Carving Up Corruption: Analyzing the "Rule" Component of the Corruption Event

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Corruption has long been a source of (i) argument as to its meaning and ethical implications and (ii) interest as to its effects on the multinational firm. Coordination of efforts to provide a comprehensive understanding of corruption has been found lacking (see generally, Robertson & Watson, 2004). Unfortunately, problems associated with corruption continue. This paper addresses the nature of corruption, with particular focus on the type of institutional rule circumvented by corrupt activity. Characteristics of the subject "rule" may influence the likelihood of corruption and may in future work aid in identifying improved mitigation tactics.

INTRODUCTION

In the cracks of an institutionalized society, corrupt practices take root and become part of the overall environmental fabric. Corruption occurs both in the environment external to the firm and internally, often with resulting waste and inefficiency through redirection of resources in unintended ways. Genaux (2004) claimed at it origin the term "corruption" had a core meaning of "injustice." The conceptualization of corruption as a system of decay has been linked to religious beliefs and primarily Western or Christian perspectives (see Genaux, 2004). However, as noted by Davis and Ruhe (2003, p. 276), "few studies have examined how cultural characteristics are associated with perceptions of country corruption."

Corruption involves activities designed to circumvent the rules, laws or norms of a society. Every society has organized itself, based on its cultural beliefs, around a set of rules, laws and norms (Jennings & Zandbergen, 1995). An obvious, though very basic, explanation for differences in levels and types of corruption across countries lies in the differences of the rules of those countries. To better understand the phenomena of corruption, as it occurs in many different contexts, this paper focuses on the relationship between rules and corruption. The analysis considers how different types of rules are more or less likely to prompt a manipulative response in the form of corruption. To better understand the importance of the nature of the rule might aid in unlocking why corrupt activity occurs, variations in corruption levels and variations in the impact of corrupt activity across different rules contexts.

This paper begins with an overview of the corruption problem and definitional issues. Then, the paper suggests a new definition of corruption and dissects relevant differences in rules subject to corrupt activity. In taking apart the causal "rule" connection within each corrupt act, proposals are then developed to explain the importance of variations in the subject rule. Finally, the paper contains a conclusions and implications section to explain the contribution of this work and the implications for future work.

LITERATURE REVIEW

The Problem of Corruption

Over the last few decades, interest in and attention toward corruption has increased exponentially. During the decade of the 1960s, only 36 scholarly articles contained any reference to corruption. From 2000 through 2009, 2,950 scholarly articles mentioned corruption, with 956 of those articles including the term in the title.[1] The dramatic increase in attention given corruption is likely attributable, in part, to expressed concerns about negative implications of corruption. Corruption has been negatively associated with economic growth – lowering total and private investment (Brunetti, Kisunko & Weder, 1997; Keefer & Knack, 1997; Mauro, 1998, 1995; Shleifer & Vishny, 1993). International business scholars claim higher corruption deters foreign investment (Mauro, 1995; Voyer & Beamish, 2004; see also Diersen, 1999; Salbu, 1999; Hines, 1995).

World Bank President James D. Wolfensohn referred to corruption as a cancer in his 1996 speech at the Annual Meetings of the World Bank and IMF. This cancer or virus infects a society, with roots reaching deep into the institutional and cultural fabric of a country. The World Bank has a growing list of firms and individuals ineligible, in many cases permanently, for World Bank contracts, as the result of corrupt activity. The headquarters of such firms are in a variety of developed and developing countries. According to the World Bank, corruption is "among the greatest obstacles to economic and social development." Empirical work has related corruption to increased poverty and disparate income distribution (Chong & Calderon, 2001; Erlich & Lui, 1999), reduced governmental spending on education and health (Mauro, 1998) and reduced services for the poor (Gupta, Davoodi & Alonso-Terme, 2002).

Responses to Corruption

Daily news reports provide more evidence of increased media attention toward corrupt behavior and its consequences. A search of the New York Times reveals thousands of hits for "corruption" which is mentioned in numerous country "Times Topics" pages as well as general news articles. In the first week of June, 2010, The Wall Street Journal had 23 articles that referenced corruption – 11 domestic articles and 12 international articles. In response to the attention and growing realization of problems, over the last few decades governments have intervened with new legislation and international organizations have launched a variety of anti-corruption efforts. Most of these approaches involve increased monitoring or are coercive, focusing on punishments for specific behaviors symptomatic of corruption.

In 1977, the United Stated enacted the Foreign Corrupt Practices Act ("FCPA") which was revised and strengthened in 1997. The FCPA prohibits U.S. firms from paying bribes and engaging in corrupt behavior in both domestic and international operations. At least initially, research found the FCPA put U.S. firms at a disadvantage in the global market, given that in some countries bribery was commonplace (Diersen, 1999; Salbu, 1999; but see Macleans & Mangum, 2000). Correspondingly, Hines (1995) found that after enactment of the FCPA, the preferences of United States investors for countries in which to invest changed, favoring less corrupt countries over countries that are more corrupt. In 2002, in response to Enron, World Com and various other corporate scandals, the U.S. government also passed the Sarbanes-Oxley Act in yet another effort to curb corporate corruption and fraud. Sadly, while this legislation may have prompted creation of codes of conduct across companies, it has not ended such unethical behavior (Schminke, Arnaud & Kuenzi, 2007).

By the turn of the century, other countries and international organizations were joining in the effort to curb corruption. In 1997, the Organization for Economic Co-operation and Development ("OECD") adopted an Anti-Bribery Convention. On March 11, 2009, Israel became the 38th nation to ratify the Convention. A recommendation on bribery was also published by the OECD in 2009. In October 2003, the United Nations adopted the Convention against Corruption. At the end of 2009, 143 countries had ratified the Convention, though many expressed specific reservations. Various regional groups have gone on to adopt similar types of conventions.

A review of the various legislation and conventions evidences the symptomatic focus of anti-corruption efforts. Little discussion or attention focuses on the origins of corruption. For example, the

World Bank's anti-corruption strategy involves: (1) increasing political accountability, (2) strengthening civil society participation, (3) creating a competitive private sector, (4) institutional restraints on power, and (5) improving public sector management. Strengthening laws, increasing punishments, improving legislative oversight and even improving pay for public servants can have only a limited affect when corruption is a societally-accepted practice. Further, the relationship between corruption and competition or competitive policy is, at best, unclear (Smith-Hillman, 2007). Current thinking is that the problem is only getting worse with little impact from remedial efforts (see Bailes, 2006). Anechiarico & Jacobs (1994) argue overdone efforts to curb corruption actually promote more corrupt behavior.

Current Definitions of Corruption

Though current international research often includes corruption as a focal independent variable or a control, few have given full attention to defining the concept. As Von Alemann (2004) explained "[d]efining corruption has proven to be such a difficult challenge that many contemporary analysts pass over the question as quickly as possible" (see also Davis & Ruhe, 2003). Most academics adopt, without question, the definition of another scholar or of an international organization such as Transparency International (see, e.g., Voyer & Beamish, 2004). Most of these definitions focus on specific behaviors and do not provide a prescription for diagnosing corruption. Instead, the overriding approach is presumptive and embodies the idea that corruption is a type of activity identified by the rule: "we know it when we see it." Scholars have yet to reach a consensus on a complete definition of corruption.

Even when looking across a variety of disciplines, little cohesion exists concerning a definition that provides a comprehensive understanding of corruption (see generally, Robertson & Watson, 2004). Yet, adopted definitions often share two traits. First, most scholars describe corruption as involving payments of excess rents to individual *government officials*. According to Shleifer and Vishny (1993), government corruption is "the sale by government officials of government property for personal gain." Primarily included in this definition are bribes – personal charges for items the state officially owns. Similarly, Ehrlich and Lui (1999) define corruption as when the government exercises the opportunity to obtain rents in the form of side payments and bribes. Often the items received in return for the excess payment are a means to an economic end. For example, the International Country Risk Guide notes in its description of corruption that "the most common form…is…demands for special payments and bribes connected with import and export licenses, exchange controls, tax assessments, police protection, or loans" (ICRG Guide, p. 12). Stated specifically or by implication, definitions of corruption used by the World Bank, Transparency International and most academics involve *government officials* using public power for personal gain (see Collier, 2002; Goolsarran, 2006; Levine, 2005; Shleifer & Vishney, 1993).

The second shared trait in descriptions of corruption is more subtle, though no less significant. Much of the work on corruption and many of the definitions imply or presume an action viewed as corrupt in one context or country will be viewed as corrupt in all contexts and countries. Thus, there is an underlying ethnocentric view that presumes existence of a single moral code (see Van Roy, 1970). Van Roy (1970), who defines corruption in broader terms than most, organized seemingly convergent thought on corruption into three perceptual approaches: ethnocentric, functionalist and evolutionist.

The ethnocentric view has a single moral code and an expectation that anti-corruption efforts should facilitate consistent application of laws and guidelines. The view of the United States that the FCPA should prevail everywhere is certainly ethnocentric, but arguably the intent is to impose a consistent business standard that levels the playing field for all. The functionalist perspective considers the purposes both of institutions and of corrupt behavior. Corruption has an integrative effect under this view. For example, Salbu (1999) has addressed the functionality of corruption questioning whether bribes grease wheels and facilitate efforts to obtain lucrative contracts. The evolutionist view looks for causes and sources of corruption. This view considers corruption to be part of the economic and social change process. As explained by Van Roy (1970, p. 90-91) under the evolutionist approach "[t]he labeling by a community of particular practices as corrupt demonstrates public recognition of economic and social behavior out of kilter with common values." Ultimately, Van Roy (1970, p. 109) claims: "corruption appears to maintain systemic stability and yet also reflects change; it seems to be both functional and

dysfunctional, equilibrating and disequilibrating, a permanent fixture of an ongoing arrangement and a transient symptom of changing times." Though Van Roy highlights a problem with current definitions of corruption, he does not define corruption in a manner that provides a clear theoretical frame or explores the origins of corruption.

Definitional Deficiencies

A threshold impediment for developing a comprehensive definition for corruption concerns the two presumptions often applied to corruption. Corrupt acts can occur even in the absence of government officials. Corruption occurs between businesses or between individuals and businesses as well. Additionally, as already noted, opinions vary widely across cultures concerning the types of activities which constitute corruption.

Not Just Governmental Officials

According to various reports, Enron, World Com, the Olympics organization and many other business scandals and failures involved corrupt acts (see, e.g., Voyer & Beamish, 2004). Corruption occurs everywhere, it is only the perceptions and interpretations that differ (Von Alemann, 2004). In China, "corruption is embedded in the business model of Chinese journalists" (Epstein & Qu, 2008, p. 38). Called "black journalism" or "checkbook journalism," corruption involves hush money paid mainly by businesses to journalists to silence stories, alter published information and access television air time. Epstein and Qu (2008, p. 38) noted "at corporate press events cash filled 'red envelopes' – in reality, usually white envelopes – have been standard-issue for years." In addition, reporters routinely "race to the scene of coal mine accidents not to investigate them but to collect hush money" and "the more dead miners, the fatter the payoffs" (Epstein & Qu, 2008, p. 38).

LaPalombara (1994, p. 328) noted "corruption can be and is applied to a very wide spectrum of human behavior and institutions." He explained when corrupt acts occur in the private sector and do not involve a public official, they might be deemed legitimate. It is easy to make government the "bad guy" (Bukovansky, 2006). Yet, the government is not always an actor in a corruption event.

Culturally Distinct Interpretations of "Corruption"

The typical, ethnocentric view of corruption is culturally insensitive and overly inflexible (see Van Roy, 1970). Salbu (1999) commented that there is universal distain for corruption. Yet, across countries, attitudes differ on the condemnability of specific actions and on whether legislation such as the FCPA should have extraterritorial application (Salbu, 1999). In some countries, the distinction between corruption and taxes may be blurred (Shleifer & Vishny, 1993). In other countries, what some might call corruption, in the form of gifts or bribes, are accepted forms of business practice such as guanxi in China. For a while Germany even allowed tax deductions for bribery payments (Tsalikis and Nwachukwu, 1991). There clearly also is a relationship between culture and the perceived level of corruption in a country (see Husted, 1999; Tsalikis & Nwachukwu, 1991). What is missing from our understanding of corruption is the crux of the cultural influence on corruption – the nature of the rule being circumvented.

Armstrong and Sweeny (1994, p. 777) explained, "there is evidence that the issue of ethicality is culturally specific." As explained by Jennings and Zandbergen (1995, p. 1037), "[e]very society and every organization within it relies on some belief system or 'paradigm' that guides daily understanding and action." We want some order and thus create rules to provide some consistency and institutional reliability. Rules, laws and norms embody cultural beliefs and thus differ across countries. Corruption involves activity intended to circumvent or manipulate such rules, laws and norms (collectively "rules"). Thus corrupt activity varies across cultures due in major part to rules differences. Consider the analogy of dance. Variations in dance across cultures are driven in large part by differences in music. Dance is movement in response to music. Corruption is an action in response to rules. To better understand corruption, we must clarify our definition of the act and focus on the nature of the rule within that event.

A NEW GROUNDED DEFINITION FOR CORRUPTION

Development of a new, more complete definition for corruption requires dissection of the corrupt act which in turn should start with explanation of the theory behind the phenomenon. To best understand what corruption is, we should explore its origins and explanations.

Identification of the Theoretical Frame(s) for Corruption

According to Shleifer & Vishny (1993), early studies applied a principal/agent approach to understanding corruption. Such a model focuses on the symptoms of corruption evident in the relationship between the government/principal and specific official/agent and analyzes how to manage corrupt behavior. An agency explanation may be useful in understanding potential application of agency solutions to mitigate the influence of corruption (see Calhoun, 2007). However, agency theory provides little guidance concerning the origins of corruption and how to dissect the phenomenon.

Institutional theory provides a richer theoretical arena within which to explore and understand the origins and dynamics of the phenomenon (see e.g., Uhlenbruck, Rodreguez, Doh & Eden, 2006). Interestingly, many scholars relate the issue of corruption to the institutional framework of a society, though arguably with only limited theoretical development. Wei (1998) explained that corruption measures assess the nature and quality of a country's central governmental institutions (see also Chong & Calderon, 2000; Mauro, 1998; Shleifer & Vishny, 1993). As explained by North (1989, p. 238), institutions "provide the basic structures by which human beings create order and attempt to reduce uncertainty in exchange." Institutions provide "the rules of the game" (see Meyer, Boli & Thomas, 1994). The institutional features of a country should reduce uncertainty and establish a stable structure resulting in lower transaction costs for the multinational firm (Hoskisson, Eden, Lau & Wright, 2000). Corruption, which increases transaction costs, is a reflection of the gap between formal laws and informal practices, all reflecting the efficiency of the institutions (see Calhoun, 2002; Delios & Henisz, 2000; North, 1990).

Most discussions of the process whereby institutional rules and norms are established presume acceptance and compliance with those rules and norms (see, e.g., Jennings & Moore, 1995; Williamson, 2000). As Oliver (1991) pointed out, acceptance is not the only possible response to the institutionalization process. Even within the institutional framework of a society, there is deviance. Corruption is a response to the process that deviates from expectation. Further, as noted by Oliver (1991) and others, opportunism can infect the institutional process (see Collier, 2000). At first blush, an opportunism explanation for corruption is somewhat simplistic because any action seeking personal gain is, by definition, opportunistic. Yet, when institutional laws and norms are lacking in their ability to provide contract protections, opportunism allows corrupt behavior to coexist (see Williamson, 1999).

In 1995, Jennings and Moore created a model of the institutionalization process, explaining various steps in the process from initial creation to diffusion and what they term "wide institutionalization." Corruption is the unintended byproduct of the institutionalization process where cracks form at different points in the process. The institutionalization process involves creation of legal systems and social structures with formal and informal rules that shape, empower, constrain and define organizations and the institutional structures themselves (see Edelman & Suchman, 1997). At each of the steps outlined by Jennings and Moore (1995) involving politics and legitimization, affected by social actors, social events and innovation, are opportunities to weaken the resulting institutional structure.

Oliver (1991) provides the final piece of the theoretical puzzle in her detailed explanation of strategic responses to the institutional process. Oliver was perhaps the first specifically to state that the institutional process does not always result in isomorphic behavior and compliance. She identified five possible responses to the process – acquiescence, compromise, avoidance, defiance and manipulation. Interestingly, Oliver (1991) noted the distinction between manipulation and the other four possible responses. Where the first four deal directly with the institutional process and resulting norms, manipulation "side steps" the process and instead seeks cracks, loopholes and opportunities for deviance. As Oliver (1991, p. 159) explained, manipulation is the most active of the responses "in that pressures and expectations are not taken as a given constraint to be obeyed or defied." She continued:

"Manipulation involves the active intent to use the institutional processes and relations opportunistically" (1991, p. 159).

Oliver (1991) listed three types of manipulative behavior – co-opt, influence and control. Her description of "co-opting" manipulation with only a slight alteration could be mistaken for a bribe. Oliver (1991) explained that outside interests may be co-opted by the organization and persuaded to support its projects. If such co-option involves payment of money to or exchange of something of value with the outside interest, arguably there has been a bribe. Manipulation in the form of "influence" is described as lobbying. Many argue lobbying in the United States is legalized corruption. Finally, manipulation through "controlling tactics" involves establishing power and dominance over others which often is inherent in the corrupt relationship. Thus, bringing together institutional theory and the concept of opportunism, corruption may be best understood as a manipulative response to the institutionalization process.

Clarifying the Complete Definition of Corruption

A complete definition of such a critical concept as corruption needs more development within the theoretical framework. Corruption involves an intentional manipulative act to create some personal benefit or gain. Cultural views concerning what actions constitute corruption vary, just as values, beliefs and institutional systems vary across countries. Furthermore, corruption may differ on the dimensions of pervasiveness and arbitrariness (Doh, Rodriguez, Ulenbruck, Collins & Eden, 2003). The newly conceptualized definition of corruption must factor in all of these issues to be complete. Accordingly, the following is the proffered complete, grounded definition of the phenomenon: "*corruption occurs when one party uses his/her position of authority or responsibility to circumvent or deviate from culturally embedded institutional rules for personal gain*." The remainder of this paper is devoted to clarifying further this definition and the underlying theory, through analysis and specification of related propositions that consider the important "rule" component of corruption.

THE PROPOSITIONS

As clarified, the definition of corruption has three central components – an actor in a position of authority or responsibility, an institutional rule and deviant behavior. This paper focuses on the critical element of the institutional rule. We leave for future work dissection of corruption considering the actors or the specific type of deviant behavior.

As mentioned above, the term "rule" may be applied as a shorthand to not just a rule within an institution, but also to a law which is a formalized rule and to a more informal, though perhaps no less significant norm. Each carries with it different characteristics that can provide insight concerning the likelihood of corrupt activity.

Institutional Rules

Institutional rules come in many forms – implicit, explicit, formal, informal, written, and oral. The proponent(s) of each rule has(have) an intended objective for the rule by which others will judge it. Oliver claims rules tend to be either economically or socially motivated (1991). The objective of the rule is a critical issue. The motivating force for compliance with a rule can vary based on the objective of the rule and the perceived value of compliance. Interestingly, this portion of the analysis agrees with Van Roy's (1970) discussion of the evolutionist perspective of corruption wherein corruption is explained as part of the economic and social change process. Oliver (1991) argues that when the perceived ability to achieve both social legitimacy and economic gain from conformity with the institutional rule is low, there is more likely to be a negative response such as manipulation. Yet, Oliver's development of institutional theory has only one true participant – the organization responding to the institutional rule. With corrupt behavior, there are participants on both sides. Each side may have a different view concerning the potential social and economic gain from compliance with the rule. Each will have a different perspective of the value placed on compliance by the other participant.

P1: The degree of social legitimacy perceived as attainable through or associated with conformity to the institutional rule by each affected party will determine the likelihood of corrupt behavior.

P2: The degree of economic gain perceived as attainable through or associated with conformity to the institutional rule by each affected party will determine the likelihood of corrupt behavior.

Formal Laws

In addition to the perceived value of the rule, the type of behavior affected by the rule is important as it may further determine that compliance value. As explained by Edelman and Suchman (1997), laws and legal systems have three distinct roles: (1) facilitative, (2) regulatory, and (3) constitutive. The facilitative role pertains primarily to the ability of individuals and organizations to enforce contracts through the litigation process and related avenues. In addition to prescribing the litigation process, facilitative laws also address permitting, licensing and certification processes. Individuals and organizations are the players and these laws clarify the playing field (Edelman & Suchman, 1997). In the United States, facilitative laws would include those that established our court systems, their codes of civil and criminal procedure, procedures for seeking a liquor license or firearm and export/import license requirements.

The regulatory role of a legal system works to modify individual and group behavior to conform to societal views concerning such matters as health, safety, discrimination, business practices and environmental protective (Edelman & Suchman, 1997). Often the regulations merely institutionalize indigenous practices of the population (Edelman & Suchman, 1997; *multiple citations omitted*). These substantive aspects of a legal system will impact issues of contract enforcement and property rights, thereby affecting transaction costs and firm boundary decisions (Coase, 1960; North, 1981; Williamson, 1975). Also involved are criminal laws proscribing improper and illegal activities not to be undertaken by individuals and organizations.

Finally, the constitutive aspects of the system determine who or what can engage in a particular action. The established constitutive nature of the legal environment identifies, empowers and constructs actors and groups and defines the relationships between them (Edelman & Suchman, 1997). This defining aspect of these constitutive laws impacts the very nature of the organizations and hierarchies created; thus, directly impacting an organization's ability to efficiently enforce contract rights – utilizing facilitative laws to enforce substantive laws, all minimizing transaction costs (see Coase, 1937; Edelman & Suchman, 1997). For example, constitutive laws dictate who may use the power of the court system to bring a lawsuit.

The initial rule-related propositions (1 and 2 above) may be further developed using this additional information about laws. Among the three kinds of laws, regulatory laws are most likely to have a significant economic and social motive. Facilitate laws are primarily procedural. The economic motivation would generally be low and social motives even lower. Certain constitutive laws may have a social motive and the degree of economic motive may vary. When compliance with a rule has a low value, opportunism may be more likely to provoke a corrupt response. As a result, factoring this consideration into the foregoing propositions, the expectation regarding the likelihood of corruption is that it should be highest for facilitative laws and lowest for regulatory laws with constitutive types of laws falling somewhere in between.

P3: The incidence of corrupt behavior will be higher when associated with a facilitative law than with a constitutive or regulatory law.

P4: The incidence of corrupt behavior will be higher when associated with a constitutive law than with a regulatory law.

Informal Norms

Oliver explained that manipulation was more likely when institutional rules were incipient, localized or weakly promoted (1991). By their nature, norms do not have the power of the legal system behind them. They often are regional or specific to a particular group. They may be consistent with or inconsistent with existing laws. Yet, norms may carry greater weight than codified laws – at least with respect to continued economic and social benefits flowing from the specific community to which the

norms attach. Consider with the Japanese, violation of certain norms could cause one to "lose face" and thus be socially and often economically shunned from a portion, or in extreme cases all, of the Japanese community. The penalty for a member of an organized crime community such as the mafia for violation of that organization's norms could literally be deadly. Exceeding appropriate relationship boundaries like engaging in an adulterous affair can, across cultures, result in a variety of treatments from harsh to mild – one might be stoned to death or merely ostracized from neighborhood social events.

The motivation for norms can be economic and/or social. From group to group and culture to culture, understanding the motivation for a norm or the degree of economic gain or social legitimacy to be achieved from compliance with that norm will vary widely. The key to whether a norm is more or less critical is the degree of dissemination of and adherence to the norm. Consider the amount of media and even governmental attention given in the spring of 2007 to Richard Gere. His public kiss bestowed on a prominent Indian actress violated cultural norms concerning decent behavior. Gere obviously did not understand the degree to which the norm is followed in India. His printed responses following the incident seemed to indicate he knew of the norm, but thought there was an exception or loophole argument to be made. Evidence of dissemination and adherence may be difficult to obtain in all cases. Though, media attention may sometimes correlate. Alternatively, media attention may only fuel corrupt activity when the message suggests how wide-spread deviant behavior is.

Finally, as noted, a norm is particular to one country, culture or group. When one or both parties are not members of the subject group, the temptation to engage in corrupt activity will be higher. Outsiders, like Richard Gere, cannot appreciate the value of compliance with the norm. The National Bank of Argentina had no problem participating in a corrupt kickback scheme with management at IBM Argentina. The United States anti-corruption law, the FCPA, did not apply to the National Bank officials, though it did apply to IBM. At most, the issue for the National Bank of Argentina was adherence to a norm that held little value for the bank management. Similarly, while truthful news reporting is a journalistic norm, it carries less weight in a country such as China where truthful information has not been as consistently available. Ultimately, the motivational propositions (3 and 4 above) may be refined to consider the degree of dissemination and adherence, and associations with the referent group supporting the institutional norm.

> P5: The incidence of corrupt behavior will be higher when associated with a norm that has not been widely disseminated.
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> P6: The incidence of corrupt behavior will be higher when associated with a norm that is not consistently followed by those within the group from which the norm arose.
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> P7: The incidence of corrupt behavior will be higher when one or both of the participants in such behavior are not members of the group from which the norm arose.

CONCLUSIONS AND IMPLICATIONS

This paper is intended to commence a dialogue that focuses not on the measurement or impact of corruption, but instead considers the nature of the corrupt act itself. Corruption involves actors, a rule, law or norm that is a product of the cultural and institutional environment and then a deviant behavior in response to the "rule". Given the immense importance of corruption and the unfortunate continued growth of such activity, it is imperative to achieve greater understanding of the phenomenon.

This work considers how to better understand the implications of the rule, law or norm for the likelihood of corruption. A rule is a reflection of the culture of a country. Corruption is the response to some rules. Variation in corruption across countries may be best explained through analysis of variation in the rules that are at the center of the corrupt behavior. This paper carves up the corruption event to focus on how the perceived nature and value of a rule will directly affect the likelihood of a manipulative, corrupt response.

A limitation of this work is that many factors may influence corruption activity. For example, Robertson and Watson (2004) found a rapid change in FDI will result in a higher level of corruption. This paper is a start and may open the door to a wealth of future work building on the issue of the social and

economic value associated with compliance or non-compliance of the subject rules. Cultural differences on the dimension of individualism-collectivism may influence whether social or economic value is more important. Furthermore, the focus of the rule – whether facilitative, regulatory or constitutive – is expected to influence the likelihood of a manipulative or corrupt response. In addition, ripe for future analysis is exploration of the significance of different types of actors in the corrupt event and different types of deviant behavior. Characteristics of the actors in the corrupt event would involve insider and outsider status as noted in the final propositions. Whether formalized laws or informal norms, the level or adherence to and corruption associated with a rule will be affected by issues associated with the rule and the nature of the actors such as dissemination of the rule, consistency of conformity by others and group affiliations of the actors.

Notwithstanding the limitations, the value of this paper lies in the simple explanation of how culture works through rules differences to lay foundational elements critical to understanding why and how corruption occurs and is perceived. Most of the focus of work to date on corruption has centered on identifying and quantifying the cancer. This paper seeks to promote a shift of thinking away from pure diagnosis and symptomatic treatment to improve our understanding of the societally-determined genetic markers and contributing factors of corruption.

ENDNOTES

[1] This information is the result of a search of the *Business Source Complete* database of peer-reviewed articles. A similar search of Google scholar, elicited 972 articles published during the 1960s with any reference to corruption (only 6 having a mention in the title of the article). From 2000 to 2009, 34,600 articles mentioned corruption, with 1,960 including it in the title.

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