

Organizations need to beware of 'institutional parasites,' study says

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Organizations that fail to identify or swiftly expel "institutional parasites" risk long-term damage, academics from British and Finnish business schools have warned.

In a paper [published](#) in *Academy of Management Review*, they argue that the increasingly complex and opaque nature of many organizations provides fertile ground for institutional parasites, such as suppliers or other key external partners and employees.

Dr. Jukka Rintamäki from Finland's Aalto University School of Business, Dr. Simon Parker from Nottingham University Business School and Professor Andre Spicer, Professor of Organisational Behaviour at Bayes Business School (formerly Cass), City, University of London, analyzed existing research and a range of case studies.

They cite accountancy firms that collude in falsification of accounts (such as Arthur Andersen's oversight of collapsed energy giant Enron) and specialist ESG firms that guarantee [positive outcomes](#) from [human rights](#) and sustainability audits of clients' supply chains.

The authors used a model developed by Dr. Rintamäki to explore how the parasites form and proliferate—and how they can be challenged effectively.

The parasitical action can initially benefit both the institutional parasite and the host organization, they conclude. The parasite is more likely to win contracts by guaranteeing positive conclusions, while the latter may pay less tax or have lower supply chain costs.

The more complex and opaque the institutional environment, the more parasites can remain undetected or without their negative impact being obvious, the paper says.

Dr. Rintamäki said, "Institutions identify and act against obvious threats but it is the insidious ones that can fella them. A leech that is visibly draining blood from a body will be quickly removed. An internal parasite, such as a roundworm, can cause significant harm to the host

human before they realize they have a problem and seek medical attention and treatment."

Partly due to the initially mutually beneficial nature of much parasitical activity, [leaders](#) can engage in willful blindness—or fail to clearly identify and challenge the parasites. That can foster more parasites—and ultimately lead to significant harm, including the collapse of the organization.

Even when seeking to manage or remove the parasitical activity, leaders can actually exacerbate the problem, the authors warn.

Some leaders or industry watchdogs or legislators react with new policies, rules and guidance. Ironically, such measures can nurture the very environment in which parasites thrive by increasing complexity and opacity. The organization is also focusing on process and administrative actions rather than its core functions—risking inefficiencies and reputational damage.

The authors urge leaders to instead act boldly—"reforming" the institution in ways that improve transparency and reinforce its core purpose and principles. Regulators and lawmakers responding to exposure of wrongdoing should also embrace that approach and aim to improve the identification of parasitical actors.

Often an organization that has drifted too far from the principles and practices that made it successful in the first place must change to maintain or regain success, Dr. Parker said.

"Complexity is the key driver of institutional parasitism and as organizations grow it is more difficult for leaders to be aware of emerging problems across many sites or partner organizations. It's also a fact of life that there is sometimes a gap between what we claim about

ourselves and what we do—and that can apply, for example, to monitoring of suppliers."

Professor Spicer said, "In modern life medical science and public health regulations have removed many parasites and other risks to our biological health from our daily lives. Simultaneously, however, our increasingly complex working environments have fostered the conditions where institutional parasites flourish. We have all worked with 'slackers' and with people who sometimes cut corners or sail close to the wind ethically. Our concept of institutional parasites goes well beyond that."

Dr. Parker added, "It's understandable that the first response to a parasitical threat is adding yet more pages to bulging staff manuals or supplier contracts. However, leaders should instead focus on stripping back the complexity and looking at the core functions, purpose and expectations of their organization. Ironically, sometimes such change allows leaders to maintain a form of the status quo."

More information: Jukka Rintamäki et al, Institutional Parasites, *Academy of Management Review* (2024). [DOI: 10.5465/amr.2021.0502](https://doi.org/10.5465/amr.2021.0502)

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