AOSIS

Greasing the wheel through bribes: interaction of national culture and local business conditions

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Purpose: Corruption, which includes payments of bribes to government officials, poses a serious impediment to the advancement of developing countries. In this study, a model is developed based on anomie theory and research on ethical behaviour, culture and decision making to predict whether and to what extent small business owners bribe government officials.

Design/methodology/approach: Using hierarchical linear modelling on a large World Bank data set, the study hypothesises that the business environmental conditions of crime prevalence, theft and disorder, transportation difficulties, and time-resource requirements for dealing with the government, function as obstacles that enhance small business owners' informal payments to government officials. The study further proposes that the national culture constructs of masculinity and power distance moderate the relationship between business environment conditions and small business owners' bribes.

Findings/results: The study found support for the role of the proposed business environment conditions, as well as partial support for the role of masculinity and power distance as factors that strengthen the positive relationship between challenging business environments for small business owners and corrupt behaviour.

Practical implications: The study proposes ways governments can address structural uncertainties which are impediments to small business survival. It also offers ways small businesses can counteract cultural and economic challenges that influence corrupt behaviour.

Value: This study improves the understanding of the role of the supply-side of corruption. It also explains how the lens of anomie theory leads to a better understanding of the mechanism of action of inducements to deviate from the norm, as happens in corrupt behaviour practices.

Keywords: bribe; small business; corruption; anomie; power distance; masculinity; government.

Introduction

Transparency International (2022) defines corruption as the abuse of power for advancing one's private or personal interests, while Sampford et al. (2006) describe the payment of informal gifts or bribes as the provision of resources to another individual to influence their behaviour or gain undue advantages over competitors. Bribery has also been called 'questionable payment', 'informal payments' or 'gifts' (Cuervo-Cazorra, 2006; Martin et al., 2007; Rosenberg, 1987). James (2002) defines bribery as:

> [A]ny payment made to an agent ... if the payment is made to the agent rather than the principal and the agent does not forward or report the payment to the principal. (p. 216)

Specific behaviours that constitute bribery include but are not limited to influence peddling, offering or receiving improper gifts, favours or commissions, bribery to avoid liabilities for tax default or other costs, bribery in support of fraud or to avoid criminal liability, bribery to support unfair competition for benefits or resources or bribery to obtain confidential information (Vaughan, 1997). In any case, it is understood that the beneficiary would be getting something to which he is not otherwise entitled, and hence constitutes deviant behaviour that violates moral societal norms (Cullen et al., 2004).

This study aims to better understand why people bribe, by focusing on the mechanism of action of supply-side (unsolicited) bribery, and also how the environmental context of the business

environment can suggest justifications for the decision to bribe.

The cost of bribery

Supply-type bribery leads to an unequal allocation of resources to the business competitors who do not bribe (Fan, 2002). Its prevalence in society can lead to stunted political and economic growth. It disregards the freedom of individuals to engage in a free market economy and does not encourage healthy competition which ought to redound to the common good (Aidt, 2003). This is particularly glaring in developing economies such as in Africa (Ogbeidi, 2012). Bribery thus harms the individual, institutions and society.

Businesses and individuals, according to the World Bank (Johnson, 2018 in Association of Chartered Certified Accountants [ACCA], 2019), pay more than $3.6 trillion in bribes. According to Sanyal (2005), approximately 5% of global exports to developing countries are collected as informal payments or bribes by local government officials, with the percentages of global exports being devoted to bribes being on the rise over the past decades. In many developing economies, according to the The World Economic Forum (2019), the loss of $1.26 trillion annually is attributed to corruption, theft, bribery, and other illicit financial flows (Adomako et al., 2021).

Bribery is also costly for the firm engaging in it. The *United States Foreign Corrupt Practices Act* (FCPA) stipulates harsh penalties for American companies caught making payments to 'facilitate' business dealings internationally. Some companies have had to pay record amounts in FCPA settlements as fines for such international 'kickbacks', notable among which was BAE Systems Plc which paid US$400 million in 2010 (Department of Justice, 2010). Before that, Siemens paid US$800 million and KBR/Halliburton paid more than US$560 million when it was found guilty of paying bribes to get some energy contracts in Nigeria (Koehler, 2010). Thus, while large multinational corporations are frequently audited for compliance with anti-corruption laws (Weismann, 2009), much less attention is paid to smaller firms, even though small medium enterprises have been recognised as a foundation for economic growth and national development (Ji et al., 2019). There are however reports on combating bribery in the small and medium-sized enterprises (SME) sector of the ACCA (2019) and recommendations to prevent corruption among SMEs to foster their development (United Nations Industrial Development Organization [UNIDO] & United Nations Office on Drugs and Crime [UNODC], 2012). This lack of attention is paralleled in literature where only limited research has contributed to the understanding of the circumstances under which small business owners engage in bribery as a proactive way to do business. The study aims to contribute to filling this gap.

The rest of this article is organised as follows: Firstly, the article considers anomie theory as a lens through which to understand the free choice of a deviant attitude such as the decision to bribe. Secondly, this leads to a discussion of the 'supply'/proactive bribery which is the kind this study focuses on. Thirdly, the characteristics of the business operating environment that perpetrators cite as justification for their decision to bribe and some moderating culture dimensions are considered. There is then some detailed methods section, results and discussion. The article ends with some practical implications, limitations and suggestions for future research.

Anomie as justification for deviance

Anomie theory (Durkheim, 1951; Merton 1938) provides a possible explanation for how perpetrators are able to justify deviant behaviour contrary to established norms. Emile Durkheim introduced the term 'anomie' in 1897 to illustrate a possible mismatch that may exist between the standards held by a person or group and that held by the general society. These divergent standards may lead such persons to entertain thoughts or perform actions that do not match those held up by society as acceptable. He would later use this theory, initially developed to understand labour relations, to explain suicide, which he conceived of as the reaction of an individual that considers societal norms as too rigid and unrealistic, compared to those adopted or accepted by such an individual. In this context, suicide would be a logical response to the mismatch, and hence a symptom of anomie (Durkheim, 1951). Robert Merton built upon Durkheim's work in 1938 to propose anomie as a foundation for his 'strain theory'. According to Merton (1938), when society proposes some goals as desirable to all, but there exists within that same society some obstacles to accessing (at least to some members of the society) the legitimate means to attaining them, some members of society may, in consequence, decide to deviate from accepted norms to attain those goals. This rejection of norms in both Durkheim and Merton's concept of anomie is because of a breakdown of bonds between the individual or group and the society 'Aberrant conduct, therefore, may be viewed as a symptom of dissociation between culturally defined aspirations and socially structured means' (Merton, 1938, p. 674). The only way out seemingly (to attaining the good in the face of challenges) is for the former to isolate self, adopting any means to attain what is seen as necessary and good (Martin et al., 2007; Merton & Merton, 1968). The blame for this deviant behaviour is cast by the perpetrator on the 'strain' caused by the dissonance between goals and legitimate means. One rejects societal norms and whatever self-regulation that may have been expected to confine thought and behaviour to legitimate norms. According to Merton (1938), 'Certain phases of social structure generate the circumstances in which infringement of social codes constitutes a "normal" response' (p. 672).

When a business owner or businesses consider that there is a mismatch or discrepancy between the goal of business success (which society admits to being a desirable end) and the legitimate means to attaining this business success, they may consider it their right to deviate from the norm, utilising

any means to attain this goal (Rosenberg, 1995; Zhou, 2013). The strain could be ascribed to a 'harsh' operating environment, now full of obstacles to lawful or normal business behaviour. The perceived obstacles could be macro, environmental, cultural, financial or within the person or establishment. According to Ullah (2019), the growth of SMEs is limited by corrupt practices in financial institutions which results in financial constraints in accessing loans. For such persons or groups, counter-normative behaviour like bribery would be a reasonable and necessary means to attain business success, which would otherwise be beyond their reach (Ashforth et al., 2008).

Supply versus demand sides of bribery

The majority of the extant literature on bribery has focused on the demand side where businesses and individuals are passive victims of agents who demand inducement (Beets, 2005; Getz, 2006; Martin et al., 2007). However, against the backdrop of anomie theory, not everyone who gives a bribe is a victim. Some proactively and deliberately offer bribes as a part of their business strategy, considering it a prerequisite to obtaining necessary resources (Zhou et al., 2013). Whether it is called a bribe, a gift, or as 'appreciation' (including anticipated), it is 'supplied' as inducement or 'encouragement' to one who has access to something needed for the business to thrive. In foreign investment, the supply side of corruption, bribes are commonly offered to government officials by foreign investors (Bahoo et al., 2020). There, the 'supply' side of bribery may not necessarily be preceded by nor co-exist with the 'demand' for it. Here, the 'offer' or supply initiates the transaction, in hopes of reciprocation, and acceptance by the other party – the receiver, or buyer of the bribery offer (Lee & Guven, 2013).

The focus of this study is on the supply side of bribery, which makes the one offering the main protagonist and subject of study, makes it easier to study the interaction between individual bribery decision making and influences from the business operating environment. It is thus easy to understand the motivation, the possible causes, the thought process, the rationale and the mechanism of the process action (Martin et al., 2007; Zhou et al., 2013). Why do businesses bribe? What is in the mind of a business owner who considers bribery as possibly the only way to compete in a particular environment? What factors, macro or micro, subjective or objective provide a justification for considering bribery a necessary and acceptable practice for a particular business, despite the normative qualification to the contrary by society or law?

Local conditions as predictors of bribery

This study builds on and extends the work of Martin et al. (2007) who employed anomie theory in a cross-level analysis to understand the cross-level predictors of bribery. For firm and home country external influences of bribery behaviour, they chose three of the Global Leadership and Organisational Behaviour Effectiveness (GLOBE) culture dimensions of achievement orientation, in-group collectivism, and humane

orientation (House et al., 2004), and the two social institutional variables of welfare socialism and political constraints. Through the lens of anomie theory, they concluded that the national culture and institutional variables provided some explanation for why local firms considered 'perceived financial constraints' and 'perceived competitive intensity' as obstacles that 'justify' their decision to bribe. We also follow the lead of prior research, which examined how aspects of culture can predict bribery behaviour (Sanyal, 2005).

In the spirit of constructive replication and extension of Martin et al.'s (2007) study, we utilise a cross-level study to find contextual, local predictors of bribery (which for our paper we define as deviant behaviour which is measured from the percentage of annual sales paid as informal payments or gifts to public officials) among business and how these effects will vary across cultures. To extend Martin et al.'s (2007) study, we use national culture as a predictor of individual small business owners' corrupt behaviour, rather than at a macro level that focuses on outcomes at the national level also. In other words, we examine small business owners' corruption at the micro-level by examining bribes paid by small business owners. In addition to being a micro, cross-country study, our use of firm-level characteristics further puts control of business processes in the hands of managers. Several factors determine business conditions; income tax, transportation, government regulations, social safety and these are determinants of business success or failure (Business n.d.). We thus pursue the following objectives: first, we identify some local business conditions, which may relate positively to business owners' payment of bribes. These conditions while being 'typical' of developing economies such as found in some African countries should vary in manifestation across nations. We focus on the following three local conditions: i) prevalence of crime; ii) disorder and theft, and iii) transportation difficulties. Our choice of these three is because they address some development bottlenecks usually associated with societies low on the socio-political and economic index, respectively crime (Malby, et. al., 2012), chaos and infrastructural challenges (Gurara et. al., 2018). Furthermore, (Husted, 1999) associates corrupt nations with those whose profiles match some of Hofstede's culture dimensions. For instance, regions high in the dimensions of masculinity, power distance, and uncertainty avoidance are likely to be corrupt (Hofstede 1991, 2003; Beets 2005). To account for different ways people react to similar triggers, we focus on how some measurable aspects of national culture, or shared beliefs, values and practices (Hofstede, 1980) can affect the local business condition-bribery relationship. Masculinity and power distance were chosen as the culture dimensions of interest. On the dimension of uncertainty avoidance, cultures differ in how they respond to the anxiety resulting from their ability to control the future, the extent of the threat of which is reflected in their scores. Cultures that score high in uncertainty avoidance prefer rules and structured circumstances such as France, Russia, and South Korea all scored well on the avoidance of uncertainty scale (86, 95, and 86, respectively) while Nigeria, Kenya, and South Africa scored poorly (55, 50, and 49, respectively),

indicating a more relaxed attitude toward uncertainty (Hofstede Insights, 2022).

Regarding the choice of the power distance variable, many African societies have a hierarchical social structure linked perhaps to the traditional monarchic and tribal forms of government (Darley & Blankson, 2008; Muriithi & Crawford, 2003). Literature also ascribes a medium level of masculinity to African societies (Muriithi & Crawford, 2003).

One of the expected contributions of this study is to help decision-makers in business, especially those in cross-cultural management, to understand the factors acting on individual establishments as they respond to anomic pressures likely coming from the cultural environment around them. Thus, this study uses business environment obstacles as explanatory antecedents of corrupt behaviour.

National culture and corrupt behaviours of small business owners

Consistent with prior research (e.g. Sanyal, 2005), this study argues that national cultures, which can be considered representative of a business' operational, socio-political and economic environment, affect the owners' decision to bribe. The environment can enhance the achievement of business goals or harm them. The former will be desirable to business owners, while the latter may be considered problems, threats or obstacles to be avoided (Kaplan et al., 2001; Schiffer & Weder, 2001).

Culture manifests in different societies in different ways and so it is a key to understanding the people, their values, norms and behaviour, despite or because of their differences (Hall & Hall, 1989; Hofstede, 2003). It is therefore good to be able to have measures for what would otherwise be an abstract term, and therein lies one of the usefulness of Hofstede's culture dimensions. Geert Hofstede's survey of 117 000 IBM employees across 70 countries created one of the first models that made it easy to study the effects of a society's culture on the value of its members and the way these relate to behaviour. In his initial study, Hofstede defined four cultural dimensions. In an independent study in Japan, a fifth dimension was added, and even more recently a sixth: Power distance index (PDI), Individualism versus Collectivism, Masculinity versus Femininity, Uncertainty avoidance index, Long versus Short-term orientation and Indulgence versus Restraint (Hofstede, 1984b).

Power Distance Index describes the degree to which the less powerful members of a society accept and expect power to be distributed unequally. It is interested in how a society handles inequality. Societies with high PDI scores generally accept the existence of a hierarchy in society (Hofstede, 1984).

Masculinity versus Femininity (MAS) refers to the degree to which a society is either oriented towards a preference for achievement, heroism, assertiveness and competitiveness, with a tendency towards the attainment of material rewards, or a society that gives preference to caring for others, cooperation among people, modesty and quality of life (Hofstede, 1984). In the business world, another term often used is the tough versus tender culture (Hofstede Insights, 2022).

The article next introduces the local business challenges that predict bribery, followed by the arguments regarding the moderating influence of masculinity and power distance.

Crime, theft and social disorder

The safety of lives and property is an important consideration when a business owner has to choose an operational location, to protect investments made and ensure business success (Martin et al., 2007). Business owners may otherwise relocate to a safer though more costly location or employ huge resources to acquire adequate security (Becker, 1968; Zhou et al., 2013). Such additional expenses may drive up operating costs in unexpected ways that may eventually lead to business collapse; hence, providing a safe environment for business, and attracting investments is a top priority for many governments (Kuratko et al., 2000).

High crime rates stretch the coping limit of law enforcement agents, especially in developing economies (Klinger, 1997). The police may therefore become selective of the problems they solve or the distress calls they attend to. This selective choice of response to distress calls can confer on them power which can lead to corruption (Slovak, 1987 in Klinger, 1997), which Transparency International (2022) describes as 'misuse of entrusted power for private gain'. A stretched police force (poorly paid in a developing economy), whose members are also citizens in a socially unequal society, and therefore themselves under anomie strain, may consider their work an opportunity to make their protective services privately available to those who can pay more: either the very rich or those who make other unofficial payments (Klinger, 1997; Zhou et al., 2013).

It is worth quoting some text from Olawale and Garwe (2010) in this regard which although referring to South Africa, can be said of many other African countries such as Nigeria:

> Brown (2001) points out that business is the largest organised group suffering from crime and violence. The effect of crime on business in South Africa is not only alarming but also growing. According to the South African Police Service Crime Statistics (2009), while the incidences of virtually all major categories of crime have fallen during the past year, business-related crime is on the increase. Most of these robberies were on small business premises. A survey sponsored by Standard Bank and Fujistu Siemens Computers (2009) finds that owners of SMEs are not aggressively pursuing avenues to grow their market shares and stay ahead of competitors. Rather they are focusing on operational matters because of the high crime rate. Furthermore, crime increases expenditures or investments in security measures to eliminate or minimise the likelihood of crime. (p. 732)

The study argues that in such an environment, business owners would see themselves with no option but to pay for extra protection, most likely through bribes to the police, to obtain extra patrols to oversee their property, receive priority attention in cases of distress calls or to have a policeman attached to their premises, even if unofficially (Zhou et al., 2013).

The study, therefore, hypothesises as follows:

Hypothesis 1: Crime, theft and disorder in a specific business environment will be positively related to the percentage of annual sales small business owners paid as informal payments or gifts to public officials.

Power distance index as moderator

Power Distance is a culture dimension that measures the degree to which individuals within a society accept inequality of power distribution (Hofstede, 1984b). High Power Distance societies are hierarchical in nature and power can reside in the hands of a few who will peddle this for favours, pecuniary or otherwise (Beets, 2005). When businesses in such an environment are confronted with obstacles to their success, they will feel helpless and may then adopt the anomie adaptation mode of 'conformity' in order to survive (Merton, 1938) which may lead them to offer bribes to obtain the services they want. We, hence, argue that the influence of local business challenges on small business owners' likelihood to pay bribes will be exacerbated in high power distance environments, and weakened in low PDI environments. The study, therefore, hypothesises that:

Hypothesis 2: Power distance moderates the relationship between Crime/Disorder and outcome (Percent of annual sales paid as informal payments or gifts to public officials) such that the relationship will be stronger when power distance is high.

Masculinity

According to Hofstede (1984b), this is a dimension that addresses the allocation of societal sex (masculinity/ femininity) roles as opposed to the biological roles (male/ female), in which 'masculinity' represents achievement, heroism and assertiveness while 'femininity' represents modesty, caring for the weak and quality of life. A highly masculine society is competitive, goal-directed and aggressive (Lee & Guven, 2013). It is therefore easy to conceive of individuals within such a society as exhibiting the anomie traits of 'innovation' and 'rebellion'. Businesses will aim solely to be successful and any obstacle towards attaining this goal will be considered a competition that should be resisted using any means, even if considered illegal by the cultural norms of the society, including bribery (Merton, 1938). In other words, in societies where material success is highly valued, small business owners are more likely to pursue ways to deal with local business conditions, such as high crime, theft and disorder by engaging in bribery than in societies where the attainment of material success and competitive behaviours are valued to a lesser extent. Hence, the study suggests that:

Hypothesis 3: Masculinity moderates the relationship between Crime/Disorder and outcome (Percent of annual sales paid as informal payments or gifts to public officials) such that the relationship will be stronger when masculinity is high.

Business transportation needs

Transportation is essential to bring raw materials to the factories and to take finished products to the market. A good road, rail and air route should also be available to make it easy for those with the means to move about. Usually, governments take care of the underlying infrastructure, such as building roads and railway lines (Bhatnagar et al., 2003). To keep the cost of goods and services competitive, transportation costs should be kept low (Richardson et al., 2016).

Several unexpected 'distractions' can raise the cost of transportation, such as a poor or non-existent road network. Poor road infrastructure can also lead to long traffic jams with the attendant waste of time and hence money for businesses. Transportation is therefore a necessary infrastructure for business success (Olawale & Garwe, 2010).

In the absence of good and affordable road networks and railway services, small businesses may find themselves relying on bigger businesses (who may be competitors) for their transportation needs. Outsourcing their transportation needs in this way may not ensure the security of their goods, and even more, their competition may 'price' transportation beyond their reach. The result for the business owner is an increased strain in doing business.

It may be the case that to control and regulate transportation and vehicular movement, governments would establish some rules such as the use of alternative car registration series to reduce traffic congestion, a more stringent car emission test, or establishing a minimum age for vehicles permissible on the roads (Wang et al., 2010). These regulations would be considered unfriendly, and an obstacle by small business owners who do not have the financial resources to either have multiple vehicles or buy newer ones (McKinnon, 2006).

There would of course be government officials to regulate and enforce this traffic rule but owners of small businesses would suffer anomie strain and will become 'innovative', reasoning that the regulatory provision is unfair (Merton, 1938). With hardly a second thought, resorting to bribery of enforcement officers will be considered a fair business strategy to ensure survival.

The study, therefore, hypothesises as follows:

Hypothesis 4: Transportation of goods, supplies and inputs, perceived as an obstacle to business, will be positively related to the percent of annual sales paid by small business owners as informal payments or gifts to public officials.

Hypothesis 5: Power distance moderates the relationship between transportation obstacles and outcome (Percent of

annual sales paid as informal payments or gifts to public officials); the relationship will be stronger when power distance is high.

Hypothesis 6: Masculinity moderates the relationship between transportation obstacles and outcome (Percent of annual sales paid as informal payments or gifts to public officials); the relationship will be stronger when masculinity is high.

Red tape (time requirement for compliance)

In a study conducted by Chen et al. (2015), the relationship of bribery control within firms is the same for both developed and developing economies; however, their findings showed that firms from Asia and America (North and South America included) are more likely to bribe than firms in Europe (Eastern and Western Europe included) and Africa.

Keeping to the letter of the law is time-consuming, and time, for businesses, is a scarce commodity that must be used efficiently. Innovative-style anomie adapting individuals and businesses may favour supply-side bribery here because it costs much less than spending the time required to adhere to too many regulations (Merton, 1938; Zhou et al., 2013).

Governments usually have many regulatory authorities, and in an inefficient system, as may be the case in developing economies, authorities would be fragmented and duplicated, due in part to a lack of agency-task fit or failure to harmonise and share databases across agencies. Such is the case with many African countries (Ackah & Vuvor, 2011; Mwai, 2019). Depending on the industry in which the small business is operating, they would be beholden to regulators responsible for business registration, taxation, quality assurance, advertising, sanitation, and the like. These agencies have their requirements that need many hours of document preparation, form completion, visits and inspections for a business to obtain approval to begin and remain in operation. There are also labour laws and regulations to adapt to.

Businesses in developing countries choose to operate in the informal economy because compliance with regulatory requirements is prohibitively expensive. This is as a result of the economic cost of complying with government regulations and having to deal with administrative obstacles. These costs tend to be the same regardless of the size of the business, thereby disproportionately affecting small businesses (UNIDO & UNODC, 2012). A regulatory environment characterised by complex requirements is an opportunity for unscrupulous regulatory officers to demand bribes to help 'ease' or 'fast track' the process.

All of this requires additional investment of time by businesses. This can result in anomie because of the disjointedness between established goals (fulfilling regulatory requirements), and the means sanctioned by society to achieve them. In the face of this obstacle, businesses will experience great strain and the resulting anomie adaptation behaviour may be *innovation*, thus making resorting to bribery the only

option for the survival of businesses. The study, therefore, hypothesises as follows:

Hypothesis 7: The obstacle posed by the time required for senior management to deal with the demands of regulatory requirements is positively related to the percentage of annual sales paid as informal payments or gifts to public officials.

High PDI societies are unequal societies and everyone accepts this inequality as a given (Hofstede, 1984). Unscrupulous government regulatory officials may exercise power beyond the bounds of duty, such that small business owners may be wont to do them favours to navigate red tape in regulation. In a low power distance society, everyone is subject to the law as the final arbiter, and there are functional channels of complaint. In a high power distance culture, however, because the 'superiority' of some is taken for granted, the small business owner has no higher authority to which to plead their case, and as everyone is seeking the favour of the high official, the only way for a small business owner to save time and get things done would be to pay some bribe themself, the higher the better, and quicker.

Hypothesis 8: Power distance moderates the relationship between time obstacle and outcome (Percent of annual sales paid as informal payments or gifts to public officials); the relationship will be stronger when power distance is high.

Hypothesis 9: Masculinity moderates the relationship between time obstacle and outcome (Percent of annual sales paid as informal payments or gifts to public officials); the relationship will be stronger when masculinity is high.

Methodology
Survey instruments and samples

This study relied on secondary data. We chose the firm-level data, the study used the Enterprise Surveys conducted by the World Bank. The World Bank Enterprise Surveys (WBES) collected information about the country's business environment, such as business owners' perceptions, constraints, and the change over time. The data collected by WBES was through face-to-face interviews with representatives (e.g. senior managers, owners) of establishments from various industries (e.g. manufacturing, retail trade) across the world. The data were collected annually from the year 2002 till 2014. Two versions of standardised surveys were used: the year 2002–2005 and 2006–2014. This study chose the second survey for several reasons. Firstly, relatively more recent surveys can provide more updated information than dated ones. Secondly, the data for 2006–2014 included information from more years than 2002–2005 which provided more opportunity. Thirdly, the information delivered in the recent dataset were closer to the study's interests. The World Bank Governance website (www.worldbank.org) contains more information about the WBES.

For the country-level data, the study incorporated the cultural data from Hofstede et al. (1991) and the Corruption Perception Index (CPI) score from Transparency International. Transparency International collected the CPI from countries

across the world (e.g. for 2014, the index includes 175 countries) annually since 1995. The CPI ranked the perceived level of public sector corruption on a scale of 0 (highly corrupt) to 100 (very clean), and corruption was defined as 'the misuse of public power for private benefit' (Transparency International, 2022).

In order to obtain the largest number of countries, the authors first chose the countries that participated in the 2006–2014 Enterprise Surveys and selected those countries for which Hofstede cultural scores were available, regardless of which year the data was from. To minimise the influence of time, the authors coupled the selected data with CPI from the same year. The selected data without a CPI score was deleted. The final sample is composed of small business owners in 26 countries and a list of countries is provided in Table 1. There are six. African countries in the sample: Nigeria, Kenya, South Africa, Tanzania, Ghana and Zambia. There was also a good mix from other parts of the world such as South America and Eastern Europe.

Since we were interested in the corruption behaviour in small businesses, we eliminated firms with more than 20 employees. This made up 51.3% of the data. We then compared the results using the entire dataset with the results restricted to small businesses and found that using the complete dataset, we obtained more significant findings. Thus, what we reported in the results section was a more conservative set of results, limited to small businesses. The final sample consisted of 7,063 firms.

Clarke and Xu (2004) used a dataset that had some similarities to the one this study relied on. Their study worked with the World Bank's 'World Business Environment Survey' done in mid-1999. This study on the other hand was based on the World Bank 'Enterprise Survey', a more elaborate multi-year, multi-country survey. A further difference is that while Clarke and Xu (2004) focused on the characteristics of the firms paying bribes, and on the

characteristics of government entities accepting the bribe, both of which could be considered as provided macro-perspectives, the combination of culture dimensions and firm characteristics of this study encompasses both macro and micro perspectives.

Variables and data sources

Corruption activity

To operationalise corruption, the study uses the representatives' self-report answer to this question: 'On average, what percent of total annual sales, or estimated total annual value, do establishments like this one pay in informal payments or gifts to public officials for this purpose?' To reduce the bias of not reporting wrongdoings, the interviewer would start the conversation with a standardised probing remark: 'We've heard that establishments are sometimes required to make gifts or informal payments to public officials to "get things done" concerning customs, taxes, licenses, regulations, services etc.'.

It is difficult to measure bribery directly unless one catches the perpetrator in the very act of making questionable payments. Those who pay bribes do not expect to be caught, and unless and until they are caught and proven guilty are unlikely to admit to it, as it is usually done in secret (Weber & Getz, 2004). Extant literature cites a 'work-around', which is to have people operating in the context under study express their opinion about the environment, but make a reference to other possible actors (Getz, 2006; Martin et al., 2007; Weber & Getz, 2004; Zhou et al., 2013). It is believed that having thus deflected attention from themselves, they can more freely express their opinion about the deviant behaviour under study (Martin et al., 2007). Considering that any business owner would take environmental operating conditions into consideration in making business plans, part of which involves knowing what these obstacles are, the extent to

TABLE 1: Descriptive statistics and correlations.

Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	11
Control													
1. Region	2.55	1.59	1	-	-	-	-	-	-	-	-	-	-
2. Legal status	2.83	0.82	-0.07**	1	-	-	-	-	-	-	-	-	-
3. No. of employees	9.14	4.01	0.03*	-0.08**	1	-	-	-	-	-	-	-	-
4. Corruption index score	3.05	1.17	0.16**	-0.15**	0.11**	1	-	-	-	-	-	-	-
5. Response rigour	1.47	0.62	0.01	0.11**	-0.09**	-0.12**	1	-	-	-	-	-	-
Independent													
6. Transportation obstacle	1.22	1.26	-0.07**	0.01	0.03*	-0.14**	-0.05**	1	-	-	-	-	-
7. Disorder obstacle	1.38	1.33	0.10**	-0.01	-0.01	0.00	-0.09**	0.29**	1	-	-	-	-
8. Time (%)	8.89	16.75	0.17**	-0.12**	0.09**	0.11**	-0.09**	0.01	0.06**	1	-	-	-
Moderator													
9. Power distance	72.34	12.32	-0.01	-0.12**	-0.05**	-0.40**	0.13**	0.05**	-0.07**	0.04**	1	-	-
10. Masculinity	49.65	10.21	0.22**	-0.06**	0.02	-0.11**	0.03*	-0.10**	-0.00	0.12**	0.09**	1	-
Outcome													
11. Corruption (%)	1.66	5.49	-0.01	-0.02	-0.01	-0.04**	-0.06**	0.08**	0.13**	0.08**	0.04**	-0.02	1

Note: n = 7, 063, level 1; n = 26, level 2. Sampled countries included: Argentina 2006, Brazil 2009, Chile 2006, Colombia 2006, Czech Republic 2009, Ecuador 2006, El Salvador 2006, Ethiopia 2011, Ghana 2007, Guatemala 2008, Hungary 2009, Indonesia 2009, Iraq 2011, Kenya 2007, Mexico 2006, Nigeria 2007, Pakistan 2007, Panama 2006, Peru 2006, Philippines 2009, Poland 2009, South Africa 2007, Tanzania 2006, Turkey 2008, Uruguay 2006, and Zambia 2007.

SD, standard deviation.

**Correlation is significant at the 0.01 level (2-tailed). *Correlation is significant at the 0.05 level (2-tailed).

which it exists and how the competition is reacting to them, business owners would have a perception of how powerful these obstacles are as business success influences. Businesses would have an idea if bribery is rife and which of their competitors are likely to be engaged in it. One way to estimate whether the particular business engages in this act could be to ask them to provide information about the competition. Thus, the study uses the perception of competitors' bribery habits as a proxy for business owners' engagement in bribery (Beets, 2005; Martin et al., 2007; Sheeran et al., 2003). In doing so, the study builds on prior research which relies more heavily on 'perceptions' of corruption as is the case of the CPI of Transparency International (Beets, 2005). Using this approach of perception, business owners would also be asked about the percent of annual sales paid as informal payments or gifts to public officials (Beets, 2005; Weismann, 2009).

Firm characteristics

For firm-level variables, the study used measures from World Bank data evaluating the representatives' perception of organisational constraints and the time spent in dealing with the requirements imposed by government regulations.

The study derived the *transport constraint* variable from the self-report question: 'Is the transportation of goods, supplies and inputs No Obstacle, a Minor Obstacle, a Major Obstacle, or a Very Severe Obstacle to the current operations of this establishment?'

The study used the self-report answer to this question, 'Do you think that crime, theft and disorder are No Obstacle, a Minor Obstacle, a Major Obstacle, or a Very Severe Obstacle to the current operations of this establishment?' as an indicator of *disorder constraint*.

Finally, the study used the self-report answer to the question, 'In a typical week over the last 12 months, what percentage of total senior management's time was spent in dealing with requirements imposed by government regulations?' as an indicator of the *time constraint.*

National culture

For the cultural attributes, which are power distance and masculinity, the study used the measures from Hofstede. For power distance, the scale is composed of six items and the sample item is 'Managers should make most decisions without consulting subordinates'.

Control variables

The study included several variables as controls to isolate the influence of independent variables on corruption. For the country-level variables, region was included with the reason that workers in poor regions may request more bribes to increase their income. Corruption Perception Index score was also controlled in all analyses given that the corruption

culture in the large business environment may influence the firm's corruption behaviour.

For firm-level variables, we included the legal status of the establishment, the number of employees, and response rigour as controls. We controlled for legal status (i.e., publicly listed company, privately held, limited liability company, sole proprietorship, partnership, limited partnership, and other) because the organisation with more public scrutiny may have less chance of corruption. Given that firm size was linked to corruption behaviours (Martin et al., 2007), we controlled for the number of employees in the organisation. For response rigour, the question asked respondents to indicate whether they are truthful when answering questions regarding opinions and perceptions, the choices are 'truthful', 'somewhat truthful' and 'not truthful'. We controlled for this question to reduce possible response bias.

Analysis: Hierarchical linear modelling

In order to examine the effects of firm-level and country-level variables on the outcome, the study uses hierarchical linear modelling (HLM) to test the hypotheses. Hierarchical linear modelling can partition the influences of variables from different levels (Hofmann, 1997). With this method, we can test the influence of both firm-level and country-level variables simultaneously without being influenced by the different sample sizes. We used SPSS and SAS software to analyse the data.

Ethical considerations

Ethical clearance was obtained from the Lagos Business School Internal Review Board (LBS-RSH- ETHAPP-06-22).

Results

Table 1 shows the descriptive statistics and correlation matrix for all the variables. Table 2 shows the results for all models with model 1 showing the main effect and models 2 and 3 showing the results for moderation tests.

Hypothesis 1 stated that crime, theft and disorder positively relate to the percentage of annual sales paid as informal payments or gifts to public officials. As can be seen from Table 1, the correlation between these two variables is 0.13, $p < 0.01$. There is at best a co-occurrence although causality cannot be inferred. Thus, Hypothesis 1 as stated was supported.

Hypotheses 2 and 3 specified that power distance and masculinity moderate the relationship between crime/disorder and the outcome. As noted in Table 2, the moderating effect of power distance is significant, $b = 0.01$, $p < 0.01$. For a country with a high-power distance score, the relationship between crime/disorder and outcome is stronger than for a country with a low power distance score (see Figure 1). However, the moderating effect of masculinity is not significant, $b = 0.00$, *ns*. Thus, Hypothesis 2 was supported, but not Hypothesis 3.

TABLE 2: Results for hierarchical linear modelling analysis of bribery activity.

Variable	Parameters					
	Model 1		Model 2		Model 3	
	b	SE	b	SE	b	SE
Control						
Region	-0.10	0.20	-0.11	0.20	-0.11	0.20
Legal status	0.01	0.09	0.01	0.09	0.01	0.09
No. of employees	-0.02	0.02	-0.02	0.02	-0.02	0.02
Corruption index score	-0.11	0.26	-0.14	0.25	-0.14	0.23
Response rigour	-0.16	0.12	-0.16	0.12	-0.16	0.12
Independent						
Transportation obstacle	0.12**	0.06	-0.30	0.36	-0.31	0.28
Disorder obstacle	0.47***	0.05	-0.43	0.33	0.55**	0.27
Time	0.02***	0.00	0.09***	0.03	0.03*	0.02
Moderator						
Power distance	0.01	0.03	-0.01	0.03	-	-
Masculinity	0.01	0.03	-	-	0.01	0.03
Interaction						
Power distance × Transportation obstacle	-	-	0.01	0.00	-	-
Power distance × Disorder obstacle	-	-	0.01***	0.00	-	-
Power distance × Time	-	-	-0.00***	0.00	-	-
Masculinity × Transportation obstacle	-	-	-	-	0.01	0.01
Masculinity × Disorder obstacle	-	-	-	-	0.00	0.01
Masculinity × Time	-	-	-	-	0.00	0.00

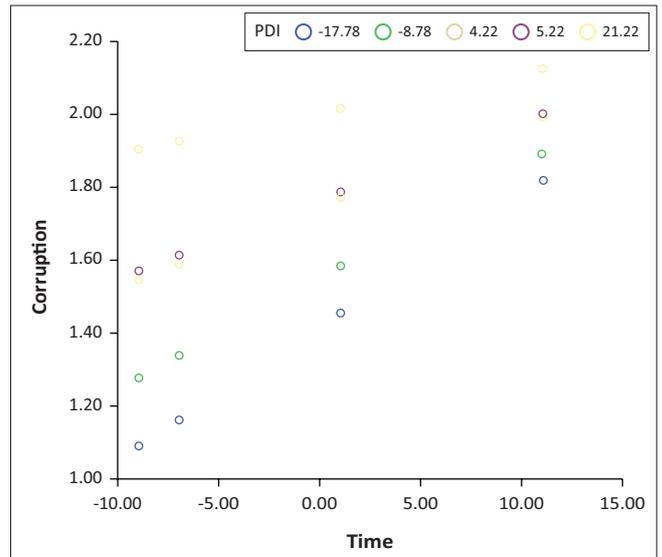Note: n = 7063, level 1; n = 26, level 2.
*p = 0.10; **p = 0.05; ***p = 0.01.
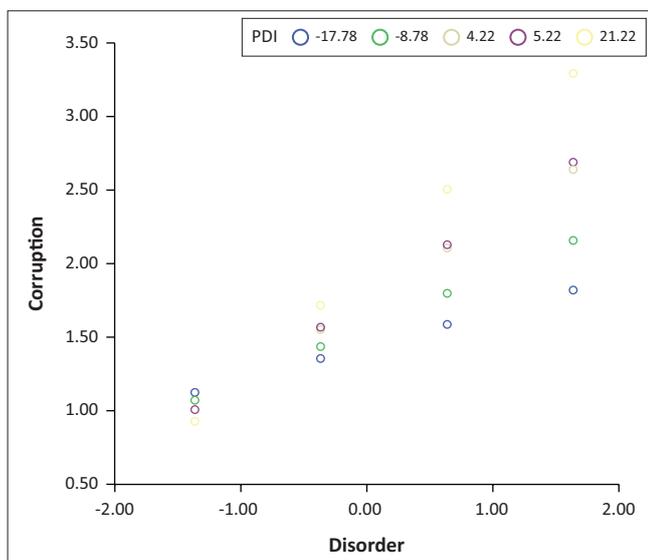
PDI, Power distance index

FIGURE 1: The interaction between disorder constrain and power distance in predicting corruption.

Hypothesis 4 indicated that transportation obstacles positively related to the outcome. The correlation between transportation obstacle and outcome is 0.08, $p < 0.01$. There is at best a co-occurrence although causality cannot be inferred. Thus, Hypothesis 4 as stated was supported. Similarly, Hypotheses 5 and 6 indicated the moderating effects of power distance and masculinity on the relationship between transportation obstacles and the outcome. As shown in Table 2, none of these hypotheses was supported (For power distance, b = 0.01, ns; For masculinity, b = 0.01, ns).

PDI, Power distance index

FIGURE 2: The interaction between time constrain and power distance in predicting corruption.

Hypothesis 7 indicated that the time required for senior management to deal with the demands positively related to the outcome. As shown in Table 1, the correlation between these two variables is 0.08, $p < 0.01$. There is at best a co-occurrence although causality cannot be inferred. Thus, hypothesis 7 as stated was supported. Hypothesis 8 suggested that the relationship between time spent and the outcome is strengthened when the power distance is high. As shown in Table 2, the interaction was significant, b = -0.00, $p < 0.00$. Thus, Hypothesis 8 was supported (see Figure 2).

Discussion

The goal of the current study was to examine whether local business conditions that were challenging for small business owners interact with national culture in predicting bribery behaviour estimated as the percent of annual sales small business owners devote to bribing government officials. The study hypotheses regarding the local business conditions of crime/theft/disorder, transportation problems and time requirements for dealing with governments were supported as stated. This sheds more light on the anomie theory, that when there are obstacles to attaining desirable goals within a society the free choice of a deviant attitude is reinforced. This study thus contributes to the understanding of anomie theory as it shows that when the business environment is *anomic* in nature for SMEs, deviant behaviour in the form of supply-side bribery is deemed inevitable. There is at best a co-occurrence of the local business conditions and a higher likelihood of small business owners paying a larger percentage of their annual sales in bribes. The propositions of this study that these effects would be stronger in high power distance and high masculinity culture were partially supported (power distance moderated the conditions of crime/theft/disorder and time requirements or red tape but not transportation problems). This further emphasises the importance of governments ensuring the existence of business environments in which SMEs can thrive, considering

that they are the backbone of developing economies. It also illustrates the importance of accounting for microeconomic business conditions and national culture in predicting small business owners' decisions to pay bribes to government officials.

Practical implications, limitations and future directions

For governmental and non-governmental organisations interested in curbing the prevalence of bribing behaviours in small business owners, the following considerations may be useful based on this research. The efforts to address structural uncertainties that small business owners may attempt to eliminate through the payment of informal gifts/bribes to government officials appear to be one potential lever for the reduction of bribing behaviours. It is crucial that proper structures are put in place to create a less anomic business environment that encourages deviant behaviour among small business owners. At the same time, this research points to national culture constructs, namely power distance, as factors that can strengthen the impact of local business challenges on outcomes. In other words, small business owners in high power distance societies are more likely to use bribes as a means of dealing with the local business environment and its challenges than small business owners in low power distance. The authors hope that this research will contribute to the development of training programmes for small business owners that can identify the propensity of the environment to be conducive to bribes and present ways to counteract cultural and economic challenges. It is also hoped that the regulatory requirements are revised and tailored according to firm size so that small businesses are no longer disproportionately affected. Information on anti-bribery guidance should also be made easily accessible for SMEs to encourage adherence by small business owners.

Although the authors note the difficulty in having people directly admit to giving bribes, they acknowledge the imperfect nature of the measure of bribery, which does not measure actual bribery behaviour, but instead relies on a proxy. It will be interesting and useful for future research to come up with a measure better than a proxy. The current study is based on archival data collected by the World Bank. The collection of data on further constructs (e.g. accountability, taking responsibility as identified in the ethical decision-making literature in Organisational Behaviour) will likely contribute to the understanding of small business owners' challenges. The data set of this study is also limited in that usable data could only be obtained for 26 countries. It is hoped that this research can serve as a preliminary step and will encourage efforts to replicate and extend this work in more countries through cross-national research collaborations and consortium efforts. The study findings for Hypothesis 1, 4 and 7 were based on the correlation between the local business conditions and the likelihood of business owners paying bribes. We can only infer some co-occurrence but not causality and other unaccounted-for variables might be at play here. We recommend that future studies include and control for other variables.

Conclusion

This study contributes to the literature on supply-side corruption by showing that small business owners' payments of bribes can be partially understood as an interaction between the local business conditions and related challenges and national culture, especially power distance. The study also shows how the lens of anomie theory allows us to better understand the mechanism of action of the internal process, through which a person deliberately deviates from a norm and justifies it, at least to themselves, as normal and the only viable option.

Acknowledgements

Data availability

The authors confirm that the data supporting the findings of this study are accessible in the citations used in the articles, and in the references listed.

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The views and opinions expressed in this article are those of the authors and do not necessarily reflect the official policy or position of any affiliated agency of the authors.

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