

The Culture of Corruption

The examination of the relation between culture and corruption by using the most accepted cultural comparison models

PhD Thesis

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„It is no use to blame the looking glass if your face is awry.”
Gogol: The Inspector General

1. Introduction

1.1. Title and focus of research

The title of Ph.D. research is: “The Culture of Corruption – The examination of the relation between culture and corruption by using the most accepted cultural comparison models”. The research is focusing on the nature of corruption, its cultural aspects, its influence on business, and practical questions about the perception of corruption.

1.2. Purpose of research

The purpose of the research is to investigate the possible relationship between culture and corruption. Culture is represented by the GLOBE (Global Leadership and Organizational Behaviour Effectiveness) project national cultural dimensions of values and practices, Hofstede model, and Trompenaars model, and corruption is represented by Corruption Perception Index (CPI). It is always hard to investigate this complex phenomenon. Moreover, we have more questions and pitfalls when we would like to understand the influence of such a multilateral phenomenon like culture. Other purposes are shaping current picture about the cultural aspect of corruption, and understand better its motives. By using secondary dataset, I created a model to test and examine the cultural factor of corruption that is suitable for the detection of influence of different economic and cultural elements on corruption and help for the decision makers to understand them. The research is focused on such parts of corruption, which previously were only partially analysed.

1.3. Scope of research

It is doubtless that socio-economic transformations following modernization trends provoke the change of traditional values and life standards all over the world. Due to this fact, the emphasis of socialization transfers from defence of traditional values to adaptation to the permanently changing social standards and the demands of modern life. At the same time each culture retains the basic values as the necessary condition for cultural continuity. Adaptation to the changing life standards means that old stereotypes need to be modified in order to fit in with contemporary reality – the “*synthesis of traditionality and modernity*” (Goodwin, 1999), which characterizes so many of today’s cultures, especially the collectivist ones undergoing rapid changes in the direction of individualism.

Hofstede (1980) defines individualist cultures, where individuals are loosely integrated in a social group and they pursue personal interests rather than the social ones. While in collectivist cultures individuals are tightly linked to their in-groups, which continue to protect them all over their life span in exchange for unquestioning loyalty. In such cultures personal interests are often sacrificed for the group ones.

The literature often distinguishes main causes of corruption in low-income countries and high-income countries. The low-wage and poor working conditions increase the chance of corruption while in the Western (higher income levels) societies, corruption is seen as an exception rather than a habit (Caiden, 2001).

Corruption is a widespread phenomenon and continues to be a moral challenge for many countries. It is commonly defined as the misuse or violation of power. Corruption is a kind of deception, which can be considered as the tendency to deceive in order to gain unfair advantage to satisfy one's needs. Deception is a common behaviour and occurs not only among humans, but also among birds, primates, and insects (Lewis & Saarni, 1993; Ford, 1996). The shared norms of a given group can foster this behaviour in a highly competitive environment. In the wild life, the experienced deception has only one goal: take advantage. Human-beings are very much like animals in this view. They violate the actual order, rules of law in order to gain benefit or, at least, to perpetuate the status quo. It is a great challenge to investigate the layers of this behaviour.

The fight against corruption is a quite difficult as it is a complex phenomenon what influences both horizontally and vertically the social system. The government, non-governmental and international organizations struggle with vast power against corruption, and guidelines are formulated in the recent past, which serve to prevent bribery and unethical practices (Getz & Volkema, 2001). However the effectiveness of these guidelines is questionable since the interpretation varies from culture to culture. It is without doubt that culture has significant effect on corruption and on any deviant behaviour. The question is how we can grab this phenomenon, or, at least, if it is possible to investigate its every layers.

According to Jain (2001), one of the difficulties of studying corruption lies in defining it. Corruption, as with many ethical concepts, is very difficult to define in a universally acceptable fashion. Though, there is hard to agree on a precise definition, there is a consensus that corruption refers to acts in which the power of public officer is used for personal gain in a manner that contravenes the rules of the game. This statement is valid to so-called 'grand corruption', what can be experienced on country level. However there is some deviant behaviour what can be considered as corrupt but it remains hidden because that occurs within organizations or other socially constructed groups. Therefore it is not necessary to involve public officer in a corrupt action; it is more useful if power is applied in general.

As Davis and Ruhe (2003) refer to Webster's Dictionary, corruption is defined as "*bribery or similar dishonest dealings*," what may be classified as corruption to some may not be so classified as corruption by others. For example, bribery and political favouritism may be considered corruption and unacceptable by some but an acceptable business practice by others (Jain, 1998). Scholarly interest in corruption is growing fast, both in terms of theoretical treatment and empirical research. Comprehensive reviews of that literature are offered in Husted (1999).

In my thesis, cultural dimensions of corruption will be examined and possible consequences might be drawn. One of the most important questions is whether economic factors have stronger effect on corruption than cultural factors, and what influences the culture has on corruption. The empirical research shows these influences and provides explanation for the reasons.

1.4. Expectations, questions, theoretical and practical benefits of research

About the corruption and culture, the main questions are:

- which cultural model is the most appropriate to investigate the culture's influence on corruption
- economic factors have stronger effect on corruption than cultural factors;
- is there significant differences among interpretations of corrupt behaviour across culture;
- does the pendulum effect have any significant effect on corruption.

The results provide empirical support for the influence of culture on corruption. Cultural clusters show interesting patterns as the extremes of corruption scales within clusters do not show salient pendulum pattern. This means that significant differences in expected and experienced values do not necessarily result in such deviant behaviours as corruption. As culture and corruption are both complex social phenomena, socio-economic factors have significant and relevant effect on both.

2. Method of research

For the investigation, according to previous corruption studies (Ades & Di Tella, 1999; Adserà, Boix, & Payne, 2003; Brunetti & Weder, 2003; Fisman & Gatti, 2002; La Porta, Lopez-de-Silanes, Schleifer, & Vishny, 1999; Persson, Tabellini, & Trebbi, 2003), a research model was developed to capture the nature of corruption through cultural and socio-economic factors. The cultural factor is a set of variables deriving from the above mentioned cultural comparison models. The number of variables in this set is determined by the cultural comparison model in-use.¹ Of course, the culture is not a separated phenomenon and it has correlation with other socio-economic variables as well, but cultural factor was considered as the main representative of cultural traits. Besides this factor, the Government Index was used which includes variables constructed by Kaufmann, Kraay and Zoido-Lobaton (1999a; 1999b); HDI factor; Religion factor (La Porta, Lopez-de-Silanes, Schleifer, & Vishny, 1999); Taxes factor (World Bank); Export factor (WB); Import factor (WB); Entrepreneurial freights (WB); Information flow (WB); State consumption (WB). For the construction of latter six factors the World Bank's databank was used. Some variables in-use were not suited to group in variable cluster, however supposedly those also have an effect on corruption: Freedom Index (constructed from Freedom House's databank); Ethnic-linguistic fragmentation (La Porta, Lopez-de-Silanes, Schleifer, & Vishny, 1999); Legal origins (La Porta, Lopez-de-Silanes, Schleifer, & Vishny, 1999); Informal payments to public officials (WB); Strength of legal rights index (WB); Trade (WB); Natural resources (WB); GINI index; and Population (WB).

Regarding the scaling, the Inverse Corruption Perception Index² was used in order to keep the direction of scaling. The coincidences between the CPI and GLOBE-results were explored by SPSS v20.

The following model was used:

$$ICPI_i = a_0 + a_1CF_i + a_2GI_i + a_3HDI_i + a_4REL_i + a_5TAX_i + a_6EXP_i + a_7IMP_i + a_8EF_i + a_9IF_i + a_{10}SC_i + a_{11}FIWAI_i + a_{12}AVELF_i + a_{13}LEGOR_i + a_{14}IPPO_i + a_{15}SLRI_i + a_{16}TRADE_i + a_{17}NATRES_i + a_{18}GINI_i + a_{19}POP_i + e_i$$

CF – cultural factor	TAX – Taxes factor	IF – Information flow	LEGOR – Legal origins	NATRES – Natural resources
GI – Government Index	EXP – Export factor	SC – State consumption	IPPO – Informal payments to public officials	GINI – GINI index
HDI – HDI factor	IMP – Import factor	FIWAI – Freedom index	SLRI – Strength of legal rights	POP – Population
REL – Religion factor	EF – Entrepreneurial freights	AVELF – Ethnic linguistic fragmentation	TRADE – Trade	

The variable clusters were constructed by Multidimensional Scaling (MDS). Thus, each country can be placed in clusters. Moreover, with the model, correlation of cultural factors and socio-economic variables on corruption perception can be examined. This serves for drawing consequences about the strength of cultural influence on corruption.

These results can help in answering whether socio-economics variables or cultural factors are better explanatory regarding corruption.

¹In the case of Hofstede model, we will have 6 variables; in the case of Trompenaars, 7 variables; in the case of GLOBE, 18 variables.

²Inverse Corruption Perception Index (ICPI) = 10-CPI

3. Theses and results of research

The process of research is shown on the following figure:

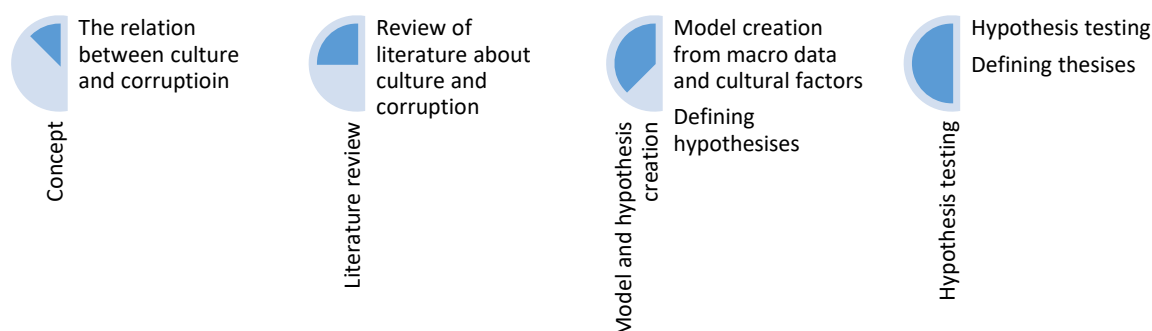


Figure 1. The process of research

The submodels of research can be seen on the following figure:

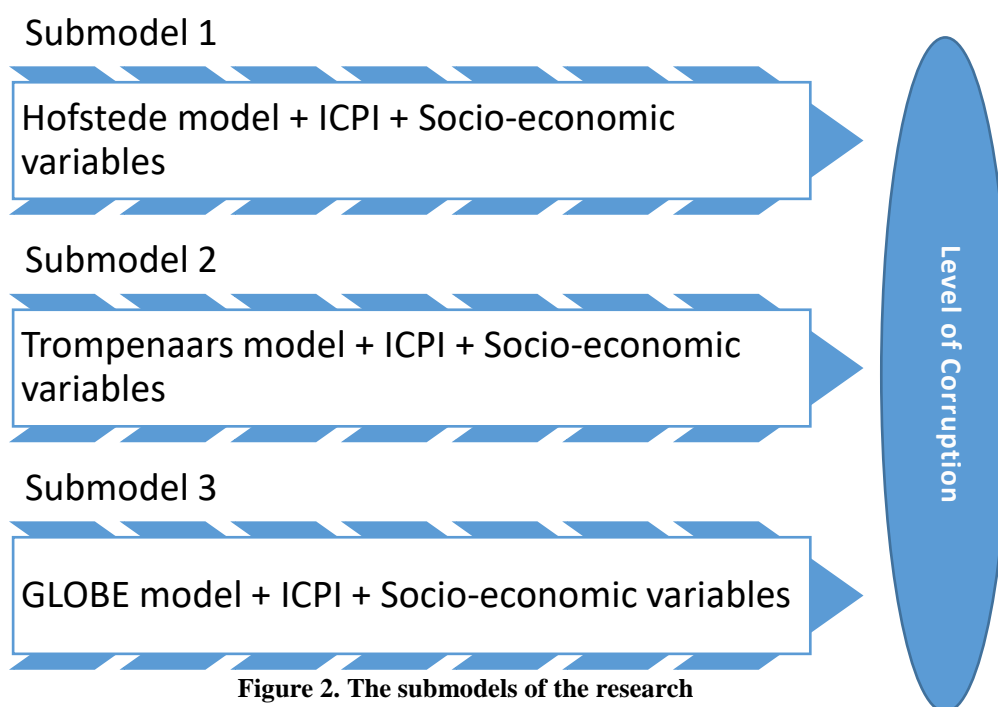


Figure 2. The submodels of the research

3.1. Theoretical theses from the literature review

Summarizing the literature review, two theoretical theses were formulated.

T_{0a}: The difference between cultures, through the historical development of perception of culture, can be traced back to the steadily expansion of the definitional demarcation and globalization divergent (distinctive) and convergent (unifying) effect due to the cultural complexity would transform more and still not be decided on the basis of current trends, with complete certainty as to which direction.

T_{0b}: In the case of cross-cultural research with the positivist research attitude, the use of universalist cultural comparison models can be really effective. For interpretive approach, the dynamic models are more expedient. However, for analysis of complex social phenomena, both approaches are often enforced, but in the most cases only universalist models are commonly used. This leads to problems arising from cross-cultural research methodology and view mode.

3.2. Thesis about cultural factors

From the H₁, H₂, H₃, H₄, H₅ hypotheses, the following thesis was formulated:

T₁: Based on the GLOBE, Hofstede, and Trompenaars models, there is a positive relationship between the unequal distribution of power, the quality of social relationships, and relationship to nature as determinative elements of culture and ICPI index. In terms of perceived corruption, the countries characterised by collectivist, high power distance and dominant trait on nature are considered as very corrupt countries. These factors separately are likely to show high level of perceived corruption, all together reinforce each other individual effects.

3.3. Thesis about the GLOBE model

About the usefulness of cultural comparison models, I formulated the following thesis:

T₂: Models describing the impact of the cultural dimensions on corruption what have the most number of dimensions and methodologically grounded can best predict the level of corruption. The manner of prediction can be normative and descriptive. The results of the GLOBE research is able to accurately predict changes in the level of corruption that occurred due to methodological grounded of the model and the number of dimensions.

3.4. Thesis about the extension of the research

T₃: For the meso level exploration of complex world of corruption and culture, we have to take into consideration four aspects: (1) personality; (2) leadership style; (3) corrupt behaviour; (4) culture.

Figure 3. Hypotheses in connection with cultural comparison models

	Hofstede						Trompenaars							GLOBE																	
														As Is								Should Be									
	Power Distance	Collectivism	Masculinity	Uncertainty Avoidance	Confucius Dynamism	Indulgence	Universalism	Collectivism	Diffuse	Neutral	Performance orientation	Time	Nature	Performance orientation	Future orientation	Institutional Collectivism	Gender Equality	Power Distance	In-group Collectivism	Uncertainty Avoidance	Assertiveness	Human orientation	Performance orientation	Future orientation	Institutional Collectivism	Gender Equality	Power Distance	In-group Collectivism	Uncertainty Avoidance	Assertiveness	Human orientation
H ₁	✓		✓				✓	✓	✓	✓	✗			✓				✓					✓				✗				
H ₂		✗						✓								✗			✓						✓			✓			
H ₃					✓	✓							✓								✓	✗								✓	✓
H ₄					✗							✗			✗									✓							
H ₅				✗			✓													✗									✓		

H₁: The unequal distribution of power has positive relationship with a country's level of corruption. So the larger differences within society, the higher the probability of corruption in the society. ✓

H₂: There is a positive relationship between a country's corruption level and the quality of social relations. ✓

H₃: I assume a positive relationship between the the relationship to nature and corruption. The dominant societies have higher levels of perceived corruption. ✓

H₄: In terms of time and work orientation, I assume that the polychronic societies have higher level of corruption than the monochronic societies. ✗

H₅: Considering the uncertainty avoidance and need for social control, the countries with high uncertainty avoidance have higher level of corruption. ✗

4. Conclusion

The complex research objectives set at the beginning of doctoral research were achieved. Since the questions about the research:

- succeeded to identify the main theories that affect and explain the relationship between culture and corruption;
- succeeded to determine the most useful cultural comparison model for the investigation of corruption;
- succeeded to explore the relationship between corruption and cultural factor;
- succeeded to identify further research directions.

Research questions formulated at the beginning of the research were answered, the validity of hypotheses and the results were examined and at the end of the thesis are summarized.

5. Extension of the research and future research direction

Although the research answered the research questions, during the analysis new issues have been raised. Mainly, it is about the level of investigation and shift the focus from macro to meso level.

6. Publications of Author

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