the speed and likelihood of reintegration. In accordance with Pfarrer et al. (2008), we define ‘reintegration’ after facing a corruption scandal as a process of regaining legitimacy among multiple stakeholders – or: with the institutional environment (see also e.g. Sethi, 1979; Shapiro, 1991). While their model may be applicable not only to corrupt behavior, but also to unethical behavior or crises in general, it may neglect the particular context and challenges companies are facing when being involved in a transnational corruption scandal: regaining legitimacy in a changing and heterogeneous institutional environment due to different legal and cultural expectations and uneven levels of enforcement mechanisms in the home and host countries of multinational companies. In particular, Pfarrer et al. model reintegration as a uniform ‘outcome’ that is sooner or later – if at all – achieved, assuming that there is a ‘group of legitimate organizations’ (2008, p. 735) the transgressors can reintegrate with. While such a group may exist in a rather static and homogeneous environment, we argue that legitimate corporate anti-corruption practices in the dynamic and heterogeneous institutional environment are not always fully established but rather evolve as a result of interactions between corporations and their environment.

Hence, MNCs may choose between different forms of legitimation strategies ranging from rather passive attempts of adapting to existing anti-corruption practices to proactive attempts of influencing the anti-corruption institutional environment, e.g. through the development of new best practices and initiatives. Actors that “contribute to changing institutions despite pressures towards stasis” are generally referred to as ‘institutional entrepreneurs’ (see e.g. Battilana, Leca and Boxenbaum, 2009, p. 66). We know from previous literature that shocks and crises often constitute “a first form of field-level conditions that invite the introduction of new ideas” (Battilana et al., 2009, p. 74; see also: Child, Lu and Tsai, 2007; Clemens and Cook, 1999; Fligstein, 1997; Fligstein, 2001; Greenwood, Hinings and Suddaby, 2002; Holm, 1995). However, most of these studies analyzed crises on the level of a field such as social upheaval, competitive discontinuity or regulatory changes that did not have a direct relation to the issue of corruption. Organizational crises like systemic corporate corruption scandals so far received only limited attention despite the widespread corporate involvement in corrupt

practices and the apparent need to understand the interactions between corporations and their (anti-) corruption environment to eventually fight this century old phenomenon.

We thus have so far little knowledge about how companies can reintegrate with and exert influence on the dynamic and heterogeneous anti-corruption institutional environment after facing a corruption scandal. We therefore want to explore the following research questions:

1. *How do corruption scandals trigger certain organizational change processes and thereby influence the legitimation strategies of MNCs in a dynamic environment?*
2. *Why do certain MNCs act like anti-corruption institutional entrepreneurs upon reintegration by predominantly choosing very proactive legitimation strategies?*

This paper aims to contribute to the literature on organizational corruption, legitimacy and institutional entrepreneurship by testing and extending organizational reintegration and corruption control models (see e.g. Lange, 2008; Pfarrer et al., 2008) through a dynamic case study of three purposefully selected firms. To distinguish between different strategies to regain legitimacy, we build on and further develop typologies established by previous scholars (Oliver, 1991; Scherer, Palazzo and Seidl, 2013; Suchman, 1995). We thereby aim to generate valuable insights for scholars and practitioners not only on the evolution of leading anti-corruption practices but also on the circumstances under which companies may chose to rather (ceremonially) adapt to existing practices as opposed to substantially and proactively shape new anti-corruption practices.

The empirical study by Gebhardt and Müller-Seitz on a disclosed corruption scandal and the proactive corporate strategy to regain legitimacy focuses on only one case – Siemens – and was not able at that time to analyze the effectiveness and success of Siemens' attempt to act as an institutional entrepreneur (Gebhardt and Müller-Seitz, 2011). More importantly, however, by restricting the study to one single company, the authors cannot disentangle how different initial characteristics of a scandal moderate the choice of legitimation strategy, and which factors play an important role during the reintegration process. Yet this is what prominent scholars identified as a need for future research suggesting to test conceptual reintegration models by “incorporating longitudinal case study designs, whereby a researcher identifies a set of transgressors, perhaps with the same or related types of transgressions, and then studies each organization's actions and press coverage over time to examine reintegration” (Pfarrer et al., 2008, p. 745).

Our set of transgressors consists of three MNCs from Germany and Switzerland – ABB Ltd., Daimler AG, Siemens AG – engaging in corrupt transnational business practices between around 1998 and 2007, as disclosed mainly in the period 2006 to 2010. While all three case firms managed to adapt to the compliance requirements imposed by external regulatory authorities, we found that only very distinct constellations of scandal and reintegration characteristics may trigger the choice to act as an anti-corruption institutional entrepreneur.

First, the case of Siemens revealed that the presence of both strong legal/regulatory sanctioning and social sanctioning triggered by a strong legitimacy shock forced the company to instantly and radically develop and implement a variety of internal corruption controls but also to act externally as an institutional entrepreneur trying to promote its own new practices as new standards in the field. Second, the case of Daimler revealed significant latitude in developing a response strategy because Daimler was facing (a) a scandal after the disclosure of a much bigger case at another company (Siemens) and (b) mainly legal/regulatory punishments yet less societal sanctioning. As a consequence Daimler took a more gradual strategy to reintegrate and was able to learn from leading practices recently implemented for example by Siemens. However, the lack of sufficient social sanctioning made additional external regulatory pressure necessary to finally achieve a comprehensive compliance program that today in many aspects comes close to the one at Siemens. Third, the case of ABB revealed some surprising or even counterintuitive findings. Having faced a series of two legal procedures with US authorities, the first of which dates back to 2004, the company displays leading practices years before Siemens and Daimler. However, despite the fact that these regulatory sanctions clearly surpassed the level of societal sanctioning and media attention, ABB clearly focused on socially/culturally oriented controls rather than administrative ones.

## **INSTITUTIONAL THEORY PERSPECTIVES ON CORRUPTION SCANDALS, CORRUPTION CONTROLS AND LEGITIMATION STRATEGIES**

### **Organizational corruption and changes in the institutional environment**

Corruption can be generally defined as the "misuse of an organizational position or authority for personal gain or organizational (or sub-unit) gain, where misuse in turn refers to departures from accepted social norms" (Anand, Ashforth and Joshi, 2004, p. 40). However, applying an institutional theory perspective to study corruption and defining institutions as "regulative, normative, and cognitive structures and activities that provide stability and meaning to

social behavior” (Scott, 1995, p. 33), we do not want to limit our study on corruption on the departure from accepted social norms. While for example the payment of larger amounts of money to government officials in order to secure a business contract may be in line with the social norms in high corruption risk countries, these transactions are nonetheless illegal in every part of the world (see e.g. Nichols, 1999). Therefore, we include departures from regulatory and cognitive or socio-cultural dimensions into our definition of corruption, which is in line with previous scholars studying corruption from an institutional theory perspective (Gebhardt and Müller-Seitz, 2011; Misangyi, Weaver and Elms, 2008).

Moreover, we focus our analysis on systemic corruption at the level of the organization, an approach that has been identified by previous scholars as the “bad barrel” view (see Ashforth et al., 2008, p. 673). Finally, our analysis is restricted on those cases of corruption that are transnational in scope and involve a foreign public official as at least one party of the corrupt activity.

While national legislation to fight corruption has long existed, initiatives and legislation condemning transnational corruption have – with single exceptions – not followed until recently. If legislation on foreign bribery already existed, it was mostly not enforced. The Foreign Corrupt Practices Act (FCPA) may constitute the most prominent example in this regard: with this act, passed by the US Congress in 1977 and amended in 1988, legislation on corporate corruption entered a new level: For the first time, corporate corruption of foreign officials is legally prohibited and sanctioned. This law covers all American companies as well as foreign companies with securities traded on exchanges in the US. Although in existence for more than three decades, only in the last few years, prosecutions under the act enforced by the US Securities and Exchange Commission (SEC) and Department of Justice (DOJ) significantly increased (GibsonDunn, 2013). There are currently at least 78 corporations under investigation for possible FCPA violations, and a total of USD 3.74 billion has been paid by 58 companies to settle such corruption charges (Wayne, 2012). Many other countries have enacted laws similar to this Act. Nichols (2012, p. 362) provides a list of more than 50 countries criminalizing transnational bribery, and expects more countries to join this list. After its failure to sanction bribery of the British defense company BAE, the United Kingdom enacted its ambitious UK Bribery Act of 2010, which even goes beyond the FCPA – e.g. by imposing strict liability for failure to prevent bribes – but so far lacks sufficient evidence of enforcement as compared to the FCPA.

Beside these changes in the *regulatory* environment, we can perceive changes in the *normative* and *cultural-cognitive* environment regarding the fight against corruption. Various international organizations like the Organization for Economic Cooperation and Development (OECD) and the United Nations (UN) established international conventions (e.g. the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, or the UN Convention against Corruption) that criminalize transnational corruption. Similarly multi-stakeholder initiatives (e.g. the UN Global Compact or the World Economic Forum's Partnering Against Corruption Initiative) and non-governmental organizations like Transparency International provide guidance in the fight against corruption (for good overviews of changes in the institutional environment to fight corruption, see: Gebhardt and Müller-Seitz, 2011; Hess, 2012).

While not only the expectations in the institutional environment to fight corruption are rising, but also the actual number of companies that face prosecutions under increasingly enforced anti-corruption acts like the FCPA (see GibsonDunn, 2013), we can conclude that several MNCs have missed or underestimated these developments in their environment and are hence increasingly confronted with a publicly disclosed corruption scandal. In the following, we will outline how certain kinds of corporate corruption scandals may result in a legitimacy shock and how different types of post-scandal legitimation strategies can be expected depending on the size and kind of this legitimacy shock.

### **The role of a corruption scandal in triggering different legitimation strategies**

Organizational legitimacy can be understood as the social acceptance of actions or institutions, it is a vital yet intangible resource of any organization (e.g. Berger and Luckmann, 1966; Suchman, 1995). From a neo-institutional point of view, organizational survival is determined by the extent of alignment with the institutional environment; hence, MNCs try to portray themselves as legitimate organizations through the incorporation of institutional elements, both from in- and outside the organization (Kostova, Roth and Dacin, 2008). Corruptive practices, however, pose a perpetual threat to the legitimacy of MNCs. Corruption is wide spread in global business (TI, 2012).

As a consequence corporations can easily become involved in corrupt practices for example along their supply chains, both within and outside their sphere of influence. Such an involvement conflicts with institutional demands so that corporations with corruption allegations suffer from a loss of legitimacy and societal support. In particular, MNCs trying to regain legitimacy, i.e. to reintegrate, may face the challenge of regaining regulatory legitimacy by align-

ing their global compliance programs with the unequivocal law forbidding corruption existing in every country around the world (see Nichols, 1999), and/or regaining social and cultural-cognitive legitimacy by adapting their business practices to the underlying and often diverging regional informal business practices.

The paradox of having to accommodate several conflicting legitimacy strategies at the same time has been intensively discussed in the paradox literature (see e.g. Lewis, 2000; Scherer et al., 2013; Schreyögg and Steinmann, 1987; Smith and Lewis, 2011). Related literature in the institutional theory field refers to such a paradox as “the tension between institutional determinism and agency” (Battilana et al., 2009, p. 67), or the “paradox of embedded agency” (Holm, 1995; Seo and Creed, 2002). The isomorphism literature assumes a rather passive role of an organization leading to the convergence of legitimacy strategies in an institutional field (e.g. DiMaggio and Powell, 1983; Scott, 2007; Strang and Meyer, 1993; Sutton and Dobbin, 1996; Zucker, 1983) whereas the literature on actor-level heterogeneity denies the rise of an enduring convergent institution or legitimacy strategy (Hardy and Maguire, 2008; Maguire and Hardy, 2006; Maguire, Hardy and Lawrence, 2004; Zilber, 2002).

Recognizing the possibility of such a paradox for an MNC to simultaneously accommodate different (anti-)corruption legitimization strategies, we argue that certain kinds of corruption scandals – i.e. legitimacy shocks – may solve this paradox by forcing the transgressor into the application of only a restricted set of legitimization strategies.

Institutional theory informs us that, when a mismatch between an organization’s status quo of operation and social expectations occurs, the organization needs to (re)-adapt to the perceptions of their constituencies. To do so, literature suggests that organizations may use three different forms of legitimization strategies: *isomorphic adaption*, *moral reasoning* and/or *strategic manipulation* (Driscoll, 2006; Oliver, 1991; Scherer et al., 2013; Scott, 2007; Suchman, 1995). By using an *isomorphic adaption* strategy, the organization adapts its organizational practices to social expectations, e.g. an MNC may choose to increasingly report on corruption in its annual reports if it perceives that this is an emerging practice in its industry or country etc.

By using a *moral reasoning* strategy (Palazzo and Scherer, 2006; Scherer et al., 2013), organizations may also enter a discursive argumentation process with social groups, trying to create a solution based on a common position with anyone involved. An example for such a strategy would be to join multi-stakeholder initiatives like the UN Global Compact to discuss ideas on how to fight corruption with peers at the initiative’s network meetings. Third, a com-

pany may use a *strategic manipulation* strategy by influencing the perceptions of its constituencies with regards to the benefits the organization appears to create for them. *Manipulation* refers to “the active attempt to alter the content of institutional requirements and to influence their promoters” (Pache and Santos, 2010, p. 463). While the attempt to manipulate the external institutional environment may indeed entail active elements, the attempt to change internal organizational structures may often be far less active, if present at all.

Hence, we suggest to distinguish between symbolic and substantial forms of *strategic manipulation* strategy: (1) according to Scherer et al. (2013), companies may use instruments of impression management and strategic public relations to engage in a symbolic form of strategic manipulation, i.e. *decoupling* (Boxenbaum and Jonsson, 2008; Meyer and Rowan, 1977). Organizations decouple their actual organizational practices from the perception of their organizational structures and procedures. Here, organizations achieve legitimacy by constructing a façade of organizational structures and processes that reflects institutional myths (e.g., determined by expectations concerning proper business practices) and at the same time not adapting those in the organizational practices (Boxenbaum and Jonsson, 2008; Meyer and Rowan, 1977). Such a strategy is most evident when companies demonstrate commitment in the fight against corruption by increasingly reporting on this issue and joining more and more initiatives like the UNGC or Transparency International, but at the same time fail to implement necessary anti-corruption organizational structures and hence sooner or later face a systemic corruption scandal.

(2) In contrast, we define a substantial form of strategic manipulation strategy as the attempt of an organization to *substantially influence* the expectations of the institutional environment through confrontation with certain material organizational practices (here: substantively embodied actions to fight corruption) (Misangyi et al., 2008). As ‘strategic influence’ strategy in the context of corruption, we would classify the behavior of a company that demonstrated not only (a) strong commitment against corruption, and (b) the implementation of organizational structures to prevent and detect the same (integrity training, alignment of incentive structures, whistle-blower protection, follow-ups after incidents of corruption), but also (c) proactively uses its influence (mainly uni-directionally) to ensure its standards serve as a benchmark that is spread across its institutional environment (e.g. organizational peers, investigators, regulators, policy makers, NGOs).

We therefore include the following four strategies in our theoretical framework of organizing corruption controls after a scandal: *isomorphic adaption*, *moral reasoning*, *substantial influ-*

*ence, and decoupling (i.e. symbolic strategic manipulation)*. Recalling our definition of an ‘institutional entrepreneur’ as an actor initiating changes that contribute to the transformation of existing or the creation of new institutions (Battilana et al., 2009; DiMaggio, 1988), we associate this proactive role with companies that do not only limit themselves to exchange new ideas via a *moral reasoning* strategy but also try to *substantially and strategically influence* their environment by imposing others their own standards.

Recognizing the high power especially of the FCPA enforcement agencies, i.e. the US SEC and DOJ, we argue in this paper that the disclosure and enforcement of systemic organizational corruption in many cases constitutes such a shock of legitimacy for the concerned transgressors that the only chance to regain legitimacy is to choose a strictly proactive role. We therefore expect that the bigger the scope of the disclosed scandal and the imposed regulatory burdens, the less successful more passive forms of legitimation strategies may become, and thus the more likely the paradox of simultaneously accompanying active and passive forms of legitimation strategies will dissolve. The rationale behind this argument is that such a scandal may have a direct and distinct influence on the two central factors explaining the choice of legitimation strategies as identified by previous scholars: the *costs of organizational change* and the *consistency of societal expectations* (see Scherer et al., 2013). If disclosed criminal corrupt practices have reached a certain size and involve a large-scale criminal investigation, this shock of regulatory legitimacy is likely to create public alertness and thus spill over to challenge social and cultural-cognitive legitimacy of the transgressor, especially if the MNC is originated in regions with strict anti-corrupt societal expectations (see e.g.: Gebhardt and Müller-Seitz, 2011; Schwarz, 2011).

As summarized in our theoretical framework for legitimacy strategies in the context of a corruption scandal (Figure 1), we therefore propose that with a corruption scandal having passed a certain threshold, the continuation of rather passive legitimation strategies like *decoupling* or *isomorphic adoption* becomes less likely if not impossible. In contrast, we expect the final choice between the more active legitimation strategies – *strategic influence* and *moral reasoning* – to be determined by several *contingencies* such as the timing of the scandal or the power or resources of the transgressor (see e.g. Battilana et al., 2009; Gebhardt and Müller-Seitz, 2011). Finally, we assume that a company choosing exclusively proactive legitimation strategies *substantial influence* and *moral reasoning*, exercises the role of an institutional entrepreneur. The expected influence of such companies on the institutional environment is then illustrated with the arrow pointing back from the institutional entrepreneur to the (initial) institutional expectations in Figure 1.

-----  
Insert Figure 1 about here  
-----

Of course, beyond the mere type or scope of a corruption scandal, several other contingencies may determine the choice of legitimacy. Contingencies determining the responses to legitimacy issues (Christmann and Taylor, 2002; Oliver, 1991) and to complex and heterogeneous environments (Child and Rodrigues, 2011; Pache and Santos, 2010; Sirmon, Hitt and Ireland, 2007) have been well discussed in the literature. In our context, we should note that for a company to follow a *substantial influence* strategy, a precondition may be that this company disposes over sufficient ‘power’ or ‘resources’ (see Child and Rodrigues, 2011; Scherer et al., 2013). Similarly, Misangyi et al. (2008) argue that institutional change is most likely to be successful if the involved social actors are equipped with ‘sufficient resources’ (referring to DiMaggio, 1988, p. 14). In contrast, those corporations with less power/resources may not be able to impose their own practices on others but may still hope to somehow benefit from their compliance investments; they may hence rather choose to engage in mutual exchange with their environment through the *moral reasoning* strategy, and abstain from the *strategic influence* strategy. While a detailed integration of further contingencies such as power/resources in our theoretical model would go beyond the scope of this study, we allow for the exploration of such factors during our qualitative analysis.

## METHODS

### Research design and sampling

We apply a multiple dynamic case design to compare and interpret our findings across target firms (Yin, 1984), as well as over time and space (Gerring, 2007), while at the same time aggregating data where appropriate. In selecting our sample, we followed a theoretical sampling approach (see Strauss and Corbin, 1998) of choosing ‘extreme’ cases wherein the phenomenon of interest - here: the disclosed corruption scandal - is ‘transparently observable’. As regards time, we cover the three-year period from 2012 to 2014. We are hence able to interview firm representatives against the end of their regulatory reintegration process (the period in which the transgressors operate under the “Deferred Prosecution Agreement” (DPA) imposed by the SEC or DOJ) and after the termination of these regulatory burdens. In addition, we include longitudinal data on corruption from 2006 to 2009 by Gebhardt and Müller-Seitz (2011) in our analysis.

From the universe of multinational companies, we selected only cases with recent scandals involving transnational bribery of foreign public officials yet with apparently varying characteristics of the initial scandal and subsequent regulatory burdens. Our assumption was that the analysis of cases with both similar and diverging initial conditions and process variables may play a role in affecting the legitimation strategy outcome (see Doz, 1996; Pfarrer et al., 2008). As to what central characteristics of a scandal and reintegration process may constitute, literature suggests considering the prominence and timing of the transgression and transgressor (Pfarrer et al., 2008) beside the mere costs related to fines, bribes paid and organizational change investments (see e.g. Gebhardt and Müller-Seitz, 2011). Scholars then define the access to resources as an essential element mediating the reintegration process (e.g. Battilana et al., 2009; Lawrence, 1999).

With the intent to control for the institutional environment, access considerations led us to choose only MNCs with headquarters in Switzerland or Germany. Both countries are perceived to have similarly low corruption risks (TI, 2012), have similarly strict anti-corruption legislation and are at the same at an advanced stage of anti-corruption implementation in the context of the OECD Convention Against Corruption (see OECD, 2012a). To hold the industry context meaningfully constant yet allow for subtle variations at the same time, we chose to focus on two sectors with generally moderate to high risks of corruption: diversified industrials and automotive/manufacturing (TI, 2011, p. 15).

Based on these considerations, the following companies are initially selected for our study: *Siemens*, *ABB* and *Daimler*. In particular, we compare the compliance related activities at Siemens with the ones of its industry competitor ABB. To gain insights on the impact of a firm's market power/resources and/or industry competitive structure, we include a major player of the automobile industry, *Daimler*, hit by a scandal close to the magnitude of the one at Siemens. In order to fully adhere to Eisenhardt's (1989, 537) recommendations of analyzing between four to ten cases, we aim in a next step to include further companies in our analysis. For example, we think about including one major competitor of each industry that has not faced a disclosed scandal such as the BMW AG of the automotive sector and Schneider Electric SA of the power & electronic sector. Another option would be to include further transgressors such as the German automotive company MAN (part of VW group) or the French power and transport company Alstom. Due to feasibility concerns, the analysis of these firms will be restricted on the evaluation of documentary data and media coverage.

As we study a transnational phenomenon, we cannot reasonably limit our analysis to the investigation of the corporate headquarter perspective. In contrast, we want to include the perspective from subsidiaries in at least one country of geographic distance yet institutional proximity. We therefore chose to conduct additional interviews with our case firms and third parties in Australia. Australia displays similarly low levels of corruption risk compared to Switzerland and Germany (see TI, 2012), and has also reached phase 3 of implementing the OECD anti-bribery convention (OECD, 2012b). Apart from broadening our interview base and obtaining a global perspective, this nested analysis of two establishments within each company allows us to distinguish between the centralized perspective of the headquarters and the local perspective of a geographically distant subsidiary.

### Measurement

***Organizational corruption controls.*** Literature from both organizational control and corruption control provides valuable insights on concepts and processes to control organizational corruption. Lange (2008) has recently merged these two streams of literature to conceptualize an ‘Organizational Corruption Control Circumplex’. Importantly for the purpose of this paper studying the interaction between corruption control strategies and the institutional environment, Lange (2008) includes the organizational environment in his model. He distinguishes between a social/cultural and an administrative/regulatory dimension of corruption control, which is a central aspect of legitimacy as discussed in institutional theory (see e.g. Scott, 2007). Apart from the environmental sanctioning controls, Lange lists six further control types, three under the social/cultural dimension and three under the administrative dimension.

Lange calls for deeper exploration of how and why certain control types may be applied in combination (2008, p. 724). He expects that the control types within the social cultural dimension as well as the ones within the administrative dimension are compatible respectively. His model, however, treats organizational corruption controls in a rather static context, which may constitute critical limitations especially when studying the relationship between environmental and intra-organizational corruption controls of his model. For the purpose of our study we put this model in a dynamic context by treating a disclosed corruption scandal as a form of environmental sanctioning and study the impact of such sanctioning on the application and combination of the other control types. These intra-organizational control types are listed in the right column of Table 1. Building on Lange’s expectations regarding compatible types of control, we may expect that social sanctioning may trigger predominantly so-

cial/cultural types of control whereas legal/regulatory sanctioning may trigger rather administrative types of control.

Given that this work deals with corruption cases that all included settlements with the US SEC, we also considered the criteria for ‘Effective Compliance and Ethics Program[s]’ by the US Sentencing Commission (US\_Sentencing\_Commission, 2010, §8B2.1.). Finally, in order to sufficiently address corruption controls, going beyond such regulatory requirements, we further consider interactive and/or voluntary types of organizational processes as modeled in the ‘Corporate Citizenship Assessment Tool’ by (2013). Table 1 illustrates the synthesis of these three models, depicting the central corruption control dimensions and elements in the left and middle column and the respective references to the original models in the right column.

-----  
Insert Table 1 about here  
-----

To reduce biases wherever possible, we triangulate both our documentary as well as interview data (Eisenhardt, 1989; Flick, 1992). While all three transgressors are expected to have installed the compliance components as required by the SEC in the relative regulatory proceeding documents, we use our interview data to assess the comprehensiveness of each component, identify possible imbalances or additional components not explicitly required, and trace the dynamic process of implementing the components over time.

***Corruption scandal characteristics.*** Building again on the corruption control model by Lange (2008) and further considering previous research on corruption scandals (Gebhardt and Müller-Seitz, 2011; Pfarrer et al., 2008), we distinguish between two central scandal characteristics based on the type of sanctioning by the institutional environment.

- a) Regulatory sanctions – bribes, fines and costs involved*
- b) Social sanctions – timing/prominence of transgression*

*Regulatory sanctions* in our study are mainly comprised of the disgorgement and penalty payments as listed in the settlement agreements between our case firms and the SEC. Further, yet to a less quantifiable extent, also other legal expenses e.g. for lawsuits, lawyers, consultants etc. were considered. On the other hand, we identified the level of *social sanctions* mainly through the level of negative press coverage our transgressors received in the course of disclosure, settlement and reintegration. The timing of the transgression, e.g. as regards its

novelty in a certain industry, region etc. is thereby considered as a key factor to explain the level of scandal prominence or social sanctions (see Pfarrer et al., 2008).

The grey oval “scandal characteristics\*” in Figure 1 refers to these two characteristics as central elements to describe the scope and type of a scandal. Of course, we were also open to include other characteristics or specify the existing ones during the course of our interview or documentary analysis as soon as new hints emerged.

**Data collection**

In 2012 and 2013, we conducted at least two rounds of interviews with representatives at each selected case firm headquarters either at intervals of 12 months or upon the notice of a special event at the target firms. Moreover, we were able to interview representatives of the company subsidiaries as well as third parties in Australia in the first half of 2013. Finally, our interviews with the representative at Siemens allowed us to obtain insights on the headquarter and subsidiary role at the same time given her double function as compliance officer for the Siemens Division Building Technologies headquartered in Zug, Switzerland, and as regional compliance officer for the Siemens country subsidiary Switzerland.

Key sources of archival data are (1) company sustainability reports, codes of conduct or press releases. These documents reflecting the company perspective will be compared with (2) documents reflecting the public perspective such as media coverage on corruption risks (provided by RepRisk AG) or other corruption perception information (provided by Transparency International). (3) The arguably most useful source of data for our purpose are criminal proceedings documents (complaint, deferred prosecution agreement, monitor reports) by the US Securities and Exchange Commission (SEC) and Department of Justice (DOJ). As regards our interview data, triangulation of respondent perspectives is ensured: (1) We interview managers of the case firms, (2) we consider external advice of key informants like lawyers, judges and auditors; (3) last but not least, we discuss our findings with leading international corruption researchers. For a compilation of consulted data sources by type and frequency/volume, see Table 2:

-----  
Insert Table 2 about here  
-----

Having conducted two rounds of personal – in few cases telephone – interviews with compliance representatives at the company headquarters and a separate round of interviews at their

Australian subsidiaries, each taking mostly between 45 and 90 minutes, we were able to cover the whole range of the organizational situation before, during and after the respective corruption scandals. To broaden our perspective, we conducted several telephone conversations and a personal interview with an experienced lawyer at Gibson & Dunn involved in the investigations at Siemens and Daimler, to ask him about the compliance investigations and progresses at these two companies. Moreover, we were able to talk to representatives of professional service firms like PWC and non-governmental organizations like TI. In addition, we consulted academics like Christian Gebhardt, an experienced researcher on the Siemens corruption case, whose study (2011) serves as a starting point for central parts of our analysis.

As to our documentary analysis, we consulted internal compliance related company documents, the database of RepRisk AG as well as criminal proceedings documents of the SEC. Furthermore, three bachelor and master students helped us with the initial analysis of company documents such as Annual Reports and Sustainability Reports.

To minimize biases on the side of the interviewer, my co-author and I jointly conducted the interviews whenever possible. To make sense of the great variety of data, based on the respective company's documents, press coverage and (if available) initial interviews, we developed and discussed an interview guideline before we met with our case firms whenever possible. Furthermore, directly after each interview, we reflected over the key themes and 'take-aways' and tried to put our new findings in the context of our existing analysis.

## **Data Analysis**

### ***Step 1: Classifying the corruption scandal and transgressor characteristics***

#### *The SIEMENS AG and its systemic corruption scandal*

The Siemens AG (Siemens) is one of the worldwide leading technology companies operating in more than 190 countries and headquartered in Munich and Berlin. The company is structured in four business divisions, which are (listed in the order of decreasing turnover): energy, industry, infrastructure & cities, and healthcare (Siemens, 2013a).

Siemens' corruption scandal:

- a) *Legal/regulatory sanctioning – bribes, fines and costs involved:* The SEC alleges Siemens to have paid "more than 1.4 billion USD in bribes to government officials in Asia, Africa, Europe, the Middle East, and the Americas" and asserts that the "pattern of bribery by Siemens was unprecedented in scale and geographic reach" (press release, SEC, 2008a). The fines imposed by US and German regulatory authorities

amount to more than 1.6 billion USD with the organizational costs for rehabilitation expected to surpass this number. The costs for organizational changes to address the regulatory requirements are probably even higher. Altogether, we can ascertain with confidence that the bribes, fines and costs involved in this Siemens corruption scandal have **reached a very high, i.e. unprecedented, level.**

- b) *Social sanctioning – prominence/timing of transgression:* According to the SEC's complaint, "between March 12, 2001, and September 30, 2007, Siemens created elaborate payment schemes to conceal the nature of its corrupt payments, and the company's inadequate internal controls allowed the conduct to flourish" (press release, SEC, 2008a). In December 2008, Siemens entered an agreement to settle its FCPA related charges including the installation of an external monitor for a period of four years until December 2012 (SEC, 2008b). As we learnt in the course of our interviews, even before the investigations by the SEC, Siemens faced a strong legitimacy shock in November 2006 when around 200 policemen and officials appeared in front of the Munich headquarters to confiscate all information relevant to investigating the corruption cases at Siemens. This action created instant awareness of the magnitude of the problem at almost every Siemens employee around the world and was accompanied with an unprecedented level of media coverage as regards corporate corruption (see RepRisk\_AG, 2013). With both unprecedented levels of regulatory and social attention, the **prominence of the transgression can be assessed as very high.**
- c) *Prominence of transgressor:* Having operations in more than 190 countries together employing around 370,000 employees and generating annual turnovers of generally more than 80 billion EUR (Siemens, 2013a), the **prominence of the transgressor can be assessed as (very) high.**

#### *The DAIMLER corruption scandal*

The DAIMLER AG (Daimler) is a multinational automotive corporation with headquarters in Stuttgart, Germany, and locations on every continent with focus on Europe, Asia and North America. The company is structured in five divisions, of which the two most important are Mercedes-Benz Cars and Daimler Trucks (Daimler, 2013).

- a) *Legal/regulatory sanctioning – bribes, fines and costs involved:* According to the SEC allegations „Daimler paid at least \$56 million in improper payments over a period of more than 10 years. The payments involved more than 200 transactions in at least 22 countries. Daimler earned \$1.9 billion in revenue and at least \$90 million in illegal

profits through these tainted sales transactions, which involved at least 6,300 commercial vehicles and 500 passenger cars.“ (SEC, 2010b). The fines to settle these charges with the SEC and DOJ amounted together to around 185 million USD. Taking into account that an external monitor was appointed as an indication for major organizational compliance deficits, the organizational costs for rehabilitation are also expected to be substantial. However, recognizing the differences to the dimensions at Siemens, **we assess the overall level of bribes, fines and cost as high.**

- b) *Social sanctioning – prominence/timing of transgression:* Considering that the corrupt practices were disclosed by the SEC in March 2010 with an agreed DPA lasting from March 2010 to March 2013, the timing of the scandal was at least one and a half years after the one at Siemens. Moreover, there was no specific shock creating instant and massive public awareness, which is also reflected in a significantly lower level of media coverage on corruption risks (RepRisk\_AG, 2013). We therefore assess the level of **prominence of the transgression as rather medium** (or even low).
- c) *Prominence/resources of transgressor:* With annual turnovers over 100 billion EUR (Daimler, 2013) exceeding the levels at Siemens, yet with lower numbers of employees (around 275.000) and country locations, the **prominence of the transgressor can also be assessed as (very) high.**

#### *The ABB corruption scandal*

Die Asea Brown Boveri AG (ABB) is one of the worldwide leading firms in energy and automation technologies. The company has its headquarters in Zurich, Switzerland, and operates in more than 100 countries (ABB, 2013a).

- a) *Legal/regulatory sanctioning – bribes, fines and costs involved:* According to the SEC allegations, “ABB's subsidiaries made at least \$2.7 million in illicit payments [...] to obtain contracts that generated more than \$100 million in revenues for ABB“ (SEC, 2010a). To settle these charges, ABB has agreed to pay more than 39.3 million USD. In the case of ABB, no external monitor was appointed, which together with the requirements listed in the Deferred Prosecution Agreement (United\_States\_District\_Court, 2010) indicate that the organizational **costs for rehabilitation from the scandal are considerably lower** compared to Siemens or Daimler.

- b) *Social sanctioning – prominence/timing of transgression*: On September 29, 2010, the SEC “charged ABB Ltd with violations of the Foreign Corrupt Practices Act (FCPA) for using subsidiaries to pay bribes to Mexican officials to obtain business with government-owned power companies, and to pay kickbacks to Iraq to obtain contracts under the U.N. Oil for Food Program“ (SEC, 2010a). The agreed DPA lasting for three years from September 2010 on was hence initiated almost two years after the agreement at Siemens; moreover, the scope of the corrupt practices was limited to few single countries only. We therefore **assess the prominence of the scandal as low**. Our assessment may be supported by the fact that the media coverage on compliance risks was constantly at a very low level, especially when compared to Siemens (see also Table 2): between 2006 and 2013, we found only 10 entries on corruption related reputation risk in the RepRisk database for ABB, compared to 138 for Siemens and 40 for Daimler (RepRisk\_AG, 2013).
- c) *Prominence/resources of transgressor*: With operations in around 100 countries employing around 146,000 employees and generating annual turnovers of around 40 billion USD (ABB, 2013a), ABB reaches only around half the dimensions of Siemens and Daimler and can therefore be classified for the purpose of our study as an **MNC with a rather medium level of prominence/resources**.

***Step 2: Analyzing the corruption controls before, during and after the corruption scandals***

To analyze the development of corruption controls in relation to the disclosure of corruption scandals, it appears simplest to distinguish between three periods: *before*, *during* and *after* the (main wave of) corruption scandals. We identified the big investigation by German officials at the Siemens headquarters in November 2006 as the beginning of this wave of corruption scandals and the settlements between the US SEC and our three case firms (Siemens in 2008, ABB and Daimler in 2010) as the end of this period. The period thereafter then covers the time from the signing of these settlements until (and slightly beyond) the date of fulfillment of the terms of these agreements – most notably the end of SEC monitorship and/or deferred prosecution agreement (DPA) in late 2012 and early 2013. The time before the main scandal disclosures finally goes back to and slightly beyond a first (minor) settlement between the US SEC and ABB in 2004. Our analysis is therefore structured along the following three periods: *before* ( $t_1$ : 2003-2005); *during* ( $t_2$ : 2006-2010); *after* ( $t_3$ : 2011-2013).

## *SIEMENS:*

In the period before the scandal  $t_1$ , Siemens had already installed plenty of bureaucratic controls that mainly consisted of a vast set of formal rules, codes and policies to fight corruption. Moreover, the company partly embedded interactive corruption controls by participating in several voluntary initiatives like the UNGC and TI, whereof the latter organization terminated Siemens' membership in 2005, arguably because the company did not decisively followed-up internal cases of corruption. Apart from these two elements, other types of corruption controls were mainly missing or at a very fractional state.

In  $t_2$ , the time during the disclosure and settlement of the corruption scandal, Siemens displays a sudden and unprecedented increase in corruption controls across all elements of our assessment model. As regards leadership, Siemens hired Peter Löscher as a new CEO who was responsible for managing the scandal. The first externally promoted CEO in SIEMENS history outlines that “[w]ithin months of my taking over, we replaced about 80% of the top level of executives, 70% of the next level down, and 40% of the level below that. I fundamentally changed how our managing board made decisions. We also worked to streamline and simplify our global operating units” (Loescher, 2012, p. 40). Overall, the compliance staff at SIEMENS increased from around 60 (including part-time) to around 600 (fulltime) employees. Moreover, Löscher's statement “only clean business is Siemens business – everywhere, everybody, every time” (Moosmayer and Winter, 2011, p. 4) was unprecedentedly clear. This strong position from leadership was complemented by comprehensive training programs and whistle-blowing procedures. Besides these socially/culturally transmitted corruption controls, SIEMENS implemented a comprehensive set of administrative controls. These controls included a strictly centralized structure of value flows and approval processes, a bonus/malus system to align incentives and specialized audits by the compliance departments in addition to the general tasks performed by the audit department (for further analyses, see also Gebhardt and Müller-Seitz, 2011; Graeff, Schroeder and Wolf, 2009).

In addition, Siemens launched unprecedented initiatives related to the interactive corruption controls assessment dimension. Most notably, Siemens launched the ‘Collective Action’ initiative in 2008 and actively promoted its new program in its institutional environment, e.g. at international industry and governmental meetings but also through collaborations with academia. The Collective Action program partly emerged in the context of the 2009 agreement with the World Bank wherein “Siemens has also agreed to co-operate to change industry practices, clean up procurement practices and engage in collective action with the World Bank

Group to fight fraud and corruption.“ (World\_Bank, 2009, p. 1). In direct relation to this agreement “Siemens launched the global Siemens Integrity Initiative with a budget of US\$100 million. It promotes organizations and projects that fight corruption and fraud through collective action, education and training. In the first round, we selected 31 organizations and projects and we support them with a total of US\$37.7 million.” (Siemens, 2013b, p. 17). Beyond these financial contributions to public institutions, the following are references to activities that go well beyond the terms of the World Bank agreement:

“The available methods range from integrity pacts for individual procurement transactions right through to industry-specific codes of conduct and compliance pacts“ (website section on sustainability<sup>1</sup>)

“... we plan to focus our collective action activities in fiscal 2013 on our particular business requirements more intensively than in the past. There are many ways to do this. For example, future CRAs can increase the emphasis on defining collective action measures such as fair competition partnerships between bidders for large contracts or the voluntary self-commitment of industry federations to compliance standards that reduce compliance-related risks.” (Siemens, 2013a, p. 30)

It is to note that Siemens takes a strong proactive rather than (passive) participative approach in these collective action activities, see for example the title of the company’s program communication: “How *we can drive* Collective Action“ (Meyer and Waldschmidt, 2012, p. 22). Comparing the perspectives from our interview partners in the (divisional) HQ region in Germany and Switzerland with the subsidiary in Australia, the management of collective action at Siemens appears to be directed mainly through the HQ. In contrast, the common perception of interviewees in the Australian subsidiary was that the highly regulated national institutional environment makes active corporate intents to shape the fight against corruption redundant.

As regards  $t_3$ , the time after the disclosure and settlements, Siemens main concern is to increase the efficiency of the very comprehensive and radically implemented compliance system. What has been stated as a goal in our first interview round in late 2012, was then largely realized at the time of our second interview in late 2013, e.g. controls have been reduced for location where no incidents were detected over the last years of repeated assessment, thresholds for approval process have been eased. Furthermore, compliance personnel was slightly reduced, while we cannot yet fully interpret the decision to abandon the compliance mandate in the executive board, executed by Peter Solmssen, in November 2013.

---

<sup>1</sup> <http://www.siemens.com/sustainability/en/core-topics/collective-action/integrity-initiative/key-information-on-siemens-integrity-initiative.htm>

### *DAIMLER:*

Like at Siemens, corruption controls at Daimler in the period before the scandal ( $t_1$ ) were for a long time mainly restricted to bureaucratic controls comprised of formalized rules and policies as well as interactive controls through participation in voluntary initiatives like the UNGC. However, earlier than Siemens and already before they were hit by the scandal, Daimler introduced further – at least basic – measures to derive at a more balanced set of corruption controls in 2005, as illustrated in Table 3. Most notably, our document analysis revealed that the dimension of socially/culturally transmitted corruption controls was fostered since that year by adding a leadership statement, training activities and a corruption-specific whistle-blowing procedure. Furthermore, we found evidence in the analyzed documents that Daimler increased its administrative corruption controls in 2005 by monitoring and following-up on cases of corruption (see Table 3: full coverage of GRI indicators SO2, SO3 and SO4 since 2005).

Before we address the implementation of corruption controls in  $t_2$ , during the scandal, it makes more sense to look at the corruption controls after the scandal ( $t_3$ ) first, because we had difficulties to explain the final state of Daimler's corruption controls at  $t_3$  simply based on the initial characteristics of the company's scandal. Despite the slightly lower regulatory sanctions and the significantly lower social sanctions as compared to Siemens, Daimler's compliance program consisted of a very comprehensive and well-balanced set of corruption controls that in many aspects comes close to the one at Siemens. As depicted in Table 2, Daimler's compliance program contained strong socially/culturally transmitted controls comprised of clear signals from and to leadership against a 'self-servicing' mentality, a separate compliance mandate in the managing board, comprehensive training activities and a functioning whistle-blowing procedure. This dimension is well complemented by an administrative one, most notably strong evidence of risk assessments, monitoring and sanctioning (dismissals). Furthermore, third party accounts, regularly used for bribery payments in the past, were significantly reduced, although the level of value flow centralization at the company HQ does not fully reach the one at Siemens. After a pioneering round of personal interviews and documentary analysis, we were not fully satisfied, because we were not able to sufficiently explain the sufficient overlaps in Siemens' and Daimler's compliance programs despite significant variation especially as regards the levels of social sanctioning.

The dissatisfaction led us to place particular focus on factors that may have influenced the reintegration process after the disclosure of the scandal. We consulted the literature on con-

tingencies before conducting further empirical research. From the literature, press coverage and personal interviews with an experienced lawyer at Gibson Dunn, we understood that in the case of a deferred FCPA prosecution agreement (DPA), an externally imposed FCPA monitor is able to get insights into the company that significantly go beyond regular audits. Together with its team, the monitor can request access to all sorts of compliance related documents, interview a random selection of people across various hierarchical positions and visit an unrestricted number of foreign subsidiaries (Hartmann, 2012; Schwarz, 2011).

Our analysis then revealed that corruption controls in  $t_2$  have been implemented rather slowly and insufficiently, as made evident for example in the press coverage about the strictly secret “First Follow-up Monitor Report” by the SEC installed external monitor, Louis Freeh, (see Spiegel\_Online, 2011). Based on the coverage about this first monitor report we can state that several of the strong social/cultural and administrative elements included in Daimler’s compliance program in (late)  $t_3$  – most notably strong leadership signals to act upon the apparent self-servicing mentality of top managers, comprehensive risk assessments and sanctions – were only implemented in the context of this critique by the monitor implying not only the thread of additional (regulatory) fines, but also in this case considerable social attention/sanctioning through the media. Only in another follow-up report in 2012, the same person stated that “Daimler AG's management has in many respects done more than required in a settlement with U.S. institutions“ and "Daimler really wants to become world champion in compliance" (see Dow\_Jones\_Newswires, 2012). These final judgments of the SEC monitor may hold as another indicator that Daimler’s compliance program finally reached a very comprehensive and balance level that entails voluntary elements and the intent to promote leading practices.

To sum up, in contrast to Siemens, Daimler’s comprehensive compliance program did not mainly evolve directly and promptly as a result of the disclosure of the company’s corrupt practices, but to a considerable extent at a later time of the reintegration process due to continuous pressure exercised by the SEC external monitor. The impact of this monitorship on Daimler’s anti-corruption strategies is illustrated in Figure 2.

#### *ABB:*

Our analysis of ABB’s corruption controls took yet a very different course of ‘sense making’ as compared to the two other cases. A main reason for that was the almost exclusive focus of our ABB interview partners on ABB’s present state ( $t_3$ ) of corruption controls. Apart from that, our interview partners put a strict focus on the social/cultural dimension of controls,

which also corresponds with ABB's written communication as evident in the title of the company's anti-corruption activities constantly referring to *integrity* instead of *compliance*.

To begin with this period  $t_3$  addressed almost exclusively by our interview partners at ABB, we indeed assessed strong and comprehensive elements of social/culturally transmitted controls for this period: most notably, the existence of a global and in-depth case study approach to training build on real (anonymized) incidents from the past, a sound and offensively communicated whistle-blowing procedure (including a little information desk in the HQ lobby) and strong leadership support (including clear anti-corruption statements and representation in the board). However, apart from these strong socially/culturally transmitted controls and the participation in certain interactive controls (memberships in the Partnering Against Corruption Initiative (PACI) of the World Economic Forum, TI and the UNGC) our interview partners were very reluctant to provide us with detailed information on administratively transmitted controls. Indeed, we can reasonably assume that ABB has installed these controls at least at a basic level considering, among other things, that the company managed to successfully terminate its DPA. However, repeated further inquiries from our side without tangible responses and a convincing judgment from a third party lead us to conclude that the scope of ABB's administrative controls somewhat falls behind the scope of its socially/culturally transmitted controls. A gap between the perception of ABB and our/external observations is most evident in the processes of risk assessment, monitoring and follow-up/sanctioning. To give an example, we understood that ABB mainly relies on annual surveys and the audit department to conduct corruption risk assessments. However, we know from SIEMENS, that comprehensive anti-corruption assessment teams from the compliance group conduct these corruption risk assessments complementary to the general investigations by the audit department. Furthermore, ABB's reporting on sanctions and follow-ups is far less comprehensive than the one at SIEMENS.

As regards the period of disclosure and settlement  $t_2$ , we should recall first that ABB faced a) lower regulatory sanctions (in particular as regards the absence of an external monitor) and b) almost negligible social sanctions (see Table 2) compared to Siemens. While respondents of all three analyzed firms mentioned the powerful role of the US SEC, only our interview partners at ABB denied that their anti-corruption strategy was considerably impacted by the 2008 to 2010 wave of scandal disclosures and settlements. They admitted that there was indeed a whole list of organizational requirements the company had to fulfill in order to comply with the FCPA, but from the rhetoric of our respondents, it became apparent that they were confi-

dent that no huge changes need to be implemented in order to fully comply with the act and that a systemic culture of organizational corruption has never existed at ABB.

Only in a second round of documentary analysis and interviews we could further uncover the reasons why ABB may have already installed a considerable amount of corruption controls in  $t_1$ . A key driver may have been indeed an earlier settlement between ABB and the SEC in 2004. The comparatively very small dimensions of this settlement (bribes of 1.1 million USD and a penalty of 10.5 million USD) and the early date may explain why we did not initially notice this settlement. Nevertheless, our analysis revealed that this time was just the beginning of the then rapidly evolving wave of enforcements by the SEC (GibsonDunn, 2013) putting ABB in the role of a first mover. Table 2 illustrates that ABB has indeed been the first company (at least as regards our three case firms) to install certain corruption controls, especially socially/culturally transmitted ones, in this period  $t_1$ . Not only the overall scope devoted for reporting on anti-corruption, but in particular a clear zero-tolerance statement, information on training, the installation of a whistle-blowing procedure and the membership in several voluntary initiatives (PACI, TI, UNGC) are examples for leading innovative practices at ABB that at this time had not yet been addressed at Daimler and Siemens.

### ***Step 3: Deducing the legitimization strategies from the combination of corruption controls***

#### ***SIEMENS:***

As outlined in step 2 of our analysis, the Siemens corruption controls were restricted to a combination of a set of formal rules and policies and rather passive participatory commitment in voluntary interactive initiatives like the UNGC or initially TI. Given that these activities lacked any considerable aspects of the other corruption control types (leadership support, training, complaints procedure, monitoring, follow-up), Siemens' anti-corruption activities in  $t_1$  can be clearly associated with (and are mainly restricted to) a legitimacy strategy of 'decoupling' or symbolic manipulation.

With the radical implementation of all types of corruption controls each of unprecedented scope, this strategy of ceremonial influence via 'decoupling' in  $t_1$  then shifted directly to the other extreme: a strategy of 'substantial influence/manipulation' via 'over-fulfillment'. Moreover, we argue that even the creation and (at least initial) implementation of the SIEMENS 'collective action' program is part of the 'substantial influence strategy' rather than a 'moral reasoning' strategy as the name might indicate. The language used in the reporting outlined above (e.g. "we selected", "our aim is", "we plan to focus", ...) and at public presentations ("how we can drive", "approach public sector customers/competitors", Meyer and

Waldschmidt, 2012) suggests that the company can determine rather independently where and how its integrity pact and compliance pacts are to be imposed on business partners.

Only after these new processes had been installed to a considerable extent, SIEMENS more and more included elements of a ‘moral reasoning’ strategy to identify – through round tables, meetings etc. – how the immense process can be streamlined and made more efficient and whether certain practices can be abandoned again (reduction in staff and leadership, increase of thresholds, less assessments, ...) in  $t_3$ .

It is to add however, that such an approach requires a certain level of transgressor power. SIEMENS’ *strong market position* with little competition in many of its business divisions (e.g. healthcare, wind power, electrical engineering and electronics), may have forced Siemens directly to implement a 180° strategic change leading the company to the proactive role of an ‘institutional entrepreneur’ in the fight against corruption. Siemens’ strong market power and intent to be a sustainability pioneer is illustrated in the following quote by the member of the Siemens Sustainability Advisory Board Björn Stigson: “It is pioneers like Siemens – with its technological expertise, innovative strength and implementation skills – that make a big contribution to the sustainable development of our planet“ (Siemens, 2013b, p. 12).

#### *DAIMLER:*

In contrast to Siemens, Daimler applies a rather mixed set of legitimation strategies. In  $t_1$ , Daimler also participates in several voluntary initiatives, pointing towards elements of a ‘moral reasoning’ strategy. However, as outline in step 2 of our analysis, Daimler had already implemented several other sorts of compliance controls. Further considering that several of these controls existed already elsewhere (for example at ABB), we may have elements of an ‘isomorphic adaption’ strategy here. Given the scope of the later disclosed scandals revealing systemic corrupt practices continuing well into this period, ‘decoupling’ was obviously a key strategy at  $t_1$ .

At  $t_2$ , our analysis suggests that initially after the disclosure of the scandal, Daimler focused on slowly adapting to the regulatory pressures the company was facing: ‘isomorphic adoption’ strategy. More precisely, this strategy may be associated with the concept of “coercive isomorphism” in the institutional theory literature (e.g. DiMaggio and Powell, 1983).

As regards  $t_3$ , the fact that DAIMLER plays a more active role in the UNGC since the foundation of the UN Global Compact LEAD initiative may constitute also an example pointing to a

clear ‘*moral reasoning*’ strategy. Even more interestingly, after the critical feedback from the external monitor and additional negative media attention/social sanctioning during the reintegration process, the final statements of the compliance monitor pointed toward the willingness of DAIMLER to go beyond regulatory requirements and apply worldwide leading anti-corruption processes. While most elements of DAIMLER’s compliance strategy seem to be present in leading compliance programs already, the fact that DAIMLER chose to prolong the board mandate for legal and integrity even after termination of the regulatory proceedings, occupied by Dr. Hohmann-Dennhardt, may constitute a first example where DAIMLER’s program surpasses the one at SIEMENS that chose to abandon a separate board position for legal and integrity in late 2013. Possible elements of a ‘strategic influence’ strategy may therefore be present at Daimler in  $t_3$  as well, marked with a dashed line and question marks in Figure 2.

#### *ABB:*

ABB as well applies a mixed set of legitimation strategies in all of the three periods. In  $t_1$ , considering that ABB was the first company (at least of our three case firms) to install a set of social/cultural controls and the company participating in most voluntary anti-corruption initiatives points towards the strategies of ‘moral reasoning’ and ‘strategic influence’. However, ABB’s strategic influence remains rather ambiguous given that we did not find evidence for a proactive promotion aimed at the diffusion of ABB’s newly installed social/cultural controls. Nonetheless, some of ABB’s practices (training, whistle-blowing) became common/institutionalized practices in the following years. ABB’s ambiguous ‘substantial influence’ strategy is hence marked with a dashed frame in Figure 2. Finally, considering that ABB’s integrity program was found to have several deficits as identified in the 2010 settlement with the SEC, ‘decoupling’ was also part of ABB’s strategy portfolio.

In  $t_2$ , beside the continuous focus on its social/cultural controls (‘moral reasoning’ and elements of ‘institutional entrepreneurship’ strategies), the ‘isomorphic adoption’ strategy became dominant at ABB given that the company, in contrast to its 2004 settlement, now had a comprehensive list of compliance program requirements to fulfill. Finally, the voluntary and comprehensive collaboration of ABB leads us to conclude that ‘decoupling’ was no longer apparent.

Only for  $t_3$ , we can not exclude with certainty, that elements of ‘decoupling’ reoccurred given the gap in perception between ABB and external observers regarding the comprehensives of ABB’s administrative controls. We thus include this strategy with a fragmented frame and

question marks in Figure 2 to acknowledge a considerable uncertainty regarding the possible presence of this strategy.

-----  
Insert Figure 2 about here  
-----

## FINDINGS

We should first note that all three case firms successfully terminated their monitoring and/or ‘deferred prosecution agreement’ (DPA) period and we could not find indications for any ‘new’ systemic corruption cases during our interviews and media analysis. However, despite the fact that all three transgressors managed to finally regain legitimacy and implemented a list of similar compliance program requirements, considerable – and partially surprising – differences exist in the strategies to regaining legitimacy as well as in the scope and balance of the ‘final’ compliance programs. In fact, the findings derived from our three cases may provide a valuable contribution to the institutional theory perspective on corruption by outlining under which conditions an institutional entrepreneur may arise, when gradual organizational reintegration models are most coherently followed, and when elements of a paradox approach may remain.

### **Radical change and ‘over-fulfillment’ rather than gradual reintegration in case of an unprecedented social and regulatory legitimacy shock**

Contrary to previous research suggesting that companies facing an unprecedented corruption or fraud scandal like Enron, WorldCom or Tyco may not recover due to the immense stigma “first movers“ confront (Goffman, 2009; Pfarrer et al., 2008), our study reveals a promising strategy how “first movers” may indeed successfully be able to recover. Responding to both research questions, our analysis indicates that in the case of an unprecedented scandal as regards to both regulatory and social sanctioning, the most promising chance of the transgressor (first-mover) is to radically and abruptly apply substantial actions to change its anti-corruption processes and strategy, instead of following a prototype step-by-step reintegration approach which might be more applicable under less extreme circumstances (see Pfarrer et al., 2008).

SIEMENS constitutes an exemplary case of such a radical approach. As outlined in our analysis, SIEMENS faced not only an unprecedented level of regulatory but also social sanctions. In particular, the event at Wittelsbacher Platz on November 15, 2006 when close to 200 police

men and officials gathered in front of the SIEMENS Munich headquarter to confiscate all sorts of material relevant to investigate the SIEMENS corruption cases, generated such an instant and immense legitimacy shock that then also immediately triggered the conviction at SIEMENS that the only chance to recover is to respond radically, substantially and proactively. Peter Löscher, the new CEO hired as a result of the disclosed corruption scandal, continuously reminds his audience to “never miss the opportunities that come from a good crisis” (Loescher, 2012, p. 40), and he adds that they certainly did not miss theirs.

As to our second research question, Siemens managed to achieve a 180 degree turnaround in its compliance strategy – from an organizational structure of widespread corruption and façade building to the role of an ‘institutional entrepreneur’ (see Misangyi et al., 2008) promoting compliance in its environment. As our analysis of compliance processes based on academic and practitioner assessment models revealed, Siemens implemented the whole range of compliance processes in an excessive manner. In this case, unprecedented regulatory and social sanctioning led to the comprehensive implementation of all regulatory and socially transmitted corruption controls (see Lange, 2008) plus the inclusion of strong interactive elements affecting the organizational environment as identified as a key pillar for organizational citizenship (Baumann-Pauly and Scherer, 2013), or here also: institutional entrepreneurship. This quick and decisive change is modeled by the clear shift from symbolic to substantial manipulation, i.e. from *decoupling* ( $t_1$ ) to *substantial influence* ( $t_2$ ), in the Siemens process analysis of Figure 2.

Considering this radical shift from one extreme of a ‘manipulation’ strategy to the other in order to regain legitimacy, we argue that the distinction between *symbolic manipulation* via ‘decoupling’ and *substantial manipulation*, i.e. ‘strategic influence’ or over-fulfillment, has not been comprehensively covered in the existing legitimacy literature (see e.g. Oliver, 1991; Scherer et al., 2013). Especially in a context of changing and heterogeneous institutional environments and the presence of certain forms of legitimacy shocks, it appears important to analyze these two extreme forms of manipulation separately (see also Gebhardt and Müller-Seitz, 2011). Such a separate consideration may then also enrich anti-corruption reintegration models (e.g. Pfarrer et al., 2008) and provide important links between the literature on institutional determinism (e.g. DiMaggio and Powell, 1983) and the literature on institutional entrepreneurship (e.g. Battilana et al., 2009). Our findings therefore underline the necessity depicted in our conceptual model (see Figure 1) to separate – at least in a scandal or crisis context – these two forms of manipulation and positioning them as extreme strategies below and above the remaining (adaptation and reasoning) strategies.

### **Gradual yet comprehensive reintegration in case of strong regulatory sanctioning and monitoring yet less severe social sanctioning**

Our analysis indicates that academic models on reintegration and legitimation strategies (see Pfarrer et al., 2008; Scherer et al., 2013) appear to be particularly valid under conditions of less extreme yet still comprehensive cases of corruption scandals. Referring to our first research question, especially in the absence of legitimacy shocks attracting huge public awareness and social sanctioning, the transgressors may have the TIME of applying elements from different legitimacy strategies in parallel and/or sequentially and handling the corruption scandal in a step-by-step manner.

DAIMLER constitutes a good example of this approach. In comparison to SIEMENS, although facing a corruption scandal of similar (geographic) scope involving high levels of regulatory sanctions, “DAIMLER played it differently” (interview partner at the chambers of Gibson & Dunn). Our analysis suggests that DAIMLER generally followed a more linear and gradual reintegration path than SIEMENS. This path may well be in line with conceptual reintegration models, see for example the four reintegration stages conceptualized by Pfarrer et al. (2008): *discovery*, *explanation*, *penance*, *rehabilitation*. Before radically installing all sorts of compliance processes, the company took a more passive approach during the *discovery* stage, i.e. until most facts have been collected and disclosed. Next, whereas SIEMENS had no time for internally constructing *explanations* before responding with strong internal *penance*, most notably the exchange of most of its top management, DAIMLER spent considerable amounts of time on internally finding appropriate *explanations* and respond with *penance*. Arguably as a result of the lacking severe social legitimacy shock, it took not only more time to create awareness among the DAIMLER workforce for the corruption scandal but also led to explanations of the scandal originating in the educational background of its workforce and the common use of corruption in the institutional environment. These explanations then led to less extreme internal penances, e.g. as regards top management exchange, as compared to SIEMENS.

Despite this significantly less radical and more passive approach to respond to its corruption scandal, DAIMLER reached at the end of its *rehabilitation* a comprehensive and mostly balanced compliance program that in many aspects comes close to the one at SIEMENS. Only in another round of documentary analysis and interviews, we found that the presence of an external compliance monitor imposed by the SEC – through critical comments especially in the first interim report – may have strongly contributed to the final comprehensive compliance program. From our multiple dynamic case analysis, we can now see that the power or re-

sources of the transgressor are rather a necessary instead of a sufficient precondition for implementing compliance programs of worldwide leading standards: In the SIEMENS case, we found the immense social legitimacy shock to be the major trigger for substantial change; As pictured in Figure 2 (Siemens boxes at  $t_2$  and  $t_3$ ), the monitor along the reintegration process then only played a (minor) complimentary role for triggering these changes. In the absence of such a legitimacy shock, however, we perceive the strong role of the SEC imposed external monitor at DAIMLER indeed as a major factor for achieving strong compliance programs (see Figure 2: Daimler boxes at  $t_2$  and  $t_3$ ).

### **Mixed and partially inconsistent or even paradox anti-corruption strategies in case of repeated minor corruption scandals**

The reintegration process at ABB is neither a typical case for anti-corruption institutional entrepreneurship nor gradual reintegration ‘after the fall’ (see Pfarrer et al., 2008). While containing elements of these two cases, reintegration at ABB displays a mixed and sometimes inconsistent or even paradox picture of anti-corruption strategies and hence further enriches the response to our two research questions. As illustrated in the analysis of ABB over time in Figure 2, ABB shows the most diverse spectrum of legitimation strategies in our sample. This mixed approach may be partially explained by the presence of a series of two corruption scandal disclosures each of lower dimensions that not demanded for clear and sudden reactions. However, the fact that ABB focuses its response on social controls even though the scandal characteristics were dominated by regulatory – as opposed to social – sanctions may not be explained by organizational corruption control models (e.g. Lange, 2008) and necessitates the consideration of other contingencies.

On the one extreme and related to our second research question, we indeed find elements of institutional entrepreneurship or over-fulfillment at ABB. These elements mainly relate to corruption controls of a social/cultural dimension, as opposed to an administrative one, and focus on ‘intrinsic orientation’ instead of ‘autonomy reduction’ or ‘consequence systems’ (see Lange, 2008). As outlined in our analysis, ABB initiated such socially and morally oriented activities already during/after its first SEC 2004 settlement. Still after ABB’s second SEC settlement, we perceive an almost exclusive focus of ABB on integrity based training and communication strategy as well as the strong promotion of its whistle-blower hotline as key evidence for this social/cultural oriented corruption control approach. In contrast to direct attempts of ‘strategic influence’ at SIEMENS, ABB tends to focus on an open value-based

legitimation approach; hence the ‘(moral) reasoning’ strategy seems to clearly dominate the ‘strategic influence’ strategy.

On the other extreme and further enriching our knowledge relating to the first research question, we find conflicting or even paradox elements in ABB’s anti-corruption strategy that may at least partially relate to some sort of ‘decoupling’. First of all, the mere fact that ABB had to reach a second settlement with the SEC in 2010 is an indicator that the ABB integrity program, by then, was not comprehensive but instead contained some sorts of ‘decoupled’ elements. Certain forms of ‘decoupling’ can however still be found after reintegration in the context of this second settlement considering a) the clear impression we got during our interviews that ABB perceives itself as leading/best practice in every aspect of anti-corruption management and b) our analysis, backed up by an industry peer and other external field experts, that there are indeed certain gaps between ABB’s administrative controls and the industry best practices.

This ambiguity is further enhanced by the fact that ABB argues to engage in leading integrity activities, but is less willing to transparently communicate their activities to us. We were hardly able to obtain precise information especially on administrative controls and follow-ups, but also on the reasons for the corruption scandal and the reintegration process; furthermore, our key informants at the ABB headquarter repeatedly asked us not to interview other ABB representatives. To understand this apparent contradiction of focusing on integrity and training instead of administrative controls, despite the fact that ABB faced higher levels of regulatory than social sanctioning, we identified the role of an external monitor and the scope of the investigation team as key explanations. As outlined in the analysis, in contrast to DAIMLER and SIEMENS, no external monitor was imposed at ABB. Similarly, the investigations at ABB by other external constituencies such as lawyers, consultants or auditors were considerably lower in scope as compared to the other two cases, especially SIEMENS. ABB may therefore not have experienced this process of “leaving no stone unturned” by external authorities. Consequently, rather than establishing such a system aiming to achieve full transparency about every business process, ABB chose the possibly less resource intensive approach to prevent corrupt behavior by trying to reach, and if necessary change, the mindset of its employees.

In between these two extremes and especially after the second SEC settlement, ABB seems to apply elements of an *isomorphic adoption* strategy. Apart from some exceptions, e.g. comprehensive case-based integrity training, the company may have decided to orientate more at

existing practices of competitors like Siemens. A mere comparison of the slogans of each company's compliance program (Siemens: "Prevent, Detect, Respond" and ABB "Prevent, Detect, Resolve") may support our impression. Another example was found during our document analysis: Siemens' slogan "Only clean business is Siemens business – everywhere, everybody – every time" (see Moosmayer and Winter, 2011, p. 4) can be found expressed in a very similar way in the ABB Code of Conduct: "We expect this [*acting ethically and with integrity*] of every single ABB employee, in every location, every day" (ABB, 2013b, p. 4).

We can therefore conclude from these findings that a) a scandal needs a certain level of shock or urgency, even if it places the transgressor in the role of a first-mover, to trigger a holistic set of innovative and comprehensive anti-corruption processes, and b) even after a series of minor scandals, the transgressor may still try to simultaneously accommodate passive and proactive strategies in the fight against corruption.

## DISCUSSION AND CONCLUSION

This dynamic case study is designed to uncover the impact of corruption scandals on triggering organizational change processes over time to regain legitimacy. Our findings offer insights into global institutionalization processes of anti-corruption processes and contribute to the development of theory on anti-corruption and institutional entrepreneurship in three ways: First, we identify and explain the central role of a strong legitimacy shock in a changing and complex anti-corruption institutional environment. Second, this study highlights the important role of continuous external monitoring in cases where corruption scandals lack such a strong legitimacy shock. Third, corruption scandals without greater legitimacy shocks and an absence of external monitoring may trigger innovative anti-corruption practices as well,

Regarding the first contribution, our findings extend the theoretical knowledge modeled by Pfarrer et al. (Pfarrer et al., 2008), by proposing that in the presence of a strong legitimacy shock related to the disclosure of a big corruption scandal, the transgressor (here: Siemens) may no longer be able to reintegrate into an existing group of 'legitimate' MNCs. Instead, the transgressor may have no other choice but to radically expand its anti-corruption processes and focus on only one strategy, here 'strategic influence' aimed at raising the standards in its institutional environment, rather than applying different strategies at the same time to manage complex expectations in the environment (Scherer et al., 2013).

As to the second contribution, in the presence of a big scandal without a strong shock of legitimacy, however, the transgressor (here: Daimler) may have some time to develop its cor-

ruption controls. The lack of a severe legitimacy shock may result in reduced internal and external ‘attention’ making additional external pressure necessary to develop comprehensive controls and take a more proactive role in the fight against corruption. More precisely, we identify and specify the important role of an externally appointed monitor continuously overlooking the reintegration process from inside the target company. While previous literature mainly pointed to the role of industry competition and resources to determine the reintegration or legitimation strategy, looking particularly at the case of Daimler and its rugged iterative progression in regaining legitimacy, we found that these mediators are at best complementary to the presence of a stringent monitoring in finding the company’s final reintegration strategy.

Finally, regarding our third contribution, previous arguments on a mix of multiple legitimacy strategies to handle complex expectations in an organization’s environment (Scherer et al., 2013) seem to be supported by our study in cases where a corruption scandal fails to surpass certain thresholds and trigger legitimacy shocks. While such minor scandals may nonetheless put a corporation in the role of a first-mover (here: ABB especially at  $t_1$ ) generating innovative organizational processes attributable to a corporation’s role as institutional entrepreneur, these elements of a ‘strategic influence’ strategy exist parallel to a mixed and sometimes contradictory set of other legitimacy strategies. At ABB, the absence of external monitoring might also explain why the company has implemented stronger anticorruption processes on the integrity, i.e. socially transmitted, side than on the compliance, i.e. administratively transmitted, side – despite the fact that ABB faced higher administrative/regulatory pressure than social pressure upon disclosure of the transgressions. These arguments may thus also provide valuable insights to further develop corruption control models (see e.g. Lange, 2008).

To conclude, our comparative qualitative analysis proposes several specifications and explanations of reintegration processes models after a corruption scandal (Pfarrer et al., 2008) and interaction processes between the transgressor and its institutional environment (Gebhardt and Müller-Seitz, 2011). We argue that only the combination of a big scandal involving a strong legitimacy shock may trigger radical changes in a firm’s anti-corruption strategy that appears necessary to exercise a substantial influence on the anti-corruption standards in its institutional field. Hence only Siemens fully classifies as an institutional entrepreneur in our analysis. The immense public attention also affected deeply the souls of ‘every’ Siemens employee making a cultural organizational change inevitable. In addition, however, the unprecedented legal investigations and screenings created an unprecedented level of transparency, enabling or even forcing Siemens to break the taboo of not communicating about corruption.

Ultimately, we are confident that the results of the research project are also of relevance for both practitioners and academic scholars interested in more general institutional designs such as general CSR initiatives or standards. As this study was designed as a follow-up study on corporate social responsibility implementation in the UN Global Compact (UNGC), we provided clear evidence that – at least under less extreme scandal characteristics and power constellations (Daimler as opposed to Siemens) – a stringent and continuous externally imposed monitoring of UNGC participants may be very fruitful for achieving the aspired learning progresses that so far appear fractional at best (see Schembera, 2012). While the UNGC so far argues that it simply lacks the resources to install direct monitorships, one pragmatic solution would be to establish a fund collecting the resources for appointing monitor teams to UNGC participants. UNGC members as well as representatives from politics may have interests in contributing financially to the fund to maintain and enhance the credibility of the initiative.

## References

- ABB (2013a). The ABB Group Annual Report 2012. Zurich. Online at <http://www.abb.ch/cawp/abbzh252/b89f0f7e7fd85d9dc125719200328bbc.aspx>.
- ABB (2013b). Code of Conduct. ABB Ltd., Zurich. Online at <http://www.abb.com/cawp/abbzh252/45f145dc6cfc01cac12579b500315ed3.aspx>.
- Anand, V., Ashforth, B. E. & Joshi, M. (2004). Business as usual: The acceptance and perpetuation of corruption in organizations. *Academy of Management Executive*, 18(2), 39-53.
- Ashforth, B. E. & Anand, V. (2003). The normalization of corruption in organizations. *Research in Organizational Behavior*, 25), 1-52.
- Ashforth, B. E., Robinson, S. L. & Treviño, L. K. (2008). Re-viewing organizational corruption. Introduction to a special topic forum. *The Academy of Management Review*, 33(3), 670-684.
- Barkemeyer, R. & Preuss, L. (2012). *Corporate reporting on corruption: An international comparison*. Academy of Management. Boston.
- Battilana, J., Leca, B. & Boxenbaum, E. (2009). How actors change institutions: Towards a theory of institutional entrepreneurship. *The Academy of Management Annals*, 3(1), 65-107.
- Baucus, M. S. (1994). Pressure, opportunity and predisposition: A multivariate model of corporate illegality. *Journal of Management*, 20(4), 699-721.
- Baumann-Pauly, D. & Scherer, A. G. (2013). The organizational implementation of corporate citizenship: An assessment tool and its application at UN Global Compact participants. *Journal of Business Ethics*, 117(1), 1-17.
- Berger, B. L. & Luckmann, T. (1966). *The social construction of reality: A treatise on the sociology of knowledge*. Anchor Books, New York.

- Boxenbaum, E. & Jonsson, S. (2008). Isomorphism, diffusion and decoupling. In R. Greenwood, C. Oliver, K. Sahlin & R. Suddaby (eds.), *The Sage handbook of organizational institutionalism*, (pp. 78-98). SAGE, London.
- Child, J., Lu, Y. & Tsai, T. (2007). Institutional entrepreneurship in building an environmental protection system for the People's Republic of China. *Organization Studies*, 28(7), 1013-1034.
- Child, J. & Rodrigues, S. B. (2011). How organizations engage with external complexity: a political action perspective. *Organization Studies*, 32(6), 803-824.
- Christmann, P. & Taylor, G. (2002). Globalization and the environment: Strategies for international voluntary environmental initiatives. *The Academy of Management Executive* (1993-2005), 121-136.
- Clemens, E. S. & Cook, J. M. (1999). Politics and institutionalism: Explaining durability and change. *Annual review of sociology*, 25), 441-466.
- Coleman, J. W. (1987). Toward an integrated theory of white-collar crime. *American Journal of Sociology*, 406-439.
- Daimler (2013). Daimler Annual Report 2012. Daimler AG, Stuttgart. Online at [http://www.daimler.com/Projects/c2c/channel/documents/2287152\\_Daimler\\_Annual\\_Report\\_2012.pdf](http://www.daimler.com/Projects/c2c/channel/documents/2287152_Daimler_Annual_Report_2012.pdf).
- DiMaggio, P. J. (1988). Interest and agency in institutional theory. In L. G. Zucker (ed.) *Institutional patterns and organizations: Culture and environment*, (pp. 3-22). Ballinger, Cambridge, MA.
- DiMaggio, P. J. & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48(2), 147-160.
- Dow\_Jones\_Newsires (2012). Compliance Monitor Says Daimler Has Made Huge Progress.

- Doz, Y. L. (1996). The evolution of cooperation in strategic alliances: Initial conditions or learning processes? *Strategic Management Journal*, 17(S1), 55-83.
- Driscoll, C. (2006). The not so clear-cut nature of organizational legitimating mechanisms in the Canadian forest sector. *Business & Society*, 45(3), 322.
- Eisenhardt, K. M. (1989). Building theories from case study research. *The Academy of Management Review*, 14(4), 532-550.
- Finney, H. C. & Lesieur, H. R. (1982). A contingency theory of organizational crime. *Research in the Sociology of Organizations*, 1), 255-299.
- Flick, U. (1992). Triangulation revisited: Strategy of validation or alternative? *Journal for the theory of social behaviour*, 22(2), 175-198.
- Fligstein, N. (1997). Social skill and institutional theory. *American behavioral scientist*, 40(4), 397-405.
- Fligstein, N. (2001). Social skill and the theory of fields. *Sociological theory*, 19(2), 105-125.
- Gebhardt, C. & Müller-Seitz, G. (2011). Phoenix arising from the ashes: An event-oriented analysis of the Siemens' corruption scandal as nexus between organization and society. *Managementforschung*, 21), 41-90.
- Gerring, J. (2007). *Case study research: Principles and methods*. Cambridge University Press, Boston.
- GibsonDunn (2013). 2012 year-end FCPA update. Gibson, Dunn & Crutcher LLP, <http://www.gibsondunn.com/publications/Documents/2012YearEndFCPAUpdate.pdf>.
- Goffman, E. (2009). *Stigma: Notes on the management of spoiled identity*. Prentice-Hall, Englewood Cliffs, NJ.
- Graeff, P., Schroeder, K. & Wolf, S. (2009). *Der Korruptionsfall Siemens. Analysen und praxisnahe Folgerungen des wissenschaftlichen Arbeitskreises von Transparency International Deutschland*. Baden-Baden.

- Greenwood, R., Hinings, C. & Suddaby, R. (2002). Theorizing change: The role of professional associations in the transformation of institutionalized fields. *Academy of Management Journal*, 45(1), 58-80.
- Hardy, C. & Maguire, S. (2008). Institutional entrepreneurship. In R. Greenwood, S. Oliver & R. Suddaby (eds.), *The Sage handbook of organizational institutionalism*, (pp. 198-217). Sage, London.
- Hartmann, J. (2012). Sittenwächter Theo Waigel gibt Siemens die Bestnote. *Die Welt*, <http://www.welt.de/110444452>.
- Hess, D. (2012). Enhancing the Effectiveness of the Foreign Corrupt Practices Act Through Corporate Social Responsibility. *Ohio State Law Journal*, 73(5), 1121-1485.
- Holm, P. (1995). The dynamics of institutionalization: Transformation processes in Norwegian fisheries. *Administrative science quarterly*, 398-422.
- Klitgaard, R. E. (1988). *Controlling corruption*. University of California Press, Berkeley.
- Kostova, T., Roth, K. & Dacin, M. T. (2008). Institutional theory in the study of multinational corporations: A critique and new directions. *The Academy of Management Review*, 33(4), 994.
- Lange, D. (2008). A multidimensional conceptualization of organizational corruption control. *Academy of Management Review*, 33(3), 710-729.
- Lawrence, T. B. (1999). Institutional strategy. *Journal of Management*, 25(2), 161-187.
- Lewis, M. W. (2000). Exploring paradox: Toward a more comprehensive guide. *Academy of Management Review*, 760-776.
- Loescher, P. (2012). The CEO of Siemens on using a scandal to drive change. *Harvard Business Review*, (November 2012), 39-42.
- Maguire, S. & Hardy, C. (2006). The emergence of new global institutions: A discursive perspective. *Organization Studies*, 27(1), 7-29.

- Maguire, S., Hardy, C. & Lawrence, T. B. (2004). Institutional entrepreneurship in emerging fields: HIV/aids treatment advocacy in Canada. *Academy of Management Journal*, 47(5), 657-679.
- Meyer, J. W. & Rowan, B. (1977). Institutionalized organizations: Formal structure as myth and ceremony. *American Journal of Sociology*, 83(2), 340-363.
- Meyer, K. & Waldschmidt, C. (2012). *Legal & Compliance im Industriekonzern - Aktuelle Entwicklungen*. (Presentation). Europa Institut, University of Zurich.
- Misangyi, V. F., Weaver, G. R. & Elms, H. (2008). Ending corruption: The interplay among institutional logics, resources, and institutional entrepreneurs. *Academy of Management Review*, 33(3), 750-770.
- Moosmayer, K. & Winter, J. (2011). The Siemens compliance system: “Prevent - detect - respond and continuous improvement” “. Siemens AG, Munich, Germany. Online at.
- Nichols, P. M. (1999). Regulating transnational bribery in times of globalization and fragmentation. *The Yale Journal of International Law*, 24(1), 257-303.
- Nichols, P. M. (2012). The business case for complying with bribery laws. *American Business Law Journal*, 49(2), 325-368.
- OECD (2012a). *OECD Working Group on Bribery - Annual Report 2011*. Organisation for Economic Co-operation and Development.
- OECD (2012b). Phase 3 report on implementing the OECD anti-bribery convention in Australia. Organisation for Economic Co-operation and Development, Paris. Online at [http://search.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DAF/WGB\(2012\)1/FINAL&docLanguage=En](http://search.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DAF/WGB(2012)1/FINAL&docLanguage=En).
- Oliver, C. (1991). Strategic responses to institutional processes. *Academy of Management Review*, 16(1), 145-179.

- Pache, A.-C. & Santos, F. (2010). When worlds collide: The internal dynamics of organizational responses to conflicting institutional demands. *Academy of Management Review*, 35(3), 455-476.
- Palazzo, G. & Scherer, A. G. (2006). Corporate legitimacy as deliberation: A communicative framework. *Journal of Business Ethics*, 66(1), 71-88.
- Pfarrer, M. D., Decelles, K. A., Smith, K. G. & Taylor, M. S. (2008). After the fall: Reintegrating the corrupt organization. *Academy of Management Review*, 33(3), 730-749.
- Pinto, J., Leana, C. R. & Pil, F. K. (2008). Corrupt organizations or organizations of corrupt individuals? Two types of organization-level corruption. *Academy of Management Review*, 33(3), 685-709.
- RepRisk\_AG (2013). RepRisk Index. Zurich. Online at <http://www.reprisk.com/repriskindex/>.
- Sanyal, R. (2005). Determinants of bribery in international business: The cultural and economic factors. *Journal of Business Ethics*, 59(1), 139-145.
- Schembera, S. (2012). Implementing corporate social responsibility: Empirical insights on the impact and accountability of the UN Global Compact. IBW working paper series. 316. University of Zurich,
- Scherer, A. G. & Palazzo, G. (2008). Globalization and corporate social responsibility. In A. Crane, A. McWilliams, D. Matten, J. Moon & D. S. Siegel (eds.), *The Oxford handbook of corporate social responsibility*, (pp. 413-431). Oxford University Press, Oxford.
- Scherer, A. G., Palazzo, G. & Seidl, D. (2013). Managing legitimacy in complex and heterogeneous environments: Sustainable development in a globalized world. *Journal of Management Studies*, 50(2), 259-284.
- Schreyögg, G. & Steinmann, H. (1987). Strategic control: A new perspective. *Academy of Management Review*, 91-103.

- Schwarz, B. (2011). FCPA Compliance Monitorships - US Marotte oder Flavor of the New Times? Corporate Compliance Zeitschrift, (2/2011), 59-63.
- Scott, W. R. (1995). Institutions and organizations. Sage, Thousand Oaks, CA.
- Scott, W. R. (2007). Institutions and organizations: Ideas and interests. SAGE Publications, Inc., Thousand Oaks.
- SEC (2008a). SEC charges Siemens AG for engaging in worldwide bribery. U.S. Securities and Exchange Commission, Washington, D.C. Online at <http://www.sec.gov/news/press/2008/2008-294.htm>.
- SEC (2008b). SEC files settled Foreign Corrupt Practices Act charges against Siemens AG... U.S. Securities and Exchange Commission, Washington, D.C. Online at <http://www.sec.gov/litigation/litreleases/2008/lr20829.htm>.
- SEC (2010a). SEC charges ABB for bribery schemes in Mexico and Iraq. U.S Securities and Exchange Commission, Washington, D.C. Online at <http://www.sec.gov/news/press/2010/2010-175.htm>.
- SEC (2010b). SEC charges Daimler AG with global bribery. U.S. Securities and Exchange Commission, Washington, D.C. Online at <http://www.sec.gov/news/press/2010/2010-51.htm>.
- Seo, M.-G. & Creed, W. E. D. (2002). Institutional contradictions, praxis, and institutional change: A dialectical perspective. The Academy of Management Review, 27(2), 222-247.
- Sethi, S. P. (1979). A conceptual framework for environmental analysis of social issues and evaluation of business response patterns. Academy of Management Review), 63-74.
- Shapiro, D. L. (1991). The effects of explanations on negative reactions to deceit. Administrative science quarterly), 614-630.
- Siemens (2013a). Annual Report 2012. Berlin and Munich. Online at <http://www.siemens.com/annual/12/en/index/>.

Siemens (2013b). Sustainability Report 2012.

<http://www.siemens.com/sustainability/pool/en/current-reporting/siemens-sr2012.pdf>.

Simpson, S. S. (2002). Corporate crime, law, and social control. Cambridge University Press.

Sirmon, D. G., Hitt, M. A. & Ireland, R. D. (2007). Managing firm resources in dynamic environments to create value: Looking inside the black box. *Academy of Management Review*, 32(1), 273-292.

Smith, W. K. & Lewis, M. W. (2011). Toward a theory of paradox: A dynamic equilibrium model of organizing. *Academy of Management Review*, 36(2), 381-403.

Spiegel\_Online (2011). Daimler fällt bei US-Börsenaufsicht durch.

Staw, B. M. & Sz wajkowski, E. (1975). The scarcity-munificence component of organizational environments and the commission of illegal acts. *Administrative science quarterly*, 345-354.

Strang, D. & Meyer, J. W. (1993). Institutional conditions for diffusion. *Theory and society*, 22(4), 487-511.

Strauss, A. & Corbin, J. (eds.). (1998). Basics of qualitative research. Sage, Thousand Oaks, CA.

Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review*, 20(3), 571-610.

Sutherland, E. H. (1949). White collar crime. Dryden Press, New York.

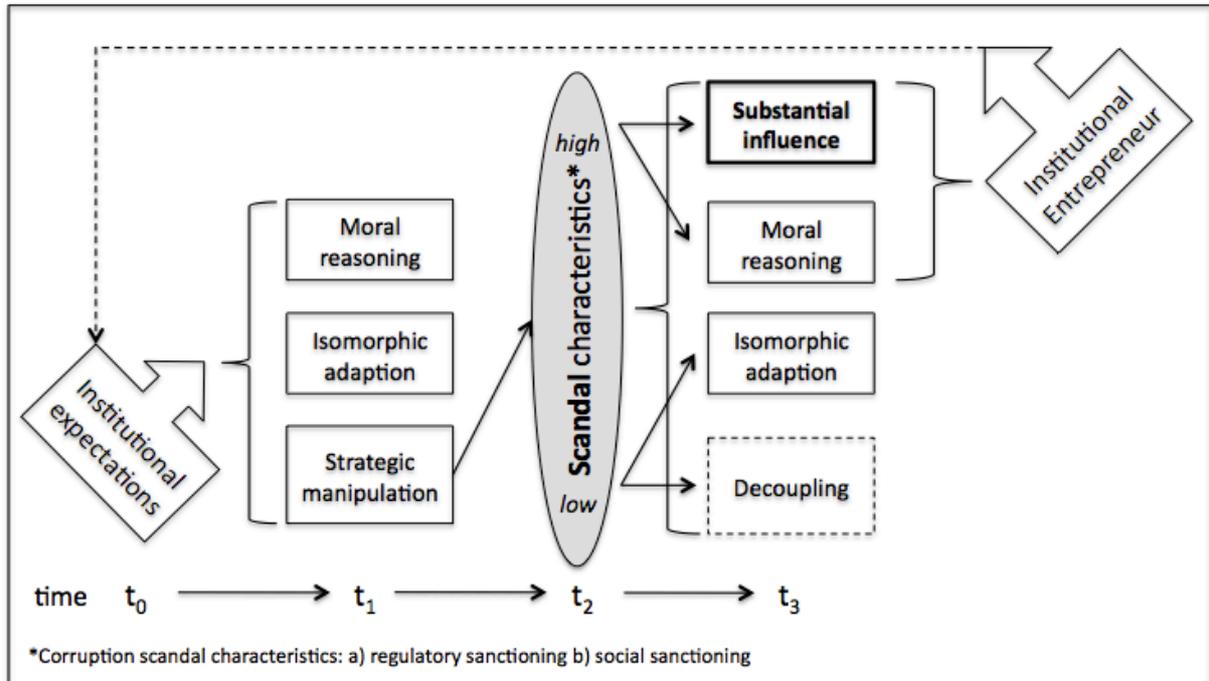
Sutton, J. R. & Dobbin, F. (1996). The two faces of governance: Responses to legal uncertainty in US firms, 1955 to 1985. *American Sociological Review*, 61(5), 794-811.

TI (2011). Bribe Payers Index 2011. Transparency International, Berlin. Online at.

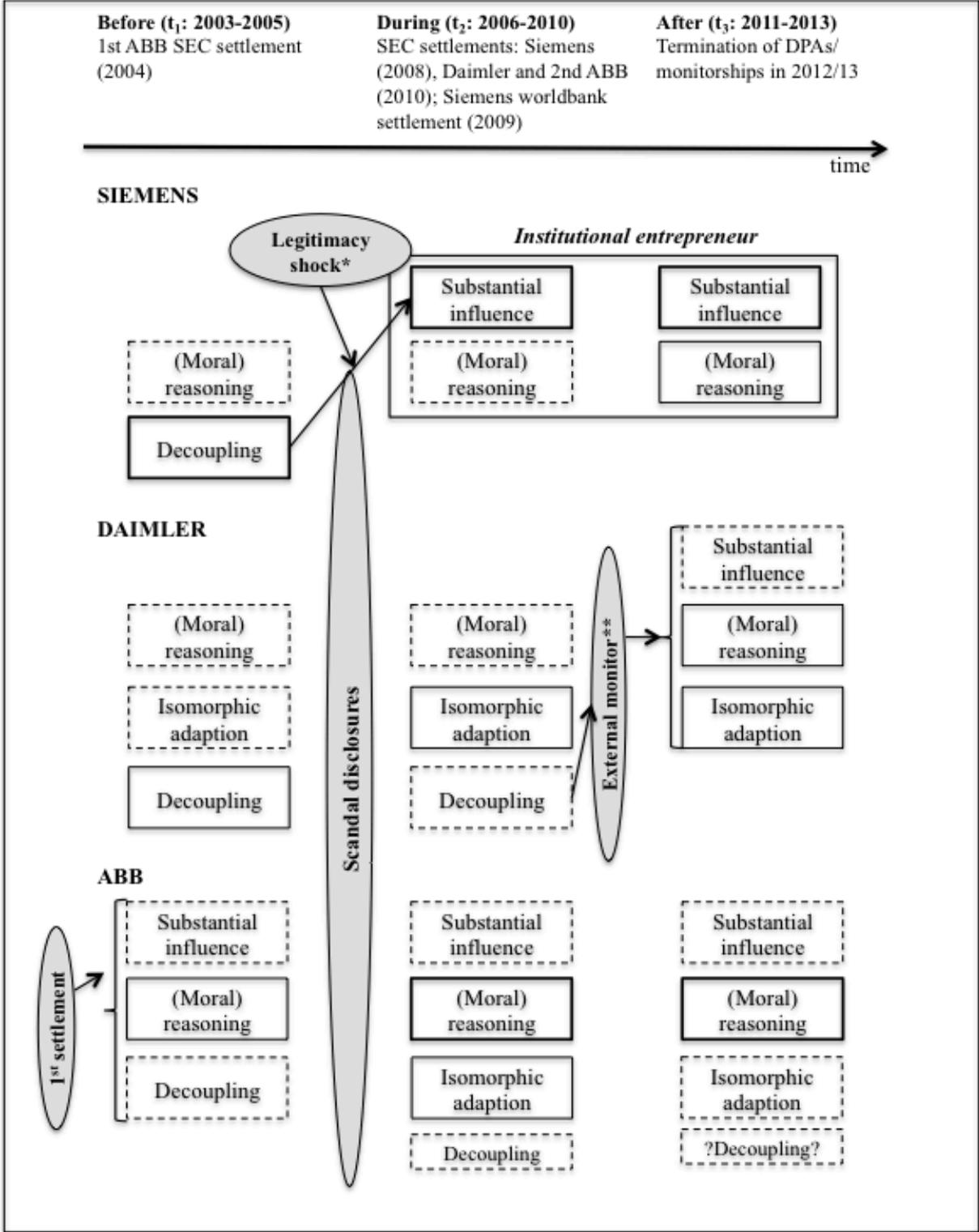
TI (2012). Corruption Perceptions Index 2012. Transparency International, Berlin. Online at <http://www.transparency.org/cpi2012/results>.

- Uhlenbruck, K., Rodriguez, P., Doh, J. & Eden, L. (2006). The impact of corruption on entry strategy: Evidence from telecommunication projects in emerging economies. *Organization Science*, 17(3), 402-414.
- United\_States\_District\_Court (2010). ABB Deferred Prosecution Agreement. United States District Court, Southern District of Texas, Houston. Online at <http://www.justice.gov/criminal/fraud/fcpa/cases/abb/09-29-10abbjordan-dpa.pdf>.
- US\_Sentencing\_Commission (2010). 2010 Federal Sentencing Guidelines Manual. United States Sentencing Commission, [http://www.ussc.gov/Guidelines/2010\\_guidelines/Manual\\_HTML/Chapter\\_8.htm](http://www.ussc.gov/Guidelines/2010_guidelines/Manual_HTML/Chapter_8.htm).
- Wayne, L. (2012). Battling corporate bribery. Complaints rise as U.S. fights overseas corruption *The New York Times*, New York.
- World\_Bank (2009). Siemens to pay \$100m to fight corruption as part of World Bank Group settlement. Washington. Online at <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:22234573~pagePK:34370~piPK:34424~theSitePK:4607,00.html>.
- Yin, R. K. (1984). *Case study research: Design and methods*. Sage, Thousand Oaks, CA.
- Zilber, T. B. (2002). Institutionalization as an interplay between actions, meanings, and actors: The case of a rape crisis center in Israel. *Academy of Management Journal*, 45(1), 234-254.
- Zucker, L. G. (1983). Organizations as institutions. *Research in the Sociology of Organizations*, 2(1), 1-47.

**Figure 1: Theoretical Framework –  
Institutional expectations, scandal characteristics and legitimation strategies**



**Figure 2: Analysis of the interplay between corruption scandals and legitimation strategies over time**



\*Nov. 2006: Big investigation at Siemens HQ    \*\*Strong critique in first year report

**Table 1: Synthesis of Corruption Control Elements**

<b>Dimension</b>	<b>Elements</b>	<b>Key elements from original sources</b>
<i>Social/cultural</i> corruption controls	<b>Leadership support</b> (e.g. CEO statement)	<ul style="list-style-type: none"> <li>• SC guidelines: oversight by high-level personnel</li> <li>• CC tool (dimension I): Strategic integration and leadership support</li> </ul>
	<b>Training</b> (e.g. communication, awareness building, seminars, case studies)	<ul style="list-style-type: none"> <li>• SC guidelines: effective communication</li> <li>• CC tool: Training</li> <li>• See also OCC circumplex: Type 7: Self-controls</li> </ul>
	<b>Whistle-blowing procedure</b> (e.g. anonymous complaint hotline)	<ul style="list-style-type: none"> <li>• OCC circumplex: Type 6: Vigilance controls; Type 8: Concertive controls (horizontal surveillance by coworkers)</li> <li>• CC tool (dimension II): Creation of a complaint procedure</li> </ul>
<i>Administrative</i> corruption controls	<b>Bureaucratic controls</b> (e.g. formalized rules, policies, hierarchical and centralized structure, specialization of jobs)	<ul style="list-style-type: none"> <li>• OCC circumplex: Type 1: Bureaucratic controls</li> <li>• SC guidelines: compliance standards and procedures; due care in delegating substantial discretionary authority</li> </ul>
	<b>Incentive alignments</b> (e.g. via compensation plans)	<ul style="list-style-type: none"> <li>• OCC circumplex: Type 3: Incentive alignments</li> <li>• CC tool (dimension II): Alignment of incentive structures</li> </ul>
	<b>Monitoring and follow-up</b> (e.g. risk assessment, audits, sanctions)	<ul style="list-style-type: none"> <li>• SC guidelines: Monitoring, auditing, reporting; enforcement and disciplinary mechanisms; response upon detection</li> <li>• OCC circumplex: Type 2: Punishment (measuring, monitoring and sanctioning)</li> <li>• CC tool (dimension II): Evaluation</li> </ul>
<b>Interactive</b> corruption controls	<b>Collective Action</b> (e.g. integrity pacts, stakeholder dialogue, participation in voluntary anti-corruption initiatives)	<ul style="list-style-type: none"> <li>• CC tool (dimension III): Quality of stakeholder relationships; level of participation in collaborative CC initiatives</li> <li>• Beyond requirements of Lange (2008) and Sentencing Guidelines</li> </ul>

Legend:

- CC = Corporate Citizenship
- OCC = Organizational Corruption Control
- SC = Sentencing Commission

**Table 2: Overview of analyzed data per source (as of January 2014)**

	<b>Siemens</b>	<b>Daimler</b>	<b>ABB</b>	<b>Third parties (lawyers, auditors, NGOs, officials)</b>	<b>Academia</b>
<b>Interviews D/CH</b>	2	2	2	4	ca. 10
<b>Interviews AUS</b>	2	1	1	3	ca. 5
<b>FCPA related documents</b>	6	6	6	3	-
<b>Company reports &amp; policies</b>	12	9	13	-	-
<b>Media (RepRisk, as of Sep. 04, 2013)</b>	138	40	10	-	-

**Table 3: Analysis of corruption controls before, during and after the corruption scandals**

<b>Dimension</b>	<b>Criteria</b>	<b>Before (t<sub>1</sub>: 2003-2005)</b>	<b>During (t<sub>2</sub>: 2006-2010)</b>	<b>After (t<sub>3</sub>: 2011-2013)</b>
		<ul style="list-style-type: none"> <li>• 1st ABB SEC settlement (2004)</li> </ul>	<ul style="list-style-type: none"> <li>• 2006: Investigation at Siemens HQ</li> <li>• SEC settlements: Siemens (2008), Daimler and 2nd ABB (2010)</li> <li>• Siemens worldbank settlement (2009)</li> </ul>	<ul style="list-style-type: none"> <li>• Termination of DPAs/monitorships in 2012/13</li> </ul>
<b>SIEMENS</b>				
<i>Social/ cultural</i> corruption controls	<b>Leadership support</b>		<ul style="list-style-type: none"> <li>• Strongest anti-corruption statement by CEO Peter Löscher</li> <li>• Separate board position</li> </ul>	<ul style="list-style-type: none"> <li>• Board position abandoned after end of monitorship</li> </ul>
	<b>Training</b>		<ul style="list-style-type: none"> <li>• SO3 fully covered</li> </ul>	
	<b>Whistle-blowing procedure</b>		<ul style="list-style-type: none"> <li>• Most details on complaint procedure</li> </ul>	
<i>Administrative</i> corruption controls	<b>Bureaucratic controls</b>	<ul style="list-style-type: none"> <li>• Several policies and rules</li> </ul>	<ul style="list-style-type: none"> <li>• Strongest centralized structure and approval processes</li> <li>• Most compliance staff</li> </ul>	<ul style="list-style-type: none"> <li>• Slight easing of approval processes/thresholds</li> </ul>
	<b>Incentive alignments</b>		<ul style="list-style-type: none"> <li>• Bonus/malus system</li> </ul>	<ul style="list-style-type: none"> <li>• Yellow-cards</li> </ul>
	<b>Monitoring and follow-up</b>		<ul style="list-style-type: none"> <li>• Additional audits by compliance department, SO2 &amp; SO4 fully covered</li> </ul>	
<b>Interactive</b> corruption controls	<b>Collective Action</b>	<ul style="list-style-type: none"> <li>• Participation</li> <li>• TI membership terminated (2005)</li> </ul>	<ul style="list-style-type: none"> <li>• Own integrity initiative</li> <li>• TI membership renewed</li> </ul>	<ul style="list-style-type: none"> <li>• SO5 fully covered</li> </ul>
<b>DAIMLER</b>				
<i>Social/ cultural</i> corruption controls	<b>Leadership support</b>	<ul style="list-style-type: none"> <li>• Leadership statement (2005)</li> </ul>	<ul style="list-style-type: none"> <li>• Separate board position</li> </ul>	<ul style="list-style-type: none"> <li>• Clear signals against self-servicing</li> </ul>
	<b>Training</b>	<ul style="list-style-type: none"> <li>• First to partially cover SO3 (2005)</li> </ul>	<ul style="list-style-type: none"> <li>• SO3 fully covered</li> </ul>	
	<b>Whistle-blowing procedure</b>	<ul style="list-style-type: none"> <li>• Explicit reference to anti-corruption procedure (2005)</li> </ul>		
<i>Administrative</i> corruption	<b>Bureaucratic controls</b>	<ul style="list-style-type: none"> <li>• Several policies and rules</li> </ul>	<ul style="list-style-type: none"> <li>• Third party accounts significantly reduced</li> </ul>	

tion controls	<b>Incentive alignments</b>			
	<b>Monitoring and follow-up</b>	• First to partially cover SO2 and SO4 (2005)	• SO4 fully covered	• Strong assessments and series of sanctioning
<b>Interactive corruption controls</b>	<b>Collective Action</b>	• Participation	• SO5 fully covered	• SO5 fully covered • UNGC Lead
<b>ABB</b>				
<i>Social/ cultural</i> corruption controls	<b>Leadership support</b>	• First to include zero-tolerance statement	• Separate board position	• Board position maintained after end of DPA
	<b>Training</b>	• SO3 partially covered	• SO3 fully covered	• Case-study approach
	<b>Whistle-blowing procedure</b>	• First to report on general complaint procedure	• Prominent communication of hotline	
<i>Administrative</i> corruption controls	<b>Bureaucratic controls</b>	• Several policies and rules		• Lowest level of details during interviews
	<b>Incentive alignments</b>			
	<b>Monitoring and follow-up</b>		• SO4 partially covered (2006)	• Lowest level of details during interviews
<b>Interactive corruption controls</b>	<b>Collective Action</b>	• Participation (first to join PACI)	• Most voluntary memberships	

Legend:

- DPA = Deferred Prosecution Agreement; monitorship = external monitor imposed by SEC
- Bullets: information mainly retrieved from document analysis (not comprehensive: most significant aspects listed only)
- Shading: Comprehensiveness of criteria coverage ranging from non/fractional (white) to very strong (dark grey). Assessment also incorporates focus and details obtained through interviews; this remains partially subjective, due to constraints in scope of investigation.
- SO2-SO5 (Global Reporting Initiative indicators): SO2 (Percentage and total number of business units analyzed for risks related to corruption); SO3 (Percentage of employees trained in organization's anti-corruption policies and procedures); SO4 (Actions taken in response to incidents of corruption)
- PACI = Partnering Against Corruption Initiative; TI = Transparency International