Human resource management patterns of (anti) corruption mechanisms within informal networks

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Abstract

In this article, we propose to comprehend the corruption mechanisms of tender bidding processes in terms of Human Resource Management (HRM) practices within informal networks. Taking the context of Kazakhstan, we analyze the behavior of individual actors as members of informal networks. Our analysis shows that both corruption and anti-corruption mechanisms can be explained in terms of HRM practices such as (camouflaged) recruitment (e.g. of powerful government officials via network ties), compensation (e.g. kickbacks for corruption; social recognition or shame for anti-corruption) and performance management (e.g. demonstrative punishment for corruption; extreme formalization, peer pressure or social sanctions for anti-corruption).

Key words: corruption, human resource management practices, informal networks, Kazakhstan, tender bidding

Introduction

To understand why standard anti-corruption policies fail and provide different insights into corruption mechanisms, some scholars suggest studying corruption as a social process (Warburtin, 1998; 2013) and focusing on informality and informal practices (Baez-Camargo and Ledeneva, 2017). Analysis of the behavior of individual actors as members of informal social networks allows corruption to be conceptualized in terms of power flows and relationships and corrupt transactions between individuals who are not directly linked to be understood (Warburtin, 2013). This is especially important in countries where indigenous informal network ties play a significant role: for example, *blat/svyazi* in Russia (Ledeneva, 1998), *clanism* in Kazakhstan (Minbaeva and Muratbekova-Touron, 2013), *guanxi* in China (Dunfee and Warren, 2001; Warren, Dunfee, and Li, 2004), *wasta* in the Middle East and North Africa (Hutchings and Weir, 2006) or *Yongo* in Korea (Horak 2016). While many scholars have portrayed the particularities of the indigenous informal networks in different countries, Baez-Camargo and Ledeneva (2017) attempted to find similarities in the way they function, based on examples from Mexico, Russia and Tanzania. Their conceptual framework 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) (Baez-Camargo and Ledeneva, 2017). 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. "HRM refers to the policies, practices, and systems that influence employees' behavior, attitudes, and performance" (Noe et al., 2015:4). HRM practices comprise analyzing and designing work, deciding HR needs (planning), recruitment (attracting potential employees), selection (choosing from the pool of attracted employees), training and development (teaching employees how to perform their jobs and prepare them for the future), compensation (rewarding employees), performance management (evaluating performance), and employee relations (setting positive work environment) (Noe et al., 2015).

Thus, co-optation, one of informal governance modalities (Baez-Camargo and Ledeneva, 2017), corresponds to recruitment and selection based on trust, reciprocity, loyalty or kinship. Control refers to 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.

Grasping the informal governance of indigenous networks through the HRM lenses allows understanding corrupt transactions of individuals as members of informal social networks. Examining how these members recruit, reward, and manage corrupt performance provides more structured vision of how corruption functions.

Using examples of tender bidding processes, the objective of this paper is to analyze the corruption mechanisms of informal networks with regard to (camouflaged) HRM practices. An understanding of informal network mechanisms through HRM lenses

may also help in the fight against corruption. Indigenous practices used by informal networks have a negative connotation of corruption, but they can also be perceived and used positively. Networks may contribute to the development of trust, mutual support and coordination efficiency (e.g. Horak, 2016; Michailova and Worm, 2003). We therefore also aim to demonstrate that the same HRM practices may be used to fight corruption. Consequently, our research question is as follows:

> *How and to what extent can the corruption and anti-corruption mechanisms of a tender bidding process be explained in terms of HRM practices?*

To study this research question, we took the context of the Republic of Kazakhstan (henceforth Kazakhstan) where informal networks are of the utmost importance. Our paper is structured as follows. First, we present the context of Kazakhstan in terms of the use of indigenous management practices and corruption. Second, we provide the description of public procurement processes in Kazakhstan. Third, we describe our methodology. Then, we present our findings followed by a discussion. The paper ends with a conclusion.

Clanism and corruption in Kazakhstan

Kazakhstan is one of the former republics of the Soviet Union and has been independent since 1991. With an overall population of over 18 million, the country is extremely diverse in terms of ethnic groups: Kazakhs form the ethnic majority (around 63%) while other ethnic groups include Russians, Uzbeks, Ukrainians, Uighurs, Tatars, Germans and others. Kazakhstan is a bilingual country with Kazakh having the status of the 'State' language and Russian being the 'official' language.

The country is rich in natural resources (oil, gas, and different minerals) but is currently experiencing an economic and political crisis after the "oil boom" which allowed it to make a rapid economic leap in the early 2000s. Any real economic reform of the country practically came to a halt in the middle of the 2000s, however. The country is a constitutional republic with a strong presidency: since 1990, there has only been one president, Nursultan Nazarbayev, who has been re-elected several times and was finally granted the status of First President of the Republic of Kazakhstan – Leader of the Nation. The status of Leader of the Nation gives Nazarbayev control over government policy after his retirement and immunity from criminal prosecution; it also protects all the assets of the president and his family.

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).

Perceptions of *clanism* vary among Kazakhstani people: some find it useful and necessary to encourage mutual support and secure access to different economic, social or political goods; others consider it to be nepotism, patronage, or the abuse of power for the benefit of kin members (Minbaeva and Muratbekova-Touron, 2018). 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. The country is ranked 131st out of 176 countries (with a score of 29/100) in the 2016 Transparency International Corruption Perception Index (https://www.transparency.org/country/KAZ). Widespread corruption throughout Kazakhstani political circles and networks of patronage damages the country's business environment (GAN Integrity, 2017). While the country has a considerable legal framework to fight corruption, its weak judicial system, together with ineffective and unreliable State bodies, cannot stop generalized petty corruption, facilitation payments and bribery in the public administration (GAN Integrity, 2017).

Tender bidding process in Kazakhstan

A bidding process is typically used in the procurement of goods and/or services. In this paper, we use the cases of public procurement, i.e. tender process in the government sector. Government agencies invite the private sector to submit competitive bids for the supply of goods and/or services to identify the most economically advantageous tender seeking for the highest quality at the best price.

The practice of holding tenders in Kazakhstan appeared at the end of 1998 (Ryzhkova, 2016). But along with the practice of the tender, appeared such practice as *otkat* (kickback), i.e. the share of the contract amount paid to the government officials running the bidding. This share varied from 10% to 25% of the amount received, but at the end of the 2000s it sometimes reached 40% (Exclusive, 2014; Ryzhkova, 2016). As the state's role in the economy increased, *otkat* flourishes in Kazakhstan because it is widely used in public procurement (Atameken, 2017). Due to the fact that the state was the largest customer, the practice of holding a tender significantly aggravated the situation with corruption in Kazakhstan (BNews, 2017). And the most important channel for receiving a state order became informal channels - relatives, acquaintances, friends, etc., i.e. clan ties, which allowed building indirect relations with representatives of state structures (Forbes Kazakhstan, 2014).

The government took measures to reduce corruption during state tenders: introduced law regulation, attracted the media when opening envelopes - applications from participants, complicated the procedure for determining the winner. The tender bidding process is now regulated by the Law of the Republic of Kazakhstan "On Public Procurement" (December 4, 2015, N 434-V). The government developed electronic public procurement (e-procurement) and launched the State procurement

website in 2008. The introduction of the electronic public procurement aimed not only to reduce costs, but also to provide international standards of transparency and public accountability (export.gov, 2018). E-procurement did contribute to diminish risk of corruption by decreasing direct interaction between government officials and companies (GAN Integrity, 2017). However, the international standards of transparency are not achieved yet as there are a lack of transparency in business dealings, nonpayment and short deadlines that may imply a preselected supplier (export.gov, 2018). In addition, this Law does not regulate procurement in the national holding companies. For example, Samruk Kazyna, the country's largest national holding company that administers the state's assets in oil, gas, energy, transportation, financial and innovation sectors has got special status. This status allows it to be exempt from government procurement processes: it may make transactions between members of its holdings without public notification.

Methodology

To address our research question, we used a combination of exploratory qualitative methods: case studies and interviews conducted in Kazakhstan. These data were enriched by another important source, the media, that we analyzed looking for the corruption case scandals through the lenses of HRM patterns of informal networks.

Case studies

We were able to gather the information on two tender bidding processes that provided us with two case studies. One of the authors of this paper approached a person who won two tender bidding processes that took place in one of the main cities of Kazakhstan. She repeatedly interviewed this person on a monthly basis. The

interviews lasted between 1 and 2 hours. This longitudinal following, which took place in 2009 and 2010, provided us with two case studies not only on bidding processes, but also on the fulfillment of the contracts in a highly corrupt environment. Such a case study is an appropriate research method when researchers are trying to understand an ongoing real-life phenomenon and answer a "how" question (Yin, 1994). We adopted an exploratory and descriptive case study approach (Yin, 1994) that consisted in regular interviewing the person participating in tender bidding processes as the main sources of evidence.

Interviews

We also conducted semi-structured interviews with seven respondents occupying different positions in public office, private business, NGO, academic and political institutions in June 2017 to complete our understanding of the informal mechanisms of (anti) corruption. As corruption is a sensitive issue, the full anonymity of respondents was guaranteed. The interviewees were approached through the networks of one of the authors, whom they trusted, and we were therefore able to record the conversations and transcribe them. The interviews lasted between 45 minutes and 1h30. The interviews were conducted by one of the authors of the paper, except one when both authors were present. The interviews were conducted in Russian with some wording and anecdotes by some of the interviewees in Kazakh. The interviewees were asked to give their opinion on corruption in Kazakhstan, examples of corrupt situations, their analysis of how corruption works and of the way in which corruption could be fought. We also asked for examples of successful use of informal practices to fight corruption.

Data analysis

The interviews as well as the case studies were analyzed through the frameworks of HRM practices: we categorized the codes according to different HRM practices, i.e. recruitment and selection, compensation, and performance management. One author of the paper made the coding. Another author critically revised this coding. After the discussion, we arrived at the consensus. We associated these codes with corrupt or anti-corrupt actions. They are shown in the table 1 and described in more detail in the result part.

Table 1. Codes in the framework of HRM practices

Codes associated with corrupt or anti-corrupt actions	HRM practice	Comment
Fighting against corruption: creating a shield against corrupt officials		
Documentation of every step done during the project (case 1)	Performance management	Formalization of performance management
Requiring written acknowledgments of receipt for all reports submitted to the town hall office (case 1)	Performance management	Formalization of performance management
Using false rumors about possible informal supervision of the company by its former director, a high-ranking government official. Leading town hall officials to believe in the existence of a government *krysha* (case 1)	Recruitment	Camouflage used, bottom-up recruitment
Acquiring the political "roof" in the frameworks of official business forum to protect the company from having to repeatedly pay *otkat* to the governors (interview)	Recruitment	Camouflaged formalization of official *krysha*, bottom-up recruitment
Shame and honor as a control mechanism within an informal network (interview)	Performance management	Importance of clan ties: social peer pressure
Recognition of network ties for being honest	Compensation	Importance of clan ties: social peer recognition
Mobilization of clan ties to stop one highly corrupt official (interview)	Performance management	Use of clan ties, bottom-up

Corruption		
Delay payment for the contract within the frameworks of a tender (case 1)	Compensation	Top down
Recruitment of powerful government officials: *krysha* (roof) or *agashka* who provide patronage (case 2)	Recruitment	Bottom-up
Initially setting criteria that can only be met by one given company in an online bidding process (interview)	Selection	Camouflage, top-down
Paying *otkat* to the governors (interview)	Compensation	Bottom-up
Asking the candidate to set a higher price than that of a principal competitor in order to let this competitor win (case 2)	Selection	Top down intimidation
Pressure to sub-contract the whole survey to the rival company that lost the bidding (case 2)	Selection	Top down intimidation
Using the pretext of anti-corruption campaigns to pursue political opponents: illustrative punishment of political challengers for corruption (interview)	Performance management	Political component of anti-corruption campaign perceived as inter-elite struggle
Using *kompromat* (compromise information) to make pressure (see example of corporate raiding) (interview)	Performance management	Top-down in this case, but can be bottom-up or on peer level

Results

Case study 1: formalization of performance management and camouflaged recruitment

Gulnar (the name is fictionalized for the sake of anonymity), a manager of a company providing sociological surveys, participated in a sociological survey bidding process announced by the town hall of one of the major Kazakhstani cities in 2009. She unexpectedly won the bidding due to (as she understood later) internal conflicts between the members of the town hall who were running the bidding process.

According to rumors, a company which unofficially belonged to one of the town hall officials had been intended to win the bidding.

Gulnar's win came at a price, however, in the form of pressure from town hall officials who were looking for opportunities not to accept the reports and to get the company to return the money. For example, after the submission of the first sociological report, town hall officials called and demanded that she bring all the necessary documentation (700 questionnaires, audio records and the transcripts of focus groups interviews, a database in SPSS, route sheets) to them within one hour. It was also difficult to continue carrying out the work when installment payments were not made and without official validation of the sociological results that were collected.

To deal with the pressure, Gulnar 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 (given as examples of HRM patterns of anti-corruption in Table 2). First, performance management was formalized and closely monitored. A close relative of Gulnar, who is a lawyer, instructed her on how to behave with government bodies, knowing that Gulnar 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. For example, in response to the request from town hall officials to provide the whole documentation within one hour, Gulnar and her team reacted very fast. In addition to all the documentation that was kept well, they prepared a document transfer statement listing

all the items (files, audio recordings, transcripts, etc.) and forced the employees of the town hall to sign a receipt for the documents, indicating the exact time of receipt. As Gulnar's close relative told her, nothing can be proved without such documents and State entities can then deny everything.

Second, Gulnar 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 Gulnar as a shield against corrupt town hall officials, enabled her to fulfill her contract successfully. However, the conditions of this contract fulfillment were extremely stressful. The company did receive the first payment, but the second one was uncertain and repeatedly delayed. The town hall broke contracts on other tenders with some companies and forced them to return money. Gulnar's company did not get funds to pursue their sociological survey. After discussing the issue with her team and with the external interviewers working on the survey, they decided that they would conduct a poll without being paid. Their rationale was that if they did not conduct the research because the town hall had not paid them, then at the end of the year the town hall would accuse them of not fulfilling the terms of the contract and force them to return the first payment. If the company fulfilled all the terms of the contract, however, then it would have all the legal grounds it needed to demand the remaining money allocated for this tender. In the same vein, all the documents regarding the follow-up surveys were transferred to

the town hall administrative staff who were obliged to sign receipts for the documents. Although Gulnar spent the whole year sending official letters to town hall officials demanding payment, the money was only paid in the April of the following year, after Gulnar threatened town hall officials to apply to the court. Gulnar still remembers personally distributing the salaries due to all employees and external interviewers driving around the city. She felt personally responsible for the huge delay of several months and was grateful to all of them for their loyalty and confidence.

Another case of camouflaged recruitment was used by one of our interviewees called Erlan [name is fictional], whose job is to assist foreign and local companies in navigating the administrative barriers to sign contracts, ease bureaucratic processes and mediate with government officials. Erlan was approached by a foreign company [henceforth company Z] to push a joint project for the construction of a hydraulic power plant in a Kazakhstani region. The project was worth around US $100 million and required the approval of the head of the region, who expected a kickback (*otkat*) of 20%. To avoid bureaucratic delays and widespread corruption, Erlan handled the launch of the project through the presidential administration. Knowing that President Nazarbayev was going to attend an international summit in the country of origin of company Z, Erlan organized a business forum in the framework of this summit with the help of former colleagues who were working as senior public officers. Successful joint projects (between Kazakhstan and this foreign country) were presented at this business forum, together with new joint projects. The project pushed by Erlan was signed at this business forum in the presence of the president of Kazakhstan. Erlan considered that no head of a region (turnover of public officers is relatively high) would dare to demand *otkat* of 20%, because of the perceived importance of a project

"approved" by the president himself. Bottom-up recruitment consisted in soliciting Erlan's connections (former colleagues) for the organization of the business forum, which would not have been possible otherwise. It helped Erlan to acquire the political "roof" he needed to protect the company from having to repeatedly pay *otkat* to the governors.

Case study 2: bypassing a transparent selection process

Having won her first bidding process but had a difficult time, Gulnar decided to participate in another sociological survey tender in 2010, announced by Ministry of Culture. However, as soon as her company declared its willingness to take part in the bidding process, people close to the government officials running the bidding process approached Gulnar. She was asked to set a higher price than that of a principal competitor in order to let this competitor win. One can categorize this intimidation as a top-down camouflaged selection in terms of HRM practices.

This kind of camouflaged corrupt selection is apparently common in bidding processes. As one of our interviewees stated: *"Everything regarding State procurements bypasses the 'video cameras'. When State purchases are carried out, conditions can be set in such a way that no one else can win, except the intended company... I remember seeing a government procurement request in a State institution. They were looking for an organization to provide them with training and required that organization to have a class of at least 250 people. And I said to them: 'Excuse me, you have 43 people, why are you making such a demand of 250 people?' It was clear to me that they wanted one particular organization to win"*.

A formalized online bidding process designed to be transparent and reduce corrupt mechanisms may therefore be bypassed, for example by initially setting criteria that

can only be met by one given company (camouflaged selection). In the case of Gulnar's second bidding process, the informal pressure aimed to increase her price so that she would lose the competition on one criterion. Although she accepted, she still won because of a miscalculation. The online bidding process application took different criteria into account for the final price calculation: the educational background and professional experience of company employees for example. As the employees of Gulnar's company were more qualified and experienced than the employees of the rival company, the final pricing turned out to be lower than the pricing of the competitor. The difference was ridiculous: the equivalent of few euros in Kazakhstani Tenge.

The story did not end with the "official" victory, however. Gulnar was again approached by the same people and pressured to sub-contract the whole survey to the rival company that lost the bidding. Remembering her previous painful experience of executing a contract, she obeyed.

Discussion

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.

Table 2 summarizes examples from the data described above on different HRM practices such as (camouflaged) recruitment, compensation, and performance management as corrupt and anti-corrupt mechanisms.

Table 2. Examples of HRM patterns of (anti)corruption

HRM practice	Corruption	Anti-corruption
Recruitment and selection	Appointments made to promote and feed network ties (insiders) Refuse appointments to outsiders (those who do not belong to the network)	(Camouflaged) recruitment of powerful government officials via network ties: to make people believe in the existence of a government roof (*krysha*), a powerful public official providing patronage *(e.g. case 1)*
Compensation	*Otkat* (kickback), the share	Social recognition of network

	from the contract amount paid to the government officials running the bidding	ties for being honest
Performance management	Demonstrative punishment (use of anti-corruption legislation) of political opponents or malcontents *(e.g. Kazhegeldin's and Ablyazov's cases)* Peer pressure control for compliance of expected corrupt behavior within the network	Shaming Peer pressure or social sanctions for corrupt behavior Mobilization of clan ties to stop corruption Extreme formalization of performance for legal protection reasons *(e.g. case 1)*

This table also contains examples from the data gathered form various media that help understanding a broader political context in Kazakhstan. According to our analysis of the media and corruption scandals, one of the reasons for high-level corruption is political. The Kazakhstani government uses the pretext of anti-corruption campaigns to pursue political opponents. Commenting on democratic reforms in Central Asia, the Economist (2003) observed that "in countries where money and power seldom rhyme with honesty and moral rectitude, the authorities usually manage to find enough skeletons in past incumbents' cupboards to take them to court. A docile and corrupt judicial system tends to ensure the desired outcome." There are a lot of examples of illustrative punishment of political challengers for corruption. Akezhan Kazhegeldin who was prime minister in 1994-97 and set up the Republican People's Party of Kazakhstan in 1998, was forced into exile in 1999 and sentenced in absentia to ten years in jail for corruption and abuse of power in 2001. Recent examples include executives of large and well-known media companies or government heads, namely a head of "National Press Club" Seitkazy Mataev and his son Aset Mataev who were sentenced to 5 years' imprisonment in 2016.

The case of Mukhtar Ablyazov was widely commented in the world media and is illustrative of political control using the fight against corruption as a performance management method (given as an example of demonstrative punishment as performance management HRM practice in Table 2). Ablyazov - an influential politician and businessman, Minister for Energy, Industry and Trade at that time - was involved in founding the "Democratic Choice of Kazakhstan" (DCK) movement, known also as a protest of "young Turks" (*mladoturki)* in 2001 (disbanded in 2005). A number of young officials, Ablyazov being one of them - who came to the government from the business sector - created DCK in response to the widespread "corporate raiding" exercised by officials occupying top-ranking positions, including the chief of the country's tax police at that time. Corporate raiding involved taking profitable business from the executives of profitable companies using *kompromat* (compromise information) on them. It provoked the "unification" of business groups and resulted in the creation of DCK advocating decentralization of power, fighting corruption and protecting human rights. This opposition caused an angry reaction from the regime which exerted strong pressure on party members. While some members of the DCK resigned from the government, others resigned from the party to retain their positions in the government. Some ended up in prison for "abuse of office": Ablyazov was sentenced to 6 years in 2002 "after a trial in which due process was ignored" (Economist, 2002); the governor of Semipalatinsk province Galymzhan Zhakiyanov – another head of the DCK - was imprisoned from 2002 to 2006; Minister for Transport and Communications Ablay Myrzahmetov was sentenced to 2 years (conditionally).

Ablyazov was pardoned in 2003 by a Decree of the President on the condition that he renounced politics. Ablyazov became the chairman of BTA bank in 2005, which had

became one of the largest banks of the CIS countries by 2008. According to some sources, Ablyazov was pressured to transfer 50% of the shares of the bank to the State. After his refusal, control of the bank was taken over by "Samruk Kazyna", the national welfare fund presided by Timur Kulebaev (President Nazarbayev's son-in-law) in 2009. It is to be noted that this State-owned welfare fund owns the majority of companies in Kazakhstan, including the oil fields. BTA Bank submitted claims to the London High Court. Ablyazov was accused of stealing up to £4bn from BTA bank, fled to the UK in 2009 and successfully applied for asylum in 2011. He was detained in a French prison from 2013 and released in December 2016.

Corruption scandals do not point to certain benefits of having a code of ethics or fighting against corruption, as might be the case in the US (Davis, 2013), but as stated previously, corruption cases involving high-ranking officials in Kazakhstan are perceived in society as an inter-elite struggle. People do not take the fight against corruption at the highest level seriously, which results in the passive or active acceptance of corruption practices that are impossible to fight without a real political will at the highest level of government. As Panico (2013: 259) stated, "leaders must be eager to invest their persons and become naked" to the country and to show uncompromising honesty and integrity, because they are responsible for the culture.

Conclusion

Our analysis shows that both corruption and anti-corruption mechanisms can be explained in terms of HRM practices used within the informal networks. This analysis helps understanding that formal introduction of standard anti-corruption policies might not be efficient because insiders (members of a powerful network) can bypass the official rules using camouflaged HRM practices such as recruitment (e.g. of

powerful government officials via network ties), selection (initially setting criteria that can only be met by one given company in an online bidding process), compensation (e.g. kickbacks) and performance management (e.g. demonstrative punishment for corruption or using *kompromat*).

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.

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