

Informal Governance and Corruption – Transcending the Principal Agent and Collective Action Paradigms Human Resource Patterns of (Anti) Corruption

Maral Muratbekova-Touron and Tolganay Umbetalijeveva | June 2018

This research has been funded by the UK government's Department for International Development (DFID) and the British Academy through the British Academy/DFID Anti-Corruption Evidence Programme. However, the views expressed do not necessarily reflect those of the British Academy or DFID.



The full version of this article was submitted to a peer-reviewed journal and is under the reviewing process.

Assoc Prof Maral Muratbekova-Touron, ESCP Europe, 79 Avenue de la République, 75011 Paris, France, mmuratbekova@escpeurope.eu

Dr Tolganay Umbetalijeva, Central Asian foundation for developing democracy, utb@yandex.kz

Human resource management patterns of (anti) corruption

The conceptual framework by Baez-Camargo and Ledeneva (2017) comprises three interdependent modalities of informal governance: co-optation (recruitment to the power network and redistribution of resources in favor of those who are recruited), control (ensuring discipline among the network members) and camouflage (protection of the network from external risks). These three modalities help explain the mechanisms of corruption when networks of individual actors redistribute resources in favor of the members of the network (i.e. insiders) at the expense of excluded groups (i.e. outsiders) (Baez-Camargo and Ledeneva, 2017).

Drawing parallels between this informal governance framework and Human Resource Management (HRM), we propose to comprehend these three modalities in terms of HRM practices: recruitment and selection (recruitment based on trust, reciprocity, loyalty or kinship), compensation (e.g. feeding practices such as providing exploitable positions in public offices), performance management (control mechanisms such as demonstrative punishment, blackmail, peer pressure or social sanctions) and training and development (e.g. mentoring, job rotations). All these practices may be camouflaged to protect the informal redistribution of resources among network members.

Using examples of tender bidding processes, we analyze the (anti)corruption mechanisms with regard to (camouflaged) HRM practices in the context of the Republic of Kazakhstan (henceforth Kazakhstan) where informal networks are of the utmost importance. In terms of indigenous practices, Kazakhs are characterized by *rushyldyq*, i.e. a strong feeling of identity and loyalty to one's *ru*, "which denotes membership of a particular sub-ethnic group, or clan, united by actual or perceived kinship and descent and inhabiting a shared territory" (Minbaeva and Muratbekova-Touron, 2018: 228). Historically, the Kazakhs were divided into three *zhuz*, which are then subdivided into *ru*. The terms *ru*, *zhuz* and *rushyldyq* are referred to by Western political scholars as 'clan', 'umbrella clan' and 'clanism' respectively (Schatz 2004; Collins 2006). Clannish-network behavior or the use of *ru* ties by Kazakhs are also imitated by other ethnic groups (Schatz, 2004; Minbaeva and Muratbekova-Touron, 2013): Russians, for example, are sometimes considered as the fourth *zhuz* (Schatz, 2004). *Clanism* therefore has a broader meaning for Kazakhstani people and is defined as a network of individuals linked by immediate and distant kinship ingrained in the extended family, kin ties derived through marriage and various fictitious kin ties such as school ties, friendship, neighborhood and ethnicity for non-Kazakhs (Minbaeva and Muratbekova-Touron, 2013).

Examples of *clanism* listed in the literature are the use of connections to find a job for a relative or a friend (Minbaeva and Muratbekova-Touron, 2013) or political patronage when newly-elected officials replace the majority of office staff with their own kin relations (Schatz, 2004). In this connection, it is worth emphasizing the importance of the *agashka* - an influential government official with strong personal connections with those in power, i.e. a high-ranking official in the central government or a head of local administration (Oka, 2018) - in the mentality of Kazakh people. Oka (2018) gives an example of a popular saying '*Bez agashki ty kakashka, a s agashkoi - chelovek*' ('You are shit without *agashka*, and you are a person with *agashka*' from Russian) that highlights the role of connections in Kazakhstan.

Clanism leading to ‘the economy of nephews and sons-in-law’ (Minbaeva and Muratbekova-Touron, 2018) is considered one of the main causes of corruption, which is one of the major problems in Kazakhstan.

Fighting corruption is officially considered a significant public priority in Kazakhstan, as is reflected in the declarations of chief executives and significant changes in the country’s legislation. However, as illustrated by our findings, despite these changes to the legislation on public procurement and the recent introduction of some elements of e-procurement or computerizing accounting procedures to modernize and simplify public financial transactions, invisible corruption is still there. Informal networks of insiders bypass transparent processes in ways that are hidden from outsiders (Ledeneva, 2018). As stated by one of our interviewees: “*if you want to understand the logic of decisions, you just need to understand not ‘who you are’, but ‘whose’ you are! Meaning, with whom you studied, and whose son or daughter you are, or everything else.*” Thus, those who blame *clanism* for being one of the causes of corruption are right to do so.

However, the strengths and weaknesses of clan ties are very much connected. Our data show that *clanism* may also play a role in limiting corruption. As stated by one interviewee, the Kazakh saying “Eldiñ közine qalay qaraydı?” (“How will s/he look into people’s eyes?”) expresses the role of shame and honor as a control mechanism in performance management. When you have an extended network of clan ties, reputation is precious and some people try to avoid damaging it. Several examples given by our interviewees illustrate this. One government official running tenders on social protection projects in a region stated that they chose locals because they would do a good job as they have to respond to their networks. Another example regards the mobilization of clan ties to stop one highly corrupt official: people working under this official had to appeal to their network to find higher-ranked officials to tame these *otkat* practices.

Our analysis shows that both corruption and anti-corruption mechanisms can be explained in terms of HRM practices. For example, one manager who won a tender, but experienced pressure from the organizers used the following methods that can be expressed in terms of HRM as the extreme formalization of performance management and camouflaged recruitment of a powerful ally. First, performance management was formalized and closely monitored. A close relative of this manager, who is a lawyer, instructed her on how to behave with government bodies, knowing that she had won the contract without widespread use of clan ties, the help of *agashka* or paying *otkat* (kickback), the share of the contract amount paid to the government officials running the bidding (usually 10% for this kind of bidding in Kazakhstan at this time). Every step regarding performance management had to be documented and written acknowledgments of receipt were demanded for all reports submitted to the town hall office. Second, the manager decided to use false rumors about possible informal supervision of her company by its former director, a high-ranking government official, to her advantage. Implicitly, using her network ties, she led town hall officials to believe that she had a government *krysha* (literally ‘roof’ from Russian), a powerful public official providing patronage for the enforcement of contracts, a practice that is widespread in the post-Soviet republics (Zabyelina and Buzhor, 2018).

This extreme formalization of performance management and camouflaged recruitment of a *krysha*, used by the manager as a shield against corrupt town hall officials, enabled her to fulfill her contract successfully.

Table 1 summarizes examples from the data gathered on different HRM practices such as (camouflaged) recruitment, compensation, and performance management.

Table 1. Examples of HRM patterns of (anti)corruption

| HRM practice | Corruption | Anti-corruption |
|---------------------------|--|---|
| Recruitment and selection | <p>Appointments made to promote and feed network ties (insiders)</p> <p>Refuse appointments to outsiders (those who do not belong to the network)</p> | (Camouflaged) recruitment of powerful government officials via network ties: to make people believe in the existence of a government roof (<i>krysha</i>), a powerful public official providing patronage |
| Compensation | <i>Otkat</i> (kickback), the share from the contract amount paid to the government officials running the bidding | Social recognition of network ties for being honest |
| Performance management | <p>Demonstrative punishment (use of anti-corruption legislation) of political opponents or malcontents</p> <p>Peer pressure control for compliance of expected corrupt behavior within the network</p> | <p>Shaming</p> <p>Peer pressure or social sanctions for corrupt behavior</p> <p>Extreme formalization of performance for legal protection reasons</p> |

In terms of policy implications, corruption prevention programs may involve monitoring the HRM patterns of corruption, taking account of the fact that corruption is deeply embedded in informal practices. It is therefore crucial to understand the construction of informal networks and the basis of their functioning: the nature of ties and communication, obligations vis-à-vis network members, reciprocity, support, trust, sanctions, etc. This approach allows corruption prevention programs to use the same camouflaged HRM practices to fight corruption by its own mechanisms.

References

Baez-Camargo, C. & Ledeneva, A. (2017). Where Does Informality Stop and Corruption Begin? Informal Governance and the Public/Private Crossover in Mexico, Russia and Tanzania, *Slavonic and East European Review*, 95:1.

Minbaeva, D. & Muratbekova-Touron, M. (2013). Clanism: Definition and implications for Human Resource Management. *Management International Review*, 53: 109-139.

Minbaeva, D. & Muratbekova-Touron, M. (2018). “Rushlydyq”, entry 3.4, Vol. 1 (pp. 230-233) in Ledeneva, A. et al., eds. *The Global Encyclopaedia of Informality*, UCL press, London.

Oka, N. (2018). “Agashka”, entry 1.15, Vol. 1 in Ledeneva, A. et al., eds. *The Global Encyclopaedia of Informality*, UCL press, London.

Schatz, E. 2004. *Modern clan politics: The power of “blood” in Kazakhstan and beyond*. Seattle and London: University of Washington Press.

Zabyelina, Y. & Buzhor, A. (2018). “Krysha”, entry 6.23, Vol. 2 in Ledeneva, A. et al., eds. *The Global Encyclopaedia of Informality*, UCL press, London.

