Preventing Corruption in the Indonesian Public Sector*

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Abstract:

The purpose of this paper is to uncover behind the trends in corruption cases in Indonesia’s public sector. This study examines 1,192 selected corruption-related court decisions in the period of 2001–2015 based on the behavioural perspective.

This study found that corruption offenders of high level of seniority were more destructive to the country’s economy compared to their younger less experienced counterparts. Additionally, compared to the real experience in the workplace, education does not seem to give offenders more advantages when committing their offences.

This paper demonstrates how the seemingly small and insignificant behavioural clues may become effective tools to predict and to prevent the occurrence of corruption in the future.

Keywords: Fraud, corruption, fraud triangle, leadership, narcissism, behavioural.

JEL: H3, H5, H8.

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1. Introduction

Corruption is a problem of multiple dimensions necessitating multi-dimensional approaches to cope with (Ageeva, Anoschenkova, Petrikova, & Pomnina, 2016). For this, understanding the behavioural elements of corruption is fundamental in developing an effective anti-corruption strategy. This is so since like any other types of fraud; corruption is essentially a human endeavour which involves deception, intention, desire and the risk of apprehension all of which are taken into consideration in offenders’ decision-making process (Ramamoorti, Morrison, Koletar, & Pope, 2013).

Evidence suggests that changes of governments in Indonesia has resulted in new and different corruption problem with bad leadership considered as the root cause of the problems. The transition from a centralized to a decentralized government had transformed corruption in Indonesia to become more diverse and complex. In other words, instead of eliminating it decentralization actually exacerbate corruption in Indonesia (Kuncoro, 2006).

Like a disease, corruption seems to affect more and more people by the day even those who seem outwardly honest and religious. Therefore, the need to understand the root of corruption is eminent as it is not just a legal problem but more of a multidimensional one. Such patterns will then be assessed to determine the causes of the problem as well as how to cope with it. In the case of corruption in Indonesia, we believe that it is being influenced by factors such as large amount of public resources, competing vested interests and politically connected networks, poorly paid civil servants, low regulatory quality and weak judicial independence (Syamsudin, Sriyana, & Prabowo, 2012). These were accompanied by wide discretionary power and resources and lack of proper accountability and enforcement mechanisms have made Indonesia a breeding ground for corruption among public officials. This study is part of the efforts to seek for the solution for the corruption problem in Indonesia by understanding the behaviour of corruptors. By examining court decisions related to corruption from the Supreme Court of Indonesia as well as corruption data from other agencies, this study attempts to identify the behavioural patterns of corruption in Indonesia.

2. Related Literature

In the 1990s, corruption, despite its broad definition, has attracted a great deal of attention (Tanzi, 1998, p. 559). Today, corruption becomes one of the most widely studied issues in social science. Nevertheless, so far as historical evidences are concerned, corruption may well be as old as human civilization itself. Although corruption has been around for generations, one question remains: Why would the otherwise good people engage in corruption? The answer is because it is perceived as a logical choice for solving the perceived problems faced by the offenders (Syamsudin, Sriyana, & Prabowo, 2012).
The problem of corruption has been analysed from various perspectives such as law, politics and economy. For example, from the economic perspective, corruption may be associated as selling government property by government officials (Shleifer & Vishny, 1993). In practice, there are often differences in the definition of corruption across legal systems due to which an offence that is legal in one country may constitute corruption in another. The Law No. 31 Year 1999 as amended by the Law No 20 Year 2001 on the Eradication of Corruption categorizes corruption in Indonesia into seven categories:

- Acts that cause losses to the nation;
- Bribery;
- Occupational embezzlement;
- Extortion;
- Deception; conflict of interests in procurement of goods and services; and
- Gratification.

Corruption is a multidimensional problem experienced by many countries around the world (Arslan-Ayaydin et al., 2014). It varies across the world in different intensity and impact to the economy (Suryanto and Ridwansyah, 2016). Various factors have been identified as the major causes of corruption in the world (Galooyek et al., 2014). Lessmann and Markwardt (2010) pointed out that democratization and decentralization are among the main factors influencing corruption in some transitional developing countries. The democratization process in some countries gave positive impact on corruption prevention. Meanwhile, decentralization increases significantly corruption in the aftermath of decentralization. Moreover, a successful democratization process in several countries is associated with lower corruption levels (Lederman, Loayza, & Soares, 2005).

The size of government was believed by Montinola and Jackman (2002) to influence corruption, meanwhile Gerring and Thacker (2005) argued that government regulations also affect to the size of corruption. The change of government size can also be affected by the democratization and development process within the nation. As national income increases the demand for public goods and services may also grow significantly. Consequently, the size of government will expand to fulfil public requirement of government services. In such a condition, there will be an increase in government spending which may provide corruption opportunity to the bureaucrats.

Decentralization is an important aspect that might affect the quality of public services in various ways as well as the quality of the government itself. Fan, Lin and Triesman (2009) and Asthana (2012) found that decentralization could be associated with increasing corruption in most countries. Decentralization policy increases the complexity of government bureaucracy in providing public goods and services. Moreover, decentralization also induces horizontal and vertical structural competition among bureaucrats. Poor coordination between central and local governments will
also lead to increasing corruption. As noted by Fan et al. (2009) countries with a larger number of administrative units were reported to have more frequent bribery and thus higher costs for businesses. Evidence suggests that the effect of this larger government size was more pronounced in the developing countries than in the developed ones. The effect of higher sub national government employment was especially strong in developing countries. Generally, there was a strong connection between bureaucracy and corruption among the developing countries. In fact, higher central government was often associated with less frequent reported bribery in the developing countries (Baldacchino et al., 2017).

Essien (2012) pointed out that corruption which is closely related to the behaviour of the bureaucrats is often labelled as a bureaucratic corruption or administrative corruption. The corrupt bureaucrats and their collaborators are commonly involved in the pricing schemes for public goods and services (Setyawati et al., 2017). The prices are associated with cost of public goods and services provision which represent the bureaucrat and administrative efficiency. Some government services may be highly inelastic, while others may have greater elasticity. In the case of high demand for the services, the provision cost tends to increase and thus limiting public to access. Such situation could potentially create administrative corruption in public services activities (Fan, Lin, & Treisman, 2009). Administrative corruption generally occurs in areas such as police stations, taxing and licensing offices, hospitals, immigration offices, customs offices, just to name a few.

The other factors that may affect the increasing corruption are institutional setting and development process. Evidence suggests that liberalization affects the relationship between economic openness and corruption among developing countries (Bose & Pandey, 2009). This finding was also supported by Ata and Arvas (2011) who suggested that economic development and economic freedom are main the determinants of corruption among 25 European countries. Moreover, they also pointed out that economic development, inflation, economic freedom and income distribution were statistically significant determinants for corruption. Furthermore, in the periods of economic booming as GDP per capita rises, corruption declines.

On the contrary, in the periods of high inflation and skew income distribution, corruption rises. The paper also noted that economic growth was insignificant to the corruption. Corruption has negative impact on the welfare of poor and rich countries (Mariyono, 2012). Nevertheless, its impact on low income countries is more destructive. Meanwhile, natural resource endowment and trade also have significant impacts for these low-income countries. He also concluded that corruption seems to be more chronic in developing countries, because of unstable institutional factors. Moreover, the impact of decreased corruption in low income countries is greater than that in high income countries. As argued by Asthana (2012), the change of institutional size that was marked by the decentralization policy leads to increase corruption significantly in the immediate aftermath of decentralization. Since the decentralization changes the role of bureaucracy to the public services, it increases tension of
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corruption. This paper is an attempt to develop an appropriate policy for corruption eradication in Indonesia by using Cressey’s (1950) Fraud Triangle theory.

3. Analytical Framework

For analytical purposes, this study gathered 1,192 corruption related court decisions from the Supreme Court (MA) in the period of 2001 - 2015. As the end of 2015, the Supreme Court has ruled in over 1,600 corruptions related cases. However, this study analysed only 1,192 cases with complete and accessible information. This study excludes cases where the alleged offenders were found not guilty by the court. The analysis on offender’s age, education and financial losses are based on the 985 selected offenders with individual estimation (stated in courts’ decisions) of the losses caused by their offences.

Fraud occurs when a potential offender is exposed to three fraud causal factors (pressure/motivation, opportunity and rationalization) and about those factors believes that the perceived net benefits (perceived benefits minus perceived costs) of committing fraud exceeds those of not committing it. In Indonesia, bribery is often considered to reduce uncertainty in business due to which it is considered as a common expense in doing business in the country (Prabowo, 2014). For example, corrupt public officials may grant a large government project to an otherwise unqualified vendor simply because he or she is the highest bidder in bribes (Kuncoro, 2006).

Just like in the professional life, fraud triangle may also occur in one’s early academic life. In terms of pressure, as evidenced by various academic crime cases during the National Exam in Indonesia, the high entry requirements of top schools and universities appears to have created a pressure for students to cheat in the exam (Malgwi & Rakovski, 2009). Complimented by the lack of supervision and the notion that the ends (i.e. being accepted in reputable schools or universities) justifies the means, many students in Indonesia have no second thought in participating in academic fraud.

As a type of fraud, the occurrence of corruption can be explained with the fraud triangle approach (Cressey, 1950). He proposed that for fraud to occur three elements need to be present: pressure or motivation, opportunity, and rationalization. Pressure/motivation may come in the form of financial difficulties or in more than a few cases, greed. However, many also believe that financial pressure can be a subjective matter. Many wealthy people ended up in prison for fraudulent acts to accumulate more wealth from their positions in their organizations. As a symbol of greed, extravagant lifestyle which can be recognized from the comparison between one’s personal assets with his or her potential income often indicate greed instead of need as the driving factor behind his or her fraud (Topcu et al., 2015). Opportunity is commonly associated with power and authorities in organizations where potential offenders work. One’s unusually close association with vendor or customer, for example, may indicate misuse of power and authorities associated with one’s position...
in an organization. In many cases of fraud, opportunity is viewed differently by different potential offenders depending on their mental capacity. Smart offenders will likely be able to see more opportunity than the less intellectually gifted ones.

When a person is misusing his or her position for personal gain, he or she will tend to exhibit defensiveness along with suspiciousness and irritability due to fears that others might eventually find out about the fraud. Rationalization is essentially what makes fraud different from street crimes. It is the way fraud offenders justify their acts so as to avoid feeling guilty. Fraud offenders have been known to be smart people who are not only capable of fooling others but also themselves into thinking that their acts are legitimate. By using fraud triangle framework, this study assesses common factors that drive public officials to engage in corrupt acts. In principle, once identified, eliminating these corruption causal factors will become a priority in eradicating corruption in Indonesia. However, before we analyse using fraud triangle, we used mean hypothesis test to analysis the difference loss caused by age, education and institution of offenders. The understanding of the factors that cause corruption will serve as a basis for government and other decision makers in designing the most appropriate strategy for eradicating corruption.

4. Results and Discussion

4.1. Trends of Corruption in Indonesia

There are various kinds of corruption in Indonesia from petty corruption to grand schemes involving groups of people with power. Before devising a strategy, it is important for anti-corruption practitioners to get a clear picture of the current trends of the corruption problem in Indonesia. Based on the data on corruption offenders gathered for this study, the following analysis was performed.

The result of the test of equality on the average losses from corruption suggests that there is indeed a significant difference between age groups in terms of losses from corrupt acts. From the analysed data the largest portion of losses are contributed by offenders aged 31-35 and 36-40. This suggests that corruption offenders at the age of 31 – 40 can cause substantial losses to the nation. Additionally, the statistical analysis on the level of offenders’ education suggests that there is no significant difference across different levels of education in terms of losses from corrupt acts. This means that offenders who never went to college can cause as much financial damages to the nation as those with undergraduate or even postgraduate degrees. Finally, statistical analysis also shows that there are no significant differences in terms of losses from corruption offences among offenders from three occupational groups (Table 1).
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Table 1. Mean Hypothesis Testing of Average Losses from Corruption for Time Series Cumulative Data, 2001-2015.

| Variables | Measurement | Mean of Losses (Trillion Rupiah) | F-Statistic | Probability | Inference |
|-----------|-------------|----------------------------------|-------------|-------------|-----------|
| Age       | < 30        | 1.17                             |             |             |           |
|           | 31-35       | 2.17                             |             |             |           |
|           | 36-40       | 3.01                             |             |             |           |
|           | 41-45       | 1.52                             | 3.099286    | 0.0133*     | Reject Ho |
|           | 46-50       | 1.20                             |             |             |           |
|           | >51         | 1.72                             |             |             |           |
| Education | Senior High School | 3.22                          |             |             |           |
|           | Under Graduate | 2.03                        | 0.842807    | 0.4388      | Accept Ho |
|           | Post graduate     | 3.48                          |             |             |           |
| Institution | Executive       | 1.77                          |             |             |           |
|           | Legislative      | 2.89                          | 0.996295    | 0.3784      | Accept Ho |
|           | Private         | 2.45                          |             |             |           |

Notes: 1. Ho: Mean of Losses is equal; Ha: Mean of Losses is not equal.
2. * Denotes significant at 0.05 level.

The results are particularly interested in which fraud offenders with high education are causing more financial damages than those with low education. A possible explanation for this is that the numerous loopholes in the Indonesian bureaucratic system create numerous opportunities for many people to easily commit corruption despite their low education. The existing organizational culture within the government in Indonesia that condones corruption is another factor that constitutes the ease of doing corruption in the country. In terms of age, we found that offenders at the age of 31 – 45 are causing the highest losses from their offences. The widespread corruption culture in most if not all systems in the government has created abundant opportunity for people with positions regardless of whether they are part of the bureaucrats, parliament members or even those from private sector.

Statistically speaking, nearly half (45%) of major corruption cases investigated by the KPK (data per October 2014) which have brought down many high ranking public officials are related to bribery. The second most prevalent type of corruption is related goods and services procurement. For example, 8 heads of agencies/ministries were arrested by the Corruption Eradication Commission in 2014 along with 7 mayors/regents and 2 judges (Corruption Eradication Commission, 2014). In total, 40 mayors/regents and vice mayors/vice regents as well as 75 members of central and regional parliaments were arrested and/or prosecuted for corruption during 2004 - 2014 (Corruption Eradication Commission, 2014).

Based on the data from the Corruption Eradication Commission (KPK), 24% of corruption offenders under the commission’s investigation in the period of 2004 – 2014 work for private sectors but the largest group of offenders are higher echelon public officials (26%). These can be explained by the fact that 45% of corruption
offences investigated by the KPK fall under the category of bribery where it is common, for example, for private sector business to bribe public officials to make things happen and/or to make things happen faster.

From 985 selected corruption convicts prosecuted by the Supreme Court, on average an offender with a diploma or an undergraduate degree caused around Rp 3.2 billion (USD 253,366) of financial losses to the state from his or her crime. This figure is lower compared to those who never went to college (Rp 5.8 billion or USD 459,226) and those who had a postgraduate degree (Rp 4.5 billion or USD 356,296) (Figure 1).

**Figure 1: Mean of Losses based on Offenders’ Education**

![Bar chart showing mean losses based on education level](chart)

From the selected convicts, in terms of age, it appears that offenders who are older than 50 years old contributed the largest part of the total losses to the state in the past thirteen years. 52 percent of the estimated total losses of Rp. 4.4 trillion (USD 348.4 million) were contributed by this age group. Additionally, for each convicted offender older than 50 years old, Indonesia will suffer at least Rp. 6.1 billion (USD 482,978) of financial losses (Figure 2). This is can be explained by the fact that the older a corruption offender is, the more experienced and thus capable he or she is to identify loopholes in the system that can be exploited for personal benefits. This may suggest that one’s ability to commit corruption in Indonesia is developed from experience more than education.
In terms of institutions where the offence took place, 45 percent of all corruption cases occurred at ministries or agencies. This is supported by the fact that several ministers from the previous government were named suspects in corruption cases by the KPK. For example, in 2014 the then religious affairs minister was named a corruption suspect in relation to the alleged misuse of haj pilgrimage fund. This was the second time a religious affairs minister was named a corruption suspect in Indonesia (Prabowo, 2014).

4.2. Understanding the Roots of Corruption in Indonesian Bureaucracy

Rationalizing corruption is a process that needs to be learned over time by an offender. Unfortunately, among the first places fraud rationalization begins to grow in one’s mind is within the educational institutions. Some of these acts were even captured by television cameras and broadcast nationally. The fact that many corruption offenders hold diploma or undergraduate degrees may suggest that the Indonesian education system has not paid much attention on developing future professionals’ so-called “moral grammar”. With the absence of strong moral grammar, the seed of fraud rationalization will continue to grow throughout adulthood up to the point where an individual no longer able to tell the right from the wrong. As discussed above, from the selected corruption convicts, offenders above 50 years old caused the largest part of losses from corruption in Indonesia.

In addition to being the largest group of corruption offenders, the “above fifty” group also poses the greatest financial threat to the economy primarily due to the estimated financial losses they have caused. It is always interesting to see why so many senior public officials decided to commit corruption. As mentioned above, fraud rationalization does not grow overnight and it often takes a lifetime to nurture in which
education is an influential factor. As depicted by 26 percent of corruption offenders investigated or prosecuted by the KPK was from the higher echelon group which represents high ranking senior public officials. According to Kristiansen and Ramli (2006), it is common in Indonesia that civil servant positions are subject to hidden market transactions due to the demand for stable sources of income. The lack of transparency in the recruitment system has created an opportunity for positions in the government to be treated as a “product” that can be bought and sold.

Typically, a position becomes an expensive product whenever its compensation is good and many projects are available (Kristiansen & Ramli, 2006). Therefore, it is no surprise that when a senior public official attains his or her position through unlawful means, he or she will perceive that fraud is a normal part of doing work. Such a notion will eventually lead to corrupt acts. In Indonesia, the term “Money Politics” is a household phrase which refers to a practice of accepting bribes and distributing money to obtain or maintain position (Mietzner, 2007). This has created market for rent-seeking activities for obtaining personal gain. This was worsened by the need for political party financing by the state after the fall of Soeharto where such financing has been reduced and thus created more pressure for political parties to obtain funding from other sources including their politician who sit in the government (Mietzner, 2007).

Experts believe fraudulent behaviour, including that of public officials, is mainly influenced by the organizational culture of their institutions which, after years of individuals being exposed to it, reshapes their perception of fraud (Alatas, Cameron, Chaudhuri, Erkal, & Gangadharan, 2009; Matsueda, 2006). A major part of organizational culture is the leadership that serves as the “tone at the top” that everyone must follow. Bad leadership, on the other hand, will create a fertile ground for fraud (Prabowo, 2014).

Indonesian people’s failure to spot behavioural symptoms of bad leaders had contributed to the rampaging corruption in the country. Many corrupt individuals managed to get high positions in the government due to the support from the people which highlight the deficiency in the existing leader selection process. Much fraud involving high ranking public officials could have been prevented had the Indonesian people known about how to spot and identify their behavioural symptoms in the first place. After numerous corruption cases involving, among others, House of Representatives members of the previous government, many Indonesians regretted have voted for the corrupt politicians. The high number of corruption cases involving high-ranking government officials in the executive, legislative and judicative institutions suggests that the existing leader selection process remains ineffective in producing leaders with integrity. Therefore, due to public participation in the process, general and regional elections serve strategic roles in securing good leadership for the country (Corruption Eradication Commission, 2013). This also signifies the need for enhancing people’s awareness regarding the traits of good leaders.
4.3. Preventing Corruption in the Government Bureaucracy

For years, corruption in Indonesia has been considered as a legal problem. Realizing that corruption is a multi-dimensional problem is the first important step toward eradicating it. The eradication of corruption should be teamwork among various elements of the society which includes areas such as prevention, detection, investigation and prosecution. Only countries that can fully optimize its people’s participation can effectively combat corruption problem. As suggested by many scholar, corruption is an outcome of a rational decision making process involving a number of variables in which offenders are continuously seeking for obtaining the greatest benefits (i.e. rational choice theory) (Hayward, 2007).

A common measure of a rational action is when it’s perceived benefits exceed its perceived costs. For example, in Indonesia, the punishment for corruptors is considered very light compared to other countries. According to the Indonesia Corruption Watch (ICW), for example, in the first semester of 2014, the average sentence for corruption offenders is only 2 years and nine months. This is believed to have created a notion among potential corruption offenders that the benefits (e.g. money, positions, etc.) of corruption far outweigh its costs (e.g. risk of detection and prosecution). Prabowo (2014) argued that understanding potential offenders’ perceived cost-benefit weighing process is a key in changing public perception regarding the “profitability” of corruption which will eventually create a notion that corruption is an irrational choice of action.

Moral grammar is essentially one’s ability to tell the right from the wrong. Scholars have long been debating as to how one’s moral grammar is formed. Some believe that it is genetic, some suggest that it is a product of interaction with other people in the society, and others are convinced that it is a combination of both (Hales, 2009). Regardless of the debates, education is often thought as a determining factor behind the formation of an individual’s moral grammar. Stone (2011) argued that the human resource quality of the professionals is largely depending on the quality of the education they previously received. Such quality also includes one’s morality to prevent him or her to become a fraud offender. Schools and universities hold an important role in building future practitioners’ moral grammar. For this, they first need to become fraud-free places for young minds to grow. This is so since exposure to corruption daily will eventually promote a tolerance and thus an acceptance of corruption which will be part of norms of behaviour (Alatas, Cameron, Chaudhuri, Erkal, & Gangadharan, 2009).

Integrating moral grammar development into the existing education system can be an effective means to diminish future corruption. Students must learn not only about how to become a skilled professional but also about being an honest and accountable person. More attention needs to be given to education as a means for combating corruption. Staats, Hupp, and Hagley (2008) believed regardless of its importance, academic honesty has not got enough attention from scholars and researchers. The
importance of education lays in the fact that academic misconduct and various forms of cheating are related to one another as well as to other forms of misconducts (Blankenship & Whitley, 2000). Many believe the rampant corruption in Indonesia to be a natural outcome of the low quality of moral education in the country as evidenced by, among others, the numerous academic misconducts during the annual National Examinations. The weak character strength complemented by the increasing technological opportunities, modelling, rewards, and low probability of punishment makes cheating a logical choice for students who wish to get good grades (Staats, Hupp, & Hagley, 2008). With intensive moral grammar education, there will be shifting in future professionals’ mindset which will make fraud such as corruption no longer a logical choice.

4.4. Good Leadership

Many major fraud cases in the world occurred because of bad leaders and bad leadership. Bad leaders tend to put their personal interests above everything else and committed fraud to achieve their goals. When it comes to selecting leaders, everybody expects them to bring about positive changes to an organization or even to a country. However, as evidenced by various corruption cases perpetrated by many high ranking public officials, Indonesia still has a long way to go in building a good leadership. It is important for the people to avoid giving supports to potentially corrupt leaders.

Even though the Indonesian people do not want to support bad leaders, they often failed to recognize such leaders until it was too late. In principle, good leaders are those who can find strategies that serve all stakeholders well. They prefer to influence than to coerce and they always choose to encourage rather than to resist changes (Allio, 2007). Among the traits of a bad leader is the so-called “narcissism” which essentially reflects a distorted view of the self (Takala, 2010). Such leaders may become intolerant of criticism, unwilling to compromise and frequently surround themselves sycophants.

Those who assume leadership positions are expected to carry out their duties and responsibilities to the best of their abilities so as to benefit their institutions. However, as evidenced by the numerous corruption cases involving high ranking public officials building good leadership has always been a challenging task in Indonesia. Unfortunately, many narcissistic leaders have been occupying various positions in the government some of whom are currently in prison for corruption. As argued by Takala (2010), narcissistic leaders tend to have a distorted view of themselves which in turn cause them to be willing to make decisions for personal benefits. A fine example of good leadership in Indonesia is that of the Former Chief of Police, General Hoegoeng Iman Santoso who always set good examples on how to serve as a policeman with the highest level of integrity. General Santoso was known to use “iron hand” in upholding the law in Indonesia and was considered to be “untouchable” even by those with money and power. Eventually, his stance on corruption which had angered the ruling regime cost him his job. Whereas a bad leader can manipulate and misguide people
into committing fraud, a good leader in an organization will shape and meld organization members’ mindsets to be more appreciative of transparency and accountability (Takala, 2010).

4.5. Organizational Culture

Organizational culture plays an important role in shaping organization members’ attitude towards fraud. For example, narcissistic leaders may eventually shape their organizations to be narcissistic as well. An excessively narcissistic organization is often unable to behave ethically due to its lack of moral identity (Duchon & Drake, 2009). The problem with corrupt organizational culture may start with the so-called “bad apple” problem where generally there is an individual who commits corruption without the support from his or her colleagues or organization. In many cases, this type of offender found a hole in the system and then decided to commit a fraud (Ramamoorti, Morrison, Koletar, & Pope, 2013). Later, when he or she realizes that, compared to the payoffs, the likelihood of being detected and caught is low, he or she continues the fraud. Just like a disease, offender will infect other organization members to systematically commit fraud in a group and eventually everybody is participating in the fraud.

The corruption problem in Indonesia is represented by the systematic corruption involving many public officials from the previous (Murharsito, Fauziah, Kristijadi, & Iramani, 2017). As an organization, there is a social structure with every government agency. Such a structure is imposed on and upheld by organization members who essentially make the institution encoded into every member through socialization process (Duchon & Drake, 2009). By means of internalization, such process is later transformed into patterned behaviour (Duchon & Drake, 2009). Generally, social structure within an organization is initially established by its leaders. Any member who does not submit to this structure will likely be exiled by others. When corruption is embedded into an organization’s social structure, many of the otherwise honest organization members will be forced to see corrupt practices as usual. When this happens, despite one’s understanding and appreciation of corruption’s costs, it can readily become an unwritten rule of competition (Collins, Uhlenbruck, & Rodriguez, 2009; Brass, Butterfield, & Skaggs, 1998; Oliver, 1997). Therefore, building a positive organizational culture is best started from the leaders as they will shape the mindset of the entire organization members.

5. Conclusion

The complexity of the corruption problem requires decision makers to devise a multi-layered strategy to solve it. The corruption problem in Indonesia remains serious and continues to erode the society. A major factor behind the entrenched corruption is the fact that it is considered by many as a logical choice of action for achieving goals and objectives. The high expected payoffs and the perceived low chances of detection and prosecution are among the factors considered by offenders when deciding to engage
in corrupt practices. Organizational culture is a major factor that influences corruption offenders’ decision-making process. Such culture is commonly established and maintained by leaders within the organizations which highlight the fact that leadership is a key factor that will shape an organization and the people within it to be either corrupt or accountable. Prior to one’s professional life, education is also an influential factor to one’s moral grammar development which enables him or her to tell the right from the wrong. It is of no surprise that many consider Indonesian education system as part of the problems related to corruption. The existing system is deemed insufficient in shaping the minds of the youths to make them more resilient to corruption. Therefore, rebuilding the education system must be among the top priorities in eradicating corruption in Indonesia. Finally, to create the perception that corruption is an irrational choice of action, the existing legal system should provide sufficient deterrence effect for future offenders.

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