Understanding Bribery and Islamic Business Ethics in Organizations  
A Phenomenological Study  

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Abstract: Indonesia, a country with Muslim majorities, is considered as one of the most bribe countries around the globe. Even bribery is morally wrong from the Islamic business ethics perspectives; it becomes truly entrenched and hard to be uprooted. The implementation of Islamic business ethics is obligatory because organizations must strictly operate in compliance with Quran, which has an extreme concern regarding ethical conduct in every aspect of human life. Even though bribery is more costly than people might think, bribery is an underexplored topic in Indonesia. The cost is not just fines and regulatory actions but also has negative effects on employee morale, loss of financial expenses, low commitment, inadequate organizational culture, job dissatisfaction, and turnover intention. The purpose of this study is to explore the experiences of people who actually engage in bribery in Indonesia. Among various qualitative methods, the authors utilize a phenomenological technique with in-depth interviews in order to obtain wide-ranging insights from people who involved in bribery cases. The finding of this paper is essential to provide significant advices for organizations to operate their business “safely”. The authors also consider how Islam, a great and developed tradition of teaching about business ethics, contributes to prevent bribery. Finally, they suggest how Islam enhances ethical lives and well-beings of workers in Islamic workplaces.

1 INTRODUCTION

Indonesia has a more significant Muslim population than any other country in the world with 88% of their population practicing the Muslim faith. Islam, the religion of most embraced by the Indonesian people, openly opposes to any condition of the violation of right ethics, such as bribery and do support the efforts to eradicate bribery. Nonetheless, people, bribery is widespread in countries where the largest number of highly religious. This predominantly Muslim state ranked worse to 96th in 2017 from 90th in 2016 (TI, 2018). Even though Indonesia has some laws and regulations that could be used to annihilate bribery, the country has mostly unsuccessful in overcoming this issue.

In Indonesia, many business people undertake bribery even though it is formally illegal. Gratification, giving hospitality, expensive dinners and entertainment are quite normal business practices in Indonesia. Bribe actors involved in bribery claim that their actions were something different from criminal conduct like murder, battery, rape, assault, terrorism, kidnapping, arson, gang violence, and domestic violence. On the top of that, many bribe actors think that it is not a big deal and everyone else is still doing it (Lawler, 2012).

Based on a global study by Ernst and Young (2013), 60% of Indonesian respondents regarded earning cash payments to gain new business as an acceptable practice. Additionally, 40% of Indonesian respondents believed that providing entertainment to take over or retain business was also acceptable conduct. People assume that if other people do it, so they might do it too. Perceiving that the majority engages in bribe makes it much easier for someone to justify their bribe behavior. So, the more frequently people recognized the bribe behavior to be, the more potential they were to behave bribery in business (Köbis, 2015).

Companies not only suffered from bribery but also played in violating business ethics. Issues of business ethics have increasingly become more crucial in organizations business settings. Executing business ethics is also essential to empower business sector in practicing ethical, sustainable, and responsible business.
This research emphasizes on the recently emerging field of behavioral business ethics. Bribery at the firm level is ‘underexplored’ (Pinto et al., 2008), including in Indonesia. Existential evidence has been sketchy on the direct performance impact of bribery mainly because it is hard to obtain empirical data on firm-level bribery. On little analysis of firm-level data, with firm-level evidence also being mostly gained from surveys (Hellman and Schankerman, 2000; Svensson, 2003; Cull and Xu, 2005; Fisman and Svensson, 2007; D’Souza and Kaufmann, 2010). All of these disciplines need effective tools to address the organizational contexts, behaviors, and processes that create bribery at the organizational level.

2 BRIBERY ON BUSINESS

Bribery perhaps the most famous types of corrupt activity. Bribery schemes occur in every phase of an economic cycle and have become visible of everyday life, but they are most widespread during recessions when competition for business raised. Bribery phenomenon is complex, complicated, and difficult to apprehend, resulting in the notion that defining bribery is more or less a mission impossible. In a nutshell, the definition of bribery is relatively wide between broad and narrow (Hubert, 2010).

The Organization for Economic Co-operation and Development (OECD) (2000) described bribery as the offering, promising or giving of something to substantially affect a public official in the execution or decisions of his/her official duties. Many descriptions argue about giving or taking an ‘advantage’ or ‘inducement’ to perform a function ‘improperly’ that always involves at least a supply side (the briber) and a demand side (the public official). After all, bribery can involve many different parties to the transaction that not always occurred through cash or monetary payment. Bribes may take not only the structure of any financial inducement, but also can be anything of worth to bribe takers, such as a holiday for purchasing manager disguised as a gift, hospitality, and business traveling (Hardoon and Heinrich, 2011). Even only a promise to offer something in the future for making a business benefit.

Bribery is a financial transaction between power and illegal private gains (Luo, 2002). They also can obtain protected markets and monopolies, import/export licenses and quotas, and connection to substantial state contracts on capital goods, regular supplies, major civil engineering projects, and construction works (Andvig, Fjeldstad, Amundsen, Sissener, and Søreide, 2000).

Bribery regarded as one of the most challenging unethical behavior to study. There is usually no scene of the offense, no fingerprint, and no eye to follow up. The formal contract is not written. Contact is established through oral communication so that it cannot be well documented and used to prosecute a responsible entity. It is by nature a very secretive law breaking and can involve just two satisfied factions, and there is no incentive to reveal the truth. Bribery rarely exists alone and often becomes a tool to facilitate organized crime. In all nations’ accounting laws or standards, bribery expenditures cannot be recorded as production costs or as operational expenses (Luo, 2005).

However, bribery is one of the essential tools of corruption that is used companies to ‘buy’ many things. Giving or taking a bribe is pure corruption, and should be recognized as the root of corruption. Joana and Kompa (2012) asserted that bribery is illegally accepted payments for services, but firms must be expected to be unwilling to confess that they pay bribes. Bribery benefits corrupt officials to private financial profit and for the briber to either increase outcomes quicker than others, to induce the officials to turn a blind eye to illegal behavior or to buy influence with commercial power (Mutebi, 2008).

Because bribery must be hidden from the public, transaction costs arising from bribe practices can be significantly bigger than those occurred for legal exchanges. However, only a small part of bribes are detected, showing that bribery is more pervasive than what is reported (Doh, Rodriguez, Uhlenbruck, Collins, and Eden, 2003). Allies of a bribe agreement are secured to each other even after a transaction has been completed.

Bribe acts, however, trigger dishonesty and dissipate credibility. Dishonesty and unreliability thus destroy, rather than stimulate, business networks (Luo, 2002). Bribery hurts company growth for small and medium-sized firms, but not for large corporations (Zhou and Peng, 2012). Organizations with money have authority over others (Srivastava, Locke, and Bartol, 2001), and this authority is exchanged when they pay bribes to predatory officials.

The companies paying the highest bribes are not the most efficient ones. Those who are treating bribery as an investment to expect a high ROI (Return On Investment) do not introduce sustainable positive forces of efficiency and competitiveness (Tanzi, 1998). Companies, which need the business the most, are more often inclined to pay bribes. According to researchers, both situational and individual factors
contribute to such bribe behavior (Grieger, 2005). It has been known that from the perspective of social psychology (Snyder and Cantor, 1998), human behavior is not only determined by what someone feels, thinks, and wants, but also by the situation individual is interacting in. In the job context, workload, incentive structures, organizational cultures (Ferrell, Gresham, and Fraedrich, 1989; Treviño, 1986), or social norms (de Cremer and van Dijk, 2010) might be the causes of behavior inconsistencies.

As reported by Powpaka (2002), firms pay bribes to overcome local pressure (Atkinson, 1957), and to obtain commercial benefits (Sanyal, 2005). Similarly, Rose-Ackerman (2002) also reported that paying bribes is an efficient way to influence local officials. In both cases, companies obtain power from officials by paying bribes to strengthen their position in the local business.

Bribery, like other deviant behavior, may lead further than a financial burden (Rogojan, 2009). The cost of bribery is not just fines and regulatory actions (Serafeim, 2013), but also business relations, worker morale, and relations with regulators would be worse. Members of bribe organizations face higher risk when engaging in bribery than do individuals who do not belong to such organizations (Collins, Uhlenbruck, and Rodríguez, 2009). Research indicates that employees often feel helpless in the face of bribery (Anand, Ashforth, and Joshi, 2005). Within bribe organizations, employees might think bribery in a positive light (Ashforth and Anand, 2003) and consequences such as gaining a bonus or promotion if they do bribery. Moreover, employees might perceive a negative impact if they refuse bribery such as social exclusion, retaliation, or mobbing (Henik 2008; Rehg, Miceli, Nears, and Van Scouer, 2008; Rothschild and Miethe, 1999).

Worse still, relying on traditional practices may help managers justify their actions and bolster their excuses for deviant behavior (Bernard, 2006; Elsbach and Sutton, 1992). Managers may justify bribe acts on economic grounds related to performance or because of assumptions on the significance of engaging bribery. For them, involved in bribery usually decreasing uncertainty for firms (Collins et al., 2009). A firm relying on bribery ordinarily perceives bribe acts as a substitute for innovative technological and organizational skills. It may expect bribery to be a swifter, and more effective, strategic instrument by which it may accomplish its organizational goals, rather than focusing on building and upgrading its dynamic capabilities (Luo, 2002). After all, it directly contributes to the routinization of these behaviors within firms (Ashforth and Anand, 2003; Vaughan, 1999).

3 BUSINESS ETHICS IN ISLAM

Business ethics is the study of fair business policies and practices concerning potentially controversial problems, such as corporate governance, bribery, insider trading, discrimination, fiduciary responsibilities, and corporate social responsibility (Investopedia, 2017). It becomes a prerequisite for conducting any business that affected by unique individual qualities, personality, and demographics (Robinson and Bennett, 1995).

DesJardins (2010) defined business ethics as those values, standards, and principles that run in business. Hence, business ethics is the study of the ethical dimensions of productive organizations and commercial activities (Donaldson and Walsh, 2015). Ethics change over time and place, but bribery is always considered reprehensible. Many organizations try to avoid the emergence of unethical decisions and actions. However, it is clear that these incidents will occur (De Cremer, Mayer, and Schminkem, 2010).

Meanwhile, according to Islamic teaching, a business cannot be done in a way in which one becomes a loser nor greedy (Hussnain, 2011). Islam has long and developed traditions of teaching about business ethics. Islamic business ethics are far-reaching, as it sets the standard for going beyond what is acceptable in the marketplace. Islam that has a high and developed tradition of teaching about business ethics to frowns upon bribery. It is unquestionably a sinful act. The implementation of business ethics is obligatory because organizations must strictly operate in compliance with Quran which Muslims consider being an apocalypse from God, which has the concern regarding ethical conduct in every aspect of human life profoundly.

Empirical research has shown the role in determining religion's impact on business ethics. Religion reduces bribery because it supports in organizing a civil society where citizens are more likely to monitor elites (Treisman, 2000). Hence, religious people tend to be more ethical. On the other hand, Hegarty and Sims (1978, 1979) found no relationship between an individual's religious orientation and business ethics. Shadabi (2013) stated that religion does not influence bribery that against business ethics. Besides, in various other studies reported that no difference between religious and nonreligious persons regarding behavior such as dishonesty or cheating (Smith, Wheeler, and Diener,
In other words, it is logical to deduce that religion has no significant effect on bribery.

4 METHODS

This research will employ a qualitative method to exploring the view of bribery due to: (1) gaining a deeper understanding of largely unexplored topic, and (2) its sensitive, enigmatic, and private issues. Purposive sampling procedure, face-to-face, and open-ended interviews with constant probing will be used to be independently generated, limit researcher’s bias, and prevent a potential conflict of interest to collect the data for this study.

All of the informants have experience dealing with bribery cases and involved in the execution and have massive experience in handling bribery cases. Informant in this research consists of 12 people with compositions is: four bribe givers and six bribe-takers were selected from pharmaceutical and publishing company. Furthermore, I interviewed some of anti-bribery experts in diverse positions that have experience dealing with bribery cases, such as two anti-corruption agencies and two academia/researchers.

A meaning-oriented phenomenological analysis will be carried out to understand the process of bribery in organization. Moustakas’ (1994) multi-step methodology involves epoche or bracketing biases, developing a list of non-repetitive statements, grouping important statements into themes, scanning the data for themes and sub-themes, synthesizing these themes, and then providing structural descriptions.

5 RESULTS AND DISCUSSION

This research used inductive category coding in presenting the results of the exploratory study. Some themes were developed based on data collection on causes, process, and form of bribery, including religious faith.

- Causes of bribery
  a. Make users keep in mind with the certain company.
  b. Competition in business and making a profit. “Other companies do bribes, so we do it too; otherwise we could collapse.”
  c. Organizational culture
- Process of bribery
  a. Companies do the transformation of its sales from agent system to door-to-door system. If they do not perform like that, so they will lose quickly.
  b. There is a MoU to provide rebates of up to 50% given at the beginning even though the transaction has not been made yet. “Before the goods were bought, the companies had given the commission first, so it was like a bargaining position, for example, if the selling price was 300 million, then 150 million was given first. Many companies are playing like this too; this becomes a vicious circle.”
- The form of bribery
  a. A set of golf clubs and even a golf membership. “Joining a golf club is not about sports only but also about business chats inside and it's time to look for opportunities because there are a lot of CEO’s and owners of companies.”
  b. Rebates from the price of the goods
  c. Ticket trips abroad, umroh, seminars, symposium, cars, wall clock, jacket, umbrella, gifts and hospitality, etc.
- Religious faith
  Bribes can be done by those who embrace any religion, including Islam. Frankly speaking, I'm very happy to get out of a company that relies on bribes now. Alhamdulillah. I realized the profit margin made by this company is too big. I am supposed to help other people who need help, not take advantage of circumstances.

Bribery is a wrong act, yet a simple way of making a profit in business. For decades, some companies have been sponsoring specific profession to get facility and benefit from bribery.

Individuals may recognize that bribery exists and institutionalized but are often powerless to address it because it has been a culture in organization. In some instances, the quickest way for organization to increase its market share is by doing bribery. Working with bribe individuals or organizations is an inevitable part of this current free market. Nevertheless, this is not a justification for people, especially Islamic people, for doing any unethical behavior.

Bribery should be considered on moral agenda. Religion is hoped to prevent bribery. So, eradicating bribery cannot be curative, but also needs to be preventive. Religion will not allow the attitude, “Business is business,” for that asserts that business exists in an isolated realm, free of any ties imposed by other aspects of people life. Because religion provides one of the most important sources of guidance and motivation for ethical conduct, this
separation is also not conducive to the ethical practice of business. To separate religious ethics from business ethics is to impoverish both (Green, 1999). Religious values have a significant impact in overcoming the social problem in the public community that can support the eradication of bribery.

6 CONCLUSIONS

Some themes were developed based on data collection on causes, process, and form of bribery, including religious faith.

In particular, as a distinct issue, bribery in the private sector is not yet treated by key institutions in Indonesia. In order to be adopted, there must be strong leadership and political will. Only with governments collaborating, religious leaders, academic institutions providing transparent and accountable oversight of the company, will it be possible to introduce policies that mitigate institutional bribery. Civil society must play its role in ensuring private companies are transparent and accountable. Industry must use its knowledge and considerable resources as part of multi-stakeholder initiatives that tackle bribery in the sector.

Research that addresses the process of bribery is warranted. Future research should explore other processes as well.

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