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Reducing Corruption in International Business: Behavioural, Managerial and Political Approaches

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Abstract

Distinctive forms of corruption and bribery are identified and the political dimensions of 'corruption' are duly noted. The prevalence of corruption worldwide is then indicated, together with the shortcomings of some current institutional responses. Some evidence regarding Indian MNC managers' experiences with corruption and bribery is then set out, together with several evidence-based approaches and techniques for reducing corruption. These include the analysis of consequences by individual decision-makers, principle-based reasoning at the managerial level and balanced changes at the political level.

Introduction

Historically, all societies have harboured an element of corruption. In India, for example, Kautilya's Arthashastra long ago set out as many as 40 different ways in which public officials might make illegitimate gain from public office. Today, the 'greasing of palms' remains an indispensable component of many successful business strategies, especially in the LDC context. Indeed, corruption in some form now seems to be almost routine (Noonan 1984; Pieth 1999; Eigen 2002; Kale 2004). Furthermore, recent major corporate scandals in the West have reinforced the perception that it is very widespread.

* this paper was completed while the second author was at Gonzaga University
At the same time, there has been a steady growth of the Business Ethics movement, accompanied by anti-corruption initiatives at the global-institutional level, particularly the expansion of activities by Transparency International (TI) and the OECD (1999) anti-bribery convention. At the micro-level, meanwhile, consultants and educators have enthusiastically promoted the use of ethical codes of practice, mission statements, stakeholder-oriented strategy models and ethical decision making (EDM) models. Almost all of these initiatives, which are naturally regarded with a mixture of cynicism and hope, advocate some sort of restraint on selfishness in the economic sphere, together with heightened commitments to wider communities and universal humane ideals.

Given the vast funds that are at stake, sums that can dwarf most strategic business investments, it is regrettable that only a few articles that are specifically about corruption and corporate crime have appeared in mainstream management journals. Indeed, the issue of corruption has been largely neglected in the literature related to 'business and society' until quite recently (Schnatterly 2003; Robertson & Watson 2004). Meanwhile, most business school programmes have had much to say about investment and internationalisation strategies, but have remained silent on such delicate topics as how to behave in corruption related contexts.

Part of the problem in the academy is due to the obvious difficulty of obtaining any directly relevant micro-level empirical data, so that there are very few empirical-behavioural models of corruption-related processes. This 'difficulty' was first noted by Klitgaard (1988). More recently, in a study of 12 German MNC's operating in India, Berg and Holtbrugge (2001) reported that 'bribery' came below codes of conduct and corporate philanthropy in 'importance' to managers. As is typical in studies of such sensitive issues, three out of the twelve respondents in that study reserved comment on bribery. It seems that manager's responses to inquiries on such issues are not necessarily the whole truth; that is, information voluntarily placed in the public domain can sometimes be nothing more than deceptive communications, or strategic public relations. However, the difficulty of obtaining meaningful data about corruption was overcome to some extent in a study reported here (in section 4) which made use of a long established network of senior MNC managers in Mumbai (Bombay) India, each of whom is known personally to the principal researcher.
Overview

In the following section, various distinctive forms of corruption and bribery are identified and classified. At the same time, the political and ideological dimensions of corruption are noted. The worldwide prevalence of corruption is then briefly described (in section 3), together with some apparent possible shortcomings of the relevant OECD Convention. Some new evidence is then set out, regarding MNC senior managers' attitudes towards corruption, with their related experiences. This is followed (in section 5) by a specification and discussion of some possible approaches to reducing corruption, at several levels: First, individual's decisions about bribe payment are analysed in terms of their psychological and financial consequences. Next, corporate-level or managerial approaches are considered, including the use of some principle-based decision making guides. Finally, some prescriptions for change are considered at the level of social systems; that is, within the politics and ideology of the new global capitalism.

Corruption

Early studies of corruption focussed on business-to-government transactions, defining these as 'violations of common interest for special advantage' or as 'undue influence for private gain' (Rogow & Lasswell 1963; Leff 1964). Later, Noonan (1984) referred to offering 'inducements to alter conduct from normal' and much more recently Argandonna (2003) has drawn attention to the growing importance of 'private-to-private' (ie, business to business) forms of corruption. In all these cases, the notion of 'corruption' has encompassed specific acts like paying bribes, but it has also alluded to dynamic processes whereby one actor corrupts another, or where an actor is embedded within a nexus of illegal or unethical activity in a social system (Elliot 1997; Rauch 1997; Cockroft 2003).

Corrupt acts have also been classified by their context, purpose and magnitude (Elliot 1997; Rauch 1997), suggesting that each form merits a distinctive prescription. Examples include:

i) A facilitating payment to secure preferential treatment from a public servant (Motorola in Russia, as described in Donaldson, Werhane and Cording 2002, p. 429).

ii) A bribe to secure a competitive advantage, in an otherwise legal transaction, involving (a) of a public official (eg, Lockheed in Japan, in
the 1970's), or (b) an officer of another business corporation (Argandonna 2003).

iii) An act of extortion (eg, a demand for payments for the return of kidnapped persons).

iv) A bribe to have an illegal activity performed in (a) a legitimate regime (eg, bribing a jailer to free a convicted murderer), or (b) an oppressive regime (eg, a bribe to free a prisoner from a concentration camp, as described in Rose-Ackerman 1978, p. 9).

![Figure 1: Active and passive corruption](image)

When assessing the ethicality of each of these forms, one can further distinguish between active bribery (offering or soliciting bribes) versus passive bribery, or responding to solicitations (Figure 1). In addition one can consider whether or not any payment in question can reasonably be expected to result in subsequent violations of human rights, harm to relevant stakeholder communities, or damage to the natural environment. As discussed subsequently (in section 5) in some situations where such harms and violations seem genuinely unlikely, the ethicality of making bribe payments to secure business can sometimes be quite finely balanced.

**Consequences**

According to Sen (1999, p. 275) corruption is 'a major stumbling block in the path to successful economic progress' as it tends to undermine competition and draw investment away from productive pursuits. Sen also noted that consequences of corruption include the fostering of violent organisations. However, it is quite uncommon to see public documents that refer to the
serious social, environmental and moral consequences of corruption, as
distinct from its economic consequences.

These 'social' consequences include serious violations of human rights;
extreme distributive injustices and various forms of oppression, whilst
corruption is also closely associated with harm to the natural environment.
Indeed, the Environmental Sustainability Index 2001, which ranked the
environmental performance of 122 countries, found a rank-correlation of
(0.75) with Transparency International's Corruption Perception Index (CPI)
2000. Despite this, the issues of environmental and stakeholder interests and
the protection of human rights has remained essentially implicit in almost all
recent policy discourse and documents, even though all these rights and
interests are very vulnerable, indeed shockingly vulnerable to corruption-
related activities by corporations operating in the LDC context.

Ideology

Noonan's definition of corruption referred to 'normality'. However, when this
is placed alongside the idea of an 'oppressive regime' mentioned in (iv) above,
it becomes quite clear that that corruption can be inherent in the nature of a
political system (Scott 1972) or its associated ideology. This aspect of
corruption is discussed further below (in section 5) but it can be illustrated
quickly with reference to a few well-documented historical episodes in
international business (Table 1).

Table 1: Cases and Forms of Corruption

<table>
<thead>
<tr>
<th>Case</th>
<th>Type of violation of common interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lockheed</td>
<td>Grand corruption, anti-competitive, passive bribe solicited by agent of foreign government.</td>
</tr>
<tr>
<td>Motorola</td>
<td>Passive facilitating payment, normal business development, apparently no direct harms.</td>
</tr>
<tr>
<td>Enron in India</td>
<td>Rewards to politicians who permitted human rights violations, environmental damage, anti-competitive deals.</td>
</tr>
<tr>
<td>Shell in Nigeria</td>
<td>Resources contributed to oppressive military regime. Human rights violations and extreme injustices ignored, environment damaged, profits repatriated.</td>
</tr>
</tbody>
</table>
The cases of Lockheed, Motorola, Enron and Shell, for example (cf. Donaldson et al. 2002; Gini 2005) all indicate that the above descriptions and consequences of corruption involving public officials can be quite similar to the other types of 'violation of the common interest' that happen to be quite 'normal' elements of corporate strategy (and are often taught prescriptively in business schools). Put differently, the 'norms', 'standards' or 'order' of global capitalism and international business that might be placed at risk from corruption and bribery, already display some noteworthy limitations with respect to the common good. Arguably, any anti-corruption initiatives, campaigns or techniques that ignore or gloss over this crucial point are quite likely to be counter-productive, or even become oppressive.

Prevalence

It is partly as a result of the imperfect ideology of global capitalism, with its inherent moral failings, that some form of corruption in international business affairs often appears to be inevitable. For example, with reference to India, Kale (2004) recently wrote that 'everyday...degrees and jobs are being bought...moral values are trampled upon, while the unscrupulous rule. Thriving corruption is (the) daily fare'. More generally, following the release of the 2002 Bribe payers Index (BPI) by the NGO Transparency International (TI), its chairman Peter Eigen commented, 'our new survey leaves no doubt that large numbers of multinational corporations from the richest nations are pursuing a criminal course to win contracts in the leading emerging market economies of the world'.

TI's findings were based on a survey of 835 business experts in 15 emerging market economies, including India. The background to the TI study dates back to the 1990's, when the issue of corruption and bribery appeared on the agenda of the UN, as well as the World Bank and the OECD. An OECD convention then came into effect, in 1999, that 'criminalises the active bribery of foreign officials'. It was signed by 34 nations. Three years later, however, the BPI indicated that those MNC's based in the signatory countries were not lagging behind in their levels of bribery, nor had the criminalisation of bribery been much of a deterrent to international business managers.

Significantly in the present context, the OECD anti-corruption policy goal was once again framed in terms of 'good governance and economic development'; but it did not mention such ideas as corporate social responsibilities, ethical decision-making, stakeholder management and triple-bottom-line reporting,
which are the central doctrine of business ethics. Like many anti-corruption initiatives, all the latter ideas and practices are plainly intended to move societies and individuals away from corruption and to overcome the known limitations of global capitalism (Singer 2003).

New Evidence

As mentioned earlier, it is very difficult to obtain valid data about corruption through direct approaches. However, a study recently conducted by the principal researcher overcame this to some extent by making use of a long established network of contacts amongst senior MNC managers in Mumbai (Bombay), which is the financial capital of India. Questionnaire-based interviews were conducted between 2002-3, aimed at recording their actual experiences with respect to corruption and bribery, as well as their general attitudes towards it.

A sample of 70 well-known MNC's and other large companies located in Mumbai was drawn from diverse industries, including banks, airlines, pharmaceuticals, information technology and electronics, consumer goods, oil, automobile and heavy electrical. The specific corporate identities remain protected by a confidentiality agreement, however, the seventy companies are all market leaders or close followers in their respective segments, each having a minimum turnover of at least Indian Rupees 1 billion each. Besides, all of them command premium brands and enjoy substantial shares of the Indian market.

Out of these seventy, as many as 41 responded (cf. Appendix I). The executives interviewed were at the levels of Chief Executive Officer or else senior managers dealing with public relations or involved in business promotion. The questionnaires were administered in person and interviews were conducted as necessary in order to ensure clarity of the responses, which for present purposes can be summarised as follows:

i) Of the 41 senior corporate officers, 37 had been asked to make bribe payments in India.

ii) 35 out of 41 reported that they had at some time lost business as a result of non-payment of a bribe that had been solicited by another party (i.e., passive corruption).
iii) 27 had *subsequently offered bribes* in order to secure deals, after they had experienced lost business due to previously resisting bribery.

iv) 33 of the 41 respondents reported that their company had written policies about bribery, but it was also found that only 3 of these policies were explicitly justified in terms of the various negative consequences of bribery.

v) All of these 33 had actually *referred to company policy* when faced with passive corruption.

vi) 37 of the 41 managers expressed views to the effect that 'humans are not corrupt by nature'. That is, they tended towards the belief that *people become corrupted* by circumstances, or the system.

vii) With regard to legal regimes, 11 felt that law and enforcement could have only a minor impact on overall levels of corruption, whilst another 29 believed that *legislation can prevent corruption 'to an extent'.* Only 1 felt that legislation could totally eliminate corruption.

viii) All 41 believed that corruption had a negative impact on society and that it sometimes leads to human rights abuses.

ix) 7 of the 41 said they had been forced to deal with extortion and/or organised crime.

These findings broadly concur with previous studies (Klitgaard 1988; Berg & Holtbrugge, 2001; Robertson & Watson 2004) in consistently pointing to the following general propositions: First, corruption and criminal activity is widespread in international business dealings. Secondly, individual's efforts to take a stand against corruption, by refusing to pay bribes, very often results in loss of business with consequential harms to stakeholders. Furthermore, with respect to formal policies and proclamations, there has been a general failure to place sufficient emphasis on the business and societal consequences of corruption, not to mention the personal consequences. It is now also very evident that legal deterrence, which relies upon extrinsic and fear-based motivation, has not been particularly effective. Finally, many international business managers believe that corruption is a problem inherent to the entire social system, or *nexus*, so that it requires solutions that go beyond the cultivation of virtuous individuals, or the development of more ethical corporate cultures.
Reducing Corruption

The notion of 'reducing corruption' also has distinctive meanings, depending on the levels of the 'nexus' that one is considering (Table 2). For example, at the trans-national level one is essentially dealing with grand ideals, such as the possible moral progress of all humanity. At the level of particular nation-states (eg, India, USA, etc), one can consider corruption with respect to political ideologies, legislative instruments and the prospects for wise leadership. Corporations can contribute to corruption reduction by augmenting their strategies and policies so that they more directly support the 'common good' (for example, the changes that appear to have taken place at Royal Dutch Shell in the period 1996-97, or the advertised human rights commitments at International Power). Finally, individuals can contribute to positive change simply by becoming more mindful of the intrinsic value of personal integrity, whilst also paying more attention to the negative consequences of corruption, for self and for others.

Table 2: Levels and Transitions

<table>
<thead>
<tr>
<th>Level</th>
<th>Nature of the Transition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trans-national</td>
<td>Moral progress of humanity</td>
</tr>
<tr>
<td>Nation-state</td>
<td>Change of government or policy, enlightenment of leaders</td>
</tr>
<tr>
<td>Corporate and MNC</td>
<td>Implanting ethics, augmenting strategy</td>
</tr>
<tr>
<td>Individual</td>
<td>Becoming reflective, developing integrity</td>
</tr>
</tbody>
</table>

More specific approaches to reducing corruption can then be developed at all of these levels: the individual or psychological, the corporate or managerial, as well as the systemic or ideological. In each case, the limited available evidence offers some broad guidance on how to effect the needed changes and transitions. However, it should not be forgotten that changes at these three levels are inter-dependent. On the one hand, it is hard for an individual to act with integrity amidst a nexus of corruption; but it is also possible for enlightened political leaders to 'enable individuals.....to feel the spark of life' (cf. Kale 2004, quoting Ghandi) and to be catalysts for change by appealing to humane ideals.
Individual and Psychological

At the individual level, there is no doubt that powerful psychological factors come into operation, in any corruption-related context. For example, the securing of a single contract or a bid may be crucial for a manager's career advancement or the company's performance (as indicated in the famous 1970's Lockheed case testimony). Furthermore, managers confronting demands for bribe payment are often under pressure of time and immersed in a negative psychological field or ambience. In such circumstances, decisions by individuals are often based on a narrowing of perception akin to panic. They are unlikely to be based on a thorough consideration of consequences, nor the reflective and deliberative forms of rationality which are associated with ethics and ideals.

Some of the consequences for the individual of a decision to pay a bribe can be expressed in a more structured way, in terms of psychic utilities (cf. Appendix 2). This approach expands the notion of the 'consequences' of a corrupt act in a way that any reflectively rational individual really ought to consider, but rarely does. The 'psychic' consequences include: personal fears and anxieties about possible discovery and prosecution, an expected loss of self esteem, a weakening of the will, a sense of resignation and a likely loss of idealism. Typically, all of these foreseeable consequences are then amplified by the reflective individual's realisation that each corrupt act makes future corrupt acts with their net consequences more likely to occur.

In addition, an individual manager can consider the typical business and financial consequences of a decision to pay a bribe. These include: the net business benefits from the exchange or business deal in question (indicated as a benefit, or '+') in the figure in Appendix 2), together with an increased likelihood of net benefits from future similar business deals (net of their bribe payments). Set against this, there are the expected legal penalties and reputation effects associated with possible discovery of the bribe (as in the Lockheed case, for example), together with the expected long-run dollar benefits from non-payment, due to (a) recognition by other honest players, and (b) a general strengthening of the individuals' will. Finally, there is a marginal (2nd order) 'shadow of the future' effect, in that every act of bribery, together with copies of that act by others, damages the overall business system.

As mentioned earlier (where it was reported that only 3 out of 41 managers in the India study knew of any code that even mentioned consequences), there has been a quite general failure to draw attention to these typical personal and business considerations, or to make them explicit in codes, guides and
policies. Yet, consideration of the consequences of an action is often regarded by ethicists as the first and most fundamental of steps on the path towards more ethical behaviour. Accordingly, where guidelines, codes of practice, or decision making models (akin to popular strategy 'models') are used to assist managers in corruption related contexts they should, like many other EDM techniques, first and foremost set out in full the generic consequences of bribery and corruption.

Corporate and Managerial

Ethics 'techniques', guidelines and codes can of course be regarded with cynicism. Indeed, in some cases, their real purpose has been simply to reduce pressure on businesses from NGO's and to reduce any fines imposed by courts, especially in the USA. For example, the infamous Enron code of ethics is now exhibited in the Smithsonian Museum, where it has become a monument to extreme managerial hypocrisy and public naiveté (Sims & Brinkman 2003). More generally, the language of 'ethics' has often been deployed by power elites in order to divert attention away from their own power plays and excessive remuneration (Bauman 1998).

On the other hand, many companies appear to have quite sincere policies and codes (Gordon & Miyake 2001) some of which specifically relate to corruption; but these typically do nothing more that provide managers with a simplistic list of 'do-not's'. They fail to set out generic consequences, neither do they really attempt to influence managers' hearts and minds. Such a proscriptive approach to managing corruption is not only unsatisfactory from the point of view of moral psychology, it is also quite impractical. This is indicated in the following example of a situation involving a passive facilitating payment, that falls within actual personal experience of one of the authors:

Company X is a fruit importer and distributor with a clearly worded corporate policy of 'no bribes'. It opens up a new branch in country Y where customs officials always expect a facilitating payment to clear every consignment. The assigned manager learns that their consignments of fruit will not be cleared without a facilitating payment. The company has a clear choice of either permitting the fruit to rot and lose money, or to pay the customs officials.

According to RE Freeman (1999, p.235) 'Hardin (1998) has argued persuasively that if we take bounded rationality and a thorough going uncertainty about the world seriously enough, consequences may be all that our moral apparatus can handle'.
In situations like this one, a manager might be well advised to give in to the solicited bribe or facilitating payment, either as a matter of commercial prudence, or even as a matter of moral principle (Roy, 2001). The manager must consider, for example, the possibility that an initiator of a 'facilitating payment' might be in a condition of severe poverty, or that the payment in question might have no expected adverse consequence for human rights and the environment (indeed, rotting food can be an immediate hazard). On the other hand, many thoughtful managers remain uncomfortable with making such payments, perhaps noting that they might reinforce the dynamic of corruption in the wider society. Therefore, in practice, managers need to know when to break the normal 'do-not' rules. Indeed, according to (Molyneaux 2003, p. 142), 'knowing when to break the rules appropriately may be a sign of real respect and understanding of them'. This knowledge, in turn, involves some familiarity with philosophical concepts and principles, such as hypernorms (Donaldson & Dunfee 1999) and the principle of double effect (Bomann-Larsen & Wiggen 2003).

Hypernorms\(^2\) are considered to be universal and are therefore in tension with the type of norm that seems most relevant to circumstances involving bribery in international business. Collectively the latter 'mildly conflicting' norms span what Donaldson and Dunfee (1999 p. 222) have described as a 'moral free space'. A manager confronting passive bribery demands is often deeply into this 'free space' and is therefore in need of some navigational assistance, so to speak. Such assistance can then be offered by relevant ethical principles, together with guidance on their application.

In the case of passive bribery, the ethical principle of double effect (PDE) seems most relevant\(^3\). It has already been applied to various international business problems on the grounds that 'even if business is conducted for a legitimate purpose.... harmful side effects will occur' (Bomann-Larsen & Wiggen 2003, p. 4). In the case of business bribe payments in general, these harmful side effects (HSE's) can include the reinforcement of the dynamic of corruption in the societies involved, as well as human rights violations and environmental damage.

However, according to the PDE, an action with an HSE is \textit{not} morally blameworthy provided that the following five conditions all hold:

\(^2\) Hypernorms are the universal norms that are assumed to underpin contractual relationships in all societies.

\(^3\) It was originally formulated within the just-war tradition of Political Science and relates to actions that have harmful side effects.
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i) the main ends and means are good, or neutral,
ii) the HSE is not part of the ends, nor used to achieve the ends,
iii) the intended good outweighs the harm of the HSE,
iv) the HSE is unavoidable if the main good is to be achieved,
v) the actor (e.g., manager) has taken steps to minimise the HSE.

A passive facilitating payment in which there is no expectation of human rights violation nor environmental harm does indeed meet the first four of these conditions. In the case of the 'fruit on the dock', for example, we can see that: (i) the main ends and means are offloading the fruit and getting it to market, which are indeed good; (ii) the HSE (the strengthening of the dynamic of corruption) is certainly not part of the ends, nor is it used per se to achieve those ends; (iii) by almost any reasonable estimate, the intended good (marketing the fruit) outweighs the HSE harm (an abstract and almost negligible increment in corruption); (iv) the HSE is also likely to be inescapable and unavoidable, if the good is to be achieved: if you don't pay the bribe, as a matter of fact, the fruit will rot; although there ought to be an effort to seek or design a feasible alternative. Finally, the fifth condition of the PDE (taking steps to minimise the HSE) can be met, simply by having the company engage in an ongoing programme of corporate support of wider anti-corruption initiatives. These are the kinds of initiatives often undertaken by NGO's and good governments, aimed at disrupting the dynamic of corruption.

The other forms of bribery that were identified in section 2 (active bribery, extortion, etc) invite other distinctive ethical prescriptions (cf. Appendix 3). Where active corruption is under consideration, the prescription is simply 'do not proceed', except in special cases that are outside the ambit of most business dealings, such as offering a bribe to liberate an oppressed victim of a corrupt regime. The ethics here is quite simple: initiation of bribery might activate a dynamic of corruption, where none existed before. Next, in those passive corruption decisions where there is indeed a likelihood of human rights violations, the ethical prescription is once again, 'do-not proceed', since one ought not to be instrumental in such violations. The remaining case is passive extortion. In these circumstances, compliance with extorted payments might be ethically endorsed, provided that that the payment is essentially unavoidable; that is, there is no known alternative way of securing the deal (e.g., payment in exchange for the safe return of a kidnapped person).
Systemic and Ideological

Finally, approaches to corruption reduction can be considered at the systemic, political or ideological level. It quickly becomes apparent that most formal definitions of corruption have been very conservative, referring to 'inducements to alter conduct from normal' (Noonan 1984), or 'deviations from norms' (Nye 1967; Scott 1972), or behaviours that are 'destructive of a system of public civic order' (Rogow & Lasswell 1963). None of these definitions refer to the possibility that the system itself might in some sense be corrupt and unethical, nor have they challenged any particular political system, or 'order'. More general descriptions of corruption have referred to private gains at the public expense, such as 'violations of common interest for special advantage' (Rogow & Lasswell 1963), or 'undue influence for private gain' (Leff 1964).

As mentioned previously, all of these descriptions also apply quite directly to the 'norms' of business strategy and the 'order' of global capitalism. One only need consider, for example, the extremely common practices of lobbying for special privilege, deceptive marketing, payments of fees within interlocking directorates, or almost any business practice that deliberately exploits market power or other known limitations of markets with respect to the common good. To the extent that individuals and businesses find themselves embedded within a society that seems corrupt in this way, the above individual and corporate approaches to corruption reduction appear profoundly limited; indeed some would say they are futile.

Any proposed changes at the societal level, whether local, national or transnational, have to be considered in relation to the current advance of global capitalism as an ideology and a set of practices. It follows that any prescription for reducing corruption at this level will be contingent upon the political attitudes and leanings of those in a position to implement them. At the risk of simplifying political categories, even moderate right versus left leanings yield starkly contrasting prescriptions for reducing corruption. From the far right, one sees that the best way of eliminating corruption in the public services

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4 For current purposes, 'leaning to the right' means giving priority to property-rights, viewing less regulation as more freedom, emphasising personal responsibility and accountability, efficiency, choice (at least for the wealthy), corporate financial performance and shareholder wealth creation, as well as reliance upon incentives and market preferences. 'Leaning to the left', in contrast, implies giving priority to the development of human potential, viewing poverty-elimination as the most important form of 'freedom', an emphasis upon corporate social responsibility, justice and care, intrinsic values and a concern for universal well-being.
might be to eliminate the public sector\(^5\). At the opposite extreme, one observes brutal state executions for anyone 'found' to be involved in bribery.

A more moderate right-leaning position (Bardhan 1997) sees that facilitating-payments to government officials can improve economic efficiency and help growth in cases where regulation is 'excessive' and processes are slow or costly. However, when viewed from the left, these same 'regulations and processes' might become legitimate responses to the known limitations of markets\(^6\). Overall, then, prescriptions from the right for reducing corruption internationally include:

i) Reduce the scope and intrusiveness of the public sector (less government).

ii) Ensure the public sector is generally supportive of profitable ('worthwhile') private initiatives.

iii) Pay public servants adequately but also ensure they are properly motivated.

iv) Reduce political patronage and cronyism.

v) Ensure that the reputation of public servants matters long-term, so have vigilant (right-leaning) press.

vi) Create cultures of business efficiency, competitive wealth-creation.

vii) Increase monitoring, accountability and awareness of legal consequences.

Whereas a corresponding set of left-leaning prescriptions are as follows:

i) Increase the scope of the public sector in order to overcome the known limitations of markets.

ii) Reduce privileges in society that are based on non-earned income.

iii) Create a culture of wealth distribution by merit and need, not cronyism nepotism and unfair inheritances.

iv) Create a stronger sense of community, with less selfishness.

\(^5\) However, this overlooks the growing incidence of private-to-private corruption.

\(^6\) From a politically neutral position, it can be seen that bribes are more likely to be paid in circumstances where regulations are complex and their application is uncertain; but there is a high level of profitable business opportunity, but that public officials are more likely to solicit or accept a bribe (a) when there is political instability, (b) when their remuneration is low, or (c) when they exercise a high level of discretion (Jacoby, Nehemkis & Eells 1977).
v) Ensure that the reputation of corporations matters long-term, so have vigilant (left-leaning) press.

vi) Emphasise intrinsic and care-based motives, with a general awareness of consequences for self and others.

Taking into account the limited available evidence on attitudes towards corruption, it now seems that a balance or compromise between left and right can be struck on this issue, such that the following four prescriptions might have a reasonable chance of acceptance across a wide central band of the political spectrum:

i) Public and private sectors should adopt communication/propaganda strategies that raise general awareness of the various consequences of corruption (cf. section 5.1).

ii) Business entities should respond to market limitations and regime weaknesses by lending ongoing support to programs and agencies that promote human rights, environmental improvement and corruption reduction (cf. section 5.2).

iii) The private sector should sustain a liberal individualistic culture, but augment it so that it has dual motives (Molyneaux 2003, p. 141) that include not only commercial interests but also moral commitments, protection of human rights, care of stakeholders and the environment; finally,

iv) The public sector in all states should combine a public-good mission with locally determined adequate remuneration.

Conclusion

Amartya Sen once wrote that the success of capitalism depends in part on 'business honesty in the face of contrary temptations' (1999, p. 279). It also depends on similar types of honesty and forthrightness in the public sector, not to mention at the national and trans-national political levels. Honesty is particularly needed regarding the known limitations of the current order. Certainly, the historical quest to link production and distribution more directly to human rights, social justice and environmental protection is very far from over.

The currently fashionable right-leaning individual accountability approach to reducing corruption, together with the enduring justice and care orientation on
the left, ultimately share the same type of mission: both are driven by a commitment to some form of moral progress. At this point, what seems most necessary is a concerted attempt on both sides and at all levels to heighten awareness of the consequences of corruption, to improve understanding of some of the applicable ethical principles, but also to cultivate a general ethos involving authentic moral commitments, human rights and environmental concerns, in business and in politics.

References


Pieth, M. 1999, 'International efforts to combat corruption'. Paper presented at the 9th *International Anti-Corruption Conference*, Durban, SA.


Appendix 1: Results of the Survey of MNC Executives (2002, 3 & 4)

A. Frequency of Active vs. Passive Corruption
Question asked: How often have you been asked for a bribe in the MNC’s host country while dealing with public officials?

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Never</td>
<td>1</td>
</tr>
<tr>
<td>Rarely</td>
<td>3</td>
</tr>
<tr>
<td>Sometimes</td>
<td>21</td>
</tr>
<tr>
<td>Usually</td>
<td>13</td>
</tr>
<tr>
<td>Extremely frequently</td>
<td>3</td>
</tr>
</tbody>
</table>

nb. Tabulated data in bold are summarised in the main text

B. Impact of not Bribing
Question asked: How often has your non-payment of a bribe resulted in loss of business?

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Never</td>
<td>3</td>
</tr>
<tr>
<td>Rarely</td>
<td>3</td>
</tr>
<tr>
<td>Sometimes</td>
<td>9</td>
</tr>
<tr>
<td>Usually</td>
<td>26</td>
</tr>
<tr>
<td>Extremely frequently</td>
<td>NIL</td>
</tr>
</tbody>
</table>

Question asked: Thereafter to what extent has the above experience compelled you to offer a bribe?

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Never</td>
<td>6</td>
</tr>
<tr>
<td>Rarely</td>
<td>8</td>
</tr>
<tr>
<td>Sometimes</td>
<td>14</td>
</tr>
<tr>
<td>Usually</td>
<td>12</td>
</tr>
<tr>
<td>Extremely frequently</td>
<td>1</td>
</tr>
</tbody>
</table>

C. Company Policy
Question asked: Does your company policy documents lay down a policy to deal with situations of corruption and bribery?

<table>
<thead>
<tr>
<th>Policy Statement</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company policy laid down to deal with situations of corruption and bribery</td>
<td>33</td>
<td>8</td>
</tr>
</tbody>
</table>

Question asked: Does your company policy documents mention explicitly the negative impacts of corruption and bribery on society?

<table>
<thead>
<tr>
<th>Policy Statement</th>
<th>YES</th>
<th>NO</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company policy documents explicitly mention the negative impact on society</td>
<td>3</td>
<td>37</td>
<td>1</td>
</tr>
</tbody>
</table>
D. Decision-making Process
Question asked: When faced with a situation of corruption or bribery do you refer to a) company policy b) previous experience c) Feedback from subordinates d) Personal discretion e) strategic decision-making model f) any other, please specify

<table>
<thead>
<tr>
<th></th>
<th>Company Policy</th>
<th>Previous Exp</th>
<th>Feedback</th>
<th>Personal discretion</th>
<th>Decision-making model</th>
<th>Any other, please specify</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responses</td>
<td>33</td>
<td>8</td>
<td>1</td>
<td>8</td>
<td>NIL</td>
<td>1 (verbal policy)</td>
</tr>
</tbody>
</table>

E. Personal Beliefs of MNC Managers being interviewed.
Question asked: Do you believe that human beings are by and large not corrupt?

<table>
<thead>
<tr>
<th></th>
<th>Not at all</th>
<th>A rare chance</th>
<th>To an extent</th>
<th>To a great extent</th>
<th>Totally</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NIL</td>
<td>4</td>
<td>25</td>
<td>11</td>
<td>1</td>
</tr>
</tbody>
</table>

Question asked: To what extent can anti-corruption legislation eliminate corruption?

<table>
<thead>
<tr>
<th></th>
<th>Not at all</th>
<th>A rare chance</th>
<th>To an extent</th>
<th>To a great extent</th>
<th>Totally</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NIL</td>
<td>11</td>
<td>21</td>
<td>8</td>
<td>1</td>
</tr>
</tbody>
</table>

Questions asked:
a) Do you believe that corruption has a negative impact on society?
b) Do you believe that corruption and bribery can have a negative impact on the environment?
c) Do you believe that corruption and bribery can result in human rights abuses?

<table>
<thead>
<tr>
<th></th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corruption has a negative impact on society</td>
<td>41</td>
<td>NIL</td>
</tr>
<tr>
<td>Corruption and Bribery can result in human rights abuses</td>
<td>41</td>
<td>NIL</td>
</tr>
</tbody>
</table>

F. Extortion and Organised Crime
a) How often have you been forced to pay because it was a situation where either your company property or human life was in danger? (keyword: Extortion-life/property)
b) How often have you been forced to pay organised crime, extortionist or protection racketeers?

<table>
<thead>
<tr>
<th></th>
<th>Never</th>
<th>Rarely</th>
<th>Sometimes</th>
<th>Usually</th>
<th>Extremely frequently</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extortion-Life/property</td>
<td>35</td>
<td>6</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
</tr>
<tr>
<td>Organised Crime</td>
<td>34</td>
<td>5</td>
<td>2</td>
<td>NIL</td>
<td>NIL</td>
</tr>
</tbody>
</table>
Appendix 2: Correlation Related Decisions with Generic Consequences

Exchange utilities

- accept

- expected penalty

- $ Shadow of future

+ incremental EV

of future corrupt deals

+ expected $ benefits from

shadow of future, strengthening of will, reputation

- decline

Psychic utilities

- accept

- fear & anxiety

- self respect, self-esteem

- weakening of the will

- expectations of future character

- decline

+ self respect (reputation)

+ expectations of own future character

+ benefits of resolve

+ preservation of ideals
Appendix 3: Flowchart Linking Forms of Corruption with Prescriptions

CRD point

Active or Passive?

Active

Special political case?

Passive

Extortion

Facilitating payment or similar?

Type A

Type B

Key:
CRD = corruption related decision
Type A = where there are expected harms, eg, human rights violations
Type B = no expected harms