Corporate Governance as an Antidote to Corruption in Emerging Markets

Duane Windsor

Abstract This chapter assesses what is known about the likely role of corporate governance reforms and best practices as an antidote to commercial and political corruption in emerging markets. The purpose of the assessment is to marshal knowledge about the relationship between corporate governance and corruption and to help identify best practices with respect to anti-corruption efforts. The methodology combines literature review and identification of sources of information and data about corporate governance and anti-corruption measures. The scope of the chapter includes corporate governance norms promoted by international institutions, effects of foreign direct investment, and interactions among quality of government, quality of corporate governance, and corruption levels and forms. The vital issue is whether and if so how and to what extent corporate governance reforms and best practices will operate to reduce corruption in emerging markets. General findings are that corporate governance best practices are desirable for several reasons, and such best practices, in combination with business integrity and governmental anti-corruption efforts, should operate gradually against commercial and political corruption. Effectiveness of governance and anti-corruption measures depend on personal integrity of business directors and executives. Structural measures typically recommended in corporate governance codes are not well linked to anti-corruption effectiveness.

1 Introduction

Emerging markets involve special concerns for both corporate governance and anti-corruption reforms. Such economies are rapidly growing, attracting foreign direct investment (FDI), and weak in the institutional infrastructure for good governance

D. Windsor (✉)
Jones Graduate School of Business, Rice University, Houston, TX, USA
e-mail: odw@rice.edu

S. Boubaker and D.K. Nguyen (eds.), *Corporate Governance in Emerging Markets*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-642-44955-0_17,
© Springer-Verlag Berlin Heidelberg 2014

and low corruption. Contributions of this chapter include a review of three relevant literatures, and a summary of the governance and corruption reform status of emerging markets, with focus on the Financial Times Stock Exchange (FTSE) 22 list of such markets (FTSE 2010). The three literatures – on good governance, FDI and corruption, and specific country studies – are not well integrated as yet. Scholars and practitioners are aware that governance reform and anti-corruption measures are greatly needed in emerging markets; but this chapter is an early effort at addressing the gaps across the three literatures and to making findings concerning how well corporate governance is likely to affect corruption in such markets.

The term "emerging markets" (Kearney 2012) was introduced in the late 1980s (Cavusgil et al. 2013, p. 3) by van Agtmael (2007). The older term "newly industrialized countries" (NICs) suggested export-led industrialization, as a breakout from less developed toward more developed status. Breakout attracts significant foreign direct investment (FDI), a key criterion for emerging market status. This classification schema suggests sequential categories of developing, industrializing, emerging, and advanced economies. Energy and mining resources alone are not automatically a basis for sustainable development; and may be associated with high corruption levels.

Corporate governance reform and anti-corruption reform have become global movements (Givens 2013; Goyer 2010). The relationship between corporate governance reform and corruption reduction operates in different ways depending on the home and size (as well as industry) of the business and on the local conditions (Licht et al. 2007). Multinational enterprises (MNEs) are likely to be global large businesses domiciled in advanced countries (Hadjikhani et al. 2012). Joint ventures between foreign and domestic entities may be important. There is a phenomenon of multinationals domiciled in emerging markets operating abroad. Ramamurti and Singh (2009) include the four BRICs (Brazil, Russia, India, and China), Mexico (CEMEX is a leading instance), South Africa, and Israel (which will be classified here as an advanced country).

Corporate governance reform operates at both international and national (within-country) levels. The chapter will review and assess key international codes for corporate governance, with particular attention to OECD, UN, and World Bank/IMF/MIGA guidelines and the Prague Declaration. An important instance of national reform is the set of King Reports in South Africa. Aspects of governance reform and practice expected to have effects on corruption will be discussed.

The main results and main conclusions of this chapter are as follows. What is important in this reform process is the effective influence of external institutions and entities (reflected in international codes and FDI, respectively) on quality of government and quality of corporate governance, and thus on corruption levels and forms. General findings are that corporate governance best practices are desirable for several reasons, and such best practices, in combination with business integrity and governmental anti-corruption efforts, should operate gradually against commercial and political corruption. Effectiveness of governance and anti-corruption measures depend on personal integrity of business directors and executives.

Structural measures typically recommended in corporate governance codes are not well linked to anti-corruption effectiveness.

The remainder of this chapter is organized as follows. Section 2 explains a working definition for emerging markets of interest to this study. Section 3 is a literature review. Section 4 provides corporate governance and corruption information on the Financial Times Stock Exchange (FTSE) 22 emerging markets – the set of countries of greatest interest for this study. The concluding Sect. 5 summarizes the contribution of this chapter.

2 Defining Emerging Markets

Country composition changes somewhat over time, since the category concerns a stage of economic development and conditions for sustained growth. The underlying idea is that an emerging market is moving from developed to developed status (Cavusgil et al. 2013, p. 5). An emerging market typically has started economic reforms, achieved steady growth in gross national product (GNP) per capita, and exhibits increased integration with the global economy (Cavusgil et al. 2013, p. 5). Such markets involve manageable business risks, are technologically competitive, and reflect increasing consumer purchasing power, investment opportunities, and income growth higher than in developed countries (Cavusgil et al. 2013, p. 2).

Three basic characteristics of emerging markets can be identified in terms of stage of economic development, sufficient population size, and sustained economic growth.

First, an emerging market economy lies between the categories of developing economies and advanced economies. An emerging market has developed and is moving toward advanced. Advanced economies are typically members of the Organisation for Economic Co-operation and Development (OECD), which in 2012 comprises 34 countries including North America (with Mexico, an emerging market), Europe (including some emerging or arguably even still developing economies), Japan, Australia and New Zealand, and Chile, Israel, South Korea, and Turkey. For purposes of this study, Chile and Turkey are classified as emerging, while Israel (a small economy) and South Korea are classified as already more advanced. Korea is sometimes grouped with Brazil, Russia, and India in the BRIK (Black et al. 2012).

Second, an emerging market economy must be sufficiently large to matter for this study. While Estonia, the Slovak Republic, and Slovenia are OECD members, they are not emerging markets for this study – without addressing whether they should be regarded as advanced or developing economies. The Czech Republic, Hungary, and Poland will be classified as emerging. (Greece is an advanced economy, like Italy, Portugal, and Spain – although these four countries have been working through an economic crisis in recent years.)

Third, whether a developing or a transitional (i.e. formerly communist) economy historically, an emerging market is one receiving significant foreign direct investment (FDI) and enjoying rising per capita gross domestic product (GDP).

In May 2007, the OECD invited Chile, Estonia, Israel, Russia, and Slovenia to open membership discussions; all became OECD members in 2010 other than Russia (which is not yet a member). The OECD then also offered a program of "enhanced engagement" to Brazil, China, India, Indonesia, and South Africa. The OECD thus includes or works with BRIC (O'Neill 2001) and MIST (Aspray 2011) and Chile.

Typically, emerging markets have significant levels of corruption and something less than fully democratic government and independent judiciary. Corporate governance practices are commonly something less than expected by UK, U.S., and European Union (EU) norms. Some information on corruption and democracy is available in various sources (such as Transparency International and Freedom House).

3 Literature Review

This section discusses three relevant literatures. One literature concerns the relationship between governance and corruption. Improved corporate governance should work against corruption. A second literature concerns the relationship between FDI and corruption. Corruption deters and taxes FDI, but FDI works against corruption. A third literature concerns country studies of the relationship between governance and corruption.

3.1 Relationship Between Governance and Corruption

Improved corporate governance should work against corruption (Aidt et al. 2008; Caron et al. 2012; Wu 2005). The UK's Cadbury Committee (1992) report helped initiate a global movement for improvement of corporate governance practices. The U.S. Foreign Corrupt Practices Act (FCPA) of 1977 helped initiate a global movement for reduction of corruption by both government (and political) officials and corporations. Each country is a quasi-experiment in this process.

In theory and practice, corporate governance should be understood in broad terms. There are four levels of influences on corporate governance, from international consensus and institutions at the global level to individual conduct within boards of directors and among employees – linked together by national requirements and corporate policies. There are in parallel four levels of influences on corruption, defined analogously (international, national, corporate, and individual)–although operating through partly different (and partly overlapping) institutions and corporate policies.

In theory, governance and anti-corruption efforts should work together as follows. One can think of parallel international consensuses for corporate governance best practices and against corruption. At the national level, there would be legislation and regulation for best practices and against corruption. Corporations would adopt best governance and anti-corruption policies. At the individual level, corporate personnel (from directors and chief executive officer down) would implement best practices and avoid bribery or extortion in all forms.

3.1.1 International Governance Guidance

In general, corporate governance practices are stated as principles and recommendations: what businesses ought to do. Enforcement is through stock exchange listing requirements and national public policy legislation. Public policy concerns guidance as distinct from criminal law enforcement or civil law compensation (Wilson 1989). Violations of legal requirements (such as misstated financial information) are what involve criminal or civil enforcement actions, which characterize anti-corruption efforts.

Considerable attention has been focused in the literature on problems of corporate governance in emerging markets (Aguilera et al. 2012; Aguilera and Jackson 2003, 2010; Braga-Alves and Morey 2012; Ficici and Aybar 2012; Gibson 2003; Gregory 2000; Klapper and Love 2002; Millar et al. 2005; Young et al. 2008). Clifford Chance (2011) includes recent information on transitional economies in Eastern Europe (see Klapper et al. 2006). Studies exist on Latin America generally (Chong and López-de-Silanes 2007) and Chile in specific (Lefort and Urzua 2008).

There is a serious question concerning whether conventional structure measures of corporate governance (e.g. board characteristics, stock ownership, or anti-takeover provisions) even explain very much of cross-sectional variation in multiple measures of performance (Larcker and Tayan 2011). Board functioning depends greatly on director capability, experience, and integrity (Adams et al. 2010). A study of 296 financial firms across 30 countries reported that firms with more independent boards and higher institutional ownership experienced worse stock returns during the 2007–2008 financial crisis, because such firms took higher risk prior to the crisis and raised more equity capital during the crisis (Erkens et al. 2012). While commercial governance ratings appear positively and significantly associated with market value, governance rating agencies do not seem to create incremental value through converting public data into aggregated ratings (Hitz and Lehmann 2012). A study reports on experience of Korean firms in that country's financial crisis (Baek et al. 2004).

The leading statement of governance principles (Verhezen and Morse 2009) is issued by the OECD (2004, revised from 1999; 2006), which also has a statement on state-owned enterprises (OECD 2005). The OECD countries are home to most of the world's multinational enterprises (MNEs). Siems and Alvarez-Macotela (2013) address the OECD Guidelines in relationship to emerging markets. The International Corporate Governance Network (ICGN) issues a statement of governance

principles (ICGN 1999, 2009a). ICGN (2009b) also issues a statement of anti-corruption principles.

The Financial Stability Board (FSB) was established as an international coordination body for national financial authorities and international standard setting bodies. The FSB undertakes to develop and promote effective financial sector policies. The FSB Secretariat is located at Basel, Switzerland, with the Bank for International Settlements (BIS).

3.1.2 International Anti-Corruption Consensus

Political corruption occurs between business and government personnel, including in practice contract agents and consultants of the former and political party personnel interacting with the latter. Commercial corruption occurs business to business.

The UN Global Compact (UNGC) comprises ten principles concerning human rights (two principles), labor (four principles), environment (three principles), and anti-corruption (the tenth principle). The human rights, labor, and environment principles are grounded in the UN Universal Declaration of Human Rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the Rio Declaration on Environment and Development. The anti-corruption principle is grounded in the UN Convention against Corruption (UNCAC) (entered into force 14 December 2005). This Convention calls for prevention, criminalization, international cooperation, and asset recovery mechanisms by the signatory countries. The UNGC anti-corruption principle (Principle 10) states: "Businesses should work against corruption in all its forms, including extortion and bribery." This anti-corruption principle was partly preceded by and implemented by a number of regional accords together with the U.S. Foreign Corrupt Practices Act (FCPA) of 1977 (amended) and the UK Bribery Act of 2010 and the activities of the Transparency International (TI) network of country affiliates. A list of international anti-corruption conventions, with links to full texts, is available through a Transparency International website (http://archive.transparency.org/global_priorities/international_conventions). In addition to the UNCAC, there are globally the United Nations Convention against Transnational Organized Crime (UNTOC), OECD Convention on the Bribery of Foreign Public Officials in International Business Transactions (OECD Convention), and Revised Recommendation of the Council of the OECD on Combating Bribery in International Business Transactions. In Africa, there are the African Union Convention on Preventing and Combating Corruption (AU Convention), the Southern African Development Community Protocol against Corruption (SADC Protocol), and the Economic Community of West African States Protocol on the Fight against Corruption (ECOWAS Protocol). The Inter-American Convention against Corruption (OAS Convention) and the Asian Development Bank (ADB)-OECD Action Plan for Asia-Pacific cover those regions, respectively. The Council of Europe has adopted a Criminal Law Convention, a Civil Convention, an Agreement Establishing the Group of States against Corruption (Resolution (99) 4 of the Committee of Ministers of the Council

of Europe), Twenty Guiding Principles for the Fight against Corruption (Resolution (97) 24 of the Committee of Ministers of the Council of Europe). The European Union has adopted a Convention on the Protection of the Communities' Financial Interests and the Fight against Corruption and two related Protocols.

The Prague Declaration on Governance and Anti-Corruption provides a reasonable action plan for implementation of anti-corruption efforts (see also the Council of Europe's Twenty Guiding Principles for the Fight against Corruption). The Prague Declaration, issued on March 21, 2012 (Mann et al. 2012), provides ten action principles: (1) anti-bribery policy; (2) financial disclosure rules for politicians and government officials; (3) prosecution for official corruption; (4) open government; (5) corporate zero tolerance for and disclosure concerning corruption; (6) investor responsibilities; (7) transparent campaign and party finance; (8) lobbying rules; (9) protection for whistleblowers; and (10) protections for non-governmental organizations (NGOs) and media. The Prague Declaration represents the work of the first World Forum on Governance, convened in Prague, the Czech Republic, in November 2011, co-directed by members of the Brookings Institution, the American Enterprise Institute, the Millstein Center for Corporate Governance and Performance, Yale School of Management, and a member of the board of GMI.

3.1.3 Individual Integrity

The parallel interaction of corporate governance and anti-corruption depends on individuals, especially directors and senior executives. Corporate culture and personal integrity must be mutually reinforcing. Anything else is costly monitoring, detection, and prosecution. Bear Stearns, Enron, Lehman Brothers, Parmalat, Royal Ahold, Tyco, and WorldCom all illustrate Warren Buffett's famous comment that "In reality, ... earnings can be as pliable as putty when a charlatan heads the company reporting them. Eventually truth will surface, but in the meantime a lot of money can change hands" (1990 Berkshire Hathaway Annual Report Chairman's Letter). Codes–whether of governance or conduct–are necessary but far from sufficient (Webley and Werner 2008). Sonnenfeld (2001) emphasizes the human dynamics with a board of directors functioning as a social system.

Recently uncovered LIBOR and money laundering scandals in major global banks indicate bad cultures and bad leadership undermining corporate policy. Bad individuals, bad situations, and bad cultures are all likely at work (Kish-Gephart et al. 2010). There are serious difficulties and lags in monitoring misconduct, as illustrated over the years by rogue traders such as Adoboli, Kerviel, and Leeson. Kweku Adoboli received a sentence of 7 years in a UK court for losing some $2.3 billion at UBS in London; he allegedly booked fake trades to hide losses. He was arrested after confessing in an email. The chief executive officer resigned. The UK Financial Services Authority fined UBS for failure to supervise.

Although the concern of this chapter is with the effect of corporate governance practices on deterring corruption, there may be a reverse influence of corruption on

undermining corporate governance practices particularly in emerging and developing economies (Caron et al. 2012). The national regulatory framework depends on the integrity of public officials, who are in various countries often quite corrupt. Mexico (7.5), Indonesia (7.5), China (6.7), and Russia (6.6) are the four worst of the 28 countries in the Transparency International (TI) (2011) bribe payers index (BPI). (The CPI is reported annually; the BPI is periodic.). On the BPI, 0 means a country's enterprises always bribe; while 10 means a country's enterprises never bribe.

There is an important distinction among direct corruption affecting policy decisions – in the forms of corporate bribery (offer of payment) and official extortion (demand for payment by explicit or implied threat), facilitating payments made to minor officials for expediting officially approved actions, and political lobbying and donations (bundling together these two activities). ICGN (2012) recently issued a statement on political lobbying and donations. Direct corruption is almost universally illegal by national legislation; and prohibited by consensual international conventions at the UN and regional levels. The OECD in 2009 issued a recommendation against facilitating payments – which while legal under the FCPA are illegal under the UK Bribery Act and often under national legislation. Thus corporations should prohibit or strongly counsel against facilitating payments; and some do already.

Kaufmann and Vicente (2011) distinguish between legal corruption and illegal corruption as channels for influencing government. What is legal corruption is a function of cross-country variation in legal framework. The authors use a survey of 8,279 firms in 104 countries to measure legal and illegal corruption. They propose a continuum of three categories. Illegal corruption persists because the country's political elite does not face binding incentives to attempt to limit corruption. Legal corruption occurs when the political elite incurs some cost to protect corruption through the legal framework. Zero corruption means the general population can effectively react against corruption such that the political elite is responsive.

Direct and indirect lobbying forms and bribery can be complements and/or substitutes for the exercise of political influence by businesses (Campos and Giovannoni 2007). A firm can comply with public policy, bribe officials against implementation of public policy, or lobby government to relax public policy (Harstad and Svensson 2011). Politically connected firms exercise profit-gaining influence (Chen et al. 2010).

Strategic philanthropy may aim at increasing political influence. The lower the level of a country's development, the more likely firms are to practice bribery; the higher the level of a country's development, the more likely firms are to practice lobbying (Harstad and Svensson 2011). Economic development and democratic government may evolve in parallel, in this regard. Emerging economies may lie at the switching point between these two approaches. Thus in Table 1, South Africa and Poland rank well on corporate governance and corruption measures relative to other emerging markets.

The World Bank's World Business Environment Survey (WBES) was conducted in 80 countries with at least 100 firms in each country during 1998–2000. The survey covers emerging and developing countries. The survey provides

Table 1 Corruption Perceptions Index (CPI) and corporate governance information for 22 FTSE emerging markets

1	2	3	4	5	6	7
		2012 rank order among 176 countries or territories (1–176)	2012 CPI (0–100)	2011 WGI control of corruption quartile at 90 % confidence (0–100 %)	2010 GMI corporate governance ranking (1–10)	OECD status
Country	Group or region	1 is best	100 is very clean	100 is best	10 is best (UK 7.60) (U.S. 7.16)	
Brazil+	BRIC	89	43	50–75	3.91	Engaged
Russia	BRIC	133	28	0–25	3.90	Engaged
India	BRIC	94	36	25–50	4.54	Engaged
China	BRIC	80	39	25–50	3.37	Engaged
Mexico* +	MIST	105	34	25–50	2.43	Member
Indonesia*	MIST	118	32	25–50	3.14	Engaged
S. Africa* +	MIST	69	43	50–75	6.09	Engaged
Turkey* +	MIST	54	49	50–75	3.62	Member
Czech Republic+	Europe	54	49	50–75	GMI	Member
Hungary+	Europe	46	55	50–75	GMI	Member
Poland+	Europe	41	58	50–75	5.11	Member
Chile*	Latin America	20	72	75–100	2.13	Member
Colombia	Latin America	94	36	25–50	GMI	
Peru*	Latin America	83	38	50–75	GMI	
Egypt*	Arab World	118	32	25–50	GMI	
Morocco	Arab World	88	37	50–75	GMI	
UAE	Arab World	27	68	75–100	Excluded from GMI	
Malaysia* +	Asia	54	49	50–75	4.21	
Pakistan*	Asia	139	27	0–25	Excluded from GMI	

(continued)

Table 1 (continued)

1	2	3	4	5	6	7
		2012 rank order among 176 countries or territories (1–176)	2012 CPI (0–100)	2011 WGI control of corruption quartile at 90 % confidence (0–100 %)	2010 GMI corporate governance ranking (1–10)	OECD status
Country	Group or region	1 is best	100 is very clean	100 is best	10 is best (UK 7.60) (U.S. 7.16)	
Philippines*	Asia	105	34	0–25	GMI	
Taiwan+	Asia	37	61	75–100	3.64	
Thailand* +	Asia	88	37	25–50	4.20	
Emerging markets					3.94	

Notes: In Column 1, the FTSE 22 list is adopted from Cavusgil et al. (2013), pp. 4–5. FTSE Advanced economies are indicated in the table with +; the other economies in the table are FTSE Secondary. Cavusgil et al. (2013, p. 5–6) analyzes data for the four BRIC and also 11 "New Frontier Economies" indicated in the table with an *. Column 2 indicates BRIC or MIST grouping or region. In Columns 3 and 4, Transparency International (TI) Corruption Perception Index (CPI) data indicate rank order and CPI estimate, respectively. In Column 5, Worldwide Governance Indicators (WGI) control of corruption estimates accessed on March 7, 2013. In Column 6, Governance Metrics International (GMI) corporate governance rankings are as of September 27, 2010. GMI Emerging Markets coverage is very close to the FTSE 22 but excludes UAE and includes South Korea, classified in this study as more advanced. GMI does not calculate country averages if the number of companies covered is less than ten. These countries are indicated in the table by GMI. Column 7 reports OECD status

information at the firm level concerning determinants and effects of political influence, perception of corruption, and prevalence of bribe paying. Reducing the survey set for absences of information (not all questions were asked in all countries), Bennedsen et al. (2011) conducted regression analyses on some 4,000–5,000 observations from 57 countries. They report that measures of political influence and corruption (i.e. bribes) are uncorrelated at the firm level. The findings may indicate that influence and bribery occur in different firms rather than operating as complementary approaches in the same firms. Firms with certain characteristics (such as larger, older, exporting, government-owned, widely held, and in less competitive industries) have more political influence and perceive corruption as less of a problem and pay bribes less often. More influential firms tend to bend laws and regulations, while less influential firms tend to pay bribes.

3.2 Relationship Between FDI and Corruption

A second literature concerns the relationship between FDI and corruption (Al-Sadig 2009; Egger and Winner 2006; Habib and Zurawicki 2002; Kwok and Tadesse 2006; Larrain and Tavares 2004). Bai et al. (2004) examined the relationship between corporate governance and market valuation in China. Corruption deters and taxes FDI (Wei 2000), but FDI works against corruption. Illicit money flows may be a stimulus for FDI, however (Perez et al. 2012).

A literature survey reports reasonable evidence that improved governance is positive for emerging market firms in providing greater access to financing, lower cost of capital, better financial performance, and better treatment of multiple stakeholders (Claessens and Yurtoglu 2013). This positive relationship depends on strength of the country's governance system. There is less evidence on social and environmental performance effects. Banks, family-owned, and state-owned firms involve special governance issues.

Corruption is functionally a tax that reduces FDI (Wei 2000). Using a unique firm-level data set, Javorcik and Wei (2009) examine the impact of corruption in emerging markets on mode of entry and volume of FDI. Corruption reduces the volume of FDI and shifts ownership structure. Corruption both increases the value of a local partner for navigating less transparent bureaucracy which functions as a tax on FDI, and decreases the value of a local partner because effective protection of FDI is reduced in event of a dispute with a domestic partner. Such a dispute will not be adjudicated fairly (so partner selection is a critical step). Technological sophistication reduces the likelihood of joint ventures.

For China, Luo (2011) found that MNE subunits decrease investment commitment and increase export market orientation as perceived corruption increases in a specific business segment. The perceived corruption of the segment affects market orientation, while longitudinal change in perceived corruption affects investment commitment. Ethical awareness strengthens and local dependence weakens the effect for MNE subunits.

The Multilateral Investment Guarantee Agency (MIGA) is part of the World Bank Group. MIGA provides political risk insurance for eligible investment or lending projects in developing member countries throughout the world. Insured losses can include: currency inconvertibility and transfer restriction; expropriation; war, terrorism, and civil disturbance; breach of contract; and non-honoring of sovereign financial obligations. MIGA issues reports on world investment and political risk (MIGA 2013).

The German firm Siemens allegedly engaged in systematic bribery around the world (Baron 2008). Corrupt payments through consultants (Siemens maintained more than 2,700 consultant agreements) included Argentina, Bangladesh, China, Greece, Iraq, Israel, Nigeria, Russia, and Venezuela. The resulting penalties amounted to about $1.6 billion in addition to over $1 billion internally. During 2001–2007, an estimated $1.4 billion in corrupt payments occurred, more than 57 % in telecommunications, where a German executive controlled an annual bribery budget. False records concealed this conduct.

3.3 Country Studies

A third literature concerns country studies of the relationship between governance and corruption (Desai and Moel 2008; Javaid 2010; Khan 2006). There is a large literature on corruption in general (Damania et al. 2004; Dreher et al. 2007; Fan et al. 2008; Treisman 2007). This literature focuses on causes, effects, and patterns. Considerable attention has been paid to corruption in emerging markets (Goldsmith 1999; Lameira and Bertrand 2008; Leblanc 2012; Loredo et al. 2012; Parkinson and Meredith 2012). There are studies of corruption in the transition countries of Eastern Europe (Chavis 2013; Wieneke and Gries 2011). There are some studies by industry; telecom, as illustrated by the Siemens scandal, appears particularly dirty (Berg et al. 2012).

A basic research issue is whether best governance practices are universal or dependent on country and firm (or industry) characteristics (Black et al. 2012). Those authors surveyed year-end 2004 governance practices of Brazilian firms constructed a governance index, with sub indices. They report that the index (together with ownership structure, board procedures, and minority shareholder rights) predicts better market value (Tobin's q). But greater board independence has a negative effect; and firm characteristics matter – governance index predicts market value for nonmanufacturing, small, and high growth firms (and not for manufacturing, large, and slow growth firms). Their comparison of Brazil with existing studies of India, Korea, and Brazil finds evidence of country characteristics being influential.

The most prominent instance in the emerging market countries is the set of King Reports (King I, II, III) in South Africa (Andreasson 2011), initiated by the Institute of Directors and developed under the chair of Mervyn E. King, a former judge of the Supreme Court of South Africa (see King 2006). Prior to the codification

process, there was reliance on common law. The 1994 First King Report on Corporate Governance provided a formal code of corporate governance in the form of principles and guidelines intended to be comprehensive. The March 2002 Second King Report reviewed and expanded on the initial version. The September 2009 Third King Code and Report on Corporate Governance (effective 1 March 2010) followed the new Companies Act 71 of 2008. This act codifies directors' duties and defines "prescribed officers" as directors subject to the same duties and liabilities. A prescribed officer is a non-director who has general executive authority over various aspects of the business (such as finance). The King III Code provides governance principles; the King III report provides best practices for each principle. The Institute of Directors issues Practice Notes on code implementation. Whereas King I and II relied on "comply or explain" (i.e. a firm could opt not to comply with a principle with explanation), King III shifted to "apply or explain" (i.e. a firm could opt not to apply a suggested practice with explanation, while still complying with the broad principles of fairness, accountability, responsibility, and transparency). King III applies to all legal business entities, whether exchange listed or not, and independently of the legal form of business. Listing requirements of the Johannesburg Stock Exchange (JSE) mandated compliance with certain provisions on a rolling schedule from March 1, 2010 through April 1, 2011. A director participating in a share incentive or option scheme is not "independent" in listed companies from April 1, 2011.

In Table 1, South Africa has the highest GMI ranking reported for an emerging economy. At 6.09, South Africa is at 80 % of the UK 7.6 ranking (the highest issued by GMI). This 6.09 level is 1.55 times the average 3.94 GMI ranking for emerging economies. South Africa is not in the lowest quartile for CPI corruption information: it ranks 54 of 176, just within the top third of included countries; the CPI is 43 (on the 100 % scale); the WGI quartile is 50–75 %. Since it is not simple to test for temporal effects (i.e. reduction in corruption following improvement in governance), one possibility is that governance codification is strong in South Africa while corruption is not marked relative to most other emerging economies (Camerer 2001). The High Court of Lesotho concluded that the head of the Lesotho Highlands Development Agency (LHDA) had accepted at least $2 million in bribes from agents for 12 MNEs over a decade. The Lesotho Highlands Water Project (LHWP) was a combined water supply and hydropower project of the governments of Lesotho and South Africa. Investigations included MNEs from several countries (Canada, France, Germany, Italy, Switzerland and Sweden, and the UK) including South Africa.

One instance concerning effective expropriation of a U.S. investor by a local minority partner and the subsequent international pressure on the Czech government to repay the U.S. investor illustrates the role of political connections; the U.S. investor was a former U.S. ambassador (Desai and Moel 2008).

In 2005, Alcoa established Alcoa Russia to operate two plants. William O'Rourke, a senior staff officer with 30 years experience in various departments, was made CEO (Graham 2012; O'Rourke et al. 2011). He set two strategic initiatives: to lead with safety to improve plant performance; zero participation in

corruption. Among other experiences, O'Rourke was robbed by local police at an ATM; and received a "casual death threat" from a government official for refusing to make a payoff. (The term "casual" means the official stated to the effect that, 5 years earlier, O'Rourke would have been dead.) Local police stopped transport trucks delivering a $25 million furnace and demanded $25,000 for a government official. The Russians working for Alcoa Russia argued they could negotiate down to $10,000. Some home company executives emphasized the need to get plant going. O'Rourke refused to pay. After 72 hours police released the trucks.

In 2012, news reports revealed Walmart had closed a first internal investigation and then failed to report (until learning of news revelations coming) to law enforcement officials alleged bribery by executives of its Mexico and Central America subsidiary (Foroohar 2012; Wunker 2012). Walmart then opened a new investigation. From 1991, Walmart, now the largest private employer in Mexico which now hosts about 20 % of Walmart stores, opened more than 2,100 locations in Mexico. The bribes largely concerned construction permits. Walmart allegedly had received 31 similar reports of violations in various countries during 2006 (Foroohar 2012). Mexico subsequently enacted new anti-corruption legislation.

4 Basic Information for the FTSE 22 Emerging Markets

This chapter uses the FTSE 22 emerging markets (FTSE 2010). An advantage is that FTSE separates stock market indices by level of development (Cavusgil et al. 2013, p. 3). FTSE distinguishes between 10 advanced and 12 secondary emerging markets, as shown in Table 1 (Column 1). Cavusgil et al. (2013, pp. 4–5) compares the composition of the FTSE 22, the MSCI Emerging Markets Index, S&P Emerging BMI, Goldman Sachs Emerging Markets Equity Fund (see Wilson and Stupnytska 2007), and Grant Thornton (2010). There is a reasonably close (but not perfect) overlap of the FTSE 22, the MSCI, and S&P. The latter two lists drop or add a few countries relative to the FTSE 22. Goldman Sachs is considerably more restrictive, but adds Bangladesh and Vietnam. Grant Thornton is the broadest list, although dropping the Czech Republic, Morocco, Taiwan, and UAE. (There is then some consensus outside the FTSE 22 for not including the UAE; but no consensus on what other countries to add or drop.) Grant Thornton adds Algeria, Argentina, Bangladesh, Iran, Nigeria, Romania, Ukraine, Vietnam, and Venezuela. There are arguments for and against inclusion or dropping of the countries listed here. Table 1 includes most countries of the so-called CIVETS category (including Colombia, Indonesia, Egypt, Turkey, and South Africa, but excluding Vietnam). Table 1 uses commercially issued lists. Other entities, such as the International Monetary Fund (IMF), also maintain emerging markets lists; but Table 1 captures the essential core membership of the category.

The FTSE 22 contains the four BRIC countries and the four MIST countries, contained at the top of Table 1 (Column 2), together with 14 other countries classified in the table by region (Europe, Latin America, Arab World, and Asia).

The table's structure (Column 7) thus matches OECD status in terms of engaged or membership (BRIC, MIST, and Europe, together with Chile).

This study does not include a formal statistical analysis. The consideration of corporate governance in relationship to corruption is therefore qualitative rather than quantitative. For corruption information, this chapter focuses on Transparency International's (TI) Corruption Perception Index (CPI). TI compiles this CPI annually from a number of studies conducted by various entities. Kaufmann and Vicente (2011) out that country-wide (i.e. average) indices of perceived corruption, such as reported by TI, are subject to problems of endogeneity, whereas the corporate survey they use permits micro-level analysis.

The 2012 CPI information concerns 176 countries or territories. Table 1 includes the 2012 rank order (Column 3) and the 2012 CPI estimate (Column 4). Among the 22 FTSE emerging markets, Chile and UAE rank relatively high at 20 and 27, respectively, with CPI's of 72 and 68 (or roughly the level of the U.S. at 73 and the UK and Japan at 74). The top 20 on the CPI are Western Europe, Australia, New Zealand, Singapore, and Hong Kong. The four BRICs, especially Russia ranked at 133 (CPI of 28), are relatively corrupt (ranking between 80 and 94), as are the four MISTs, especially Indonesia ranked at 118 (CPI of 32). Pakistan is most corrupt, in this set, at 139 (CPI of 27).

The TI information is supplemented with 2011 WGI control of corruption information, reported in Column 5 by quartile (at 90 % confidence). Chile and USE fall in the 75–100 % quartile, together with Taiwan (ranked 27 at CPI of 61). Russia falls in the 0–25 % quartile, with Colombia, Pakistan, the Philippines, and Thailand. Other countries fall in the 25–50 % or 50–75 % quartiles (notably Brazil, South Africa, Turkey, the Czech Republic, Hungary, Poland, Peru, Morocco, and Malaysia). Table 1 does not report whether a country ranks toward the lower or upper end of a quartile, but detailed information on each country is available from the WGI website.

It is more difficult to assemble consistent corporate governance ranking information for emerging markets. (Davis et al. 2012, provide a detailed assessment of governance indicators.) GMI provides an average ranking for its set of emerging markets, reported in Table 1 in the last row as 3.94, which is about 52 % of the UK's 7.6 ranking. (GMI has a scale from 1 to 10; the UK received GMI's highest ranking.) GMI does not report specific country rankings if there are fewer than ten covered companies in a country. There are GMI rankings for the BRICs and MISTs. South Africa has a relatively high ranking of 6.09 – reflecting in part the lengthy process of the King Commission recommendations in that country. Poland has the next highest reported ranking of 5.11 and also reasonably moderate corruption. Mexico received a 2.43 ranking, and Chile a 2.13 ranking.

The World Bank conducts an initiative labeled Reports on the Observance of Standards and Codes (ROSC) at invitation of national authorities. This initiative benchmarks the member country's corporate governance framework and also company practices against the OECD Principles for Corporate Governance. The purpose is to assist member countries with developing and implementing action plans for institutional strengthening and raise awareness of good practices among

Table 2 Corporate governance codes for FTSE 22 emerging markets (countries in alphabetical order)

Column 1	Column 2	Column 3
Country	Initial year included	Latest code(s) per ECGI website
Brazil	2002	Code of Best Practice of Corporate Governance (4th edition) September 2009
China	2001	Provisional Code of Corporate Governance for Securities Companies 15 January 2004
		The Code of Corporate Governance for Listed Companies in China 7 January 2001
Chile	*	not reported
Colombia	2007	Colombian Guide of Corporate Governance for Closed Societies and Family Firms September 2009
		Colombian Code of Best Corporate Practice 2007
Czech Republic	2001	Corporate Governance Code based on the OECD Principles (2004) June 2004
Egypt	2006	Code of Corporate Governance for Listed Companies 13 February 2011
		Code of Corporate Governance for Private Sector in Egypt October 2006
		Code of Corporate Governance for State Owned Enterprises in Egypt July 2006
Hungary	2002	Corporate Governance Recommendations 11 March 2008
India	1998	Corporate Governance Voluntary Guidelines 2009 24 December 2009
Indonesia	2000	Code of Good Corporate Governance 2006 January 2007
Malaysia	2000	Malaysian Code on Corporate Governance 2012 March 2012
Mexico	1999	Código de Mejores Prácticas Corporativas 2010
Morocco	2008	Code Marocain de Bonnes Pratiques de Gouvernance des Etablissements et Entreprises Publics (EEP) 2 February 2011
		Code spécifique de bonnes pratiques de gouvernance des PME et Entreprises familiales October 2008
		Moroccan Code of Good Corporate Governance Practices 17 March 2008
Pakistan	2002	Code of Corporate Governance 2012 10 April 2012
Peru	2001	Principios de Buen Gobierno para las Sociedades Peruanas July 2002
		Código de Buen Gobierno Corporativo para Empresas Emisoras de Valores November 2001
Philippines, The	2000	Revised Code of Corporate Governance 15 July 2009
Poland	2002	Code of Best Practice for WSE Listed Companies 21 November 2012
		Best Practices in Public Companies 2005 29 October 2004
Russia	2002	The Russian Code of Corporate Conduct 4 April 2002
South Africa	1994	Draft Code for Responsible Investing by Institutional Investors in South Africa 1 September 2010

(continued)

Table 2 (continued)

Column 1	Column 2	Column 3
Country	Initial year included	Latest code(s) per ECGI website
		King Code of Governance for South Africa 2009 (King III) 1 September 2009
		King Report on Corporate Governance for South Africa – 2002 (King II Report) March 2002
		King I Report 24 November 1994
Taiwan	2002	Corporate Governance Best-Practice Principles for TSE/GTSM Listed Companies December 2010
Thailand	1998	The Principles of Good Corporate Governance For Listed Companies 2006 March 2006
Turkey	2003	Corporate Governance Principles February 2005
UAE	2007	Corporate Governance Code for Small and Medium Enterprises Dubai September 2011
		Corporate Governance Code for Joint-Stock Companies 9 April 2007

Note: European Corporate Governance Institute (ECGI), http://www.ecgi.org/codes/all_codes.php
*See: OECD, Corporate Governance in Chile 2010, Paris, France: OECD Publishing, 18 January 2011.

stakeholders in public and private sectors. An ROSC report is available on each of the FTSE 22 countries (as well as some others and various developing countries), with the exception of Taiwan (which is not a member of the World Bank or the United Nations, due to disputed sovereignty between the Republic of China and the People's Republic of China). Also not located at the ROSC website were China, Russia, and the UAE, although Hong Kong was included. China, Hong Kong, Russia, Taiwan, and the UAE are included in the Worldwide Governance Indicators (WGI) website, where downloadable reports are available. The WGI six dimensions of "good governance" arguably lack construct validity (Thomas 2010) and basically all measure the same broad conception of governance (Langbein and Knack 2010).

Table 2 provides basic information on corporate governance codes in the FTSE 22. The information is maintained at the website of the European Corporate Governance Institute (ECGI). Column 2 of the table is the reported first year of adoption of a code in a country, according to that website. Column 3 updates the history of codes in each country.

5 Conclusion

This chapter addresses whether corporate governance reforms and best practices can operate effectively as an antidote to commercial and political corruption. General findings are that (1) corporate governance best practices are desirable for

a number of reasons, and (2) such best practices, in combination with business integrity and governmental anti-corruption efforts, should tend to operate against commercial and political corruption over time. The effectiveness of governance and anti-corruption measures depend on the personal integrity of business directors and executives. Structural measures recommended in corporate governance codes are not well linked to anti-corruption effectiveness. Emerging markets involve special concerns for both corporate governance and anti-corruption reforms. Such economies are rapidly growing, attracting foreign direct investment (FDI), and weak in the institutional infrastructure for good governance and low corruption. Contributions of this chapter include a review of three relevant literatures, and a summary of the governance and corruption reform status of emerging markets, with focus on the FTSE 22.

References

Adams, R. B., Hermalin, B. E., & Weisbach, M. S. (2010). The role of boards of directors in corporate governance: A conceptual framework and survey. *Journal of Economic Literature, 48*(1), 58–107.

Aguilera, R. V., & Jackson, G. (2003). The cross-national diversity of corporate governance: Dimensions and determinants. *Academy of Management Review, 28*(3), 447–465.

Aguilera, R. V., & Jackson, G. (2010). Comparative and international corporate governance. *The Academy of Management Annals, 4*(1), 485–556.

Aguilera, R. V., de Castro, L. R. K., Lee, J. H., & You, J. (2012). Corporate governance in emerging markets. In G. Morgan & R. Whitley (Eds.), *Capitalisms and capitalism in the 21st century* (pp. 319–344). Oxford, UK: Oxford University Press.

Aidt, T., Dutta, J., & Sena, V. (2008). Governance regimes, corruption and growth: Theory and evidence. *Journal of Comparative Economics, 36*(2), 195–220.

Al-Sadig, A. (2009). The effects of corruption on FDI inflows. *Cato Journal, 29*(2), 267–294.

Andreasson, S. (2011). Understanding corporate governance reform in South Africa: Anglo-American divergence, the King Reports, and hybridization. *Business and Society, 50*(4), 647–673.

Aspray, T. (2011, February 4). *BRICs vs. MISTs: A technical view*. http://www.forbes.com/sites/tomaspray/2011/02/04/brics-vs-mists-a-technical-view/

Baek, J. S., Kang, J. K., & Park, K. S. (2004). Corporate governance and firm value: Evidence from the Korean financial crisis. *Journal of Financial Economics, 71*(2), 265–313.

Bai, C.-E., Liu, Q., Lu, J., Song, F. M., & Zhang, J. (2004). Corporate governance and market valuation in China. *Journal of Comparative Economics, 32*(4), 599–616.

Baron, D. P. (2008). *Siemens: Anatomy of Bribery*. Stanford: Stanford Graduate School of Business. Case P-68.

Bennedsen, M., Feldmann, S. E., & Lassen, D. D. (2011, June 28). *Lobbying and bribes – A survey-based analysis of the demand for influence and corruption*. CESifo Working Paper Series No. 3496. http://ssrn.com/abstract=1873891

Berg, S. V., Jiang, L., & Lin, C. (2012). Regulation and corporate corruption: New evidence from the telecom sector. *Journal of Comparative Economics, 40*(1), 22–43.

Black, B. S., De Carvalho, A. G., & Gorga, E. (2012). What matters and for which firms for corporate governance in emerging markets? Evidence from Brazil (and other BRIK Countries). *Journal of Corporate Finance, 18*(4), 934–952.

Braga-Alves, M. V., & Morey, M. (2012). Predicting corporate governance in emerging markets. *Journal of International Money and Finance, 31*(6), 1414–1439.

Cadbury Committee. (1992). *Report of the committee on the financial aspects of corporate governance*. London: Gee.

Camerer, L. (2001, September). *Corruption in South Africa: Results of an expert panel survey. Pretoria: Institute for Security Studies (ISS)* (Monograph No. 65). Research and publication of this monograph funded by the European Union, and USAID, the Ford Foundation and Standard Bank for the ISS's Criminal Justice Monitor. http://www.iss.co.za/Pubs/Monographs/No65/Contents.html, http://dspace.cigilibrary.org/jspui/bitstream/123456789/31491/1/Momo65.pdf?1

Campos, N. F., & Giovannoni, F. (2007). Lobbying, corruption and political influence. *Public Choice, 131*(1), 1–12.

Caron, M. I., Ficici, A., & Richter, C. L. (2012). The influence of corruption on corporate governance standards: Shared characteristics of rapidly developing economies. *Emerging Markets Journal, 2*(1), 21–37. doi:10.5195/emaj.2012.17.

Cavusgil, S. T., Ghauri, P. N., & Akcal, A. A. (2013). *Doing business in emerging markets* (2nd ed.). Thousand Oaks: Sage.

Chavis, L. (2013). Social networks and bribery: The case of entrepreneurs in Eastern Europe. *Journal of Comparative Economics, 41*(1), 279–293.

Chen, C. J. P., Ding, Y., & Kim, C. (2010). High-level politically connected firms, corruption, and analyst forecast accuracy around the world. *Journal of International Business Studies, 41*(9), 1505–1524.

Chong, A., & López-de-Silanes, F. (Eds.). (2007). *Investor protection and corporate governance: Firm-level evidence across Latin America*. Washington, DC: World Bank.

Claessens, S., & Yurtoglu, B. B. (2013). Corporate governance in emerging markets: A survey. *Emerging Markets Review, 15*, 1–33.

Clifford Chance. (2011, December). *Core corporate governance issues: A comparative overview*. Frankfurt am Main. http://www.ecgi.org/codes/documents/clifford_chance_overview_31may2012_en.pdf

Damania, R., Fredricksson, P. G., & Mani, M. (2004). The persistence of corruption and regulatory compliance failures: Theory and evidence. *Public Choice, 121*(3), 363–390.

Davis, K., Fisher, A., Kingsbury, B., & Merry, S. E. (Eds.). (2012). *Governance by indicators: Global power through classification and rankings*. Oxford, UK: Oxford University Press.

Desai, M. A., & Moel, A. (2008). Czech mate: Expropriation and investor protection in a converging world. *Review of Finance, 12*(1), 221–251.

Dreher, A., Kotsogiannis, C., & McCorriston, S. (2007). Corruption around the world: Evidence from a structural model. *Journal of Comparative Economics, 35*(3), 443–466.

Egger, P., & Winner, H. (2006). How corruption influences foreign direct investment: A panel data study. *Economic Development and Cultural Change, 54*(2), 459–486.

Erkens, D. H., Hung, M., & Matos, P. (2012). Corporate governance in the 2007–2008 financial crisis: Evidence from financial institutions worldwide. *Journal of Corporate Finance, 18*(2), 389–411.

Fan, J. P. H., Rui, O. M., & Zhao, M. (2008). Public governance and corporate finance: Evidence from corruption cases. *Journal of Comparative Economics, 36*(3), 343–364.

Ficici, A., & Aybar, C. B. (2012). Corporate governance and firm value in emerging markets: An empirical analysis of ADR issuing emerging market firms. *Emerging Markets Journal, 2*(1), 38–51. doi:10.5195/emaj.2012.18.

Foroohar, R. (2012). Walmart's discounted ethics: Its Mexican bribery scandal shows the perils of bowing to local "custom". *TIME, 179*(18), 19.

FTSE. (2010, September). *FTSE global equity index series country classification*. http://www.ftse.com/Indices/Country_Classification/Downloads/Sept%202010/FTSE_Country_Classification_Sept_2010_Update.pdf

Gibson, M. S. (2003). Is corporate governance ineffective in emerging markets? *Journal of Financial and Quantitative Analysis, 38*(1), 231–250.

Givens, D. (2013). Defining governance matters: A factor analytic assessment of governance institutions. *Journal of Comparative Economics, 41*(4), 1026–1053.

Goldsmith, A. A. (1999). Slapping the grasping hand: Correlates of political corruption in emerging markets. *American Journal of Economics and Sociology, 58*(4), 865–883.

Goyer, M. (2010). Corporate governance. In G. Morgan, J. Campbell, C. Crouch, O. Pedersen, & R. Whitley (Eds.), *The Oxford handbook of comparative institutional analysis* (pp. 423–452). Oxford, UK: Oxford University Press.

Graham, A. (2012). Thought leaders: An interview with William J. O'Rourke. *Strategy + business* (Booz & Co.), Issue 69, Winter. http://www.strategy-business.com/media/file/00149-Thought-Leader-William-ORourke.pdf

Grant Thornton. (2010). *Emerging markets: Leading the way to recovery*. International business report 2010. http://www.internationalbusinessreport.com/files/gti_ibr_emarkets_2010final.pdf

Gregory, H. J. (2000). *International comparison of corporate governance: Guidelines and codes of best practice: Developing and emerging markets*. New York: Weil, Gotshal & Manges LLP. http://www.ecgi.org/codes/documents/international_comparison_emerging_markets.pdf

Habib, M., & Zurawicki, L. (2002). Corruption and foreign direct investment. *Journal of International Business Studies, 33*(2), 291–307.

Hadjikhani, A., Elg, U., & Ghauri, P. (Eds.). (2012). *Multinationals in emerging markets*. Bingley: Emerald Group Publishing.

Harstad, B., & Svensson, J. (2011). Bribes, lobbying and development. *American Political Science Review, 105*(1), 46–63.

Hitz, J.-M., & Lehmann, N. (2012, October 31). *The usefulness of corporate governance ratings*. http://ssrn.com/abstract=2042019

International Corporate Governance Network (ICGN). (1999, July 9). *Statement on global corporate governance principles*. http://www.ecgi.org/codes/documents/icgn_principles.pdf

International Corporate Governance Network (ICGN). (2009a). *ICGN global corporate governance principles: Revised*. London: ICGN. https://www.icgn.org/images/ICGN/Best%20Practice%20Guidance%20PDFS/short_version_-_icgn_global_corporate_governance_principles-_revised_2009.pdf

International Corporate Governance Network (ICGN). (2009b). *ICGN statement and guidance on anti-corruption practices*. London: ICGN. https://www.icgn.org/files/icgn_main/pdfs/best_practice/guidance_on_anti-corruption_practices/2009_anti-corruption_practices_(march).pdf

International Corporate Governance Network (ICGN). (2012). *ICGN statement and guidance on political lobbying and donations*. London: ICGN. https://www.icgn.org/images/ICGN/Best%20Practice%20Guidance%20PDFS/icgn_pld_mar2012_short.pdf

Javaid, U. (2010). Corruption and its deep impact on good governance in Pakistan. *Pakistan Economic and Social Review, 48*(1), 123–134.

Javorcik, B., & Wei, S.-J. (2009). Corruption and cross-border investment in emerging markets: Firm-level evidence. *Journal of International Money and Finance, 28*(4), 605–624.

Kaufmann, D., & Vicente, P. C. (2011). Legal corruption. *Economics and Politics, 23*(2), 195–219.

Kearney, C. (2012). Emerging markets research: Trends, issues and future directions. *Emerging Markets Review, 13*(2), 159–183.

Khan, M. H. (2006). Corruption and governance. In Jomo K. S. (J. Kwame Sundaram) & B. Fine (Eds.), *The new development economics: After the Washington Consensus* (pp. 200–221). New Delhi/London: Tulika Press/Zed Press.

King, M. (2006). *The corporate citizen: Governance for all entities*. London: Penguin Books.

Kish-Gephart, J. J., Harrison, D. A., & Treviño, L. K. (2010). Bad apples, bad cases, and bad barrels: Meta-analytic evidence about sources of unethical decisions at work. *Journal of Applied Psychology, 95*(1), 1–31.

Klapper, L. F., & Love, I. (2002, April). *Corporate governance, investor protection, and performance in emerging markets*. Washington, DC: The World Bank, Development Research

Group, Finance. http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2002/05/03/000094946_02041804272577/Rendered/PDF/multi0page.pdf

Klapper, L., Laeven, L., & Love, I. (2006). Corporate governance provisions and firm ownership: Firm-level evidence from Eastern Europe. *Journal of International Money and Finance, 25*(3), 429–444.

Kwok, C. C. Y., & Tadesse, S. (2006). The MNC as an agent of change for host-country institutions: FDI and corruption. *Journal of International Business Studies, 37*(6), 767–785.

Lameira, V. De J., & Bertrand, H. (2008). Ethics, corruption, governance and emerging markets. *REAd – Edição, 59* 14(1) jan-abr. http://ssrn.com/abstract=2047417

Langbein, L., & Knack, S. (2010). The worldwide governance indicators: Six, one, or none? *Journal of Development Studies, 46*(2), 350–370.

Larcker, D., & Tayan, B. (2011). *Corporate governance matters: A closer look at organizational choices and their consequences*. Upper Saddle River: Pearson Prentice Hall.

Larrain, F., & Tavares, J. (2004). Does foreign direct investment decrease corruption? *Cuadernos de Economia – Latin American Journal of Economics, 41*(August), 217–230.

Leblanc, R. (2012, November 22). *How boards can deal with corruption in emerging markets: Canadian companies must be vigilant about preventing corrupt practices in their overseas operations*. http://www.canadianbusiness.com/economy/boards-emerging-markets-corruption/.

Lefort, F., & Urzua, F. (2008). Board independence, firm performance and ownership concentration: Evidence from Chile. *Journal of Business Research, 61*(6), 615–622.

Licht, A. N., Goldschmidt, C., & Schwartz, S. H. (2007). Culture rules: The foundations of the rule of law and other norms of governance. *Journal of Comparative Economics, 35*(4), 659–688.

Loredo, E. N., Stanley, K. D., & Greenberg, M. D. (2012). *Anti-corruption regulations in emerging and expeditionary markets: New markets, new challenges*. Santa Monica: RAND Corporation. http://www.rand.org/pubs/conf_proceedings/CF304

Luo, Y. (2011). Strategic responses to perceived corruption in an emerging market: Lessons from MNEs investing in China. *Business & Society, 50*(2), 350–387.

Mann, T. E., Davis, S. M., Minow, N., & Ornstein, N. (2012, March 21). *Prague declaration on governance and anti-corruption*. http://www.brookings.edu/research/reports/2012/03/21-prague-declaration-mann

Millar, C. C. J. M., Eldomiaty, T. I., Choi, C. J., & Hilton, B. J. (2005). Corporate governance and institutional transparency in emerging markets. *Journal of Business Ethics, 59*(1/2), 163–174.

Multilateral Investment Guarantee Agency (MIGA). (2013). *2012 world investment and political risk*. Washington, DC: International Bank for Reconstruction and Development (IBRD), The World Bank. http://www.miga.org/documents/WIPR12.pdf

O'Neill, J. (2001, November 30). *Building better global economic BRICs*. Goldman Sachs Global Economics Paper No. 66. http://www.goldmansachs.com/our-thinking/archive/archive-pdfs/build-better-brics.pdf

O'Rourke, W., Rosenthal, J., & Kennedy, J. T. (2011, June 21). *Confronting corruption in emerging markets*. http://www.policyinnovations.org/ideas/video/data/000375

Organisation for Economic Co-Operation and Development (OECD). (2004). *OECD principles of corporate governance* [revised, first issued May 1999]. Paris: OECD. http://www.oecd.org/daf/ca/corporategovernanceprinciples/31557724.pdf

Organisation for Economic Co-Operation and Development (OECD). (2005). *OECD guidelines on corporate governance of state-owned enterprises*. Paris: OECD. http://www.oecd.org/corporate/ca/corporategovernanceofstate-ownedenterprises/34803211.pdf

Organisation for Economic Co-Operation and Development (OECD). (2006). *Methodology for assessing the implementation of the OECD principles of corporate governance*. Paris: OECD. http://www.oecd.org/daf/ca/corporategovernanceprinciples/37776417.pdf

Parkinson, J., & Meredith, L. (2012). Corruption in emerging markets. In C. Lerner (Ed.), *The US private equity compliance companion* (pp. 71–78). London: Private Equity International (PEI).

Perez, M. F., Brada, J. C., & Drabek, Z. (2012). Illicit money flows as motives for FDI. *Journal of Comparative Economics, 40*(1), 108–126.

Ramamurti, R., & Singh, J. V. (Eds.). (2009). *Emerging multinationals in emerging markets*. Cambridge, UK: Cambridge University Press.

Siems, M. M., & Alvarez-Macotela, O. S. (2013). The OECD principles of corporate governance in emerging markets: A successful example of networked governance? In M. Fenwick, S. Van Uystel, S. Wrbka (Eds.), *Networked governance, transnational business and the law*. Berlin: Springer, forthcoming 2014. http://ssrn.com/abstract=2214828

Sonnenfeld, J. (2001). Good governance and the misleading myths of bad metrics. *Academy of Management Executive, 18*(1), 108–113.

Thomas, M. A. (2010). What do the worldwide governance indicators measure? *European Journal of Development Research, 22*(1), 31–54.

Transparency International (TI). (2011). *Bribe payers index 2011*. Berlin: Germany.

Treisman, D. (2007). What have we learned about the causes of corruption from ten years of cross-national empirical research? *Annual Review of Political Science, 10*, 211–244.

van Agtmael, A. (2007). *The emerging markets century: How a new breed of world-class companies is overtaking the world*. New York: Free Press.

Verhezen, P., & Morse, P. (2009). Consensus on global governance principles? *Journal of International Business Ethics, 2*(1), 84–101.

Webley, S., & Werner, A. (2008). Corporate codes of ethics: Necessary but not sufficient. *Business Ethics: A European Review, 17*(4), 405–416.

Wei, S.-J. (2000). How taxing is corruption on international investors? *Review of Economics and Statistics, 82*(1), 1–11.

Wieneke, A., & Gries, T. (2011). SME performance in transition economies: The financial regulation and firm-level corruption nexus. *Journal of Comparative Economics, 39*(2), 221–229.

Wilson, J. Q. (1989). Adam Smith on business ethics. *California Management Review, 32*(1), 59–72.

Wilson, D., & Stupnytska, A. (2007, March 28). *The N-11: More than an acronym*. Goldman Sachs Global Economics Paper No. 153. http://www.chicagobooth.edu/alumni/clubs/pakistan/docs/next11dream-march%20’07-goldmansachs.pdf

Wu, X. (2005). Corporate governance and corruption: A cross-country analysis. *Governance: An International Journal of Policy, Administration, and Institutions, 18*(2), 151–170.

Wunker, S. (2012, April 25). *Four lessons for Wal-Mart on corruption in emerging markets*. http://www.forbes.com/sites/stephenwunker/2012/04/25/four-lessons-for-wal-mart-on-corruption-in-emerging-markets/

Young, M. N., Peng, M. W., Ahlstrom, D., Bruton, G. D., & Jiang, Y. (2008). Corporate governance in emerging economies: A review of the principal-principal perspective. *Journal of Management Studies, 45*(1), 196–220.