Essays on the Oil and Gas Industry in Brazil:

Institutional Deviances in Petrobras

by

Armando Martins Brelaz de Castro

A thesis submitted in fulfilment of the requirements for the degree of

Doctor of Philosophy of Imperial College London

Strategy and Organisational Behaviour Research Group
Management Department
Imperial College London Business School
October 2017
“Three passions, simple but overwhelmingly strong, have governed my life: the longing for love, the search for knowledge, and unbearable pity for the suffering of mankind. These passions, like great winds, have blown me hither and thither, in a wayward course, over a great ocean of anguish, reaching to the very verge of despair.

... 

With equal passion I have sought knowledge. I have wished to understand the hearts of men. I have wished to know why the stars shine. And I have tried to apprehend the Pythagorean power by which number holds sway above the flux. A little of this, but not much, I have achieved.

...

This has been my life. I have found it worth living, and would gladly live it again if the chance were offered me.”

Fragments of the prologue of
Bertrand Russell's Autobiography (1967)
DECLARATION OF ORIGINALITY

This is to certify that:

i. This thesis constitutes my own work and that all material, which is not my own work, has been properly acknowledged,

ii. Due acknowledgement has been made in the text to all other material used,

iii. Due acknowledgement has been made in the text to my co-authors, with whom I have worked on research manuscripts,

iv. The thesis is less than 100,000 words.
COPYRIGHT DECLARATION

The copyright of this thesis rests with the author and is made available under a Creative Commons Attribution Non-Commercial No Derivatives licence. Researchers are free to copy, distribute or transmit the thesis on the condition that they attribute it, that they do not use it for commercial purposes and that they do not alter, transform or build upon it. For any reuse or redistribution, researchers must make clear to others the licence terms of this work.
ABSTRACT

This dissertation is based on three interconnected chapters studying corruption in organisations and societies. Chapter two explores the growing body of work within the discipline of management on corruption and related issues, such as corporate misconduct and deviant behaviours. The review begins by building upon extant work in management, economics and sociology to take stock of extant work on analysing corruption, while identifying innovative ways to theorise and offer avenues for further research in the field of management. I advocate integrating rational and socio-cultural views and spanning micro and macro levels of analysis to improve our overall understanding. Ultimately, I aim to shed further light on corrupt practices and behaviours and propose a new research programme that includes a multilevel perspective on corruption.

Chapter three focuses on corrupt nonmarket strategies adopted by immoral companies. I examine how different private organisations can maintain and sustain and enact corrupt nonmarket strategies over many years. Drawing on the theoretical lens of non-market strategies and institutional theory, I analyse data from the Car Wash operation; a corruption investigation that began in Brazil in 2014 regarding the oil and gas company Petrobras. I contribute to non-market strategy literature by identifying mechanisms of corrupt maintenance, identify the illegal institutional anchors of trust and by doing so, offer insights on how to fight institutionalised corruption.

Chapter four focuses on the role of the context and how purposeful actors can disrupt even deeply entrenched practices. We continue to analyse the Car Wash Operation and its antecedents, the contextual enablers of change and the institutional influence of operation agents. We develop a model to explain how actors seeking institutional change are contextually
empowered and their efforts yield breakthroughs, but only at certain points in time when the context is ‘ripe’ for change. Our findings contribute to both institutional theory and corruption literature.
ACKNOWLEDGEMENTS

I have faced four years of intense academic pursuit, notable development and personal growth. A common observation among my peers is that a PhD process is a solitary and lonely pursuit, and some might consider a PhD thesis as an individual achievement. My four-year PhD disproves this maxim; yes, I had to be resilient but without support of my supervisor, family and friends, it would not have been possible.

I would like to thank my supervisor Professor Nelson Phillips when even in times of great difficulty was always available to help and guide me. I admire him as an original scholar and academic mentor who gave me the freedom to pursue my research, while guiding me towards academic rigour and the search for truth. I would also like to thank my co-author of the fourth chapter and being my host during my visit to Cambridge. Professor Shaz Ansari helped me gain a better understanding of the academic review process, which will be a constant theme throughout my academic life, and how to make a meaningful and impactful contribution to science. I would like to thank Dr Namrata Malhotra for her help in my first year by introducing me to the complexities of Institutional Theory.

My family always supported me through the whole academic journey. My mother has always encouraged me to achieve higher academic horizons, my sister Isabela was my London companion and my sister Clara, who inspired me as the writer in the family. Finally, my father who guided me through the somewhat Kafkian processes of grant applications and performance reports.
Several friends also provided invaluable support, from listening to giving feedback regarding very crude initial drafts, and providing friendship in the greyer days, in particular: Sergio Esperancinhas, Elisa Passoni, Saeed Alokah and Paola Chio Boscolo. I also thank friendships that were made in the final years of my PhD that led to great academic conversations and improved research, among them: Xena Welch, Valeria Cavotta and Francisco Brahm. I am also indebted to many friends not included in the list and all my companions from the board of ABEP-UK.

I would also like to acknowledge the support of the Brazilian CAPES Foundation; without sponsorship and support, this research would not have been possible. Also, Imperial College London who offered me an excellent environment, which gave me the peace of mind to develop my research. Finally, I have benefitted from the help of several reviewers (some anonymous). While the dissertation was written by me, various drafts of the chapters have been submitted for review to the Journal of Management Inquiry, Academy of Management Annals, European Theory Development Workshop and EGOS. I
FOREWORD

To become a social scientist, one must have a wide-ranging interest in society and a high-level of inquisitiveness. During my 31 years, my priorities and objectives have changed several times; however, my intellectual curiosity has remained a constant. I have always been motivated and curious to learn, and most importantly, to understand social realities. Brazil, for example, has always intrigued me; a place of great richness, great misery, great beauty and at the same time, great violence. Why do these contradictions take place? The social sciences will never provide me absolute answers on strategies and organisational behaviour, and I still do not have the full answer to my underlying question; however, serendipity led me to watch a scene unfold and have access to the majority of data from one of the most publicised corruption scandals in recent Brazilian history.

I believe that I complete my PhD journey as a much better scholar, and with this dissertation, I have come a little closer to understanding the darker sides of society.
# TABLE OF CONTENTS

DECLARATION OF ORIGINALITY ........................................................................................................ 3
COPYRIGHT DECLARATION .................................................................................................................. 4
ABSTRACT ............................................................................................................................................. 5
ACKNOWLEDGEMENTS ....................................................................................................................... 7
FOREWORD .......................................................................................................................................... 9
TABLE OF CONTENTS .......................................................................................................................... 11
LIST OF FIGURES ............................................................................................................................... 15
LIST OF TABLES ................................................................................................................................. 16

1. INTRODUCTION ............................................................................................................................... 18
   1.1 Thesis Structure and Research Design ......................................................................................... 19
   1.2 Data Collection .......................................................................................................................... 21
   1.3 Data Analysis ............................................................................................................................. 22
   1.4 The Context of the Research the Oil and Gas Industry ............................................................... 23
   1.5 Conclusion .................................................................................................................................. 24

2. PUBLIC ENEMY NUMBER ONE: UNDERSTANDING CORRUPTION IN ORGANIZATIONS AND SOCIETY ................................................................................................................................. 25
   2.1 Introduction .................................................................................................................................. 25
   2.2 The Multiple Views ..................................................................................................................... 28
      2.2.1 Rational view ......................................................................................................................... 31
2.2.2 Institutional view ........................................................................................................33
2.2.3 Cultural View ............................................................................................................36
2.2.4 The summary of different views................................................................................38
2.2.5 Different Levels of Corruption ..................................................................................40
2.3 Discussion ....................................................................................................................43
2.3.1 The different views ....................................................................................................43
2.3.2 Integrating levels .......................................................................................................44
2.3.3 Towards a new understanding of corruption ..............................................................45
2.4 Future Work ..................................................................................................................49
2.5 Conclusion ...................................................................................................................50

3. THE USE OF NONMARKET STRATEGIES TO MAINTEN A CORRUPT CARTEL IN THE OIL AND GAS SECTOR IN BRAZIL .................................................................52
3.1 Theoretical Foundations ...............................................................................................54
3.1.1 Institutionalisation of Corruption in Firms ...............................................................54
3.1.2 The use of corrupt nonmarket strategies .................................................................54
3.2 Approach- Methods and Data .....................................................................................58
3.2.1 Data Analysis ..........................................................................................................60
3.3 Analysis .........................................................................................................................66
3.3.1 Context ....................................................................................................................66
3.3.2 Petrobras scandals ...................................................................................................68
3.3.3 The governance of Petrobras ................................................................. 70
3.3.4 Petrobras’ Contracting with Suppliers.............................................. 70
3.3.5. Findings .......................................................................................... 72
3.3.6 Pressures within Firms ..................................................................... 72
3.3.7 Rules within the Cartel ..................................................................... 73
3.3.8 Stability across firms ........................................................................ 75
3.3.9 External shocks .................................................................................. 77
3.3.10 Enactment of the Nonmarket Strategies ....................................... 78
3.4 Discussion ............................................................................................ 81
  3.4.1 Understanding the Institutionalizing Corruption Within and Across Firms........ 81
  3.4.2 Contribution to empirical research on strategy and corruption .............. 85
3.5 Conclusion .............................................................................................. 86
3.6 Limitations and future research ............................................................. 86
4. CONTEXTUAL “READINESS” AND INSTITUTIONAL BREAKTHROUGHS: A
STUDY OF THE FIGHT AGAINST CORRUPTION ............................................. 88
  4.1 Theoretical Foundations ....................................................................... 91
    4.1.1 Institutional change and the role of context ..................................... 91
    4.1.2 Deviant practices and corruption ................................................... 92
  4.2 Data and Methods .................................................................................. 94
  4.3 Research Context ................................................................................... 96
4.3.1 Government and the anti-corruption agencies in Brazil...................................... 96

4.4 Findings..................................................................................................................... 98

4.4.1 Sequence of events .............................................................................................. 98

4.4.2 Jolts in the field...................................................................................................... 99

4.4.3 Key types of work................................................................................................ 112

4.5 Discussion and Implications................................................................................... 114

4.6 Conclusion................................................................................................................. 119

4.7 Limitations and Future Directions......................................................................... 120

5. CONCLUSION............................................................................................................. 121

5.1 Contributions to the corruption literature.............................................................. 122

5.2 Contributions to Institutional Theory and Strategy................................................. 123

5.3 Contributions to methods and data collection....................................................... 123

5.4 Implications for practitioners.................................................................................. 124

REFERENCES ............................................................................................................... 125

APPENDIX .................................................................................................................... 139
LIST OF FIGURES

Figure 1: Structure of the thesis
Figure 2: Management Research focusing at different levels of corruption
Figure 3: Tinbergen 4 Questions applied to corruption
Figure 4: Initial Research Protocol
Figure 5: Process of analysis
Figure 6: Timeline of the Corrupt Cartel Duration
Figure 7: Scheme of corporate and political influence in Petrobras 2004-2014
Figure 8: Printed rulebook of the cartel apprehended by investigators
Figure 9: Examples of corrupt non market strategies
Figure 10: Institutional Anchors of trust
Figure 11: Corrupt pressure on individual firms and managers in a cartel
Figure 12: News headlines about corruption in Brazil- Factiva
Figure 13: Longitudinal survey. What is the greatest problem in the country?
Figure 14: Federal prosecutors attempting to shape societal norms around corruption
Figure 15: Master and Ph.D. dissertations focusing in corruption in English speaking countries
Figure 16: Master and Ph.D. dissertations focusing in corruption in Brazil
Figure 17: JSTOR Publications focusing in corruption in 3 languages
Figure 18: A model of contextually-enabled change
Figure 19: Testimony of Marcio Faria, senior executive Odebrecht
Figure 20: Prosecution File
Figure 21: Abreu e Lima refinery contract bribes web
Figure 22: Calculating the bribes- notebook of executive
LIST OF TABLES

Table 1: Top Cited Corruption Articles in the Social Sciences
Table 2: The Different View on Corruption
Table 3: Communalities and differences of the views
Table 4: Data Sources
Table 5 Selected quotes from suppliers and Petrobras executives
Table 6: Petrobras’ net income and revenue from 2009 to 2016.
Table 7 Refineries tenders controlled by Costa
Table 8 Examples of Maintenance of the Club at Petrobras
Table 9: Data sources
Table 10: Key dates and conflicts
Table 11: Lava Jato vs. Mensalao
Table 12: Coverage of scandals by main media outlets during 2014 presidential campaign
Table 13: Direct lobbying: some proposals of the federal ministry put online
Figure 14: Master and Ph.D. dissertations focusing in corruption in English speaking countries
Figure 15: Master and Ph.D. dissertations focusing in corruption in Brazil
Figure 16: JSTOR Publications focusing in corruption in 3 languages
Table 17: Selected definitions of corruption
Table 18: Construction companies, projects and values involved
Table 19 Average annual growth of top construction companies versus other sectors of economy
Table 20: Detailed timeline of the initial year car wash (lava-jato) investigation
List of Tables
1. INTRODUCTION

Corruption is a grand challenge that has intrigued philosophers, scholars and writers for centuries: for example, Cicero in the 1st century BC writes and defends the Roman consul Lucius Licinius Murena from corruption accusations. Corruption has been studied across the social sciences, such as political science, criminology and economics, focusing on different levels of analysis (i.e., individuals and organisations). This dissertation analyses corruption at organisational and societal level. Societies are composed of individuals and organisations that are bound by their own rules and institutionalisation. The institutionalisation of corruption is a puzzle questioning how an illegitimate practice becomes accepted and normalised, despite being illegal is, per se, a paradox. This means that immoral practices become part of collective cognition and taken for granted, thus violating one of the pillars of institutional theory (Scott, 2008).

Although widely discussed in other social sciences, management literature began slowly in examining deviant behaviours. Existing theories within institutional theory, developed largely within western academic institutions, have ignored the dark side of organisations for many years. However, the global financial crisis in 2007 showed several flaws in the economy, and part of this research has flourished in theoretical debates and discussions, but it still presents great difficulties due to the ability to collect reliable data on such a controversial phenomenon.

I began this research by questioning how deviances become legitimate in a field or an organisation. Also, how practices of individuals and organisational responses to complex
institutional environments normalise and become embedded within an organisation. My research questions were refined into the ‘dark side’ of organisations, specifically corruption within management. These questions developed into the three main chapters of my dissertation.

1.1 Thesis Structure and Research Design

Corrupt practices do not emerge and occur at only one level of analysis. To better understand this phenomenon, how it happens and persists, a multilevel model of corruption including the three levels is developed. A multilevel view is needed to analyse the dynamic interactions.

The overarching research problem in this thesis is to form a multilevel understanding of corruption through an institutional perspective, thus the following research questions are explored:

(1) How can different views of the literature in management contribute to a better understanding of corruption?

(2) What strategies are used by corrupt corporations and individuals to maintain illegal relationships?

(3) What non-market strategies were used to expand and control the cartel of companies that defrauded Petrobras?

(4) Why does anti-corruption work seem to gain more effectiveness at certain points in time?

(5) How does an institutional context and actors influence anti-corruption efforts?
These questions are answered in the next chapters. A schematic illustration below shows how these studies are interrelated.

Figure 1: Structure of the thesis

My second chapter focuses on corruption literature. It begins with the results of a systematic literature review on management research in social sciences. This is later refined to management literature focusing upon widely respected management journals. I find that there are broadly three main views on understanding corruption: the rational, the institutional and the cultural. The rational view is highly influenced by principal agent models, economics and social sciences; the institutional view draws insight from sociology; and, the cultural view
draws from sociology and ethics. Additionally, I identify that each particular view focuses on one level of analysis and offers a summary of points in common and the main differences.

My third chapter is a qualitative study on corrupt non-market strategies. Using traditional and non-traditional archival data I explore fine-grained individual and organisational level systems of corruption. My findings demonstrate how the maintenance of corruption occurs in organisations and how this may lead to short term gains, but ultimately to the demise of the organisation. I also propose find how money launderers and lobbyist work as institutional anchors of trust to implement the corrupt non-market strategies and to maintain the balance of members of a cartel.

The closing chapter examines the role of context in the anticorruption fight and what events may lead to major breakthroughs. Drawing insight from an analysis of corruption scandals in the Brazilian context over the last 13 years, we also review institutional theory research on corruption. After these major jolts in the field, gradual changes were also implemented by the government, anti-corruption agencies and other prominent anticorruption figures. Finally, a process model of institutional change is presented and discusses the implications for the corruption and institutional theory literature.

1.2 Data Collection

The data collection period was conducted over 3 years and from the onset of the Car Wash Operation in 2014, I began collecting the data. This began with an analysis of police video interviews of the ongoing investigation of the federal police. The investigated group includes members of the Petrobras Board of Directors, executives of the main construction
Chapter 3: Challenges and Insights from Analysing Ni Market strategies

companies, lobbyists and former politicians involved in nominating board members. The whistle-blowers had to tell the truth to the court and provide evidence or face an annulment of the previous plea agreement with the public prosecutors. Furthermore, during the study period there was a parliamentary commission of inquiry. They had several sessions lasting approximately 2-3 hours. All these sessions were recorded and transcribed; the transcript is public and available on the website of the Federal Police and the Senate.

Data was also collected for the literature review and for the analysis of Brazilian academic production via Proquest, Web of Science, EBSCO and the Brazilian Ministry of Education. For newspaper data I accessed Factiva and for Brazilian TV data the Manchemotro databases from the Federal University of Rio de Janeiro and Folha de Sao Paulo were utilised.

Finally, to complement this data I collected financial performance indicators of the investigated companies through Bloomberg and from the Civil Construction Trade Association database. Lastly, for the Brazilian national statistics, I used Brazilian and World Bank databases and trade bodies.

1.3 Data Analysis

Qualitative methods were the preferred approach of this research since they provide detailed insights of the field, mechanisms and in-depth relationships (Gioa and Thomas, 1996; Eisenhardt, 1989). Furthermore, qualitative methods are suitable to explain everyday life meanings, human interactions and processes that occur regularly in organisational settings (Gephart, 2004). The data to emerge from the interviews of the Federal Policy and the parliamentary inquiry are analysed and confronted with the theory through a continuous process using data, academic literature and emerging theory (Locke, 2001). Public inquiries
are used in other management research and have been used for in-depth accounts by interviewing people involved directly in the events under analysis (Gephart, 1993).

Since there is a large number of documents and text available, systematic textual research is possible. Indeed, it will be possible to use different accounts of the same event while using archival data for triangulation purposes (ibid., 1988). I initially organised the data to track events and strategies, which involves a detailed coding of data, visual mapping and temporal bracketing strategies (Langley, 1999). I begin the research with data from the beginning of the Workers’ Party mandate in 2002 and focus on the investigation from 2014.

There was an eventual interaction between the data and theory converging to better defined measures, frameworks and constructs (Eisenhardt, 1989). With the temporal bracketing to decompose the data across several temporal phases it became easier for me to understand the unfolding of events. This starts through an organised chronology to understand the events and try to identify and represent dynamic interactions. Aggregate themes emerged from the analysis of the raw data collected and analysed, and from these themes and a theoretical framework will emerge (Pratt, 2009). Codes will be checked throughout analysis process, combining categories and refining to higher order theme constructs. This means iterate data collection, coding and theorising and integrating information to existing and previous findings and analyses; this process helped organise my systematic thoughts.

1.4 The Context of the Research the Oil and Gas Industry

Corruption in the oil and gas field in Brazil seems to occur horizontally with suppliers, accountants and political parties and can persist in society. The oil and gas sector is usually a concession of government, and tightly regulated. Petrobras is a central organisation with a high
status in Brazil, which is under intensified visibility and attention, and the government has most of the voting rights.

Governments maintain a global influence over companies in many sectors. They act, not only as rule-setters with a coercive nature, but also as investors. The government has an active role in several companies in the world, either as a main shareholder, or minority investor (Tilcsik, 2010). Private companies that are either controlled or have some participation from the state have rarely been studied (with the exception of Inoe, Lazzarini, Musacchio, 2013). There are several examples of these types of companies, for instance, ABN-Amro in the Netherlands, and Finmeccanica and ENI in Italy, Volkswagen in Germany, Peugeot in France, Royal Mail in the United Kingdom and Petrobras in Brazil. Such companies provide a very interesting setting for the study of conflicts that might lead to corruption.

In Brazil there appears to be an institutionalisation of corruption. This mechanism was described by a Brazilian prosecutor: “the corruption in the company system is like a large gear it can lose a few pieces but they can be substituted by new components and continue to work independently of the previous components (Folha de Sao Paulo, 2015).

1.5 Conclusion

Management Studies have ignored illegal practices, such as corruption, that not only can become institutionalised but also are prevalent across different societies, fields and organisations. This dissertation aims to answer several issues related to such a topic.
2.1 Introduction

Corruption is a critical issue facing individuals, organizations and society. In fact, in December 2013, Ban Ki-moon, the Secretary General of the United Nations, identified corruption as “public enemy number one.” He went on to say: “Every dollar that a corrupt official or a corrupt business person puts in their pocket is a dollar stolen from a pregnant woman who needs health care; or from a girl or a boy who deserves an education; or from communities that need water, roads, and schools”. In addition to the social costs, corruption brings with it very high financial costs with the World Bank estimating that, in 2012, US$ 1 trillion were paid in bribes while the World Economic Forum estimated the cost at more than 5% of global GDP. In this article, I review the literature and outline three main views of the
Chapter 3: Challenges and Insights from Analyzing Ni Market Strategies

corruption research, the different levels of analysis and point to important avenues for further research.

Recent corruption scandals range from the United Nations Oil for Food Program in Iraq (Jeong & Weiner, 2012) to the Brazilian public–private company Petrobras, where one of the executives under investigation said: “everyone knows that even to build a sidewalk in Brazil a bribe is paid to someone.” (Folha de Sao Paulo, 2014). In the private sector, Enron and Parmalat in the United States and Italy respectively, show that private sector companies and organizations can also engage in corrupt practices, at times leading to their downfall (Gabbioneta et al., 2013). Governments have tried to address such problems by drafting international conventions, such as the Organization of Economic Cooperation and Development (OECD) Anti-Bribery Convention (1997), and national legislation, such as the Foreign Corrupt Practices Act (1977) in the United States, but these measures have not been very effective in addressing the problem (O’Higgins, 2006).

Corruption has interested philosophers, scholars and writers for centuries; for example, in the 4th century BC, Demosthenes (in the Third Philippic) talks about corruption in Athens. As mentioned, developed countries, developing countries and private and public organizations remain prone to corruption (Luo, 2005; Pillay & Kluvers, 2014). More recently, the Organisation for Economic Co-operation and Development (OECD), defined corruption as “the abuse of public or private office for personal gain. It includes acts of bribery, embezzlement, nepotism or state capture. It is often associated with and reinforced by other illegal practices, such as bid rigging, fraud or money laundering” (2014).

Although widely discussed in society and academia, the understanding of corruption is quite fragmented in different domains. At the same time the study of corruption is on the rise in management. There has been a special edition on organization corruption from the Academy
Chapter 3: Challenges and Insights from Analysing Ni Market strategies

of Management Review (2008), a special stream focusing on corruption at EGOS - European Group for Organizational Studies Colloquium (EGOS, 2016) and two special editions on corruption in the Journal of Management Inquiry (2017). In this broad review of the multiple conceptual strands that analyse corruption, I disentangle them and examine how corruption relates to, and can be enriched by management theory by looking at different views, multiple levels of analysis and across these levels.

From the current fragmented corruption literature, I identified three main views: rational, institutional and cultural. This state of fragmentation persists because scholars view corruption as a context where they test broader theories, looking at individual pieces of a puzzle. Thus, I argue that any literature studying corruption-related phenomena and using theories from a single domain to predict outcomes creates more fragmentation and can lead to limited or even faulty explanations.

Given the vast literature on corruption, as well as the expected growth in the future, it is important to have a clear understanding of the current theories on the matter. This understanding will help move forward the research agenda in areas such as organization studies, business ethics, corporate governance and strategy. Ultimately, a clear understanding and theorization of the complex phenomenon of corruption can provide practitioners the most suitable toolkit to fight corruption in organizations and society. Therefore a framework can and should be developed that looks at the phenomenon more holistically.

In this article, I focus on management research in corruption and begin a process of integration. To do so, I apply a framework widely used in biology and evolutionary studies called, Tinbergen (1963) four questions. I contend that much of the research on corruption answers one of its fundamental questions. The aim of this framework is to help future scholars
with the expansion in expanding theoretical boundaries and to use the strengths of each of the individual view to explain such complex phenomenon of corruption.

### 2.2 The Multiple Views

I began by reviewing the broader concept of corruption utilizing the Web of Science, Scopus, EBSCO and Google Scholar, identifying seminal works in economics, political science and sociology focusing on corruption. To review such a vast amount of literature, I followed a systematic approach, by creating a research protocol (Table 1). By listing the most cited academic papers, I was able to observe the influence of the literature on our understandings of corruption. I refined the search regarding the most cited works in key journals and reviewed the results with experts in these fields. I also consulted experts in economics, law and political science to validate our research and to offer further research suggestions. I then changed the focus to management journals and explored for articles that had the term *corrupt* in their title, abstract or as key words. I found 451 management articles that had the key word in their abstract and analyzed them by relevance, level of analysis, methodology and utilized theories.

<table>
<thead>
<tr>
<th>Table 1: Top Cited Corruption Articles in the Social Sciences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sources: EBSCOhost Research Databases, Scopus and Web of Science cross compared with google scholar</td>
</tr>
<tr>
<td><strong>Economics</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Sociologists</td>
</tr>
<tr>
<td>--------------</td>
</tr>
</tbody>
</table>
| • You, JS; Khagram, S(2005) | A comparative study of inequality and corruption  
*American Sociological Review*  
Google scholar citations: 633 |
| • Weitzer, R; Tuch, SA (2004) | Race and perceptions of police misconduct  
*Social Problems*  
Google scholar: 346 |
| • Rothschild, J; Miethe, TD (1999) | Whistle-blower disclosures and management retaliation - The battle to control information about organization corruption  
*Work and Occupation*  
Google scholar citations: 281 |
| • LIN, N (1995) | Local Market Socialism- Local Corporatism in action in rural china  
*Theory and Society*  
Google scholar citations: 373 |
| • Goldsmith, AA (1999) | Slapping the grasping hand: Correlates of political corruption in emerging markets  
*American Journal of Economics and Sociology*  
Google scholar citations:306 |

<table>
<thead>
<tr>
<th>Political Scientists</th>
<th>References</th>
</tr>
</thead>
</table>
| • Treisman, Daniel (2007) | What have we learned about the causes of corruption from ten years of cross-national empirical research?  
*Annual Review of Political Science* |
Chapter 3: Challenges and Insights from Analysing Ni Market strategies

Google scholar citations: 345
• Rothstein, Bo; Uslaner, Eric M. (2005)
  All for all - Equality, corruption, and social trust
  *World Politics*
  Google scholar citations: 307
• Kitschelt, H (2000)
  Linkages between citizens and politicians in democratic polities
  *Comparative Political Studies*
  Times Cited: 257
• Anderson, CJ; Tverdova, YV(2003)
  Corruption, political allegiances, and attitudes toward government in contemporary democracies
  *American Journal of Political Science*
  Times Cited: 252
• Montinola, GR; Jackman, RW (2002)
  Sources of corruption: A cross-country study
  *British Journal of Political Science*
  Times Cited: 222

Top Management Journals researched on corruption: 451 articles in EBSCO


From the initial literature review research, I found that management scholars have analysed this phenomenon using different views through various theoretical lenses. From these social sciences and academic articles and our inductive research I identify and discuss the prominent ways in which corruption has been theorized and how it should further be studied in management. I initially focus on the rational views of corruption heavily influenced by economics and political science. I then focus on the institutional and ethical view heavily influenced by sociology and institutional theory. Latter, I look at the cultural approach on studying this deviance. In an additional section I discuss the different levels of analysis at the
individual, societal and organizational levels. Ultimately I try to understand the relationship
between corruption and the theorizations and research of management literature.

2.2.1 Rational view

Economists and political scientists have studied corruption for decades and propose a
principal agent view of the phenomenon; this rational view influenced a whole stream of
management researchers that study corruption. Their assumption is that if the incentives are
not aligned between a principal and the agent, it creates an opportunity for corrupt practices to
emerge. This theory is particularly prevalent in political science (Rose-Ackerman, 1978) and
economics (Della Porta & Vannucci, A., 2012) and is particularly interesting when analysing
individual decision making and incentives to practice corruption. Principal-agent insights have
been used around the world by anticorruption officials and legislators due to its quantifiable
and intuitive nature.

A key theme in many of these studies is that corruption is the use of public office for
personal advantage. Governments and private officials have significant roles as both agents
and victims of corruption; one of the explanations of the institutionalization of corruption is
that the opportunity to garner corrupt benefits is positively associated with officials’ degree of
control over services and discretion in choosing the distribution of resources (Neu et al., 2013).
Government bureaucrats and the allocation of resources are seen to potentially lead to moral
hazards (Banerjee, Hanna & Mullainathan, 2012). Therefore, the nature of monitoring and
punishment and the intrinsic motivation of bureaucrats are important in these studies.

Thus poor regulatory control can lead to ambiguity in institutional controls. This is also
negatively correlated with the accountability of their activities; thus, discretion allows agents
to exploit opportunities for personal gain (Klitgaard, 1988). Uncertainty provides discretion,
which can lead to strategies and practices by the field habitués, and corrupt processes become part of the market itself (Goodrick & Salancik, 1996).

New Institutional Economics (NIE) scholars view corruption as a deviation from rules, such as contract, laws or moral codes. This rational strand analyses corruption through an institutional design view and how these designs can reduce opportunistic incentives and uncertainties (Della Porta & Vannucci, 2012, p. 2).

Most studies in this area use survey data on perception and experience (Health, Richards & Graaf, 2016). Corruption indexes attempt to identify the features of deviant or corrupt settings. Corruption features derive from the context of an organization or individual (e.g., the position), individual corruption characteristics, and the perceptions of external parties. The models applied later on these data are related to numerous theories (e.g. resource dependence theory, agency theory). This kind of data can lead to huge methodological issues such as data reliability and data collection. Furthermore, data reliability from very corrupt environments when both the principal and the agents are corrupt (Person, et al., 2013) are questionable. This also does not take in account settings with little oversight and irrational behaviours.

Although most corruption data from these studies come from societal surveys, some studies have directly sought to uncover more micro organizational data. Individual characteristics such as educational background, for example, are harder to generate conclusive information regarding corruption due to the endogeneity with so many other factors. In addition, the perceptions of corruption can vary from year to year if a scandal is uncovered. After all, a country is considered more corrupt once the crime becomes a publicized scandal. There can lead to imprecision regarding internal and external stakeholder of corrupt contexts,
for example, when external parties attribute much corruption once it becomes a scandal. If external stakeholders (e.g. shareholders, analysts, media, and peers) do not perceive the organization or individual as corrupt, it may not emerge unless there are inter-firm interactions whereby the interfacing with stakeholders is affected.

This rational view is very good at developing short term anticorruption measures and provides interesting insights regarding incentives and control, but might still offer an incomplete picture of corruption phenomena. First, corruption does not only occur in the public sector, but also between actors in the private sector. Also, the process of socialization and normalization of corruptors and the corrupted is ignored throughout this literature. This leads to old debate on the role of structure and agency. Does society have influence over corrupt behaviours? How are actors socialized into pursuing corrupt practices? From these questions I analyse another popular stream of research of corruption in management.

2.2.2 Institutional view

In this institutional view of the world an agent’s behaviour is strongly conditioned by the normative rules of society. (Scott, 2008). To study corruption, one can focus on a collective methodology based on the analysis of social facts, institutions, roles, rules and society structure (Meyer and Rowan, 1977). Corruption can also be considered a departure from socially accepted norms; it is important to include society in any analysis. Sociologists accept that smaller subgroups can have their own set of rules, and normative and legal laws that differ from societal values (Moore, 1973). Parson’s macro structural view of society in sociology is valuable for this view of corruption (Parsons, 1937; Hinings & Tolbert, 2008, pp. 475-476). For example, it analyses how subgroups, such as a group of colleagues, can become dominant over accepted universalistic and societal norms creating a particularistic norm (Parsons, 1937,
Chapter 3: Challenges and Insights from Analysing Ni Market strategies

p. 455). Such insider norms can create protection and justification to deviances, such as corruption, within an organization (Katz, 1977). The corrupt practices might evolve in a manner that changes the whole organizational system.

In the last decade, particularly after the global financial crises, there has been a growth of interest on the topic, through an organizational and institutional perspective. A special issue of the Academy of Management Review (2008) on organizational corruption signalled a growing interest among organization theory scholars on this topic. The collection of articles in this issue drew attention to several areas of the literature, and specifically institutional theory including institutional logics and institutional entrepreneurship (Asforth et al., 2008; Lange, 2008; Misangyi et Al., 2008; Pfarrer et al., 2008). Pinto et al. (2008), for example argue that the manifestation of corruption happens through socialization and through corrupt organizations. Lange (2008) analyses the complexity of organizational control and how human nature affects the outcome and processes of the transmission of corruption. Pfarrer, DeCelles, Smith and Taylor (2008) examine the aftermath of a publicly known corruption scandal, and how to repair the legitimacy of such an organization.

The phenomenon is also influenced by uncertainty and power concentration among actors, regulations and institutional pressures that can lead to opaqueness, injustice and complexity (Luo, 2005). Different societal and group pressures might also lead to or increase corruption. For example, unrealistic financial and sales goals can lead to corrupt practices due to the pressure placed upon the outcomes (Ashforth & Anand 2003; Mishina et al., 2010). Consider the recent VW scandal example, the top leadership had set the objective to become the largest automaker in the world and successfully achieved it. However it later on emerged that managers to achieve this aim cutting corners and committed several abuses.
Mishina et al. (2011) shows how expectations also influence corruption, thus companies facing shareholders’ constant demands for dividends face strong pressures for immediate results, which can provide the perfect setting for corruption. Indeed, organizations either performing as badly as expected or performing well and with very high expectations for shareholders’ returns might be, counterintuitively, incentivized or end up breaking the law in order to maintain their level of success. These behaviours are affected by market logic and the contradictory demands of economic stability and constant growth by shareholders.

In Gabbioneta, Greenwood, Mazzola and Minoja (2013), the key insight is the relationship between corporate illegal behaviour and the institutional environment, and thus institutional fields. Through the analysis of the well-known case of the fraudulent bankruptcy of Parmalat in Italy, they analysed the institutionalized concealment of illegal practices and how regulators and accounting professionals where not able to identify the misbehaviour of the firm. The institutional context and arrangement became an accomplice of illegal practices. The mechanisms they identified for such a lack of detection were mimetic hoarding, institutional ascription and social humiliation that limited the capacity of judgment of the other stakeholders. This close relationship led in the over-confidence of external accountants and regulators.

More recently, Gabbioneta, Prakash and Greenwood (2014) focus on institutional ascription in professional networks as a way of sustaining corporate corruption, thus, they take a greater look at the gatekeepers of organizations. Professionals are thus the key unit for analysis, in addition to their relationship with clients and the conflicting logics they have to face in the case of corporate corruption. In this study, Enron and Parmalat are used as case studies and institutional ascription is the reason that professionals fail to identify corruption.
Corruption has also been thought by these scholars as a process, and has been compared to a virus that infects the host organization that becomes institutionalized within that organization (Glynn & Azburng, 2002). Ashford and Anand (2003) have been particularly influential in introducing the normalization of corrupt practices and their persistence in organizations. They examine how corrupt practices become routinized and embedded within an organization. Thus, conformity is an automatic enactment of scripts, habits and rituals. The normalization of corruption in organizations occurs through institutionalization, rationalization and socialization. A rationalization of corrupt practices and a process of hybridization and cohabitation happen within the host organization once corruption is institutionalized.

In many of the research in this view, organizations are part of society and aspire toward external legitimacy by complying with their institutional context. Such interpretations and conflicting forces pressure firms to choose among alternative responses to these external pressures, with responses such defiance or avoidance (Pache and Santos 2010; Greenwood 2011). However there is a less explored view in the management literature about corruption, the influence of culture in corruption and how subjective the idea and the meaning of corruption itself can be.

### 2.2.3 Cultural View

There might be cases where corrupt practices are accepted in the societies they are embedded in it and societal moral views can change over time. This leads to a cultural perception focuses on ethical dilemmas (single or societal culture) and immoral behaviour to ultimately ask what is corruption. This stream is very influence from scholars with an anthropology and cultural studies background and uses the point of view of the people concerned and affected by corruption when analysing the phenomenon. This is distinct from the previous two views on corruptions since there is no moral valuation and dualism of
corruption between “good” anticorruption practices and bad corrupt practices. In this cultural and anthropological perspective one thinks about what is the moral standard, and practices in the area and context where it happens and what are the norms there (Torsello & Venard, 2015).

In this cultural view, it is also taken in consideration the importance of history on explaining these corrupt social-cultural concepts. For example when dealing with long ingrained practices such as guanxi in China (Smart and Hsu, 2007) where personal networks and connections can be extremely important for business operations in that context. To these actors, guanxi is also an informal governance mechanism that sometimes is more important than formal procedures and rules; this could be perceived in the west as a violation of bureaucratic norms and corruption. This also relates to question such as of gift giving, so common in many cultures, as a bonding mechanism in society rather than a negative element or exchange of power influence. The gifts can help cooperation and reciprocity. (Mauss, 2005).

Furthermore, there are studies that show corruption as a form to cover the gaps on the system such as in Russian health care system post-socialist (Rivkin-Fish, 2005). Also humans adapt to imposed bureaucratic systems and its impersonal rationality as seen by corruption examples in India (Visvanthan 2008) Therefore, cultures characterized by particular dominant logics might accept and incentivize practices that would be considered by others as corruption.

Another cultural aspect relates to the national laws. Law enforcement agents are not neutral beings and might be decided by the political elite. (Moore, 2000) Therefore with a regulatory capture of the political elite, the rules can be fixed for their benefit either by increasing the complexity of the law to increase the opportunities to extort bribes or use anti-corruption campaigns selectively against political enemies (i.e China under Xi). The cultural views see the imposition anticorruption policies or standards problematic and that might lead
directly failing of such policies, thus there is a need of a “local” point of view. (Bierstaker, 2009).

Many of the empirical corruption studies are quantitative (Galang, 2012) and seldom are qualitative. This might be due to the fact of how difficult is to conduct a long ethnography on a corrupt setting and focusing specifically on these aspects (Torsello and Venard, 2015). While corruption analysis in economics and political science focuses on the public sector and sociology at the field and organizational level, management literature is starting to integrate rational and social insights into the study of the phenomenon. Therefore, social factors and corruption affect individual ways of acting. The cultural view sees corruption embedded in a set of social actions.

2.2.4 The summary of different views.

The table below summarizes some of the main characteristics of the three different views. These include the social science roots of each view, main research questions, assumptions and methods using. We also provide some examples of relevant publications using each of the 3 views in management.

<table>
<thead>
<tr>
<th>Social Science roots</th>
<th>Rational</th>
<th>Institutional</th>
<th>Cultural</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Political Science, Economics</td>
<td>Sociology and Organisation Theory</td>
<td>Anthropology, Criminology</td>
</tr>
<tr>
<td>Basic underlying assumptions</td>
<td>There is a principal and an agent. The agent’s behaviour is always strategic and rational and takes in account rewards, probability of being caught.</td>
<td>Social construction and constraints</td>
<td>What is corruption? Perceptions, judgements, boundaries</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>----------------------------------</td>
<td>---------------------------------------------------</td>
</tr>
<tr>
<td>Fundamental Questions</td>
<td>- How to reduce incentives and increase controls on corruption</td>
<td>- How to change taken for granted corrupt practices</td>
<td>What is corruption</td>
</tr>
<tr>
<td>Where it Occurs-Level (mostly)</td>
<td>- dyads, corrupter and corrupted</td>
<td>Field and organizational level</td>
<td>Society</td>
</tr>
</tbody>
</table>
Chapter 3: Challenges and Insights from Analysing Ni Market strategies

<table>
<thead>
<tr>
<th>Methods and data</th>
<th>Quantitative, survey data, game theory</th>
<th>Qualitative and quantitative, case studies</th>
<th>Case studies and theoretical models</th>
</tr>
</thead>
</table>

2.2.5 Different Levels of Corruption

Research on corruption can also be categorized according to three broad and interrelated levels: the individual, the organization in the field, and the context. The individual level relates to characteristics of the individual with its beliefs and behaviours that are fundamental to understanding agents’ behaviours (Jancsics, 2014). In other words, in the individual level it involves determinable characteristics, such as extraversion and openness, narcissism, proneness to risk, among others. This also relates to how personality and group...
Chapter 3: Challenges and Insights from Analysing Ni Market strategies

thinking lead to or alter deviant behaviour; and top management teams who partake in grand corruption. (Zyglidopoulos, 2016) Furthermore organizations can be composed of corrupt individuals (Pinto, Leana, 2008). However, these individuals are per se corrupt or are they part of a corrupt organization? Is this corrupt organization part of a corrupt field?

Corruption can also be analysed at field level. To do so researchers can map the field of study to understand the contours of the market, competition and values that influence corruption in that particular level. A comprehensive mapping of a practice in a field also includes the role of institutional rules, stigma, political processes, ownership structure, institutional structure and various organizational forms that may ultimately lead to corruption. Finally one can think of the societies and how concepts of corruption are prevalent at different countries. These field level studies discuss country characteristics and test theories on surveys conducted internationally, i.e. World Bank, EBRD

Aware that corruption is prevalent at many levels seldom scholars have attempted to develop multilevel model of corruption. An exception is Misangyi, Weaver and Elms (2008), who developed a mostly theoretical multilevel system for analysing corruption that includes individual, organizational and institutional factors. The model demonstrates how corrupt institutional orders create alternative identities that affect substance and symbolism. To change a corrupt culture, it is necessary modify habits and practices. These new moral and cognitive framework must be enacted by institutional entrepreneurs, such as individuals, or in a macro context by organizations, such as the World Bank, which will introduce what the authors define as anti-corrupt institutional logic that affects embedded cognitive schemes, practices and identities that enable existing corrupt logic. They focus on different analyses of corruption, attempting to apply institutional logic and institutional entrepreneurship, and define different
levels of analysis. However the model is still incomplete since it is mostly theoretical with a few anecdotes of how the World Bank initiatives influence post war Yugoslavia.

Aware that these differences existed and that there were several empirical studies I decided to further refine the research on corruption to explicitly empirical management papers levels of the top management journals. This led to the reduction of the sample size to 48 articles. After a careful analysis of these papers, a table was prepared focusing on the levels of analysis they were referring too. In the analyses in the table above we can see that most studies focus on a single particularly level. One of the limitations of doing that is that it does not take into account alternative theoretical frameworks beyond their domain boundaries that might also explain the phenomenon. The views mentioned above have different strengths when analyzing different levels of the corruption phenomena but in these empirical papers other perspectives are ignored. These seldom intersections between the levels are seen in only 7 examples and between organizations and society. There was one paper explicitly linking the individual and organizational level and no fully multilevel empirical paper. Ultimately what we know is that corruption has a broad set of research heuristics and for its complete understanding there should be attention inter-level mechanisms across the fields of management.
2.3 Discussion

2.3.1 The different views

I argue that while rational-choice models are particularly relevant for analysis at the individual level; they tend to portray actors as culturally unaffected ‘super agents’ having interests and preferences exogenous to their institutional context. And, while social-cultural views focusing on norms, laws and wider beliefs about corruption provide interesting insights into the structure of a corrupt society or organization, they do not delve deeply into the activities of corrupt actors. I have stated in the present research, the theoretical fault lines separating each of the domains have fragmented the literature, therefore I have found little integrated knowledge specifically about processes that lead to, and exist within, corrupt networks.
I suggest that the division, for example, in the corruption literature do not incorporate theories from other relevant domains and neither of them explain the problem fully. As an example, consider bribes to acquire a tender for the public sector. First the bribes need to be agreed with the ‘buyer’, then paid and operationalized then the contracts can be assigned and operated. Then there is the difference between what is being arranged by individuals and what is being engineered for organizational benefits or embezzlement. A second example, relates to private organizations dealing with other firms in the private sector. i.e. FIFA, individuals from FIFA have received bribes from sport suppliers and broadcasters to assign contracts and concessions.

The fragmentation of the literature as shown above can result in theoretical endogeneity (Busenbark, et al. 2016). This theoretical endogeneity in management corruption literature means that corruption research results are either very limited in their scope of offer incomplete results of the analysis. There is a need to incorporate key configurations from other neighbouring levels. A multilevel view creates time-indeterminate configurations since when the corruption started is not necessarily important to fight the current phenomenon since the multilevel model gives a complete picture of what is happening

2.3.2 Integrating levels

Corrupt practices do not emerge and escalate at only one level. Some individuals might engage in corruption when there is a lack of control (principal agent) but agents can also be embedded in a corrupt setting and comply to such practices as part of the “rules of the game” that became taken for granted (institutional). So, in this complex phenomenon, there are many permutations of the impact of corruption in or across the three domains and mutual
interdependencies between the levels. The ways in which these permutations are configured may change how scholars conceptualize corruption.

Researchers must also consider the difference between a transaction between a few actors in a corrupt field or a network. The traditional environment (e.g. industry, location, etc.) in which corruption occurs is important and often similar for all companies included in that environment/field. Very strongly embedded corrupt networks might be perceived by various levels and might be able to exert more influence or maintain corruption via their networks. Alternatively, organizations that have stronger governance mandates or board oversight may be less corrupt since there is a smaller margin for using their discretion.

Taken together, these domains of corruption related management research and their interplay describe a framework of mutually reinforcing factors. Almost all the extant work pertaining to corruption can be designated to one of the three broad dimensions in the different level and views. Although it is possible that other domains exist, I contend that the three included here are sufficiently comprehensive to address problems associated with the fragmented literature.

### 2.3.3 Towards a new understanding of corruption

There might be several answers to what *corruption* is, each with their own limitations and own epistemological and ontological position. Yet the different streams seem to agree a few points such as the fact that corruption involves a transfer, there is a collective loss and require at least two parties. The views also have several differences such as: the definitions of corruption (appendix 1), to the role of individual choices and social influences in human behaviour. Table two summarizes some of these communalities and differences.
A synthesis approach to corruption can be based on Tinbergen’s 4 questions (how does it work, what is it for, how has it evolved and how it develop over time) and could help reduce fragmentation. This method is heavily used in different areas of science such as biology and ecology and help understands behaviour in biology, such as evolution, causation, and ontogeny. Tinbergen questions are widely recognized by biologists (Bateson, Laland, 2013), His questions are applied broadly to characteristics on living (and some cases) non-living systems, therefore I believe they could be applied to analyse a system characteristic such as corruption. These four questions provide a resourceful heuristic on understanding to understand corruption. This has not been done in any of the studies and could further develop the agenda of corruption studies in management.

The four questions need to be answered individually while understanding the differences of their scope. When initially created he was aiming at fusing different aspects of the many different sciences into a coherent science of behaviour (p 430, Tinbergen 1963, on

| communalities | -Corruption is a transfer (money, power, favours, etc).  
|               | -There is a loss (0 sum game).  
|               | -Requires at least 2 parts.  
| Main differences | -Definition of corruption.  
|                | -Agency (cognition and free will).  
|               | -Societal influence.  
|               | -Role of incentives.  
|               | -Not person is a money/reward maximize.  

Table 3: Communalities and differences of the views
aims and methods of ethology). Yet, these answers to Tinbergen questions should be analysed together once they are available. This has been seen in many studies of cultural evolution. Therefore, we aim to do the same here.

Figure 3: Tinbergen 4 Questions applied to corruption

In the figure above we can see that many of the methods and views of the studies above already fit on this new synthesis. Institutional theory and longitudinal process models can help explain how corruption developed over the lifetime since they are quite powerful at looking at societal and organizations changes. How it works is well explained by rational economics and political models looking at the incentives at the individual models and at the process models mentioned before. What corruption is for can be explained by the area of ethics or the cultural
view. They study how corruption is perceived differently according to different societal standards and beliefs. The relevance of this integration is that it doesn’t exclude any of the explanations; or creates a hierarchy of more “valid/important” theories, they all have strengths in particular ways of looking at different aspects of the problem so why not use all this knowledge and why array of methodologies? It helps researchers to answer these questions if one can explain corruption holistically. A multilevel look at corruption can be used to find a better “toolkit” for dealing and fighting corruption.

Looking at the problem holistically offers the researcher a recursive view: the domains reinforce each other. This recursive element underscores a unique paradigm associated with corruption at various levels. A corrupt field level might affect an organization participating on it to be more corrupt, and to be successful, individuals in these organizations might also be more corrupt through self-selection. Each of these factors affects another, i.e. the situational embeddedness of corrupt individuals necessitates that each of the three domains are considered simultaneously.

Therefore, I expect that this complete analysis of corruption will help in reducing the fragmentation of the management literature for several reasons: (1) the levels are recursive and interrelated; and, (2) different views can offer interesting insights to the phenomenon. Therefore, we should offer a holistic view of the phenomenon via different theories that there are varying temporalities regarding when one level affects another.

Ultimately, by answering these questions we provide a multilevel integration of the problem of corruption in its different levels and aspects. We show the complementarity of the different insights that bring multifaceted understanding of corruption and offers many new opportunities of future research.
2.4 Future Work

There are several possibilities for future research. Firstly, scholars can examine corruption and corrupt systems in all forms and link such manifestations within and across societies. A deeper understanding of how multiple forms of corruption are used and reinforced inside companies could lead to a more complete understanding of the multi-faceted role of corruption within and across organizations, markets and through social interactions. It would also be interesting for example if corruption was a survival mechanisms used by some groups to survive in different societies.

Likewise, there have been renewed calls in other areas such as sociology for a better understanding on the mechanisms of corruption (Philip, David-Barrett, 2015). Management theory can provide great insights to this question by applying some of its well established theories regarding the maintaining and disrupting of institutions, institutional work. I also believe that it is important to bridge micro and macro level corruption to understand change or the reproduction of corrupt practices therefore further connecting the questions above.

Management literature can enrich the corruption literature that with the plurality of methods that I use, for example, qualitative fieldworks that explore corrupt relationships or details the ways that corrupt rackets operate. Ethnographies can help collect data of petty corruption on the daily life. Another question is how to determine which features and forms of corruption are complements and which are substitutes.

Furthermore, studies of corruption features can also be complemented with insights into the deep structural and dynamical character of the phenomenon. It would be interesting to know how position, person, and environment combine to produce a corrupt setting as viewed by outsiders.
Finally, aligning the theories developed and methods deployed by conducting multilevel research are vital tools for revealing emerging patterns from the ‘black box’ of corrupt practices. While existing views help us answer most of Tinbergen questions there is still a missing gap on the origin of corruption. Therefore, to study such question scholars will have to study and expand beyond their traditional views and comfort research zone, by applying cultural evolution methodology to answer that.

I realize that the discussion of new synthesis of corruption research may appear to make future research complex. Given current methodological and empirical considerations, it is very difficult to conduct studies that have large numbers of joint or combinative effects, and even more difficult to properly consider recursive effects. Despite these difficulties, there is great value in enriching anti-corruption scholarship. The more I understand of the literature and of the empirical setting, the better tools we can create to fight the deviance.

2.5 Conclusion

Corruption is often a confusing construct in the academic literature, particularly management. The objective of this review is to bring some theoretical discipline and clarity to such a relevant yet vague concept. There is a thematic analysis of the construct and phenomenon demonstrates the emergence of three main views and configurations of the phenomenon. One of these views is corruption as rational problem, the institutional perspective of corruption and the cultural view of corruptions.

Although research relating to corruption has grown substantially over the past few decades, literature on management corruption remains fragmented. However, because corruption is unique, to resolve this fragmentation and unite and integrate theoretical
approaches, creating a more complete picture of corruption in management literature, is required. I try to address this fragmentation, where corrupt behaviour is examined by the same theories but distinct levels by creating a multilevel perspective. Not only this multilevel perspective is essential for the full understanding of the phenomenon, it relevant to management scholars because it provides a holistic view of the literature and provides tools on how to analyse corruption in all levels.

Therefore, I believe that the intersecting of research areas and a holistic view is critical to the future of corruption research for three reasons. First, corruption is a multi-faceted phenomenon. Second, research that focuses on a unitary dimension may be unable to contribute to a comprehensive understanding of the corruption phenomena; for example, only two of the articles in this study focused primarily on individuals and teams, characterizing, describing, and predicting aspects of individual efforts in corruption. Third, theories and perspectives from many other management disciplines tend to focus on more a singular concept or level.
CHAPTER 3

THE USE OF NONMARKET STRATEGIES TO MAINTAIN A CORRUPT CARTEL IN THE OIL AND GAS SECTOR IN BRAZIL

There was a rule in the game: If you did not pay bribes you would not succeed, you would not get contracts with Petrobras

Pedro Barusco, former Executive Director of Petrobras

Corruption is one of the greatest afflictions to affect the world. Although we have seen a rise in interest in corruption topic among management scholars with special editions in journals such as the Academy of Management Review (2008), Organization Studies (2015), and the Journal of Management Inquiry (2017), strategy scholars have barely begun to debate the dark side of business strategy. One form of corruption occurs when firms start to use nonmarket strategies for corrupt purposes. Corrupt non-market strategies lead to financial losses, inefficiencies and the erosion of trust, in governments (i.e Nigeria), governance of companies (i.e Siemens and Unaoil) and the functioning of a competitive markets. Therefore,
corruption is a grand challenge that needs to be understood by scholars and addressed by practitioners in order to find better ways of fighting it.

In this chapter, I attempt to understand how corrupt strategies are applied and how businesses are able to institutionalize and maintain corrupt relationships for long periods. In particular, I look at corrupt nonmarket strategies adopted by management teams and firms in the gas and oil sector in Brazil. Indeed, “nonmarket strategy refers to a firm’s concerted pattern of actions to improve its performance by managing the institutional or societal context of economic competition” (Mellahi et al., 2016, p.144). These strategies are often adopted by firms that attempt to manage their institutional context to increase company performance. Such strategies were successfully used for long periods of time in Brazil by a cartel of construction companies yet it ultimately led to the firms’ demise. It is particularly puzzling to understand how socially illegitimate strategies were institutionalized within legitimate organizations.

This chapter is based on data drawn from one of the most publicized corruption investigations in the world: the “Lava Jato” (Car Wash) that investigates the payment of between 2 to 4 billion dollars bribes by construction supplying companies to Petrobras executives and their political patrons. The investigation that uncovered this corruption took place in Brazil and has led to 953 arrest warrants, 188 condemnations and 163 plea agreements to the moment. I use non-traditional data from publicly available and verifiable court decisions, plea agreements and parliamentary commission of inquiry and financial databases as my data source. Such rich data offers the chance to ‘peer’ inside a corrupt network and view some of the practices that are not often publicized.

I expand the literature of nonmarket strategy by analyzing a context which has not been studied empirically, such as the coordination of groups that apply nonmarket strategies. I also
expand the nonmarket strategy literature by identifying how such corrupt relationships were able to last for such long period with the use of the “institutional anchors of trust”. Such agents were responsible on keeping the stability within the illegal arrangement. I then develop framework to explain how this corrupt non market strategies were managed and applied over time. Finally, I offer practitioners insights into the mechanisms that could in the future be used to develop better anticorruption measures by firms.

3.1 Theoretical Foundations

In order to better understand the maintenance of corrupt relationship amongst firms it is essential to understand how the corrupt practices get institutionalized within groups and how nonmarket strategies are enacted by group members. In the next sections I explain how management and strategy literature deals with the maintenance and enactment of corrupt strategies and the challenges still present

3.1.1 Institutionalisation of Corruption in Firms

Institutionalisation is “social processes, obligations, or actualities [that] come to take on a rule-like status in social thought and action” (Meyer and Rowan, 1977, p. 341). Within organisations, institutions are “stable, repetitive, enduring activities enacted by multiple organizational members without significant thought about the propriety, utility, or nature of behaviour” (Greenwood et al., 2011). Corrupt practices have their own goal, values, norms, within the discretion and cognition of actors in the organizations that contradicts the literature on institutionalization that does not take in consideration any deviant practice. The idea of
‘illegitimate’ practices becoming accepted and normalized is a paradox since corrupt practices that become part of cognition (taken for granted) violate regulative and normative pillars of institutional theory (Scott, 2008). Yet in the real world examples abounding such as frauds at Parmalat (Gabbioneta et al., 2013) and the UN Oil for Cash Scandal (Jeong & Weiner, 2012).

Corruption can be analysed at the field level, and it is important to map the field of study to understand the contours of the market, competition and localised values. The mapping of a practice in the field should include the role of institutional rules, political processes, ownership structure, institutional structure and other organisational forms that can lead to more embedded corruption. Gabbioneta et al. (2014) among others have dealt with both the field and societal level, while Pinto et al. (2008) and Misangyi et al. (2008) offer insights in how institutional entrepreneurs can change corrupt practices at the societal level by attempting to change symbolic rewards perceived from these activities within society. Ashford and Anand (2003) theoretical paper explore mechanisms inside organizations and organizational corruption becomes normalized through the rationalization of corrupt practices and a process of hybridization and cohabitation within the host organization once corruption is institutionalized. Yet we still have little understand about the maintenance of corrupt practices and the strategies that reinforce and maintain corrupt institutions over long periods.

There is a theoretical and empirical imperative in strategy research to pay attention to and illuminate processes underpinning the “dark side” of these processes. It is also essential to understand how corrupt nonmarket strategies are enacted.

3.1.2 The use of corrupt nonmarket strategies

Non-market strategies have been studied by strategy scholars for several decades
(Aguinis & Glavas, 2012; Hillman, Keim & Schuler, 2004). Recently the research has come back into prominence and has been debated in forums such as the Strategic Management Society (2017) and in several articles (Doh et al., 2015, Lawton, & Rajwani, 2012, Mellahi et al., 2016). Nonmarket strategies are a broad set of measures that include “corporate attempts to manage political institutions and/or influence political actors in ways favorable to the firm” (Mellahi et al., 2016; Lux et al., 2011). The nonmarket strategy literature is fragmented and can be broadly defined by two major strands (Mellahi et al., 2016). Firstly, corporate political activities (CPA), such strand focuses on issues of power and institutional influences (Liedong et al., 2015). The other main area of research of the nonmarket strategy literature relates to corporate social responsibility (CSR) (Aguinis & Glavas, 2012). Many of the researchers on this topic draw their theoretical foundation on stakeholder theory (Kassinis & Vafeas, 20006), institutional theory (Ioannou & Serafeim, 2015), new institutional economics (Dorobantu, Kaul, Zelner, 2017), among others.

Nonmarket strategies traditionally have been studied as means to increase a firm performance (Frynas, et al., 2006; McWilliams & Siegel, 2011; Oliver & Holzinger, 2008; Sun, Mellahi, & Thun, 2010). Thus many papers focused on organisational performance (Madsen & Rodgers, 2015, Zhu & Chung, 2014), mechanisms for buffering performance (Aragón-Correa & Sharma, 2003, Hillman, Withers, & Collins, 2009) and moderators to performance (Aguinis & Glavas, 2012). Market and nonmarket strategies can endure in symbiosis in firms and be applied contemporarily. (Holburn, Berg, 2014)

The existence of a dark side of nonmarket strategies has been, acknowledged by scholars in the Strategic Management Society (2011). However, there seemed to be a taboo in discussing and analyzing how ‘dark and immoral’ nonmarket strategies can be used by
companies to gain competitive advantage and to maintain corrupt alliances (Doh, et al., 2012). Some strategy articles started to discuss the topic (Guo, Huy, Xiao, 2017) and some nonmarket strategy scholars looked at entry strategies and corruption in foreign market (Doh JP, et all, 2005; Uhlenbruck et all 2006). Recent studies such Iriyama, Kishore, Talukdar (2016) try to understand why firms engage in corruption. They state that “engaging in corruption is a distinct action in nonmarket strategies that is usually illegal but firms do so as a competitive action to gain some advantage over their rivals.” (p. 2153).

However, most nonmarket strategy papers on corruption, focus on the country level corruption, (with the exception Guo, Huy, Xiao, 2016 and Iriyama, Kishore, Talukdar 2016). such as the relationship with the government and strategies to enter new foreign market. (Darandeli, Hill, 2016). This means that more longitudinal studies involving both quantitative and qualitative approaches focusing on non-market strategies at the top management team level are necessary (Mellahi, Frynas & Sun, 2016, p. 168).

Therefore, most of these studies ignore the role of corruptors in the corruption decision, process and their choice of maintaining so. Hence, there is still a need to better understand why executives of firms adopt corrupt strategies and the process regarding how firms and their executives and how corrupt activities are maintained. Particularly, which nonmarket strategies are used by top managers to maintain durable corrupt relationships across their sector, and where the pressure to do so comes from.

In this study I attempt to bridge these gaps by looking at how and when businesses engage in corrupt strategies and how they go on to maintain the status quo. Ultimately, I want to understand: How corrupt corporations and individuals maintain corrupt relationships and what strategies are used to do so?
Chapter 3: Challenges and Insights from Analysing Nonmarket strategies

3.2 Approach- Methods and Data

This study started with a broad empirical question regarding what strategies are used by firms to sustain corruption for long periods. Specifically, I was interest in identifying what strategies are used by corporations and individuals to maintain long term corrupt relationships and how they are deployed. By asking a broad phenomenon based question, I have followed the tradition of empirical research in other domains such as organization theory (Eisenhardt, 1989) and the natural sciences (Tinbergen, 1963). Serendipity impacted my research, with the public Lava Jato operation starting and the public prosecution team offering access to all the investigation data. I use qualitative methods since it can lead to insights that take account of the complexities of a phenomenon (Bettis et al., 2014) and the underlying mechanisms (Anteby, Lifshitz & Tushman, 2015).

Part of the challenge of studying corruption is due the straggle to collect reliable data collection such as interviews. The “corrupt” respondents may lie since they would not want to provide evidence that could incriminate themselves. Aware of such limitations, during the data collection I incorporated additional data sources that seldom have been used in strategy research. I started by analyzing all the sessions of Petrobras’ parliamentary inquiry in 2014. Such sessions were recorded and transcribed, and the transcripts were made publicly available on the website of the Brazilian congress. I decided to use such rich kind of data since they are extremely detailed and have already been used in previous studies in management (Gephart, 1993). Public inquiries are used to make sense by Gephardt in disaster scenarios, and with such data one can seek in-depth accounts of events that occurred at the time with those directly
involved (ibid, 1993). As my research developed, I also used publically available court proceedings (Gabbioneta et al., 2013).

However, analysing archival data from court proceeding also presents some challenges therefore the dataset was enriched with quantitative public financial sources. I compared testimonies, financial data, judicial condemnations, apprehended documents of the companies and general publicly available financial reports. The additional financial data was provided by the Brazilian construction sector, the Brazilian Central bank and Brazilian government.

Table 4 Data Sources

<table>
<thead>
<tr>
<th>Primary Data Analysed</th>
<th>Data Sources</th>
<th>Data Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parliamentary Commission of Inquiry</td>
<td><a href="http://www2.camara.leg.br/atividade-legislativa/comissoes">http://www2.camara.leg.br/atividade-legislativa/comissoes</a>: -comissoes-temporarias/parlamentar-de-inquerito -55a-legislatura/cpi-petrobras/documentos/notas-taquigraficas/</td>
<td>More than 120 people questioned More than 230 hours of sessions More than 6,000 pages transcribed 58 Sessions</td>
</tr>
<tr>
<td>Prosecution files Court file(Plea agreement and transcripts)</td>
<td><a href="http://www.mpf.mp.br/parao-cidadao/caso-lava-jato">http://www.mpf.mp.br/parao-cidadao/caso-lava-jato</a></td>
<td>50 investigated operators 30 hours of interviews and videos 1,000 pages or investigation reports</td>
</tr>
<tr>
<td>Economic Data</td>
<td><a href="https://seriesestatisticas.ibge.gov.br/">https://seriesestatisticas.ibge.gov.br/</a></td>
<td>Documents issued by public authorities:</td>
</tr>
</tbody>
</table>
3.2.1 Data Analysis

Due to the huge amount of data provided by the investigation, I decided to narrow down to relevant and workable sets of data after an initial filtering. In order to better answer the broad research question, I decided to focus on Petrobras business executives investigated. I initially focused on Paulo Roberto Costa, Petrobras former executive director, first high profile arrest and prolific collaborator. Then I expanded my investigation to the testimonies of the other Petrobras executives given to the parliamentary commission of inquiry. Further on, I watched the video of the interrogations and read the plea agreement of Petrobras key investigated executives done by the prosecution and filed at the Brazilian courts. These plea agreements are not only questionings/interviews describing who paid bribes to executives, it is a broader data collection where investigated executives are required to provide concrete evidence regarding the bribes operationalization. From these plea agreements and collection of files from the prosecution I started to build a better understanding of the case and built a narrative and web of corruption relationships per executive. For robustness, I double checked these transcribed testimonies with videos of the plea agreements of the key testimonies and annotated using nvivo software. A work of filtering was also done regarding the relevant actors and not relevant testimonies. (The link and access to all for these public files are provided above). I was inspired by several methods (Stigliani & Ravasi, 2015) in my research process rather than following a
research recipe book when analyzing this unconventional data set (Eisenhardt, Graebner, Sonenshein 2016).

In figure below, I describe the analytical process followed in this case.

**Figure 4 Initial Research Protocol**

Study *how* relationships where maintained and *how* nonmarket strategies where enacted:

<table>
<thead>
<tr>
<th>Within Companies</th>
<th>Across Companies:</th>
<th>Threats of the external environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petrobras</td>
<td>Companies member of Cartel</td>
<td>Cartel and Petrobras</td>
</tr>
<tr>
<td>Construction Companies suppliers</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Combinations of different qualitative methodologies are gradually becoming more common in management research (Stigliani & Ravasi, 2015). The corpus of data, such as court data proceedings and legislative public commissions of inquiries, has traditionally been ignored by strategy scholars, but has been used in other social sciences. Most countries offer litigation
data accessible to scholars (i.e. the Siemens case\(^1\)) and this rich group of data offers researchers a chance to peer at some hidden practices and strategies adopted by firms. This data also provides and solves part of one of main the conundrums of studying deviant practices - the validity of data when analyzing since it is verified by several state officials and among several states (i.e. WTO, Interpol). Particularly, plea agreements can display non-disclosed strategies adopted by firms. This individual level data of the plea agreement offers an insight into top management team motives, rationalizations and cognitions and why they adopted such strategies.

Such wide variety of data helped me make sense of how the corruption process unfolded. My analysis therefore also involved a detailed analysing the data, visual mapping and temporal bracketing (Langley, 1999). I analysed and reconstruct several corrupt contracts, relationships and relationship webs. My research ethos and initial units of analysis are listed below.

\(^1\) https://www.siemens.com/press/pool/de/events/2008-12-PK/DOJ1.pdf
It is worth mentioning that the court documents have their own legal focus vocabulary yet they follow a rigorous methodological process. The collection of evidence has been structured and collected as foundational investigative blocks for the prosecution to build up a case against corrupt individuals and companies. In this sense it is also a research that has to be evidence based and prosecutors also have to collect reliable data that show suspected illegal behaviour. Yet, while I analysed the judicial pleas, I also tried to make sense of the broader
Brazilian context and the process during the period. To do so I checked the economic data of the country and construction sector as exemplified in the previous section.

Table 5 Selected quotes from suppliers and Petrobras executives

<table>
<thead>
<tr>
<th>Within Construction Companies</th>
<th>Within Petrobras</th>
<th>Across the Cartel members</th>
</tr>
</thead>
<tbody>
<tr>
<td>We did not have a shadow accounting system, we do not have it, we never had it there, in the company; so, you had to find some kind of mechanism, that is, for you to make payments to these... to fulfil these pseudo obligations there, with these agents... So, the use of companies, the use of consultants, derived from that. That's what I call structuring such payments”</td>
<td>The bribes within Petrobras were something endemic and institutionalized… This is a path of no return. Start receiving (bribes) overseas, it will keep going, going and going until there is a sword on your head. You have no way out of this.</td>
<td>They were intended to protect each other, right, so there was not a trade war between these companies. And so, the story began. There was never a day, never a conversation that went like this: &quot;No, from today this is what has been established.&quot; No, these things go through</td>
</tr>
<tr>
<td>An internal meeting at Camargo Corrêa, in which Leonel brought me the existing ongoing contracts, the existing commitments, the consultancy contracts to support these kickback payments. And all this was presented to me. (Eduardo Leite, Executive, Camargo Correia, 2015)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paulo Roberto Costa, Director of the Supply Unit, Petrobras, 2015</td>
<td>Since I (can) remember in Petrobras, the directorship and the CEO of the companies were based on political nominations. I used to give the example (...) 'no one becomes a general if he is not nominated’. (...). So, the directorship of Petrobras, either in the Collor government, or the Itamar Franco government or in the Fernando Henrique government, or Lula government where there was a political indication, he was appointed, really by the PP to take charge of the directorship of supply.</td>
<td></td>
</tr>
</tbody>
</table>
an evolutionary process, and this process started way back, when all companies were going through great difficulties, through a difficult period suffered by the industry at the time.

<table>
<thead>
<tr>
<th>Dalton Avancini, ex-Ceo Camargo Correia, 2015</th>
<th>Member of Parliament- You said you called attention to poor basic projects, which opened up loopholes. Dalton Avancini- They did open them up... That's what happens when you have a poor project, is nopot it? I mean, it then allows a series of negotiations to take place during the performance of the contract and requires so many (financial) additions (to the cost).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Augusto Mendonca Neto, ex-CEO Setal, 2015</td>
<td>An oil production platform costs more than 1 billion dollars. So, these things are not simple... the construction of these projects, which, as I said, is extremely complex – we're always using the latest technology available worldwide – and this involves over a hundred people at PETROBRAS. I have no doubt that, within this relationship between PETROBRAS and its suppliers, there are many opportunities for corruption; especially because there are not only opportunities, but also very close interactions. We are talking about contracts with an execution time of approximately 4 years. So the interaction between the people from the companies and the people from PETROBRAS is extremely close and for a long period. There is no doubt that there are many opportunities for corruption.</td>
</tr>
<tr>
<td>Eduardo Leite, Executive, Camargo Correia, 2015</td>
<td>We were sitting down in Júlio’s house... I had been invited to dinner there. (...) Pedro Barusco spoke of bribes, of how much he estimated, within his control, that Camargo owed, and that it looked like patronage, (...) And the second time, at the time at which Renato Duque was leaving the board (of Petrobras), he came to me asking for a consulting firm to be hired that he had opened for the payment of kickbacks, at which time it was said to have the required payment.</td>
</tr>
</tbody>
</table>
From a broad understanding of what happened I then went on to analyse once more the prosecution files. After the initial analysis of the testimonies, I analysed the mechanism described by the executives. A more in-depth detailed example of one of these corrupt relationships and process is provided in the appendix (Abreu e Lima refinery construction tender process conducted by the executive Paulo Roberto Costa).

3.3 Analysis

3.3.1 Context

Petrobras (Petróleo Brasileiro SA) is one of the most important companies in Brazil and engages in oil and gas exploration, production, and distribution activities. It operates through the following commercial segments: exploration and production; refining, transportation; distribution; gas & power; biofuel; marketing and corporate. It has a current market capitalization of $85.65 billion (April, 2018) but had an exponential growth of value in the commodity boom decade and after the pre-salt oil deposits discovery in 2006. During this period the market value increased from USD 15.5 billion in 2002 to a peak of USD 126 billion in 2012. This also followed a sharp growth of its debt, over the period of 12 years, Petrobras' net debt jumped from around USD 10 billion in 2002 to around USD 93 billion in 2015. In 2009, the company had a net income of USD 15.3 billion, maintaining profits over USD 10 billion up until 2014, when it started to underperform and register losses. In 2017, reversing the loss recorded in the same period of the previous year and reflecting the improvement in operating performance it had a net profit of $1.4 billion despite the lower sales of derivatives in the Brazilian market.
Petrobras is a large employer and by the second quarter of 2017 had 63.1 thousand employees, a retraction from the 68.8 thousand in 2016. These figures represent a sharp rise from the 46.6 thousand registered in 2002, but still below its peak, when it employed 84.7 thousand workers in 2012. Managers are promoted internally, and employees are hired following a public admission exam similar to the Brazilian public sector admission exam. The internal dynamic of the network of the top management team Petrobras was essential for its growth and development but are also strictly related to its downfall.

In recent decades, it has undergone several changes, growth and crises and had to deal with an ever more complex national and international environment. Petrobras was founded in 1957 by President Vargas, and until 1997, it had exclusive rights to explore oil concessions in Brazil. Currently, the Brazilian federal government owns 28.67% of the capital stock and 50.26% of voting shares. Its board of directors is composed of 10 members, one appointed by the employees of Petrobras, others by pension funds, and of the employees, six directly appointed by the government.
Table 6

Petrobras' net income from 2009 to 2016 (in billion U.S. dollars)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Income (billion U.S. dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>15.31</td>
</tr>
<tr>
<td>2010</td>
<td>20.06</td>
</tr>
<tr>
<td>2011</td>
<td>20.12</td>
</tr>
<tr>
<td>2012</td>
<td>11.63</td>
</tr>
<tr>
<td>2013</td>
<td>11.09</td>
</tr>
<tr>
<td>2014</td>
<td>-7.37</td>
</tr>
<tr>
<td>2015</td>
<td>-8.45</td>
</tr>
<tr>
<td>2016</td>
<td>-8.94</td>
</tr>
</tbody>
</table>

Petrobras' revenue from 2009 to 2016 (in billion U.S. dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (billion U.S. dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>91.15</td>
</tr>
<tr>
<td>2010</td>
<td>120.45</td>
</tr>
<tr>
<td>2011</td>
<td>145.91</td>
</tr>
<tr>
<td>2012</td>
<td>141.1</td>
</tr>
<tr>
<td>2013</td>
<td>141.66</td>
</tr>
<tr>
<td>2014</td>
<td>143.66</td>
</tr>
<tr>
<td>2015</td>
<td>97.31</td>
</tr>
<tr>
<td>2016</td>
<td>81.41</td>
</tr>
</tbody>
</table>

3.3.2 Petrobras scandals
Petrobras has been investigated 12 times by the Brazilian parliament since its creation. Suspicions of its internal corruption were also widespread, in 1997 Petrobras managers were accused by a prominent journalist of embezzling company funds but this accusation wasn’t proven. More recently, in 2009, there was a scandal regarding Petrobras acquisitions of an oil refinery in Pasadena in the USA. This acquisition led to the loss of hundreds of millions of dollars by the company (Parliamentary Commission of Inquiry, 2015). Following a public outcry, the Brazilian senate decided to create a Parliamentary Commission of Inquiry (CPI) to investigate such acquisition but it ended in December 2009 with no condemnation.

The *Lava Jato* Investigation started in 2014 with a completely different scope. It started by investigating gas stations suspected of being part of a money-laundering scheme, thus the operation was aptly named car wash, or the ‘Lava Jato’ Operation. The investigation ended up uncovering a corruption scheme of unprecedented scale involving Petrobras, the largest construction companies in Brazil and several political parties. Once uncovered, several top
executives signed plea agreements denouncing peers, companies fined billions of dollars across different jurisdictions, accounts where frozen, company valuations plummeted, and future contracts were cancelled. From the *Lava Jato* investigation, I have identified the main group involved in the corrupt network. I initially focus this analysis on the Director of Supply of Petrobras, Paulo Roberto Costa. He was the first executive of Petrobras arrested and having been an executive director for 10 years, was able to detail how operators of a corrupt field worked, the names of corruptors and of the mediators.

### 3.3.3 The governance of Petrobras

Appointments to the board of Petrobras were made by the political patrons with strong ties to the construction industry. Petrobras managers and their appointments were made politically; a common formula is seen in the figure below.

Figure 7 Scheme of corporate and political influence in Petrobras 2004-2014

A clear example is provided by Paulo Roberto Costa who started working for Petrobras in 1978. Many executives such as Costa, with long and successful careers in Petrobras, knew from the outset the trade-offs they would have to face to be promoted to highest echelons:
I got in through (in Petrobras) a public competition in 1977, 2 February 1977. I worked at the company for 35 years. Until I got my first political appointment… I worked for 27 years in various PETROBRAS department, chalking up several positions in the company, and I never needed political support to progress in my career. It was because of my ability that I got the various positions I held in the company. Unfortunately, you can't get on to the Board of PETROBRAS without political support. (Roberto Costa, Director Supply Petrobras, 2014)

In 2004, Costa, with the support of Jose Janene, the leader of the PP party in the government coalition, was nominated to the executive board of Petrobras as the executive director of Supply. According to the federal prosecutors and to the pleas, the political agents responsible for the nomination of Paulo Roberto Costa would receive a percentage (around 1%) of the value of each contract signed by the directorate. From 2004 to 2011 PP gave political support to Costa. However, from 2011 the PP lost political influence and members of the new ‘controlling’ party, PMDB, decided to keep Costa at his post and started receiving the percentage of the bribes. In 2014 Costa was arrested and in 2015 sentenced to 12 years in prison and returned USD 23 million acquired via bribes to the prosecution.

The appointment of these managers is extremely important due to their responsibilities inside Petrobras. Costa was managing billions of dollars in contracts and this led to several losses to Petrobras in every single of his projects due to corruption and technical flaws.

3.3.4 Petrobras’ Contracting with Suppliers

In the end the 1990’s Petrobras changed its way of conducting public tenders to make it quicker to contract-out to the international market. The new bidding procedure for tenders created was the invitation-letter, which was received by a limited number of participants and the process was directly controlled by the executive directors of Petrobras. Several changes happened, for example in 2004, just 8% (GLOBO) of R$15.3b spent by Petrobras in tenders
was done through this discretionary invitation. The following year this figure rose to 60% and in 2009, it stood at 76% of the investments of the company that year.

Table 7 Refineries tenders controlled by Costa

<table>
<thead>
<tr>
<th>Projects</th>
<th>Refinery of Abreu e Lima</th>
<th>Petrochemical Complex of Rio-Comperj</th>
<th>Refinery Presidente Getulio Vargas-Repar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of tender (R$)</td>
<td>18 billion</td>
<td>7.5 billion</td>
<td>8.6 billion</td>
</tr>
<tr>
<td>Main contractors</td>
<td>Camargo Correa, Engevix</td>
<td>Iesa, Queiroz Galvao, Galvao Engenharia</td>
<td>Mendes Junior, OAS, Odebrecht, UTC</td>
</tr>
<tr>
<td>Estimated losses of Petrobras (R$)</td>
<td>400 million</td>
<td>249 million</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Sources: modified from Brazilian Federal Prosecution Task force (2015)

In the following section, I describe and analyse the role of each group, and then I analyse the actions undertaken by the participants to maintain the corrupt agreement during various shocks, such as the replacement of members, external investigations and delays in payments.

3.3.5. Findings

This is a complex corruption case with many actors and organisations involved. The focus of the analysis are the firms that supplied services to Petrobras and their top managers. These firms supplied billions of dollars of services to Petrobras and created a cartel that grew over time. They had several strategies to maintain internal cohesion, to deal with other threats, and to increase and spread its influence. The nonmarket strategies were composed of different sets of practices such as: political campaign financing, bribe paying to Petrobras executives and to politicians that would help them appoint desired managers in public controlled
companies. Internally, the cartel adopted a number of strategies for its survival and to maintain its cohesion for a sustained period of time. They include the establishment of common rules on bribes, a clear hierarchy of firms, policing of its members and the diffusion of membership.

In this section, I follow the ethos of my research analysis and analyse what happened within the firms, across and how nonmarket strategies where implemented.

**3.3.6 Pressures within Firms**

I start by analysing the institutionalisation of the cartel. To maintain corrupt activities, executives had to deal with the internal pressures of their own firms. This included the internal compliance teams. Large companies are required to have a compliance department in Brazil in order to be part of the stock exchange and to have access national and international financing. However, the compliance department although taken in consideration, were not seen as particularly efficient:

Member of Parliament - For the money from the kickbacks, didn't you have to rely on the collusion, collaboration of employees, who were not guilty of anything? How did you do that?

Dalton Avancini - Several of these processes (...). The law of compliance is strict but (they) weren’t picking us up.

Another threat related to compliance was to justify the corruption payments through the internal accounting system of these multinational companies, and how to send the bribes abroad via various offshore companies. The *doleiros*, money launderers, became the core of this corrupt network. Executives would have to include a separate accounting system, so to keep it registered they generated fake payments and bribes and the overall profitability of the corrupt activities:

“For you to make payments... I mean, we did not have a shadow accounting system, we don’t have it, we never had it there, in the company; so, you had to find some
kind of mechanism, that is, for you to make payments to these... to fulfil these pseudo obligations there, with these agents... So, the use of companies, the use of consultants, derived from that. That's what I call structuring such payments” (Dalton Avancini, ex-CEO, Camargo Correia, 2015)

All these activities are unexpected in traditional firms and we can see how a fair amount of narrative decoupling happens between what are the accepted rules to the external stakeholders of the companies outside and the actual practices put in place by top executives. For example, the set of compliance measure they say that they adhere too while still engaging in corruption.

3.3.7 Rules within the Cartel

The executives of Petrobras had close contact with the cartel of construction companies from the beginning of 2004, a group of construction companies strike a deal with the Director of Supply, i.e. Costa, and the only companies invited to tender were members of the ‘club’. The club’s initial strategy at its conception was to limit the companies that could be invited to tender, and from 1998 they tried to limit competition between themselves and became progressively stronger. According to Mendonca (2015), by 2004 they had total power and would coordinate tenders among themselves.

Nine executives confessed that this cartel began with 16 companies, and later included 23, with 7 occasional participants. According to the CEO of Toyo Setal, the members of the club were initially: Odebrecht, UTC, Camargo Correa, Techinit, Andrade Guttierreze, Mendes Júnior, Promom. From 2006 onwards, new companies joined and were invited such as OAS, Skanska, Queiroz Galvão, Iesa, Engevix, GDK and Galvão Engenharia. When a new member arrived or replaced another he (they were exclusively male) was socialised and introduced to the previous commitments accepted by the organisation.
Institutionalisation of the cartel A document apprehended by the federal police in 2014 was headed ‘Proposal to close the bingo’, which showed rules similar to the Brazilian football league, but with corrupt prizes. This offers an insight into the allocation mechanism and rules of the cartel.

Figure 8 Printed rulebook of the cartel apprehended by investigators

<table>
<thead>
<tr>
<th>Title- Sport Club United we Will Win</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bullet point 1- LIST of 7 Companies participated, nicknames familiar to football supporters.</td>
</tr>
<tr>
<td>Bullet point 2- Rules about prizes (participation)</td>
</tr>
</tbody>
</table>

The figure above is one of the apprehended documents showing the formalized group. In their ‘game’, the prizes are in the subsection of the contracts of Comperj Refinery. Such practices extend to several other contracts. In order to maintain the equilibrium on a large amount of contracts being bid by the group, they created a clear accountability and rulebook regarding the division of tenders. As mentioned in the testimony of one of the CEOs (Plea Mendonça Neto, 2015) this helped to build trust, cohesion and stability between members of the group and was successful for at least a decade.

The cartel meetings included the analysis of tenders, and a chronological list of contracts was assigned so that some companies were written out, and then members could
choose tenders that were their priority (MPF, 2015). A member mentioned that there was a pressure to participate in the group and to confirm to their established rules. Therefore, the club created processes and evolved rules in this corrupt field and they were respected and followed over the years.

3.3.8 Stability across firms

When a new member enters the cartel, the existing members aimed to maintain existing processes. The CEO of Camargo, states that when he was promoted to his first executive board, was told about the previous ‘agreement’ of the compromise of the construction company with other members.

I was notified by the director who preceded me. He told me there was already an existing process, that is to say, there was a payment commitment from the company within the supply board and service board. (Dalton Avancini, ex-CEO, Camargo Correia, 2015)

There was a socialisation of members even outside the companies and it was frequent for them to meet at dinners. Trusts and bonds were also created through these 10 years and there was an expectation that even after they left their current positions they would find a new role in the corrupt field. However, even though these were ‘friendships’ there was still a coercion factor present. This colluding and setting of boundaries was a process of institutionalization, where rules were gradually defined to maintain such activities and can probably be applied to other situations of cartels. Yet emotional ties where developed and this contradicts some of the rational choice proponents of corruption as simply a principal agent issue.
### Table 8 Examples of Maintenance of the Club at Petrobras

<table>
<thead>
<tr>
<th>Actions</th>
<th>Definition</th>
<th>When/how</th>
<th>Examples in the Club</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identity</td>
<td>Work to make sure there is a cohesion inside the cartel across the years</td>
<td>Rulebook</td>
<td></td>
</tr>
<tr>
<td>Boundary</td>
<td>“strategic practical action” for the purpose of establishing epistemic authority [by] drawing and redrawing . . . boundaries . . . [through] expulsion, expansion, and protection of autonomy” (Lamont &amp; Molnar, 2002, p. 179)</td>
<td>Expansion of membership of the club across the years</td>
<td>Speech new members</td>
</tr>
<tr>
<td>Interaction</td>
<td>The purposeful reconfiguring of the interactions among members of a coalition (Phillips &amp; Lawrence, 2012, p. 225)</td>
<td>Assigning contracts according to need, following the rule of a football club</td>
<td>Rulebook and dinners</td>
</tr>
<tr>
<td>Policing</td>
<td>Ensuring compliance through enforcement, auditing and monitoring (Lawrence &amp; Suddaby, 2006, p. 230)</td>
<td>Making sure bribes where being paid in the due time and who would be part of the club</td>
<td>Politicians asking for payments</td>
</tr>
<tr>
<td>Deterring</td>
<td>Establishing coercive barriers to institutional change (Lawrence &amp; Suddaby, 2006, p. 230)</td>
<td>Limiting the participation of tenders in Petrobras to companies that followed the rules of the cartel</td>
<td>Meetings of the cartel</td>
</tr>
</tbody>
</table>

Therefore, the cartel has several instances of collaborative work. The cartel also had several strategies to deal with the external environment, replace its members, and internally had clear rules to enforce its agreements.
3.3.9 External shocks

Unexpected pressures also arise from outside the field. There were a number of shocks from outside the system during the period, but they replaced members and incentivised others to continue the corrupt activities. Ultimately there was a sense of impunity that would detain members from either leaving the field or trying to disrupt it:

What effectively changed is that, today, the environment is completely different. Today, I have the assurance that everything I'm talking about is going to be investigated, assessed, and people will have to be penalized. Doing something like this in another era, with an isolated attitude, would have been very foolhardy in my opinion. I honestly did not have the courage. Until Lava-Jato (Car Wash Operation) arrived, that was the reality. (Augusto Mendonca Neto, ex-CEO Setal, 2015)

It is counterintuitive to see that other anticorruption operations could also be beneficial to business executives within the investigated firms. For example, in 2009 Camargo Correia was investigated on high profile corruption scandals of tender manipulation called the ‘Sandcastle activities’ and police detained several top managers. Previous managers were replaced by younger executives, not directly involved in the incident; but the corruption activities in Petrobras were maintained. As mentioned below:

I will say this: I did not participate in the Sandcastle activities, but I will tell you that I benefited from Sandcastle (anticorruption investigation), it opened up space inside the company for me. All those who participated or were involved with something - it opened a professional avenue. It was from that point that I began to gain space within the company. So, in a way, I benefited indirectly. They took away my internal competitors. I gained a foothold. I was coming from private clients (the department). (Eduardo Leite, Executive, Camargo Correia, 2015)

It is important to remember that these corrupt relationships resisted several shocks over the years. During this period of great interaction and difficulties, members tried to make sure that the cartel was preserved. Trust was reinforced internally, and aided the creation of the
cartel. This colluding and setting of boundaries was a process of institutionalisation, where rules were gradually defined to maintain such activities.

3.3.10 Enactment of the Nonmarket Strategies

Corporate political activity scholars have identified private companies’ campaign donations as a nonmarket strategy (Mellahi, et all, 2016). This was also a prevalent strategy adopted in Brazil and five of the 10 largest official contributors to campaigns of all parties were construction companies in the presidential, legislative and governors’ campaign in 2014. A campaign cycle that officially cost more than one billion dollars. Yet the executive of Petrobras has a different take on the accepted view and the legitimacy of such a strategy:

“It is a great fallacy to say there is campaign donation in Brazil (...) They are loans to be paid (back) later on by the beneficiaries of (such) contributions when (in their) positions” Paulo Roberto Costa, Testimony (plea agreement) Federal Court 9/3/15

The figure below shows how members of the cartel would implement their nonmarket strategies regarding Petrobras and their competitors. They did so by limiting competition and by creating a cartel that also influenced executive appointments at their client’s firms.

Figure 9 Examples of corrupt non market strategies
**Mediating Conflicts within Cartel Members and across with Petrobras** The money launderers and lobbyist where in several occasions the key actors within the network. Not only they operationalized the payments and laundered the money as mentioned before to help the corrupt executives within the firms. They also kept the with lobbyist and political sponsors of Petrobras. Therefore, lobbyist and money launderers they were the connection point, which passed on messages, paid on bribes and defused tension when problems arose between Petrobras executives, political sponsors and corruption scandals. I identify them as **institutional anchors of trust**.

These tensions would happen for example when companies did not agree with the rules of the club or did not pay directors were either denied the opportunity to participate in future tenders. Also when there were delayed payments and the opportunity for example to meet Costa (2010) to discuss their current projects. A manager of Petrobras also had a ‘the power to complicate things’ as stated by one of the CEOs:

> In reality, a director of PETROBRAS has great power to disrupt and very little power to help. So, our participation, and I believe this is true of most companies, is much more about preventing harm, than to reap any benefit. (*Augusto Mendonca Neto, ex-CEO Setal, 2015*)

The institutional anchors of trust are a stable link is essential for the routinizing and enabling of the non-market strategies through different channels of illegal activities. They managed the tensions across the field and are agents that are reliable to all organisation since they operationalise all the transfers between actors. They routinized and operationalised fake receipts for companies paying bribes and are able to send the money abroad and into secure offshore accounts. Finally, they offered concealing powers of all the operations and are also adept at dealing with external shocks. The picture below explains such process.
Such anchors did understand their importance and had sense of what they did. As it is exemplified here:

I'd actually like to come back to that e-mail where I put it like this: "Doleira - money changer. (Laughter.)" Why? Money changer has always been a synonym for those who keep their word for off-the-record agreements(…) You understand? So when I say that I’m proud, not proud as a "money changer" undermining the financial system, but proud to have kept my word, kept my credibility, because customers would hand over money to me, sometimes without knowing who I was… So, the person trusted what I was saying. And sometimes I would say: "I’m not going to take your money, because I haven’t got the right conditions to send it, I’m not going to send it." So, in this sense, being a money changer is linked to the issue of credibility. (Nelma Kodama, Money Launderer, 2015)

3.4 Discussion

In this study I attempt to understand how and when businesses engage in corrupt strategies and what pressures lead to such outcome. I tried to understand: What strategies are used by corporations and individuals to maintain long term corrupt relationships? From this in-depth case study one can develop implications for the existing theories and question some of the prior empirical findings.
This in-depth case study of the corrupt oil and gas industry in Brazil demonstrates how corrupt practices can be maintained across time and the strategies corrupt firms adopt to maintain the corruption. As mentioned in the introduction, this is also a global problem. In this case study we can see how corrupt practices from society’s perspective are also legitimized at the firm level and then sustained. Corrupt actors inside firms co-opt, influence and control processes across the industry, while concealing such activities to their own company’s compliance team and society.

I started tackling how corrupt actors where able to maintain such activities within their own firms, across cartel members and to deploy nonmarket strategies. There have been several explanations that attempt to explain corrupt strategies based on rational theories such as the application of theories such as game theory (i.e prisoner’s dilemma), that seem quite effective in single transaction between actors but do not seem to explain the unfolding of the corruption case in Brazil and its duration.

Nonmarket studies have shown that in many cases stakeholders with stronger ties to the top management team may take precedence over demands of other stakeholders (Michelson, 2007) and also the effects of campaign contributions on policy (Holburn & Vanden Bergh, 2014). I extend the literature by showing that even corrupt groups adopt a portfolio of nonmarket strategies focusing on their cohesion rather only maintain their short term competitive advantage. Such relationships are not strictly based on a resource dependency interaction among peers and lasted several years.

Corrupt group of firms and their executives created a set of rules, authority and coercive power to enact their strategies. These established the norms, rewards and rules, and common strategies that were essential for a coordinated existence and for the maintenance of such
interactions and boundaries. All the main multinational conglomerates also have their compliance department and have to follow the SEC rules so it is interesting to compare to other similar cases. Siemens for example opened several parallel offshore accounts in Panama and the Caribbean to operationalize its bribes paying in Latin America. (Panama Papers, 2017). Petrobras’ managers and a group of supplier companies were involved in corrupt practices despite having an internal compliance department, ensuring they formally abided to SEC rules and had accounts audited by major international auditing firms. Thus, an institutional persistence of corrupt practices in the companies appears to have co-existed alongside legitimate departments and continued when new members where introduced.

Strategy scholars have studied how corruption affects the entry strategy of international businesses (Rodriguez, et al., 2006) and the role of nonmarket pressures (Davis et al., 2000). However, when analyzing a deployment or investment of a foreign company in a new context, one might consider it as a one-off act that leads to conformity. Yet corruption is a much more complex product and firms have to repeatedly engage in their local contexts. Therefore, corruption is much be much more socially embedded than the previous literature demonstrated and not only a rational decision of a one of corruption interaction to set up a new subsidiary.

These corrupt nonmarket strategies led to short-term financial gains via the awards of multibillion contracts so there were financial and institutional pressures to participate in corrupt arrangements. Yet it became a self-defeating strategy in the medium and long run since once uncovered, led to the demise of the managers themselves and their firms. The negative impact of corruption led to the loss of credibility, destruction of public image; collapse of market value, and in many cases, bankruptcy.
3.4.1 Understanding the Institutionalizing Corruption Within and Across Firms

Corruption is a market failure and can be institutionalised. In this case study, the corrupt group relied on the action of individual within the group with normative authority and coercive power, despite being illegal. Consequently, changes in the operations or the decisions of when to enact the strategies are legitimised by members that have established the norms, rewards and rules, and in turn, reward the compliant behaviour of new members to maintain the status quo.

There are several ways to maintain corrupt activities in time such as the institutionalization of a group of cartel members. In this case study there was a clear strategies placed to make sure there were boundary definition, rules, policing and deterring. Boundaries are necessary when choosing to expand membership of the corrupt group during the year. Rules are created for the assignment of contracts according to need. Policing was used to make sure bribes were being paid in time, and who can join the corrupt group. Finally, there needs to be deterring of competing non colluded companies from participating on the overall business. This figure analyses the dynamic processes and tensions that arise from corrupt relationships and how these are successfully maintained over years. The different pressures enacted together to increase and maintain the corruption cycle.
Institutional Anchors of Trust. To maintain a corrupt field across a lengthy period of time, members of the cartel worked hard to maintain, repair and even prevent change of their context. A great part of this work is done by the institutional anchors of trust. These anchors of trust are agents acting under the radar of traditional governance mechanism yet prevalent around the business world. Such anchors are individuals or organizations that are used to maintain stability in the corrupt network and are used by a corporation’s top managers to enact many of the strategies and to maintain durable corrupt relationships across their sector and cartel.

3.4.2 Contribution to empirical research on strategy and corruption

Although widely accepted as a relevant topic, studying corruption faces several challenges regarding data collection. To deal with this I analyzed micro level data such as testimonies and interviews on corrupt practices from criminal investigations. I looked at publicly available data from ongoing investigations of the corruption scandal at Petrobras,
which offers an opportunity to build a detailed case study and enrich the field of corruption. Using this material led to an unprecedented availability of data regarding executives and their firms’ strategies and we used to answer the research question. Executives revealed the process of paying bribes, what contracts were awarded to the firms and what strategies they adopted to win the contracts and maintain the relationships over several years.

Strategy scholars should be more creative on the use of widely available data, particularly reliable court proceedings. Thus I offer pathways that enrich strategy scholars’ empirical research using widely available non-conventional data from legitimate sources. This means to apply theories, tools and methodologies from legal studies, sociology, and other related social sciences.

By understanding and explaining the behaviour of managers in such firms we can better understand the persistence of problematic corrupt practices and how it spreads. Policy makers and compliance professionals should think about how to tackle individual pieces of this corruption puzzle beyond cosmetic announcements by the public relations departments of corporations. This also means that practitioners and scholars still need to identify more proactive strategies to deal with corruption.

3.5 Conclusion

This study focused on a corrupt group of companies that collaborated for more than 10 years in Brazil. Such group institutionalized corrupt behavior and used corrupt non market strategies. I tried to better understand the complex phenomenon of corruption, particularly how it occurs, persists and the institutional strategies within and across different firms.
I analysed how corruption is maintained over time, and what institutional mechanisms underpin this phenomenon. I also analysed in-depth, the processes and strategies adopted by managers and firms of a corrupt field. I ultimately identify the reasons on how a cartel is able to sustain for a long term a fragile partnership and the role of anchors of trust in such context.

By understanding how corruption works, anticorruption officials, managers and compliance departments can get more insight into how such strategies are put into place and how to develop a toolkit to fight the problem. Furthermore, by using non-traditional data I bring new insights to the field of strategy. Finally, it contributes to strategy and corruption literature by studying a phenomenon relevant in all societies, while connecting it to nonmarket strategy.

3.6 Limitations and future research

There are a few limitations to this study and further paths of research. This is a single qualitative case study with some limitations to its generalizability therefore It would be interesting to analyse different firms in different industries.

The influence of the context and non-market strategies are also limited by local laws and social and political contexts. Some countries accept regulated lobbying and advocacy activities (USA), private campaign financing (Brazil) while others do not, however they all agree that cartels are illegal (160 members WTO) (Clougherty, 2005). Therefore, corruption moves from a grey zone to a ‘dark side’ for the multinational, subsidiary or local organisation that suffers corruption. Finally, questions on the micro level and on leadership are still open to exploration, such as, what is the process through which responsible leaders manage relations with divergent stakeholders?
Corruption is a major global concern and there is widespread interest in finding effective ways to fight this problem. The Organisation for Economic Cooperation and Development (OECD) define corruption as “the abuse of public or private office for personal gain. It includes acts of bribery, embezzlement, nepotism or state capture. Corruption is often
associated with and reinforced by other illegal practices, such as bid rigging, fraud or money laundering” (OECD, 2014). Recent corruption scandals have affected organisations as diverse as United Nations Oil (Jeong & Weiner, 2012), the International Federation of Association Football (FIFA), and several multinationals such as Siemens and Samsung.

Management theories, and in particular institutional theory, offer a useful lens through which to study the fight against corruption, because they are particularly suited to understanding institutional change and the deinstitutionalisation of well-entrenched practices (Maguire & Hardy, 2009). While early neo-institutional formulations focused on notions of conformity and stability and the structural constraints upon agency, since at least the 1990s, there has been increasing emphasis on explaining agency – both change and maintenance – often through ‘bottom up’ notions of institutional entrepreneurship (DiMaggio, 1988), institutional work (Lawrence and Suddaby, 2006), collective action (Wijen & Ansari, 2007), practices (Smets, Morris & Greenwood, 2012), framing (Gray, Purdy & Ansari, 2015), communication (Loewenstein, Ocasio & Jones 2012) and social movements (Schneiberg & Lounsbury, 2008). While a great deal has been learned about institutional change through these studies, in an effort to foreground agency, the ‘agentic turn’ in institutional theory has arguably tended to overlook the influence of the institutional context (see exceptions e.g., Weber & Glynn, 2006; Gray et al., 2015) that offers varying degrees of latitude to actors involved in cultivating change. Contextual influences are often acknowledged but tend to be bracketed as simply as enabling conditions for agentic activities. Even more broadly speaking, organizational theories in general – including (neo)institutional theory – tend to ignore the historicity of institutional processes and how different historical constituents varyingly
influence institutional dimensions (Clemente, Durand & Roulet, 2016), precipitating factors or enabling conditions for agentic activities.

Thus, while we have gained impressive insights into actors and their work (Phillips & Lawrence, 2012), the role of context in enabling and empowering institutional work remains less explored (Lawrence, Lecca, & Zilber, 2013: 1026). Yet, it is well established that evolving norms, beliefs and other contextual dimensions in society can empower or constrain agents trying to bring about change in institutionalised practices by creating “windows of opportunity” that allow these changes to be “crashed through” (Aberbach & Christensen, 2001; Granqvist & Gustafsson, 2016). Corruption is one example of a highly institutionalised practice, where even concerted efforts towards change have often borne little fruit; such as the Malaysian government-backed “Anti-Corruption No Gift Policy” campaign in 2012 that made few if any inroads into fighting corruption. However, it has also been observed that, at certain times, anti-corruption efforts suddenly become visible, gain traction and yield breakthroughs. How do these actors at the helm of fighting corruption become empowered at particular points in time?

While existing research has explained how actors can disrupt even deeply entrenched practices, we focus on the role of the context in fuelling these efforts. We analyse one of the largest anti-corruption operations ever launched in Brazil: the ‘Lava Jato’ (Car Wash Operation), the antecedents that led to it, the contextual enablers of change and some of the agents involved in this anti-corruption operation. The Car Wash Operation has been Brazil’s most publicised corruption scandal in recent history and led to the arrest of hundreds of politicians and business executives. Many Brazilian agencies have long had anti-corruption missions, but arguably had to wait for “contextual readiness” (Ansari & Phillips, 2011: 1593), “windows of opportunity” (Aberbach & Christensen, 2001) and the availability of societal “raw materials” (Lawrence and Phillips, 2004: 691–692) to push their agenda. The changes we
witnessed did not occur in a societal vacuum but can be attributed to an accumulation of actors’ efforts and evolving context over time that allowed these changes to occur.

The chapter is structured as follows. First, we review institutional research on corruption and then describe and analyse the practice of corruption in the Brazilian context over the last 13 years, including the role of the government, anti-corruption agencies and other prominent figures in the fight against corruption. We then report key related events – both major and minor jolts – from 2002-2014. Finally, we present our findings and discuss the implications for the literature of corruption and institutional theory.

4.1 Theoretical Foundations

4.1.1 Institutional change and the role of context

In the early 1990s, there was a turn in institutional theory to explain agency and institutional change including the role of purposeful actors in mobilising resources from the socio-political environment and crafting change (DiMaggio, 1988; Seo & Creed 2002). This agentic turn has subsequently generated several theoretical lenses to analyse change (Gray et al., 2015) and explain how and why purposeful actors contribute to changing enduring institutions (Garud et al., 2007). While we have gained a much richer understanding of institutional change from these studies, in privileging purposeful actors and their efforts, the role of context in influencing change became relatively side lined.

To understand change more comprehensively, it is important to analyse the role of the context that can reconfigure a field and empower or constrain the actors involved in change (Ansari et al., 2013; Hoffman, 1999; Hoffman & Ocasio, 2001; Clemente et al., 2017). The
role of context has, of course, not been ignored. For instance, Hoffman (1999) argues that corporate environmentalism emerged and diffused over three decades (1960-92) and led to institutional changes in the US chemical industry. Maguire and Hardy (2009) explain the outsider-driven deinstitutionalisation of the widespread use of DDT led by discursive changes in the field that undermined the institutional pillars supporting the practice. Granqvist and Gustafsson (2016) explain how “windows of opportunity” created by ongoing institutional work allowed the successful launch of nationwide university reforms in a country in Northern Europe. However, notwithstanding exceptions, many studies of purposeful actors and their efforts have tended to largely ignore the role of the context in bringing about institutional change (Lawrence et al., 2013).

While the work done by actors to maintain, disrupt or create institutions (Lawrence & Suddaby, 2006: 21) is key to understanding institutional change, much empirical research has focused on micro-level practices rather than the influence of the macro-level, which offers categories and concepts that actors can use to “creatively navigate within their organisational fields” (Lawrence & Suddaby, 2006: 219). Thus, while agents can challenge established organisational structures to implement their vision and change institutional arrangements (e.g. DiMaggio, 1988), it is not clear why, at times, institutional work seems to matter more, while at other times much less so. Here, we focus on a particular type of work – anti-corruption efforts – and seek to examine why it fluctuates in its importance in an evolving context.

4.1.2 Deviant practices and corruption

Deviant practices such as corruption often transpire in the shadows amid efforts towards their concealment and normalisation to reduce regulatory scrutiny (Gabbioneta, Greenwood, Mazzola, Minoja, 2014). There has been renewed interest in the study of deviant and illicit practices by management scholars. For example, Greve, Palmer and Pozner (2010) examine
organisational misconduct and its causes, diffusion and consequences. Key deviant practices also include fraud (Gabbioneta et al., 2013; Van Debunt, 2010), rogue activities (Land, Loren, & Metelmann, 2014) and corruption (Misangyi, Weave & Elms, 2008). The journal, Organisation Studies, dedicated a special issue to the ‘dark side’ of organisations in 2014.

Corrupt practices have been examined at various levels. Gabbioneta et al. (2014) dealt with societal level corruption; Pinto and Leana (2008) focused on individuals and organisations. Ashford and Anand (2003) explain how organisational corruption becomes normalised, while Misangyi, et al. (2008) show how institutional entrepreneurs can change corrupt practices at the societal level. While more recent work has focused on the role of history and on the different kinds of corrupt practices (Torsello & Venard 2016), there is still a need to better account for the influence of contextual factors on corruption and the competing and changing environment demands in different settings.

While this body of work already published has provided rich insights, much of it has been at the theoretical level: there is still a dearth of empirical and cross-level work on corruption. The predominance of conceptual work can be partly explained by the formidable challenge of collecting data on corrupt practices. In addition, few studies have looked at anti-corruption drives, such as the social movement in India in 2012 led by Anna Haraze, or government-led initiatives launched against corruption in countries such as Hong Kong, South Korea and Singapore. These initiatives have had varying levels of success in addressing corruption, which raises the question: Why, at times, do anti-corruption drives prove to be influential, while at other times they seem ineffectual? Are there critical junctures or particular opportune moments in time, as per the classical Greek concept of Kairos, where anti-corruption efforts gain momentum and create breakthroughs? Our main questions are thus: (1) Why does anti-corruption work seem to gain more efficacy at certain points in time? (2) How do the institutional context and actors influence anti-corruption efforts?
Chapter 4: A Study of the Fight Against Corruption

4.2 Data and Methods

Focusing on corruption investigations and anti-corruption efforts in Brazil during the period 2002 to 2015, we sought to identify the contextual factors that led to the anticorruption operation in Brazil (Car Wash) to generate change in the field. The year 2002 was chosen as a starting point because it was the beginning of the Workers’ Party’s tenure in government, the first time an opposition party had been elected in recent Brazilian history. We focused on the still ongoing operation Car Wash that began in 2014 and concluded our analysis at the end of the main parliamentary commission of inquiry. Due to the statutes of limitation in the Brazilian penal code, many corrupt activities cannot be investigated pre-2002 as there is no available data.

We drew on public inquiry data that has been used in previous qualitative studies (e.g. Gephart, 1993), as well as transcripts from court proceedings (Gabbioneta et al., 2013). Public inquiries are also used by societies as a way of making sense of disasters and to produce in-depth accounts involving people that participated in such events (Gephart, 1993). The Car Wash case is very well documented, with extensive media articles and government reports, and all the data is available via government websites or international online databases. The Petrobras parliamentary commission of inquiry, for example, started at the beginning of 2014 and ended in November 2015. All sessions were recorded and transcribed; the transcripts are public and available on the website of the Brazilian congress.

To capture different changes in the field, we also analysed other data sources ranging from content analysis of transcripts from government inquiries, laws and court proceedings, to the analysis of statistical trends in Brazilian internet usage and published bulletins in main national newspapers. To structure our data, we created a chronology of events related to the
Car Wash operation and conducted detailed coding and visual mapping. We took three steps in our analysis.

First, we identified key events. We began by organising the raw data and rupture point jolts (e.g. the *Mensalão* case, and protests in 2013 that later led to the 2014 Car Wash operation). We sought to track how actors interacted as well as the procedural changes in the Brazilian parliament that affected anti-corruption agencies. To capture regulative changes, we studied databases and inventories in the legislative and judiciary branches of the Brazilian government. To make sure we identified relevant laws in the anti-corruption fight, we also consulted Brazilian legal experts, including two law professors at Brazilian law schools and a state attorney (cf., Gabbioneta et al., 2013). We also conducted a thorough analysis of the Brazilian legislation regarding the anti-corruption laws and investigative methods of anti-corruption organisations.

Second, we analysed news coverage of anti-corruption efforts in major Brazilian newspapers covering a period of 35 years. We also used the Manchetometro database from the Federal University of Rio de Janeiro to track the main Brazilian outlets. More data was found on websites and communiqués of government investigative agencies. Finally, we drew on polls by Folha de Sao Paulo, a reputable polling company, to analyse the evolution of societal interest in corruption.

Academic publications and their evolution are useful sources for identifying socio-cognitive changes across a field (Hoffman, 1999; Maguire & Hardy, 2009). We accessed the Brazilian Ministry of Education databases of scientific articles and dissertations (Brazilian government records provide free access to all Master’s and PhD dissertations published in the country). We also studied the international Master’s and PhD database (Proquest) of
dissertations in English speaking countries. Finally, we analysed the JSTOR database focusing on corruption articles published in French, Italian, German and Portuguese.

Through the triangulation of data from different sources (Gephart, 1988), we developed a narrative account and constructed an event history.

Table 9: Data sources

<table>
<thead>
<tr>
<th>Source</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parliamentary Commission of Inquiry of Petrobras</td>
<td>17 key anticorruption government officials questioned. More than 60 hours of hearings.</td>
</tr>
<tr>
<td>Legal Experts</td>
<td>Public prosecutor, 2 legal scholar and 2 legal clerks interviewed regarding 13 years of Penal and Administrative Laws changes in Brazil</td>
</tr>
<tr>
<td>Brazilian Ministry of Education and Proquest</td>
<td>22701 Master and PhD thesis in Brazil, USA, Canada and United Kingdom, from 2002-2014</td>
</tr>
<tr>
<td>JSTOR</td>
<td>1944 Academic articles in Italian, French and German, 2002-2011</td>
</tr>
<tr>
<td>Factiva</td>
<td>176000 articles, from 1980-2015</td>
</tr>
<tr>
<td>Manchetometro( LEMEP)</td>
<td>1501 Brazilian Newspaper headlines in 2014</td>
</tr>
</tbody>
</table>

4.3 Research Context

4.3.1 Government and the anti-corruption agencies in brazil

The Brazilian government and the anti-corruption agencies are part of a large bureaucracy composed of civil servants and a top leadership appointed by politicians. It is divided into three main branches: Judiciary, Legislative and Executive. The federal headquarters are in Brazil and the members of the legislative powers are elected every four
years. The president can be re-elected only once, whereas senators and federal deputies have unlimited terms. Brazil has one of the most expensive elections in the world for which campaigns are mostly paid for by private donations. This has also led to several cases of illegal financing and lobbying activities. The coalition of parties in the government appoints ministers. The opposition parties in Brazil are independent and have formed a strong opposition to the government, particularly over the last 13 years. While the opposition used the economic crisis and corruption scandals to attack the government, several top members of the opposition parties are also involved and have been linked to the Car Wash operation.

Civil servants in general are highly paid and their admission exam is one of the most competitive recruiting processes in the country. Usually, they retire on the job and can only be fired in cases of extreme negligence. This creates a very stable group of civil servants. The ministers of the government are appointed by the government and the ruling coalition is either aided by assistants or the civil service corps. The fact that the ministers and heads of all agencies are appointed by the ruling government has made the system quite impervious to anti-corruption fighters.

In Brazil, there are six state organisations with similar roles in investigating corruption. These different agencies and structures with different degrees of centrality have been trying to coordinate their actions for years. In the past, there has been a different level of coordination among the types of organisations, from central agencies such as the Ministerio Publico Federal (MPF) to peripheral examples such as the Conselho de Controle de Atividade Financeiras (COAF), The Tribunal de Contas da Uniao (TCU), or the Court of National Accounts, which controls the expenses and accounts of the government and its voting members. The Court is composed of councillors – many retired politicians – appointed by the government and confirmed by the assembly for lifetime appointment. It was only in 2001 that the Controller General of the Union, an internal auditing body for the government, was created alongside
another special ministry for internal audit. Its task is to investigate fraud, corruption, internal control and public audits – tasks that up to 2001 had been given exclusively to the judiciary and police forces. From 2013 until 2015, the national government was politically weakened after a close re-election of Dilma Roussef, concerted opposition in the national congress and an economic recession. This gave anti-corruption agencies further autonomy from the Workers’ Party.

Table 10: Key dates and conflicts

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>Lula (Workers Party) elected president. First time opposition wins</td>
</tr>
<tr>
<td>2005</td>
<td>High profile case against key minister of Lula’s party known as “mensalao”. Several high-profile arrests.</td>
</tr>
<tr>
<td>2006</td>
<td>Lula re-elected.</td>
</tr>
<tr>
<td>2009</td>
<td>First parliamentary commission of inquiry about Petrobras.</td>
</tr>
<tr>
<td>2010</td>
<td>Dilma Roussef elected president; she was left unscattered from mensalao case.</td>
</tr>
<tr>
<td>2013</td>
<td>Protests in Brazil against World Cup corruption and several changes to the anti-corruption laws</td>
</tr>
</tbody>
</table>

4.4 Findings

4.4.1 Sequence of events

We report the contextual changes, both key events and gradual changes, in the field related to the anti-corruption operation. We begin by analysing the main operation, Car Wash
and other jolts, then describe more gradual changes, and finally report the ongoing and cumulative work of various agents in the field.

4.4.2 Jolts in the field

Key Outcome – The Car Wash Operation

The Car Wash corruption investigation began into a small local police investigation involving gas stations suspected of money-laundering, hence the original name Lava Jato (Car Wash). The investigations began in March 2014 and uncovered a money-laundering scheme of an unprecedented scale involving Petrobras, an energy company controlled by the Brazilian state, its suppliers and several political parties. Petrobras is one of the most prominent companies in Brazil with a very high status, visibility, and strong links to the government. While it has undergone significant changes in the last two decades, the government was able to maintain control of its board and top management, and members are still directly appointed by the government and its coalition partners.

Initially, Alberto Youssef was the focus of the investigation. He began his career as a smuggler of electronic goods from Paraguay before becoming a ‘money changer’ (doleiro); an illegal currency trader working for the shadow money remittance system. As the investigations progressed, Paulo Roberto Costa, Petrobras’s former Director of Supply, was arrested for alleged irregularities in the purchase of the Pasadena refinery in Texas in 2006. After the arrest, a number of links were revealed among the money changer, the former director of Petrobras, contractors and politicians. Both Costa and Youssef eventually signed the federal prosecutor’s plea agreements to explain the schema details and in return received a penalty reduction. In his testimony, a former Petrobras director said that the corruption scheme using contractors of Petrobras supplied money to the main government parties. This meant that through mapping Youssef’s contacts and his money laundering, investigators uncovered a wider network. This
network of potential criminals under investigation grew exponentially involving several bodies of the government.

In November 2014, the federal police initiated a new phase in the Car Wash operation, which involved investigations of the largest construction companies in Brazil, including Camargo Corrêa, OAS, Odebrecht and seven others. The Brazilian Supreme Court (STF) justice authorised the investigations of 50 politicians from six parties: PT, PSDB, PMDB, PP, SD and PTB. The investigated list included the President of the Senate, Renan Calheiros (PMDB), and the President of the Chamber of Deputies, Eduardo Cunha (PMDB). In the same period, Petrobras's CEO, Grace Foster, and five other directors were fired by President Roussef. The operation is ongoing and there have been several new phases since. By the end of our research period in 2015, more than 100 people had been arrested and companies had paid billions of Brazilian reals (R$) in fines.

**Jolt 1: Mensalão-2005-2006**

The *Mensalão* was an investigation into a corruption scheme launched between 2005 and 2006, involving top Workers’ Party officials in Lula’s government and six allied parties. It was the main corruption investigation under President Lula’s government, which also included investigations into the National Lottery and the Post Office. The corrupt scheme consisted of distributing a ‘monthly allowance’ (*Mensalão*) to the allied parties in order to be able to vote for government laws. There was widespread media coverage and this was a huge scandal just a year before the national elections of 2006.

The scandal started when a magazine in Brazil called *Veja* posted a video of the director of the Post Office asking for a bribe from a supplier. Although he personally was asking for the bribe, he mentioned that the head of one of the coalition parties PTB, Roberto Jefferson, was heading the corruption scheme inside the Post Office. The federal prosecution opened an
investigation against several politicians based on this video. In his initial defence, Jefferson denied any involvement in the crime, but later, in the parliamentary commission of the inquiry and in newspapers, he decided to accuse the government and Minister Dirceu, whom he believed had set him up. By the end of 2005, both Jefferson and Dirceu lost their parliamentary mandate when they were voted out by their peers. In 2006, the investigation by the federal prosecution began and in August 2007, the Supreme Court began to analyse the case presented by the prosecution.

In 2008, it was discovered that most of the money being supplied to pay Mensalão was transferred by a company controlled by a telecom company in Brazil. Payment was made through a complex network of small companies and local banks. It was managed by Valerio, a former lobbyist in the state of Minas Gerais government controlled by the main opposition party. Finally, in 2012, 38 participants in the scheme were indicted by the Supreme Court, including 18 former members of parliament and ministers. Sentences ranged from six to 20 years. Amid extensive media coverage, a small number of ministers resigned and several senior civil servants were fired.

The Mensalão was an emblematic case that created a major stir. It was the first time that several top level ministers, members of parliament, middle level companies and lobbyists were sentenced while still in power. However, a sense of dissatisfaction remained regarding the anti-corruption driver, since most of those sentenced were freed after one to three years.

<table>
<thead>
<tr>
<th>Purpose of Corruption</th>
<th>Lava Jato-2014 (on going)</th>
<th>Mensalão (2005)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing political parties and personal enrichment</td>
<td></td>
<td>Allied parties vote for government legislation</td>
</tr>
</tbody>
</table>

Table 11: Lava Jato vs. Mensalao

101
### How it was done

<table>
<thead>
<tr>
<th>How it was done</th>
<th>Suppliers paid 3% of overcharged value of contracts with Petrobras to lobbyists and politicians</th>
<th>Advertising company received contracts of the government and distributed money to political parties to vote</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies involved</td>
<td>16</td>
<td>6</td>
</tr>
<tr>
<td>Parties Involved</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Plea Agreement</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Sentences</td>
<td>93 convictions</td>
<td>25 convictions, 2 alternative fines, 13 innocent</td>
</tr>
<tr>
<td>Background of arrested members</td>
<td>executives and lobbyist and politicians</td>
<td>Party leaders of the government coalition</td>
</tr>
<tr>
<td>Most high-profile arrest</td>
<td>CEO of Brazil’s largest construction companies and one of the richest man of the country</td>
<td>Former chief of cabinet of the president and president of the Workers party</td>
</tr>
<tr>
<td>People investigated</td>
<td>More than 200</td>
<td>40</td>
</tr>
</tbody>
</table>

#### Jolt 2: National Protests-2013

In June 2013, protests involving over a million people broke out in hundreds of cities across Brazil (IBGE; Folha de Sao Paulo 2013). This was one of the highest levels of public engagement in Brazil since the impeachment of President Collor in 1992. It started as a small protest against the rise in bus ticket prices in Sao Paulo, organised by local social movements but grew rapidly along with the demands of protesters. The protests focused on topics such as the huge costs of hosting the World Cup, and the impunity for the corrupt in the country, among other grievances.
At the peak of the protests, the national parliament building was occupied by protestors; soon after this, the government and parliament decided to address some of the requests. For example, a law that was under discussion that would reduce power of the federal prosecutors (PEC 37) was cancelled; the punishment for crimes of corruption was made more severe; and the voting procedures used to expel members of parliament were amended.

In 2013, the President signed a law increasing the power and use of plea agreements by the Federal Prosecution. The plea agreement could be used to increase investigative powers against financial crimes, money laundering, narcotics, smuggling and corruption. The plea agreement could be negotiated by the anti-corruption investigators with individuals and organisations, so long as they admitted their crimes and denounced other collaborators. Once they were proven to be true, this evidence could be used to increase the scope of investigation and be used against other corrupt members. The collaborating persons or organisations could have their punishment or fines reduced, as well as gain access to other benefits. In 2014, the Brazilian companies that were involved in corruption abroad could also be criminally prosecuted in Brazil. While the large-scale protests seemed uncoordinated, and were not orchestrated by political leadership, they led to important changes in the field.

Jolts in Brazil offered windows of opportunity for anti-corruption actors to push their agendas. As mentioned, the Car Wash operation started a year before the national elections and involved parties from both government and opposition. However, it was also exploited by the opposition as a case of state misadministration. A weakened government and a vacuum of power in the executive branch meant that the government had less power to interfere in the activities of anti-corruption agencies, which, in turn, resulted in more freedom to push their agenda. Besides these jolts, we also identified gradual changes and the ongoing cumulative work of actors in the field.
Gradual Ongoing Changes: The Work of Media, Government, Judiciary and Academia

Work of Media: There was an exponential growth in media coverage about corruption in the last decade before launch of the main anti-corruption operations. We observed a spike of coverage in the FACTIVA database. The main written media outlets, such as the Globo, Estado de Sao Paulo and Folha de Sao Paulo featured specific websites that covered the Car Wash operation, and provided daily coverage. Furthermore, television coverage in Brazil is vast with 95% of the population tuning in, while more than half of the country’s viewers regularly watch the national news show Jornal Nacional (IBGE, IBOPE, 2015).

Figure 12: News headlines about corruption in Brazil- Factiva

Reference: Factiva, elaborated by authors (2016)

The media was perceived by the government as the real ‘opposition’ and media conglomerates had mostly been hostile to the government during the period 2002-2015 (Lempes UFRJ, 2016). News agencies had tried to shape the political campaign during the 2014 election and continued to attack the government’s legislative and executive branches, while sparing the judiciary.
Table 12: Coverage of scandals by main media outlets during 2014 presidential campaign

<table>
<thead>
<tr>
<th>Scandals</th>
<th>Number of scandals articles</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petrobras-Car Wash</td>
<td>365</td>
<td>74</td>
</tr>
<tr>
<td>Mensalao</td>
<td>38</td>
<td>8</td>
</tr>
<tr>
<td>Other scandals including government and opposition</td>
<td>85</td>
<td>16</td>
</tr>
<tr>
<td>Total</td>
<td>488</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: modified by authors, based on Manchetometro/Lemep (2015)

The press coverage of the Car Wash operation has received by far the largest corruption coverage in recent Brazilian history. Car Wash’s general popularity was greatly increased during the campaign and the whole country became aware of the investigation and some of the main suspects. In 2015, corruption began to be perceived as the most significant problem in Brazil, indicating a change of priorities concerning key issues for the Brazilian people.
The Work of Government and Anti-Corruption Officials: Corruption is not a new phenomenon in Brazil, a country where an ambiguous relationship has always existed between governments, public tenders and companies. However, the Car Wash investigation is seen as a key point of change in recent political history. Recurring topics mentioned by government anti-corruption officials’ depositions during the period were ‘change’ and ‘evolution’ in government procedures and laws. Important modifications in the law occurred in 2006 and 2013 when several anti-corruption bodies were empowered. The widespread use of fines to punish corrupt companies (introduced in 2013) and of plea agreements (whose power was increased in 2013) are examples of tools used in the Car Wash investigation. In addition, an OECD international anti-corruption treaty was also important in achieving a critical mass and reinforcing the anti-corruption procedures in Brazil.

During this period, there were also several changes in legislation, and for agencies such as the MPF, the government could no longer directly appoint top management, and had to
Chapter 4: A Study of the Fight Against Corruption

respect the vote of institution members. The federal government, through its executive branch, also tried to increase transparency and created the Portal da Transparencia (Transparency online portal), where government bids are published online, along with the costs and payments of projects and salaries of civil servants. Government agencies had to control and register every financial operation online and make it easily accessible. This information provided a huge database of registered transactions that were later used by anti-corruption agencies.

There used to be a widespread belief that due to complicated court procedures, indicted parties could profit from non-compliance to several societal rules. A long judiciary process meant that there was an incentive to delay or appeal any decision, leading to frustration on the part of investigators. Complexity in law led to ambiguities and accused parties could escape punishment. In a parliamentary hearing it was noted:

With all the opportunities of defence given, the judiciary still postpones the decision and says that the right to defence was not fully guaranteed. This is a problem I have always been facing. Any punished person or company goes straight to the judiciary and says that they were not guaranteed the right to defence, access to investigation, etc. Imagine if we (would) open up an investigation without enough material to support the accusation?
(Former Chief Auditor of the Brazilian Government, 2015)

Consequently, many criminal investigations ended up in prescriptions, but without definitive sentences. Among many high profile corruption cases in which the final decision was reversed was the impeachment of Brazil’s former President Collor that was annulled by the Supreme Court. A state official involved in monitoring financial transactions stated:

The job of the Revenue Service is like a lottery: the subject, the defrauder bets against the inefficiency of the State, saying: “Look, the State is not going to find me” …If the Revenue finds him, everything goes to the courts, in order to condemn him, via Public Prosecution, etc. And if the subject pays before the formal accusation, the crime vanishes. So, somehow we are encouraging the subject to bet against the inefficiency of the State (Director, Anti Money Laundering Unit, Parliamentary Commission of Inquiry, 2014).
Another problem in the application of laws was the complexity of coordination, the anti-corruption agencies themselves and the application of the law. It was stated by the former Chief Legal Adviser:

There is an overexposure of agents doing the same thing. So, to give an idea, in the specific case we are talking about, there is the Public Ministry, the General Prosecutor due to the responsibility action; there is the Controllship, which also investigates; there is the CADE, which investigates the scope of the cartel… and there is the Union Audit Office which acts independently from the application of the law. (Chief Legal Adviser of the Government, Parliamentary Commission of Inquiry, 2015).

A series of new laws allowed the sentencing of both individuals and companies and to coordinate anti-corruption activities. The courts began to punish corrupt officials and use plea agreements to expose networks of corruption. Yet, even this new application of law led to internal controversies. One group of investigators favoured plea agreements as a way of exposing company secrets; another group criticised their use, arguing that informers are overly protected. However, most agreed that although the law has flaws, the new rules were beginning to work. It was favoured by Car Wash investigators and several anti-corruption departments, as stated below:

I think our legislation is crystal clear in terms of people walking on the right path. Now, if a person decides to take the wrong path, I do not think the legislation is to blame, the person is to blame, and the fact that that person was in jail for 18 years shows that the system works (Official from Anti Money Laundering Department of the Brazilian Central Bank, Parliamentary Commission of Inquiry, 2015).

The Work of Judiciary: Legal changes cannot alone explain why the recent operation has been so successful on this occasion. There have been previous instances where laws were approved but not enforced, or heated debates transpired but did not lead to changes in legislation or judicial tools. In our case, the agents involved in investigations decided to actively shape their context. Although they were able to investigate and arrest corrupt officials, they also attempted to try to change the law and norms in their favour. They openly campaigned to change laws and norms by collecting more than two million signatures for their proposals.
To put additional pressure, they also created a campaign website in an attempt to directly intervene in the legislative process.

Figure 14: Federal prosecutors attempting to shape societal norms around corruption

<table>
<thead>
<tr>
<th>Translation:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Top Section</strong>: 10 Procedures Against Corruption</td>
</tr>
<tr>
<td><strong>Middle section</strong>: The fight against corruption can have a new chapter in our history and break the impunity cycle.</td>
</tr>
<tr>
<td><strong>Bottom section</strong>: CORRUPT PERSON, you will have reasons to abandon corruption</td>
</tr>
</tbody>
</table>


The proposal put forward by the MPF suggested an increase in the power of the institution and called for the criminalisation and greater punishment of illegal campaign funding. They also proposed the punishment of political parties involved in these activities that are in direct conflict with the current members of the elected government.

As discussed above, the media brought the corruption issue to the fore, and even the investigators decided to create websites and publish press releases to communicate their agenda and raise awareness. The investigating team held press meetings and sent out press releases claiming that this reduced selective leaks by media outlets. The most active institution in using the media was the Federal Public Ministry (MPF), the prosecuting team who communicated with the public through their website. The MPF website of the Car Wash operation has had
more than two million views. They also created a Twitter hashtag meaning no corruption – ‘#CORRUPÇÃONÃO!’ thus furthering the debate. Other websites run by the government provide details of several other anti-corruption operations with key insights into the procedures and sentencing.

Table 13: Direct lobbying: some proposals of the federal ministry put online

<table>
<thead>
<tr>
<th>Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Criminalise illicit enrichment of civil servant (varied between 3 and 8 years with high chance of acquittal)</td>
</tr>
<tr>
<td>2. Higher punishment for corruption involving higher values</td>
</tr>
<tr>
<td>3. Streamline judicial process by changing 11 points at penal law code</td>
</tr>
<tr>
<td>4. Reform prescription time.</td>
</tr>
<tr>
<td>6. Political parties can be formally and directly accused of being funded illegally</td>
</tr>
</tbody>
</table>

Source: www.mpf.gov.br

Amid increased popular support and a change in norms, the investigative institution gained renewed confidence that led them to campaign directly to citizens rather than via the traditional route such as first via parliament and then the government. This shows that there was little fear among investigators of retaliation from the government.

**The Work of Academia:** In Brazil, many anti-corruption investigators are part-time academics and have postgraduate qualifications. More than half the Supreme Court has lectured in Brazilian universities and continue to present at academic seminars. The head judge of the Car Wash operation used to be a law professor in the state of Parana. Furthermore, he published an academic article in 2004 about the anti-corruption operation *Mani Pulite* in Italy. These people base their decisions on academic jurisprudence and are inspired by recent academic output as precedents for their judicial decisions. Thousands of PhD and Master’s theses are published in Brazil each year; they are registered by the Ministry of Education (MEC, 2016)
and provide an in-depth insight into the evolution of the perception of corruption by authoritative decision makers. We compared this work in Brazil to academic publications regarding corruption and deviance in academia in Italy, USA, UK, Germany and France. We can see in the graph below, that there has been significant growth in the publication of academic articles focusing on corruption. While the average growth of Master’s and PhD publications in the period of social science and humanities was 6.5% per year, the corruption publications in the same subjects grew on average by 30% per year over the period.

While in other countries the study of corruption peaked many years ago and has seen a relative decrease in corruption related publications, as seen by our graphs. In Brazil there has been exponential growth of interest in studying the topic, albeit this is likely to have been influenced by both national and international publications.

Figure 14: Master and Ph.D. dissertations focusing in corruption in English speaking countries

Source: Proquest, elaborated by authors (2016)
4.4.3 Key types of work

In our analysis, we examined the role of an evolving context in bringing about change in deviant institutionalised practices. Changes in context, ongoing work by actors and key
events shone a light on the problem of institutionalised corruption, while enabling greater societal support for changes that were being gradually implemented. By analysing changes in the context, we looked at the sources of change (Vaara, Sonenshein, & Boje, 2016) including changes in laws, synchronisation amongst staffing of anti-corruption agencies, the media’s amplification of scandals, academic research, judicial activism and the leveraging of popular support while seizing opportunities after jolts to create momentum for anti-corruption activities.

The analysis of ‘messy’ longitudinal data from this extreme case benefited from the “vivid events of the disaster itself and the post-disaster response that focused the attention and actions of informants. These advantages facilitated uncovering theoretical mechanisms around action, attachment, and commitment (Eisenhardt, Graebner, & Sonenshein, 2016: 1118). We followed Pratt (2009), who cautions against force fitting data as per standard templates and data structure tables and examined the whole period rather than exclusively drawing on fine grained data which would make broader patterns of interdependent actions hard to observe (Feldman, Pentland, D’Adderio, & Lazaric, 2016). Ultimately, we derived three main categories of broader patterns of anticorruption work over 13 years after a “messy, episodic, and non-linear path to creative insight that is hard to describe or even remember” (Eisenhardt, et al., 2016, pg.1120). We describe these below:

**Visibility:** The media outlets enhanced the visibility of various jolts in the field during the study period. Media coverage, during and after the jolts, was fundamental to a change in the views and norms of society regarding corruption. This increased visibility was exploited by anti-corruption officials such as prosecutors, who developed their own communication strategies and created new spaces for raising awareness and changing societal norms from the bottom up. As has been observed by others (Hoffman, 1999), increased academic interest and writings on the topic can significantly influence the beliefs and norms of society.
Chapter 4: A Study of the Fight Against Corruption

**Coordination:** Key actors during the period became better at coordinating their anti-corruption operations. First, there was an acknowledgement that their own behaviour could be both a source of, and solution to, the problem (Ansari et al., 2013) and thus no one was “above board.” This led to increased transparency of their actions and anti-corruption officials began to address some of the previous collective action problems. This collective awareness of their own complicity in shaping the field led to less finger pointing and greater collaborative engagement. Through their coordinated efforts, anti-corruption investigators created a positive feedback loop generated by scandal, popular support and arrests of prominent wrongdoers once these jolts occurred.

**Regulatory Bricolage:** Anti-corruption officials attempted to reduce interpretive ambiguity in laws and in the development and use of new judicial tools. The regulatory status quo had benefitted corrupt actors in the past almost granting them impunity against prosecution. Several new laws began to erode these benefits. While there is a cost to changing well-known laws that have already been adapted and tested, several of the changes that occurred during the decade were gradually tested that could have facilitated their adoption. An important example is the plea agreement; the Car Wash case would have collapsed if its new format had not been approved in 2013.

### 4.5 Discussion and Implications

In this study, we examined how corrupt institutions can be changed when anti-corruption agents are able to leverage contextual changes, critical junctures and “opportune moments (Kairos)” to push and reinforce their agenda. We found that contextual changes in Brazil influenced the efficacy of ongoing anti-corruption actions against institutionalised corruption. These contextual changes alongside continual efforts by anti-corruption agents enabled anti-corruption operations to become visible and gain traction.
To answer our first question about why anti-corruption work seems to gain more efficacy at certain points in time, we analysed factors that lead to the development of a ripe context for change. We then encapsulated these factors into a model.

Figure 18: A model of contextually-enabled change

Our model explains how, alongside gradual changes and more significant jolts that may transpire in a field, institutional work by purposeful agents to fight a well-entrenched practice can yield breakthroughs in efforts to tackle them; however, only at certain moments in time when the context is ripe for change. Scholars have explained the role of exogenous jolts that provide opportunities to change institutionalised practices (Oliver, 1992) and yield field reconfiguration (Hoffman 1999) through shaking up well-established beliefs and behaviours. Yet, not all jolts are perceived equally and their salience depends on the work of actors, such as the media, that influence how disruptive or important such events become (Hoffman & Ocasio, 2001). For a visible outcome to transpire and create a breakthrough impact, there also needs to be ongoing accumulation of work that can create a critical mass or a setting that is ripe
for change. At critical junctures, these cumulating efforts can pay off and lead to breakthroughs that had previously seemed unlikely.

The purpose of our model is not to depict a linear or causal explanation of how jolts or shocks lead to visible outcomes, but rather to show the importance of context – both gradual ongoing changes and major jolts – in empowering purposeful actors striving to bring about change in a field. Context is both the medium and the outcome of the actions and events that transpire as has been articulated in the structuration perspective (Giddens, 1979; Gray et al., 2015; Hoffman & Ocasio, 2001), While jolts can shake up a field, they are not unrelated to the gradual changes cumulating over time, nor to the ongoing work of actors striving for change in a field. Indeed, jolts may be the long-term results of human actions and a series of cumulating changes (such as a financial crisis caused by actors flooding the market with junk bonds) but these actions matter more at certain points in time than at other times.

To depict our arguments about how changes in the broader context can empower individuals, and make their actions possibly have greater impact in a field, we developed a model (figure 1). As the figure shows, we depict change as either ongoing/gradual or as jolts over time that we define as t1, t2 and tf. On figure 1’s left hand side, we show actors’ ongoing cumulating work that we identified as visibility, coordination and regulatory bricolage. On figure 1’s right hand side, we depict jolts, their possible impact and compare an evolving context, to a receptacle being “filled” by the cumulating work of purposeful (in our case anticorruption) agents. Ongoing changes and continual work of actors can yield a ripe context or a “full bucket” that is ready for change.

In our model, if a jolt occurs at time (t1), where the context is not mature, there will likely be limited or no visibility even as actors continue to engage in institutional work to change an institutionalised practice. The bucket (context) might move but there will likely be
no spillage (visible impact) despite the ongoing collective work being performed. This does not mean that this jolt did not create any impact, but that it was limited and not widely visible. However, if a jolt occurs at time (tf) then there will likely be a “splash” with highly visible outcomes.

In our analysis, we can think of a jolt at time (t1) as the Mensalao event or the 2013 Protest that had an impact on the field but without creating high visibility or impact for the work of anticorruption agents. In contrast, the Car Wash operation can be seen as a jolt in time (tf), when the anti-corruption work resulted in a highly visible impact. To summarize, in a non-ripe setting, actors’ work or even jolts may not be able to create an impact. However, in a setting turned ripe by cumulating work, gradual changes and jolts in a field, actors’ work is likely to have an impact and lead to breakthroughs. Actors’ work thus becomes effective only at critical junctures or certain moments in time when windows of opportunity occur.

To answer our second question about how the context influences anti-corruption efforts, it is worth considering the work being pursued by actors in the fields and context in which they are embedded. Contexts are not merely taken-for-granted givens (Purdy, et al. 2015 pg. 131) but provide "resources" to purposeful actors seeking change in established arrangements. In our case, work by various actors led to changes in established laws, norms and beliefs. For instance, the media played an active role in shaping opinions and influencing societal norms that increased both the visibility and impact of jolts. Also, a series of jolts (e.g. arrests of prominent individuals), unsettled well-entrenched practices and momentum created for the drive against corruption was exemplified by the Car Wash operation. Contextual developments can thus empower committed actors whose ongoing efforts are able to create an impact only in a “ready” context.

Implications and Applicability to Other Cases
A macro structural view of society is valuable when studying change and the breakdown of deeply entrenched patterns (Hinings & Tolbert, 2008). Although our analysis drew on one national context, our theorising has relevance for many other types of contexts. One can think of various industries plagued by deviant practices such as finance, where we have witnessed Enron’s fraud, HSBC’s money laundering operations and PPI’s mis-selling of financial products in the United Kingdom. These deviant cases, like the Car Wash investigation, received high visibility in national and international media and government officials were able to introduce and apply a series of new laws (regulatory bricolage) to punish wrongdoers that had previously seemed immune. These laws were also the result of changes implemented over time after major jolts such as the 2007 financial crisis. These examples show how corruption began to be perceived globally as a grand challenge that needed more coordination via multilateral agreements, such as international treaties (OECD, 2013) and anti-corruption forums (UK, 2016).

Corruption is one of the world’s major challenges that requires “novel ideas and unconventional approaches to tackle their complex and evolving mix of technical and social elements” (Eisenhardt, Graebner, & Sonenshein, 2015. 1113). Our findings carry implications regarding how corruption is seen in other social sciences (e.g. economics and political science) that often use rational choice theories to study the phenomenon. These rational-choice models tend to portray actors connected to corruption as culturally unaffected ‘super agents’ having interests and preferences exogenous from their institutional context (Lawrence, Suddaby, & Leca, 2009). However, it is clear from our analysis that rational models do not fully account for explaining social reality. Changes in context and ongoing work by anti-corruption agents are mutually constitutive in the de-institutionalization of entrenched practices. It is only at critical junctures and certain points in time that these efforts seem to bear fruit. Our study provides insights into how norms, laws and wider beliefs about corruption need to co-evolve.
in a field before it becomes ready to yield to the purposeful work of anti-corruption agents involved in combatting the problem. Without this change in context, even highly committed actors fighting corruption may be unable to achieve breakthroughs and their efforts may not be able to yield tangible outcomes.

**Contributions**

We contribute to management theory in three ways. First, we highlight the role of context that had arguably been side-lined in institutional theory in the bid to explain agency and change. Anti-corruption activity is not necessarily run via top-down decisions from the government, nor do actors on the ground operate in a social vacuum. Rather, the context and their cumulating effort can empower actors engaged in the ongoing deinstitutionalisation of highly entrenched practices to yield noteworthy outcomes or breakthroughs at certain points in time. Second, we shed light on ‘dark’ institutions and deviant practices – specifically corruption – and explain how deeply entrenched practices are disrupted at certain points in time, through the ongoing work of actors enabled by a ripe or conducive context. Finally, we contribute to the growing but mostly conceptual work on corruption in management theory by conducting a case study in an under-studied context and add to the few, but increasing number of, empirical studies on corruption. Corruption is a multi-faceted phenomenon whose understanding requires an investigation of both the micro and macro levels. Our multilevel study is one attempt at doing this by concurrently focusing on the role of context and the work of anticorruption actors to explain changes in the field of corruption in Brazil.

**4.6 Conclusion**

We have explored how actors empowered by a co-evolving context can change deviant practices. We have analysed 13 years of changes in the anti-corruption drive in Brazil and find key episodes that led to disruptive outcomes in the field. We have found that the confluence of
jolts, gradual changes and the ongoing and cumulative work of actors were essential for anti-corruption actions to gain traction across the country and have an impact. These efforts have gone on for decades but only in the last few years have we seen major upheavals, significant breakthroughs and ground-breaking changes in the field. We have offered detailed insights into the Brazilian anti-corruption agencies’ fight against corruption and contribute to both institutional theory and the literature on corruption.

4.7 Limitations and Future Directions

This chapter is not without the typical limitations of a case study (Eisenhardt, Graebner, & Sonenshein, 2016), but we offer several avenues for further research. Questions that can be explored include: (1) What is the role of companies in bringing about change in the rules of the game that directly influence these companies? (2) How are corrupt practices sustained? (3) How does corruption spread from one organisation to the broader field and national contexts? A closer look into these issues can help gain insights into how organisations manage corruption and identify some of the resources and cultural tools in different settingse around the world that can have tangible outcomes for the fight against corruption.
5. CONCLUSION

In this dissertation I attempt to explain how corruption is perceived in management, how it is maintained in organisations and the drivers, tools and regulations that are used to fight corruption.

I study corruption analysis in social sciences and a path towards a complete view of the phenomenon with an integrative framework from the literature. This is followed by two chapters focusing on empirical studies on corrupt environments and through different levels of analysis. The first study looks at companies and executive participants of a corrupt cartel, which helped me understand the mechanisms and perpetuation of such practices. The second empirical study allows an understanding of how changes and shocks happen in such contexts and lead to change. Overall the three main chapters have several complementarities and explain the phenomena holistically.

Previous studies have provided theoretical models at different levels of analysis about corruption, but most have been at the societal level. Alternatively, I had access to fine grained data that is verified as truthful. Therefore, I can provide a richer understanding of what managers involved in the process think. Also, I have proposed a series of process models that help us understand in detail both the case study while showing external validity.

My process model in chapter three shows the pressures of being part of a corrupt web and how it affects the performance and the propensity to engage in corrupt acts. Corrupt executives are part of an organisation that can, in the short and medium-term, benefit from their immoral behaviour. However, as seen in this case, it can also lead to the ultimate demise of the participants.
My process model in chapter four is more heterodox. It shows that a society needs to be ready for anticorruption operations to achieve visibility and success, therefore there is a kairos. These anticorruption operations therefore are affected by both shocks to the system but also gradual changes of the law, perceptions of the general public and enforceability of such actions.

After this short debate of the key insights of this dissertation, I review four specific contributions that I believe have been achieved.

5.1 Contributions to the corruption literature

Corruption has been studied for centuries and through different social sciences as seen in chapter one. It has been mostly ignored by management scholars in recent decades, but the 2007 economic crisis made many scholars question some of the consensus found in the field; therefore, during the last 10 years we have seen a growth of interest. However, many of these studies are still confined to the traditional academic fields and a rational view of individual behaviour, from an institutional view on organisational behaviours and via broad cultural questions on the nature of corruption.

I show that all levels of analysis are relevant, but are looking at different aspects of the corruption phenomena. They help and provide contributions on their own way on how and why it happens and its effects to individuals and society. Moreover, many of these recent corruption papers where either theoretical or conducted via societal macro survey data. With my in-depth case study, I look at how managers actually behaved and the effects over several years and thereby contribute to the corruption literature and an understanding of the mechanism of corruption at a micro level.
Institutional theory has a rich history in sociology and management studies. Institutionalisation “involves the processes by which social processes obligations, or actualities come to take on a rule-like status in social thought and action’ (Meyer and Rowan, 1977, p. 341). With such vast meaning and literature, it took some time to consider the dark side of organisations and how social processes can function in immoral ways. Part of the puzzle was reconciling how immoral social behaviour can be normalised and accepted even though immoral behaviours are not and should not be accepted by individual societies. Yet deviant behaviours such as corruption are part of organisations’ lives.

I also show the influence of context in institutional change. Change in societies can happen after shocks, however, for a shock to have a lasting impact, for example in the anticorruption fight, it needs to be enacted with a combination of less visible factors. In this case it was gradual changes in the perception of population, the changes of the law, growing visibility and academic research in Brazil of anticorruption measures. Once the operation started in 2014, all the pieces of the set were put in place leading to a huge impact. We must understand what leads in order to offer the insights needed to fight the institutionalisation of corruption.

5.3 Contributions to methods and data collection

Using both traditional economic and financial data I added non-traditional data from court proceedings and public parliamentary commissions of inquiry to my research. This data I collected engaged with traditionally has not been used by strategy scholars and seldom by institutional theorists. Nowadays there is a great availability of data due to governments
pushing for transparency via the Internet. This offers and creates an imperative for researchers to engage with data, which is easily accessed, and can be entered into software for qualitative and quantitative analysis. Such a richness of opportunities has helped push qualitative researchers beyond the former reliance over the Gioia method and is more commonly discussed in our community (Eisenhardt and Graebner, 2016). In this dissertation I use a combination of qualitative and traditional methods. I hope to help further expand this view and create more pluralistic research.

5.4 Implications for practitioners

This dissertation aims to offer insights to help practitioners in both the public and private sector. In the public sector anticorruption investigators can gain knowledge of the normative changes and processes adopted by the prosecution officials. Yet it has been shown that they might need the right tools so legislators both nationally and internationally can create laws to provide instruments to effectively fight corruption.

In the private sector, corruption leads to great loss to companies, both to investors and to the internal governance practices. Compliance officials can be empowered by legislative changes and by shareholders willing to change internal incentive structures and to change immoral governance structures. We can see in chapter two, the perverse influence of cartels in business practices and how business executives were socialised into practices leading to robust institutionalisation. Chapter four shows their ultimate demise and arrest. Therefore, a collaboration of public officials, compliance departments and key shareholders can lead to overall change and make corporations less corrupt.
REFERENCES


References


Treisman, D. (2007). What have we learned about the causes of corruption from ten years of cross-national empirical research? *Annual Review of Political Science*, 10, 211-244.


APPENDIX

APPENDIX- FOR CHAPTER 2

The role of Deviances and the Dark Side of Organizations

“. a society that would reveal all its cases of deviance would ruin the validity of norms themselves... norms do not support a strong spotlight “

(Heinrich Popitz, translation author).

Several social sciences theories have attempted to explain human deviances. For example, agency theory, organizational culture (Ashforth and Anand, 2003), networks, bounded rationality, economic theory of crime (Becker, 1968), corporate governance (Fama and Jensen, 1983). These are grounded in various domains such as criminology, ethics, finance, economics, organizational behaviour, psychology and sociology. Each of these areas focuses on different level of analysis. There are several lenses through which researchers look at deviances, i.e. the “dark side” of management in the social sciences. On the organizational level misconduct at org level has been studied through these lenses: rational theory and strain, culture analysis, network effects and norms alleviation.

Fraud is one of the most studied deviances, particularly in accountancy. Opportunities to perpetrate and hide frauds depend on corporate governance and fraud reporting. Furthermore, when studying fraud, there is an emphasis on the position of the agent in the
organization and on the opportunities to perpetrate fraud (Van Debunt, 2010). If the agent has access to authority, knows the technical and administrative system, there are greater chances to perpetrate fraud. Some of the elements of a fraud are concealment, conversion, and the fraudulent act itself. A well-positioned deviant agent can then conceal fraud when there is a weak corporate governance and thus limited possibility of fraudulent reporting (Trompeter, Carpenter, Desai, 2013, p. 297). Furthermore other factors that affect fraud detection are: lack of supervision, concealment efforts and silence in social environment. In order to detect fraud, accountants in USA are recommended to use the “Fraud triangle” with a focus on incentives, opportunity and rationalization of corrupt practices (Trompeter, Carpenter, Desai, 2013).

Among the deviances, there is a grey zone in organizations where some unclear behaviours and attitudes are accepted in organizations and by individuals working on the boundaries of what is acceptable. The figure and concept of rogue trade, for example, has been widely mentioned in the deviance literature and in the media. The “rogue” agent works inside the boundaries of an organization, not necessarily in an illegal manner yet his behaviour affects and inflicts damage to the host organization. However other organizations are also affected by such behaviour beyond the perpetrator, the field itself can become stigmatized. Many examples of rogue traders damaging organizations can be enumerated, for example BNP Paribas in France (2010), JP Morgan in London (2013). Organizations themselves, after the negative consequence of such “grey” actions name these actors as rogues as an attempt to reinforce the legitimacy of the organization by differentiating itself from the act of a single individual. Thus the fact that one is named rogue is a symbolic process that limits the organization exposure and associates the deviance to the rogue individual. Incidentally, the rogue pushes boundaries of what he perceives as a grey zone (Land, Loren, Metelmann, 2014).

Expectation and cognitive assumptions can also greatly influence the scale of illegal actions undertaken by an organization. Institutionalized practices can work towards the
concealment and normalization of the practices themselves and reduce regulatory scrutiny. In professional services, for example, in networks of similarly trained professionals, the regulators can come from similar backgrounds and an over-confidence and over socialization can lead to a process called mimetic hoarding (Gabbioneta, Greenwood, Mazzola, Minoja, 2014). The consequences of cognitive assumption then is a looser amount of scrutiny inside the company itself and lower regulatory vigilance and control leading potentially to more deviant behaviour.

Furthermore there are several other behaviours of organizations that even though not illegal might be considered immoral. An example is when organizations use atrocities they had no part in, to build a symbolic commodity (brand) and use its signs and symbol for the organizations’ benefit. This appropriation of a tragedy can be seen in Body Shop’s campaign against woman traffic, Body Shop, a cosmetic company, got involved in a campaign on an issue that involves its core customers, women, and by thus associating the brand to the fight against this atrocity it can gain rewards with its key clients (Muhr and Rehn, 2014). This kind of behaviour and image construction, though not illegal, can be closely associated to the limits of what a deviance is and how an organization can try to benefit from grief.

Table 17: Selected definitions of corruption

<table>
<thead>
<tr>
<th></th>
<th>Definitions</th>
<th>Authors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisational</td>
<td>“the misuse of authority for personal, subunit and/or organisational gain”</td>
<td>Ashforth and Anand’s (2003, p. 2)</td>
</tr>
<tr>
<td></td>
<td>Ashforth and Anand’s (2003, p. 2)</td>
<td></td>
</tr>
<tr>
<td>Economics and Political</td>
<td>- the misuse of public office for private gain</td>
<td>Rose-Ackerman (1978)</td>
</tr>
<tr>
<td></td>
<td>Rational view of corruption</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Corruption as the breaking of a rule by a bureaucrat (public sector) for private gain.</td>
<td></td>
</tr>
</tbody>
</table>
Political systems and the incentives and constraints faced by the powerful elite via situations of, for example, information asymmetry.

| Sociology | Corruption is related to identification, social ties, trust and culture | Jancsics (2014) |

### Examples of Practitioners/Regulative definitions

<table>
<thead>
<tr>
<th>Transparency international</th>
<th>“The abuse of entrusted power for private gain”</th>
<th>Transparency International, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>OECD</td>
<td>“the abuse of public or private office for personal gain. It includes acts of bribery, embezzlement, nepotism or state capture. It is often associated with and reinforced by other illegal practices, such as bid rigging, fraud or money laundering.”</td>
<td>[<a href="http://www.oecd.org/cleangovbi">http://www.oecd.org/cleangovbi</a> z/49693613.pdf](<a href="http://www.oecd.org/cleangovbi">http://www.oecd.org/cleangovbi</a> z/49693613.pdf)</td>
</tr>
</tbody>
</table>
In-Depth Negotiation of Bribes

Two contracts were signed in December 2009 – one for R$1.485b and another R$3.19b. These specific contracts were assigned to Odebrecht together with OAS. After it was signed Odebrecht was contacted by lobbyist Aldo Guedes, who identified himself as a representative of the state government where the Project would happen. This lobbyist asked for 2% of the total amount of both contracts, which was an estimated R$90m. Executives
knew the project had no formal relationship with local government, only Petrobras, but wanted to maintain a good relationship. They offered to pay R$15m and this was accepted (half paid by Odebrecht and half by OAS).

Initially four companies won the tenders for the construction of Abreu e Lima Refinery. They were Odebrecht, OAS, Camargo Corrêa and Queiroz Galvão. The refinery’s initial cost was budgeted at R$7.5b, a value even at the time deemed too low, but until now has already cost Petrobras R$58.6b.

The executive mentions that ex-executive directors of Petrobras, Paulo Roberto Costa and Pedro Barusco received bribes, as did the Direct executive of the Project on behalf of Petrobras, Glauco Lagatti.

The former chamber representative and leader of PP party, José Janene (PP-PR), was also paid. The PP party had appointed Costa as an executive director of Petrobras refineries. He had worked at Petrobras for almost 30 years, but said political nominations where needed to be appointed to board.

Costa asked for one per cent of the total amount of the contract, estimated at R$45m. Odebrecht said that the joint venture would pay a maximum of R$30m to the PP party. Ex-director Costa made an agreement with executive Márcio Faria that Odebrecht would pay a maximum of R$15m to Janene. The other R$15m would stay with Costa. Odebrecht’s executive said that like in other contracts Costa always kept a part of the bribes just to himself and this contract asked the Odebrecht executive to hide the fact that he was gaining R$15m from the PP leader. Once this strategy was accepted and adopted, Odebrecht paid Costa the money agreed, and OAS paid the parliamentarian.
Another R$30m was paid to another director, Pedro Barusco, who was working under ex-executive director Renato Duque, who had been appointed by another party. The paid amount was shared by both companies and Pedro Barusco, the middle man. The direct manager of the refinery, Glauco Legatti was paid R$15m and he promised to speed up any internal procedure for approval and additional expenses. According to executives, such a promise was never fulfilled. In total R$90 million in bribes were paid by companies.

Summary

- Coordination of 12 companies in the initial tender participated, deterring extra competitors through bid writing rules. Once decided, the grant was given to 4 players, and bribe amount and who was paid was coordinated among them.
- Petrobras executives and politicians required and negotiated bribes.

Figure 21: Abreu e Lima refinery contract bribes web

<table>
<thead>
<tr>
<th>PETROBRAS TENDER</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 Companies participate</td>
</tr>
<tr>
<td>4 companies awarded contracts</td>
</tr>
<tr>
<td>Specific joint venture by 2 companies for 2 Tenders</td>
</tr>
<tr>
<td>Value of contract 4.675 billion</td>
</tr>
<tr>
<td>OAS ODEBRECHT</td>
</tr>
<tr>
<td>Engineering, Odebrecht</td>
</tr>
<tr>
<td>total payment of around 90 million reais around 2% of contract</td>
</tr>
<tr>
<td>Beneficiaries of corruption</td>
</tr>
<tr>
<td>Middle men appointed by PT party and executive Petrobras</td>
</tr>
<tr>
<td>Bribe for national party 15 million</td>
</tr>
<tr>
<td>Middle men appointed by PP party and executive Petrobras</td>
</tr>
<tr>
<td>Direct manager of Refinery project</td>
</tr>
<tr>
<td>15 million extra individual undeclared to PP party</td>
</tr>
<tr>
<td>15 million</td>
</tr>
<tr>
<td>30 million Reals</td>
</tr>
<tr>
<td>Coordinators/top executives company managing Bribe negotiations</td>
</tr>
<tr>
<td>Executive Director Engineering, Odebrecht</td>
</tr>
<tr>
<td>Partner-OAS</td>
</tr>
<tr>
<td>Bribe for local government</td>
</tr>
</tbody>
</table>
Calculating bribes. Some companies had sophisticated software systems but some operators also used hand notes.

From a 68.7 million reais tender 3.4 million reais where to be paid to “saint”, allegedly the governor of the state of Sao Paulo.
Table 18: Construction companies, projects and values involved

<table>
<thead>
<tr>
<th>Companies</th>
<th>Revenue in Billion Reais</th>
<th>Arrests Warrants</th>
<th>Donations on 2014 in Millions</th>
<th>Total Amount of Petrobras contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Camargo Correa</td>
<td>4.6</td>
<td>3</td>
<td>2.3</td>
<td>Oil Refinery Abreu e Lima 18 billion</td>
</tr>
<tr>
<td>Engevix</td>
<td>1.2</td>
<td>3</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>OAS</td>
<td>7.8</td>
<td>5</td>
<td>52</td>
<td>Oil Refinery Presidente Getulio Vargas 8.6 billion</td>
</tr>
<tr>
<td>Odebrecht</td>
<td>32.3</td>
<td>0</td>
<td>41</td>
<td></td>
</tr>
<tr>
<td>UTC</td>
<td>2.9</td>
<td>3</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Mendes Junior</td>
<td>1.8</td>
<td>1</td>
<td></td>
<td>Petrochemical Complex of Rio de Janeiro 7.5 billion</td>
</tr>
<tr>
<td>Iesa</td>
<td>1.3</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Queiroz Galvao</td>
<td>4.6</td>
<td>2</td>
<td>52</td>
<td></td>
</tr>
<tr>
<td>Vital Engenharia</td>
<td>0.4</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Galvao Engenharia</td>
<td>3.8</td>
<td>1</td>
<td>14</td>
<td></td>
</tr>
</tbody>
</table>

Source: Based on Folha de Sao Paulo and Federal Police website (2015)

Table 20: Performance of cartel companies

7 of the 10 largest companies of the country (3 of the 10 largest specialize in residential projects). Their performance was exceptional, particularly compared to general growth of the economy, and other sectors and even competitors in the construction industry. These seven companies have been investigated in the *Lava Jato* operation. The companies they were heavily dependent upon government contracts.
Figure 23 Revenue of top Brazilian construction firms

Source: Brazilian Construction Association (2017)

Table 19 Average annual growth of top construction companies versus other sectors of economy

<table>
<thead>
<tr>
<th>Top Construction Companies</th>
<th>Average annual percentage growth year in decade</th>
<th>Public Sectors Contracts Average in the period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrade Gutierrez</td>
<td>34.6</td>
<td>61</td>
</tr>
<tr>
<td>Camargo Corrêa</td>
<td>23.37</td>
<td>44</td>
</tr>
<tr>
<td>Galvão</td>
<td>51.2</td>
<td>67</td>
</tr>
<tr>
<td>Mendes Junior Trading</td>
<td>24.88</td>
<td>86</td>
</tr>
<tr>
<td>Norberto Odebrecht</td>
<td>23.692</td>
<td>56</td>
</tr>
<tr>
<td>OAS</td>
<td>27.72</td>
<td>59</td>
</tr>
<tr>
<td>Queiroz Galvão</td>
<td>24.14</td>
<td>78</td>
</tr>
</tbody>
</table>

Other Sectors of the Industry
<table>
<thead>
<tr>
<th>Industry</th>
<th>GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>3.36</td>
</tr>
<tr>
<td>Sector</td>
<td>5.9</td>
</tr>
<tr>
<td>Agriculture</td>
<td>3.06</td>
</tr>
<tr>
<td>Services</td>
<td>4.06</td>
</tr>
<tr>
<td>GDP</td>
<td>4.03</td>
</tr>
</tbody>
</table>

Source: Brazilian Central Bank (2017)

Table 4: Detailed timeline of the initial year car wash (lava-jato) investigation

<table>
<thead>
<tr>
<th>2014</th>
<th></th>
</tr>
</thead>
</table>
| 17. March | Federal police starts the Operation Lava Jato in six states and the Federal District. Seventeen people were arrested, among them Alberto Youssef, suspected of running the money laundering scheme.  
20. March | Paulo Roberto Costa, director of supply Petrobras from 2004 to 2012, was arrested by the Federal Policy on the suspicion of destroying and hiding documents. Costa started being investigated after getting a luxury car from Alberto Youssef. March 2013  
11. March | In an offshoot of Operation Lava Jato, the Federal Police extends investigations to suspicious deals involving Petrobras and makes search and seizure in its general headquarters.  
12. April | Spreadsheets seized by the police in the house of Paulo Roberto Costa raise the suspicion that former director intermediated contractors money transfers to politicians.  
15. April | The Police indices Coast, Youssef and another 44 in Operation Lava Jato.  
18. April | Spreadsheet seized in Youssef office records transfer of $ 31 million.  |
<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>25. April</td>
<td>Justice accepts complaint against Paulo Roberto Costa on suspicion of misappropriation of resources of the refinery Abreu e Lima (PE).</td>
</tr>
<tr>
<td>14. May</td>
<td>Petrobras Parliamentary Commission of Inquire (CPI) is created. Presidential allies in the Senate control the commission.</td>
</tr>
<tr>
<td>10. June</td>
<td>Paulo Roberto Costa testifies in CPI Petrobras in the Senate and denies the corruption in the state.</td>
</tr>
<tr>
<td>11. June</td>
<td>Justice found $ 23 million in a Swiss bank account named to Paulo Roberto Costa.</td>
</tr>
<tr>
<td>22. August</td>
<td>Paulo Roberto Costa signs a plea agreement and leaves the prison.</td>
</tr>
<tr>
<td>6. September</td>
<td>In testimony to the Justice, Paulo Roberto Costa said that 12 senators, 49 congressmen and at least one governor received money diverted from Petrobras. The former director of Petrobras mentioned three political parties as beneficiary: PT, PMDB and PP. One of the mentioned operators is the national treasurer of the PT, Joao Vaccari Neto.</td>
</tr>
<tr>
<td>8. October</td>
<td>Ex accountant of Youssef, Meire Poza says to the CPI of Petrobras that Youssef had done business with the former Minister Mario Negromonte. She also said that the president of the Senate, Renan Calheiros, negotiated US $ 25 million of Postalis, Post Office pension fund linked to the PMDB, to fund a money changer business.</td>
</tr>
<tr>
<td>16. October</td>
<td>Paulo Roberto Costa said in his testimony, that he paid the former president of the PSDB (Opposition party) Sérgio Guerra to help him empty (make less relevant) the a Parliamentary Commission of Inquiry established to investigate Petrobras in 2009.</td>
</tr>
<tr>
<td>28. October</td>
<td>Executive Julio Camargo from the ToyoSetal company signs a plea agreement with attorneys.</td>
</tr>
<tr>
<td>14. November</td>
<td></td>
</tr>
</tbody>
</table>
In another stage of the Lava Jato, judges approve 27 arrest warrants. Ten companies are investigated, including giant construction companies Camargo Corrêa and the OAS. Former director of Engineering and Petrobras Services Renato Duque is arrested.

In a statement, the executive Augusto Ribeiro de Mendonça Neto (ToyoSetal) states that there was a "fee club" of contractors that negotiated with Petrobras, led by businessman Ricardo Ribeiro Person, member of the UTC Engineering.

<table>
<thead>
<tr>
<th>16.November</th>
</tr>
</thead>
<tbody>
<tr>
<td>Setal group and federal prosecutors agree the first plea agreement between a company and the government</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>17.November</th>
</tr>
</thead>
</table>
| The president of Petrobras, Grace Foster, announced that Petrobras would create a new board to "ensure compliance with the law."

In a statement to PF, the director of Oil and Gas of Galvão Engenharia, Erton Medeiros Fonseca says that he agreed to pay kickbacks to Paulo Roberto Costa scheme and Alberto Youssef after being extorted by the two. He said the money was for the political party PP.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The Brazilian Antitrust Commission(Cade) negotiated a leniency agreement with ToyoSetal company. Jorge Hage (minister), says that other companies also sought to similar proposals.</td>
<td></td>
</tr>
<tr>
<td>The lobbyist Fernando Baiano, suspected of bribe to negotiate the PMDB, is arrested.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2.December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paulo Roberto Costa and the former director of the International Affairs of Petrobras Nestor Cervero, testifies in the Joint CPI. He said that he was &quot;disgusted&quot; with what was happening in Brazil and that corruption is widespread in the country. &quot;What happened at Petrobras happens throughout Brazil: in roads, railways, ports, airports, hydroelectric. This happens throughout Brazil.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3.December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Julio Camargo, from Toyo Setal said in a statement that he paid R $ 137 million in bribes, but denies having made political donations as payment of bribes.</td>
</tr>
</tbody>
</table>

Renato Duque is released by the PF after the Supreme Court decision.

<table>
<thead>
<tr>
<th>8.December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americans start a class action against Petrobras for violation of the law governing the US capital markets for issuing false and misleading statements and for not revealing &quot;the culture of corruption within the company, with a multibillion-dollar scheme of money laundering and bribes from 2006&quot;.</td>
</tr>
</tbody>
</table>
12. December

Newspapers reveal that a former manager of Petrobras Supply Board, Venina Velosa da Fonseca, had warned state board on deviations. Fonseca had sent e-mails between 2009 and 2014 to the president of the company, Grace Foster and the current director of Supply, José Carlos Cosenza.

16. December

In an official statement Petrobras says that president Grace Foster was only alerted by the former manager Venina Velosa da Fonseca in 2014, after being fired.

18. December

Petrobras approves official CPI report calling the indictment of 52 people, but no politicians.

22. December

The president of Petrobras, Grace Foster admits she met Venina before. "Venina never made any complaint using the words collusion, cartel, corruption, fraud and money laundering. Venina never made any complaint to the board about these issues. She never talked in those terms. They were truncated emails, encrypted and very mixed" said Grace, in an interview with the newspaper Folha and "O Globo".

30. December

Petrobras suspends business with 23 suppliers cited in Lava Jato. According to the state, they "will be temporarily prevented from being hired and participate in state of bids".

**2015**

1. January

In her inaugural address to the second term as president, Dilma Rousseff (PT) devoted part of his speech to Petrobras, saying it is necessary to protect the state of "internal predators" and "external enemies''. The president of the company, Grace Foster, attended the ceremony.

5. January

Newspapers leak Petrobras internal’s audit of the Petrochemical Complex of Rio de Janeiro (Comperj) that pointed out that Petrobras had bought equipments before defining the proper business model and the refinery's production structure, which generated a loss of more than £ 1 billion to Petrobras. The former directors Renato Duque and Paulo Roberto Costa claim that the contracts were approved in the upper echelons of the state.
Congressman Eduardo Cunha, is included by the Prosecutor in Lava Jato investigation. Cunha says there are political motivation in leaking information -he is a candidate in the race for the presidency of the Chamber.

8.January

Officer Jayme Alves de Oliveira Filho, denounces Senator Antonio Anastasia (PSDB) of the opposition. The former policeman said that he gave £ 1 million to the then candidate for governor at the behest of money changer Alberto Youssef in 2010.

13.January

Petrobras chooses a new director for Governance, Risk and Compliance Department, whose creation was announced by Grace Foster in November. T

14.January

Ex director of Petrobras Nestor Cervero is arrested by the Federal Police in Rio returning from London. The Federal Public Ministry reported that the arrest happened "because there are strong evidences that Cerveró continues to commit crimes such as concealment of the product and out of crime abroad, and the transfer of assets (securities and real estate) for family"

22.January

Judge Sergio Moro decrees the preventive arrest of the former executive Nestor Cervero. He also advances the proceedings of Paulo Roberto Costa, who reveals that he received $ 1.5 million in order not to hinder, the purchase of the Pasadena refinery whose loss is estimated at $ 792 million.

28.January

After two postponements, the balance of the third quarter Petrobras is disclosed, which shows that the company's profit fell 38% and that does not include losses from corruption. The president of the company, Grace Foster, said the estimated losses are $ 88, 6 billion.

4.February

CEO Grace Foster and five directors of Petrobras resign. Days before Grace Foster and president denied that they would resign.

5.February

The Federal Police starts another stage of Operation Lava Jato. The PT treasurer, Joao Vaccari, testify and 62 search warrants are used in Rio, three in Santa Catarina. This new phase focuses on Petrobras Service Board and BR Distribuidora.

Congressman Eduardo Cunha (PMDBRJ), the new president of the Chamber of Deputies, authorizes the creation of new Petrobras CPI in the House.
In testimony before the Federal Court of Paraná, the former manager of Petrobras, Pedro Barusco estimates that the PT has received between $150 million and $200 million between 2003 and 2013 of briberies.

Barusco also said to have received $1 million from Odebrecht. He also claims that he received a bribe in the state since 1997, when the country was ruled by Fernando Henrique Cardoso (PSDB).

<table>
<thead>
<tr>
<th>6. February</th>
</tr>
</thead>
<tbody>
<tr>
<td>The CEO of Banco do Brasil, Aldemir Bendine, is chosen by Dilma Rousseff as the replacement of Grace Foster as CEO of Petrobras.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>14. February</th>
</tr>
</thead>
<tbody>
<tr>
<td>In the first interview of his second term, Rousseff said that corruption in Petrobras should be investigated from since 1990s, when the country was ruled by the PSDB. Prosecutors charge £4.5 billion to contractors regarding improper contracts</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>26. February</th>
</tr>
</thead>
<tbody>
<tr>
<td>The beginning of the new Parliamentary Inquiry (CPI) of Petrobras.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>6. March</th>
</tr>
</thead>
<tbody>
<tr>
<td>The minister Teori Zavascki of the Supreme Court accepts the opening of investigations. He also drops the confidentiality of the investigation, revealing the name of the 50 investigated.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>12. March</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Court authorizes investigation of Rio de Janeiro and Acre governors’ Luiz Fernando Pezao (PMDB), Tiao Viana and Senator Fernando Bezerra. Paulo Roberto Costa testifies that he was sought by Bezerra to provide resources for the re-election campaign of the governor of Pernambuco Eduardo Campos.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>16. March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal police arrest the former director of Services Renato Duque Petrobras. According to PF, he was trying to move money to offshore accounts. Federal Public Ministry denounced 27 people, including the PT treasurer, John Vaccari Neto, and the former director of Petrobras Renato Duque for corruption, money laundering and conspiracy.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>17. March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supreme court releases video of testimonials from Paulo Roberto Costa and Alberto Youssef.</td>
</tr>
</tbody>
</table>
In one, Petrobras former director says that "the biggest lie that exists in Brazil is the official donation" to parties, meaning these donations are the channels used corrupt money of companies to be legalized by the parties.

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.March</td>
<td>Setal Group sign an agreement with Cade (Brazilian Antitrust Commission) and denounces a cartel of 23 companies involved on Petrobras bids.</td>
</tr>
<tr>
<td>24.March</td>
<td>After closing of plea agreement, the vice president of the construction company Camargo Corrêa, Eduardo Leite, leaves the prison.</td>
</tr>
<tr>
<td>26.March</td>
<td>The ex-president of Petrobras Grace Foster testifies in Petrobras CPI in the House and said &quot;embarrassed&quot; by bribery at Petrobras</td>
</tr>
<tr>
<td>27.March</td>
<td>Federal police arrested the president of Galvão Group, Dario de Queiroz Galvão Son, in another action of Operation Lava jet.</td>
</tr>
<tr>
<td>30.March</td>
<td>The president of the construction company Camargo Corrêa, Dalton Avancini, leaves prison after his denunciation according award approved by the courts. Nine executives remain arrested</td>
</tr>
</tbody>
</table>