

International Business: Deal-making, beliefs, and local social norms



ACE
GLOBAL INTEGRITY

Anti-Corruption Evidence
Research Programme



The team

PI: Thorsten Chmura, Nottingham Trent University

Co-Is: Abigail Barr (Nottingham), Liz David-Barrett (Sussex), Cormac Bryce (City),
Marcus Giamattei (Bard College, Berlin), Theo Alysandratos (Heidelberg)

01

The problem

How to reduce bribery in international business

The problem

- **Bribery in international business is common:** It undermines competitive markets, hinders foreign investment, and slows economic development
- **The policy response has been to introduce laws against bribery in international business:** e.g., the US Foreign Corrupt Practices Act, UK Bribery Act, the OECD Anti-Bribery Convention
- **These laws prohibit the payment of bribes to foreign public officials:** the aim is to reduce bribe-paying by companies investing overseas

The theory

The logic behind anti-bribery laws is Optimal Deterrence Theory (Becker, 1968): individuals will be deterred from bribe-paying and taking if

$$\textit{risk of being caught} \times \textit{penalty} > \textit{benefits}$$

However, this gives little weight to the role of social context: i.e., to social norms and individuals' beliefs about what others will do

Research questions

How does an individual's willingness to

- a. engage in corrupt-like acts; and
- b. initiate processes that lead to the punishment of others who engage in such acts

...vary depending on...

- c. the social norms that prevail within the individual's society
- d. his/her/their beliefs about what others will do

02

The research

Using incentivised experiments to identify how beliefs and social norms affect behaviour

Research design

The bribery game

The bribery game

Barr & Serra (2010)

Investor



Locations:

Germany
China
UK
USA

Bribe/Not Bribe

Pub. Servant



Locations:

China
Ghana
Uganda
Kenya
Nigeria
Bangladesh

Reject/Accept

Other Mem. Soc.



Location:

always
same as
Pub. Servant

Passive

The bribery game

Barr & Serra (2010)

Monitor



Locations:

Germany
China
UK
USA

Report/Bribe/Not Bribe
Not report

Investor



Locations:

Germany
China
UK
USA

Pub. Servant



Locations:

China
Ghana
Uganda
Kenya
Nigeria
Bangladesh

Reject/Accept

Other Mem. Soc.



Location:

always
same as
Pub. Servant

Passive

Research design

The bribery game

- Treatment 1: Barr & Serra (2009) in/across 9 countries
- Treatment 2: Barr & Serra (2009) + Monitor in/across 9 countries
- Evaluations of the social acceptability of decisions
- Beliefs about what others will do

Other games

- Trust Game (Berg, Dickhaut & McCabe, 1995)
- Dictator Game (Roth et al, 1991)
- Mind Game (Jiang, 2013; Kajackaite & Gneezy, 2017)
- Gamble Choice Game (Grossmann & Eckel 2012)

Survey

Subjects: Students – 2,259 to date

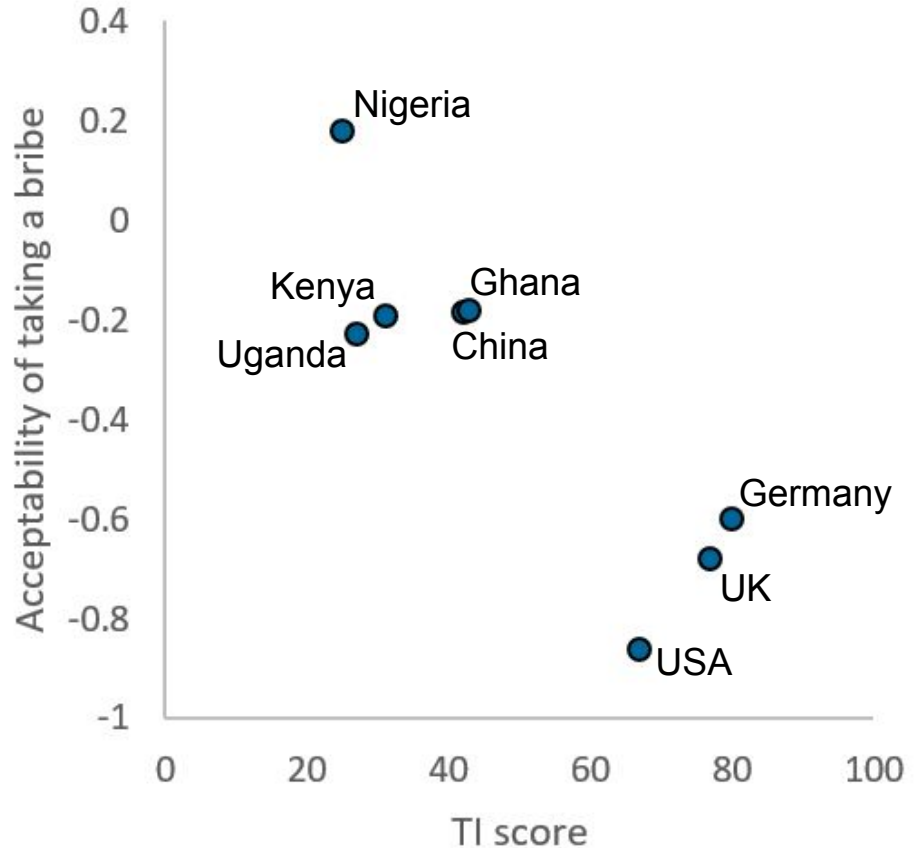
03

Some key findings

Preliminary findings – the analysis is still work in progress!

Cross-country variation in the social acceptability of bribery

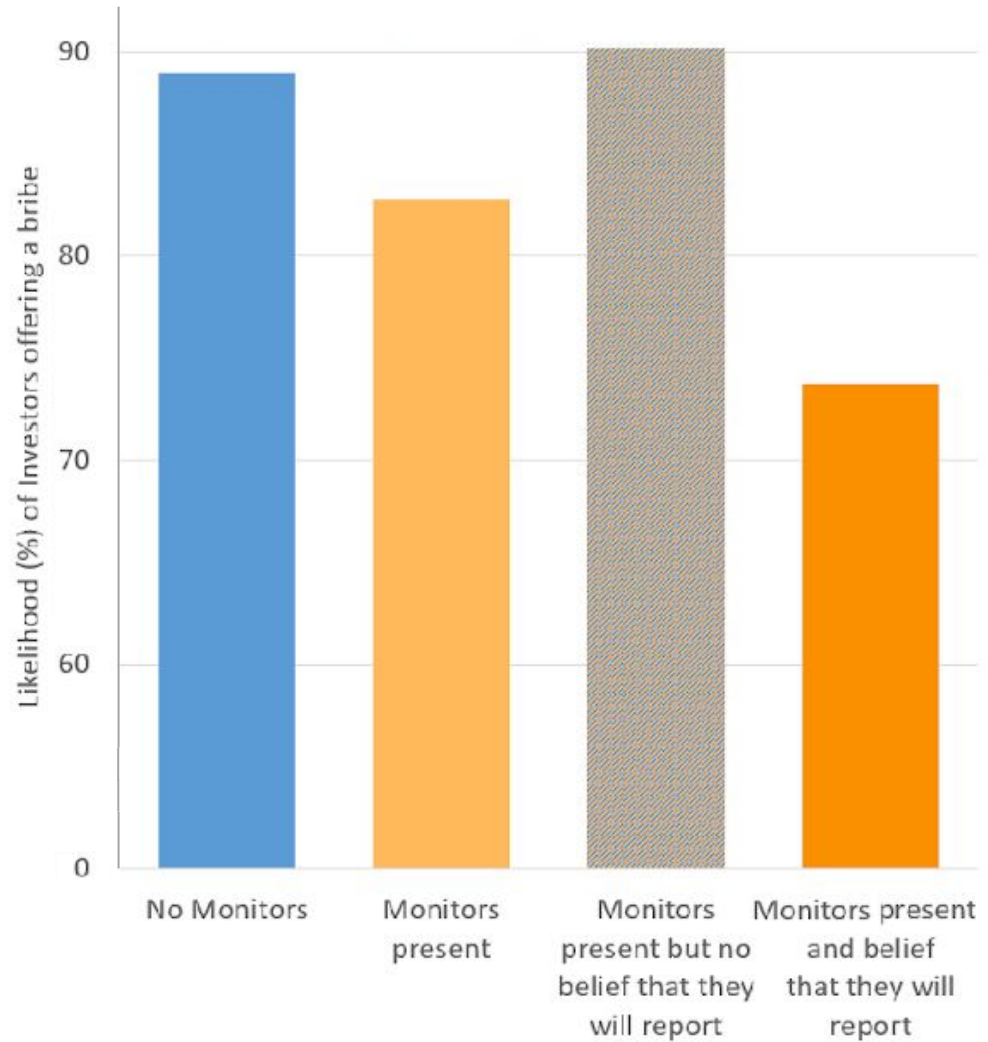
...plus a reassuring correlation with the TI Corruption Perceptions Index score



Presence of a monitor deters bribery...

...but only if Investors believe that Monitors will report and that fines will be levied

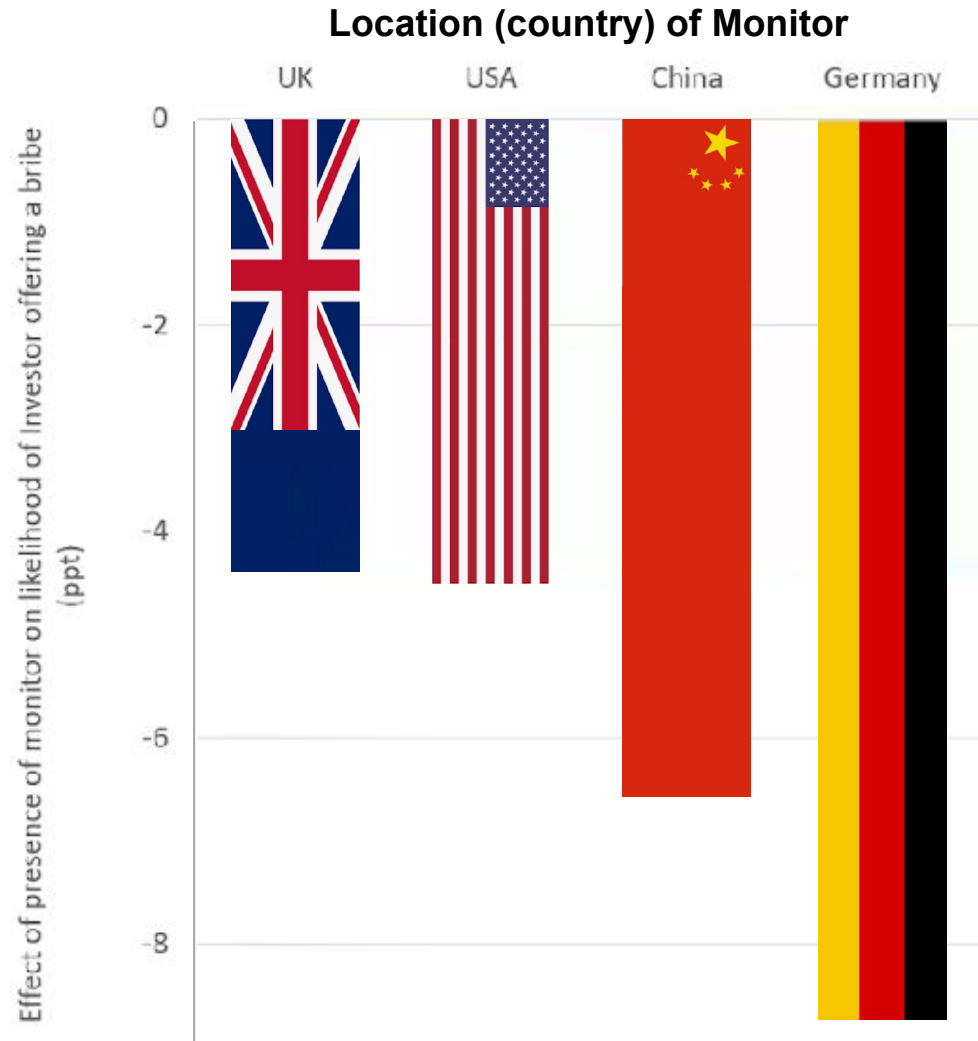
Monitors' reputations matter



Presence of a German monitor most effective...

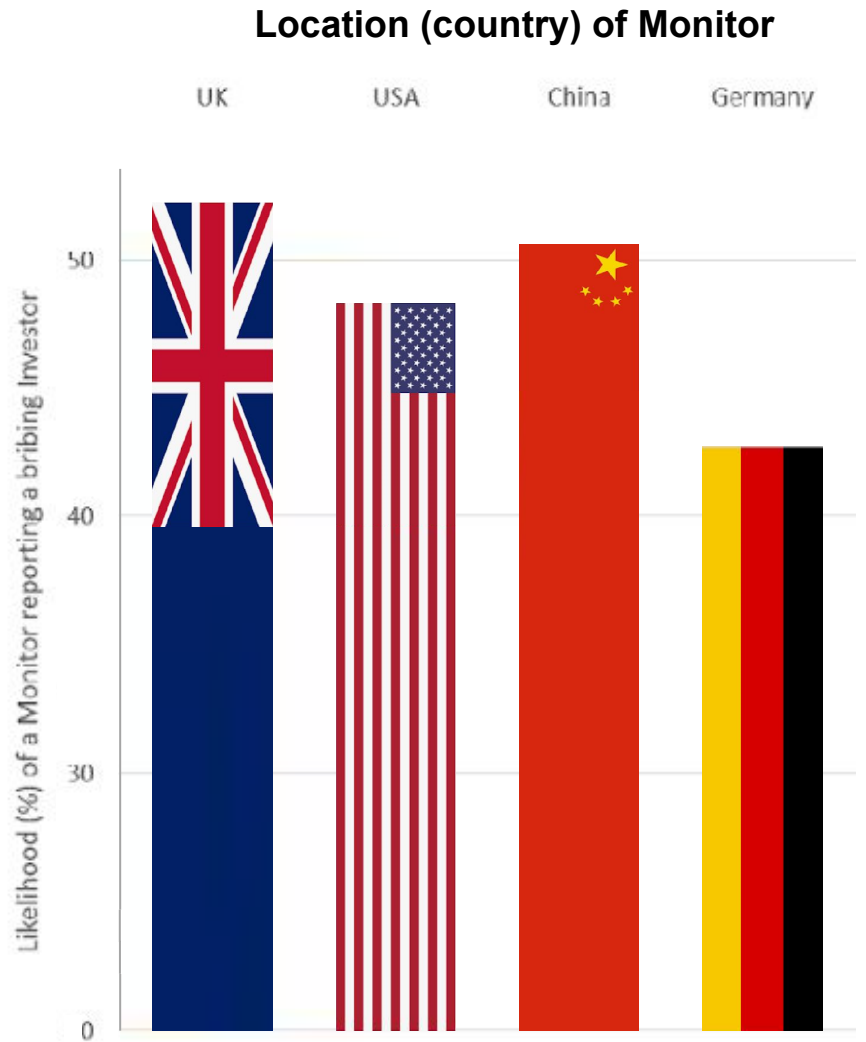
...because Investors believed that German Monitors would be most likely to report bribers

However...

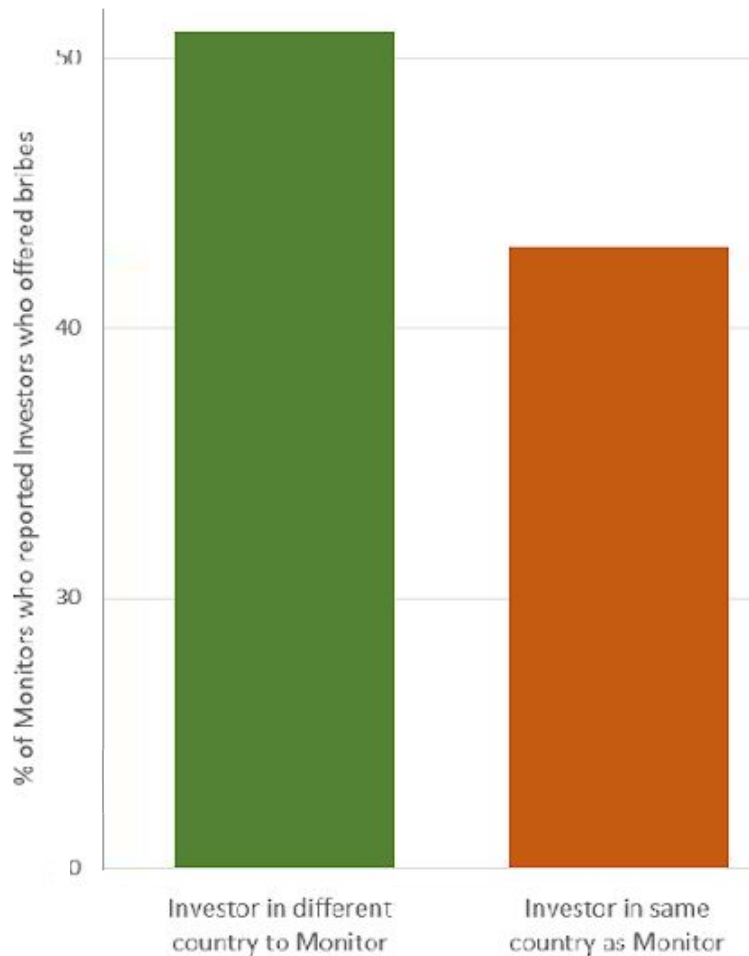


German Monitors no more likely than others to report bribe-payers

Monitors' reputations may not be
well-founded



Monitors are less likely to report on compatriots

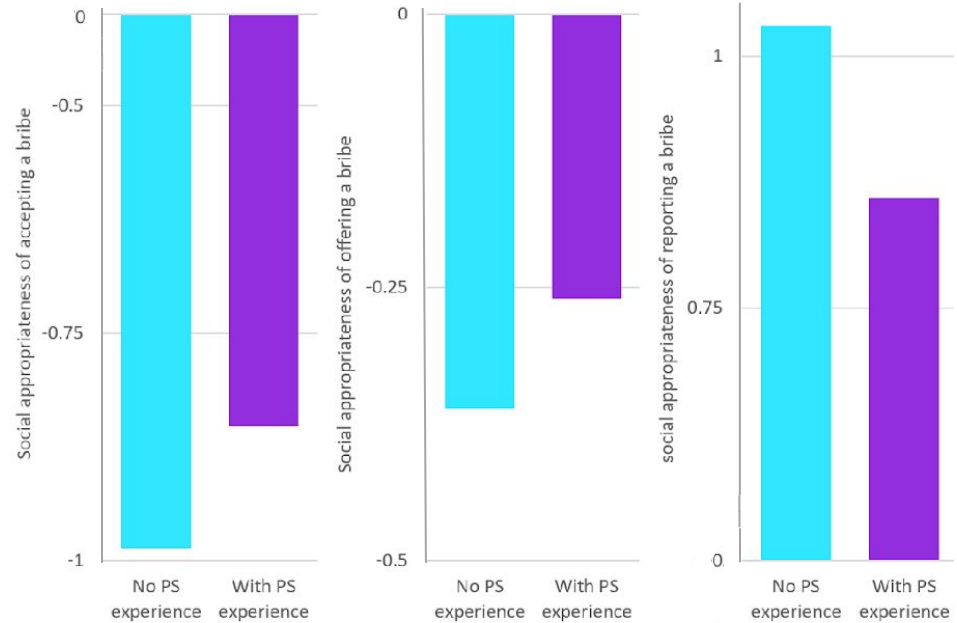


The effect of public service experience

Those with public service experience are relatively:

- accepting of bribe taking and offering
- unaccepting of reporting

(A problem of selection or acculturation...?)

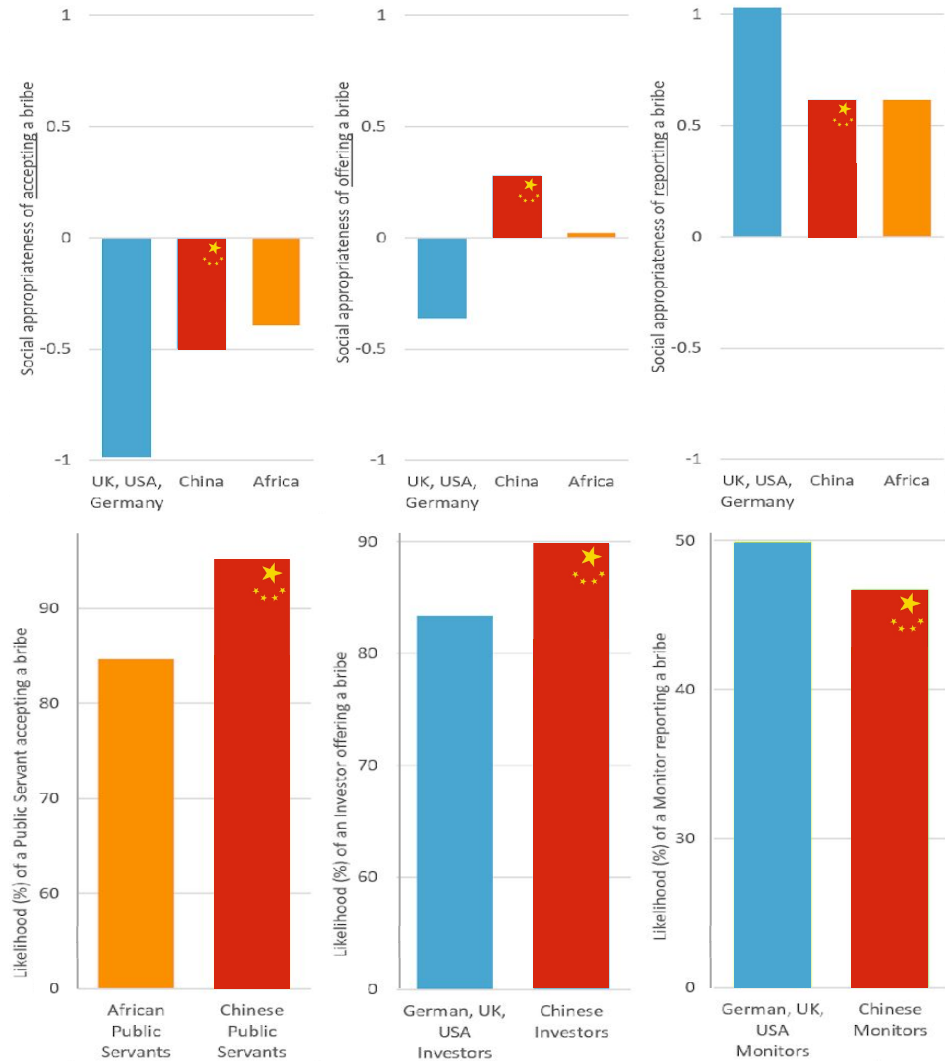


The effect of China's Guanxi culture..?

Guanxi - an individual's social network of mutually beneficial personal and business relationships

Compared to German, UK and USA participants, Chinese participants are relatively:

- accepting of bribe taking and offering
- unaccepting of reporting
- more likely to take and offer bribes
- less likely to report bribe offering



04

Policy takeaways

What does this mean for how we enforce anti-bribery laws?



ACE
GLOBAL INTEGRITY

Anti-Corruption Evidence
Research Programme

Policy Takeaways

- We need to do more enforcement and more *high-profile* enforcement if we want to reduce international bribery
- Our current transnational approach to enforcement of anti-bribery laws, which relies heavily on cross-border enforcement by a few strong enforcers is likely to be more effective than relying on local enforcement (and local whistleblowers)
- But the focus on the supply side may not be as effective as we hope because there seems to be a pro-bribery subculture in public service
- Chinese investment in Africa may be increasing the supply of bribes thereby perpetuating this subculture in Africa – but more research is required

CONTACT US

 [@GlobalIntegrity](https://twitter.com/GlobalIntegrity)

 [Global Integrity](https://www.linkedin.com/company/global-integrity)

 [@global_integrity](https://www.instagram.com/global_integrity)

 [Global Integrity](https://www.facebook.com/GlobalIntegrity)

 [Global Integrity](https://www.youtube.com/GlobalIntegrity)

 <https://ace.globalintegrity.org/>