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Why Firms Engage in Corruption: A Top Management Perspective

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ABSTRACT. This study builds upon the top management literature to predict and test antecedents to firms' engagement in corruption. Building on a survey of 341 executives in India, we find that if executives have social ties with government officials, their firms are more likely to engage in corruption. Further, these executives are likely to rationalize engaging in corruption as a necessity for being competitive. The results collectively illustrate the role that executives' social ties and perceptions have in shaping illegal actions of their respective firms.

KEY WORDS: corruption, social ties, rationalization, India

The engagement of firms in corrupt acts, among themselves and with government officials, is perhaps the principal threat to continued social support for private businesses. Scandals involving self-dealing top management teams are common and universal as are reports of the bribery of bureaucrats and elected officials (Djankov et al., 2005). Yet, common acts of corruption, such as bribery and fraud, are illegal virtually everywhere (Noonan, 1984) and executives typically view the question of legality as the minimum standard of conduct guiding their assessment of ''ethical behavior'' (Hitt and Collins, 2007). Nonetheless, despite substantial efforts to combat corruption through public and private initiatives, widely accepted measures of corrupt activity reveal that illegal corrupt transactions are as prevalent as ever in most countries and on the rise in others (Kaufmann and Kraay, 2008; Lambsdorff, 2006).

What is perhaps most puzzling about corruption is that it persists and flourishes even where it is universally decried. Businesses frequently engage in corrupt activities even when managers share the widely held view that corruption imposes substantial costs to broader society. The apparent incongruity between personal beliefs and the remarkable persistence of corruption contextualizes the ineffectiveness of many firm-level ethics initiatives. Despite one's understanding and appreciation of corruption's costs, once an unethical practice is seen as ''the way things are done'' it can readily become an unwritten rule of competition (Brass et al., 1998; Oliver, 1997).

The substantial resources firms expend seeking to maintain the public's trust plainly support the value of learning why firms engage in corruption. Research on the engagement of firms in illegal corrupt transactions is growing (Kwok and Tadesse, 2006), but contemporary investigations have focused almost exclusively on country- and broad, firm-level influences on corrupt behavior. Regrettably, most of what has been learned about the businesses that engage in corruption has almost nothing to do with executives and managers – the people in firms whose decisions directly lead to firms engaging in these behaviors (Baumer, 2007; Hitt and Collins, 2007; Martin et al., 2007; Rodriguez et al., 2006).

The near-complete focus on macro-environmental antecedents of corruption in management and business-related disciplines (e.g., Davis and Ruhe, 2004; Habib and Zurawicki, 2002; Husted, 1999; Robertson and Watson, 2004; Uhlenbruck et al., 2006) is striking since a firm's involvement in corruption is fundamentally driven by executives' decisions. Most managerial studies of corruption do not and cannot address how the characteristics of executives act as antecedents to firms' engagement in corruption. This study begins to address the need to connect business research on corruption to managers and the broader, relational nature of corruption. More directly, we develop and test hypotheses that link firms' involvement in corrupt acts to executives' social ties to government and their rationalization of corruption as a common and acceptable means of competition.

Research on corruption spans many disciplines and has evidenced a wide set of variables that correlate with and purport to explain the extent of corruption. For example, researchers have shown that corruption is strongly influenced by the extent of poverty (Sachs, 2005), by the national culture (Fisman and Miguel, 2007; Husted, 1999), and by national and multilateral policies (Cuervo-Cazurra, 2006). For the most part, managerial research on corruption has focused on policy, historical, and development-themed measures offering a theoretical connection to social institutions, which may in turn incentivize corrupt behavior. This study centers on the decision makers within firms. Our focus on executives allows us to speak to the importance of organizational decision makers and their social interactions in explaining variance in firms' engagement in illegal corrupt transactions. In contrast to prior studies, our approach allows us to examine within-country variation in corruption and the role of social relationships in explaining firms' participation in corruption.

This study draws on a survey of 341 top-level executives in India and examines the influence of executives' social relationships on corrupt transactions. The design of this research speaks to the link between executives' social ties, which have been linked to managerial decisions (Kostova and Roth, 2002), and the perceived value of engaging in corruption. We find that the likelihood of an executive engaging in corruption is substantially affected by membership in political parties and familial ties to government. Moreover, executives who are more likely to engage in corruption also tend to rationalize paying bribes and similar activities as the ''way things get done.'' The results of this study support the view that organizations frequently engage in ''routine nonconformity'' to legal proscriptions whenever normative beliefs of decision makers and opportunity structures are misaligned (Merton, 1968; Vaughan, 1998, 1999).

Corruption and its antecedents

Corruption exists in all societies to some degree and, to the best of our knowledge, it always has. That a prevalent and ages-old activity of firms remains somewhat mysterious to researchers may seem odd, but suggests the complexity of the subject matter. At least three key issues confound the study of corruption; it is difficult to define, difficult to observe, and difficult to measure. Regarding the definition of corruption, deciding just what 'counts' as corruption is central to research and is controversial in that it may bias investigations toward some countries and cultures for no defensible reason. For example, legal campaign contributions and lobbying, which are prevalent in high-income nations, are regularly excluded in cross-country comparisons of corruption while overt bribes and 'grease' payments, which are more common in low-income nations, are not. The common legal definition of corruption as ''an act done with the intent to give some advantage inconsistent with official duty and the rights of others'' does not seem to distinguish between bribes and some legal methods of influence-peddling and lobbying.

The incentives of participants to secret their corrupt behaviors is another key challenge to corruption research. The inability to directly observe corrupt behavior forces most researchers to rely upon perception-based measures and some method of aggregating types of corrupt activities. Grouping small bribes for mundane services with large-scale procurement kickbacks and frauds forces some equivalency between these acts that defies easy interpretation, particularly when comparing 'corruption levels' across countries. For these reasons and others, research on corruption must be properly described, contextualized, and qualified. Owing to these issues, most corruption research is difficult to generalize. To make progress, research on corruption requires examination of limited contexts and focus on a rather narrow scope of corrupt behaviors. This study centers on a set of activities commonly viewed as corrupt and which involve private firms and government officials in one nation. The set of corrupt activities studied is deliberately narrow. No direct inferences can be made to other countries, though we do believe our research design and results will aid and contextualize sister studies on related activities undertaken in other nations.

Our study focuses on corrupt activities that involve private firms and government officials. Corrupt activities among private entities are widespread and important, but beyond the scope of this study. We adopt a common definition of government corruption: the abuse (or misuse) of public power for private benefit (Bardhan, 1997; Rodriguez et al., 2005). Traditionally, scholars have argued that the discretionary powers of public officials over the distribution of a benefit or cost to the private sector are the roots of corrupt behavior (Rose-Ackerman, 1997). Support for this straightforward view has been found in studies that link subsidies, trade restrictions, and certain industrial policies to higher levels of corruption (Ades and Di Tella, 1999; Mauro, 1998). Similarly, research suggests that organizations engage in illegal activities when those who direct its activities, i.e., its executives, believe the potential gains through illicit means outweigh the costs associated with engagement in the behavior (Luo, 2005; Shleifer and Vishny, 1993).

The corporate fraud literature suggests that top managers often are the drivers of firms' engagement in illegal activities (Zahra et al., 2005). However, comparatively little has been written on the direct influence of executives on government corruption. Nonetheless, scholars in management and international business have argued for a link between sociocultural beliefs and measures of the national or economy-wide prevalence of corruption (Davis and Ruhe, 2004; Husted, 1999; Robertson and Watson, 2004). Husted (1999) argues that firms aim to reduce uncertainty regarding the decisions of public officials through bribes and shows that cultures with high uncertainty-avoidance have higher measured levels of corruption. Husted (1999) also finds that measures of collectivistic cultures and those with more emphasis on material success (masculinity) rank higher in corruption. In a complementary study Lipset and Lenz (2000) found that corruption is more prevalent in feudal-like or economically stratified social systems where obligation and loyalty are highly valued personal traits.

While the aforementioned research adopts a nation-level perspective and focuses on corruption involving firms and government officials, recent management research has addressed active corporate engagement in illegal corrupt transactions. This research suggests that corrupt behavior can become accepted practice within organizations and that corruption can become institutionalized in firms and rationalized by organizational members (Anand et al., 2005; Ashforth and Anand, 2003). Following this perspective we examine executives' basic beliefs regarding corruption, in particular their rationalization of corruption as a taken-for-granted means of manipulating government decision making.

Related research has shown that deviant behavior in organizations is affected by social factors that frequently outweigh the influence of the likelihood and severity of punishment (Baumer, 2007; Weisburd et al., 1995). This work suggests that while social ties facilitate exchange and discourage opportunism among partners, they also can increase opportunities for deviant and/or illegal behavior (Anderson and Jap, 2005; Bernard, 2006; Giddens, 1984; Granovetter, 1985). Social ties serve as conduits of knowledge between individuals, mechanisms for enforcement of performance expectations, and catalysts for discovering new economic opportunities. Social ties are frequently utilized to increase the rate of interactions between actors, build trust between the actors, and ease the flow of information. However, outsiders generally do not have transparency into these social ties due to the difficulty of effectively monitoring the nature of these interactions. This lack of transparency, combined with trust developed from frequent interactions, can lead the actors to collaborate in schemes to engage in illegal activity (Baker and Faulkner, 1993; Baumer, 2007; Buchan, 2005).

Our study examines this influence of top executives' social ties on the engagement of their respective firms in government corruption (which is illegal in nearly all countries in the world). Those social ties can result from executives' relationships developed while exercising the discretion accompanying their leadership roles for the organization. Examples of such social ties include interacting with government officials as customers to the firm or from ties that the executive maintains outside her or his role with the firm. Furthermore, we consider how executives' rationalization of corruption as a common means of doing business may affect firm engagement in corruption. We therefore follow other scholars that emphasize the importance of studying top executives as a means of predicting how the characteristics of individuals shape the actions taken by firms (Child, 1972; Elsbach and Sutton, 1992; Finkelstein and Hambrick, 1996; Kostova and Roth, 2002; Scott, 1995; Westphal and Zajac, 2001; Zahra et al., 2005). We start by first developing arguments regarding the influence of executives' interactions with government officials on illegal corrupt behavior of firms. We then examine the influence of top executives' individual normative perceptions and their beliefs regarding the economic expediency of ignoring corruption-related ethics laws.

Government as customer

The necessity of obtaining official government approval for potentially lucrative public contracts has long been seen as a vehicle for corruption (DeSoto, 2000; Shleifer et al., 2002). Official and unofficial requirements for government approval may be put in place by bureaucrats seeking payment for their ability to grant firms the necessary approval. Alternatively, firms may seek to avoid or accelerate approvals via a corrupt payment (Martin et al., 2007). In either case, some degree of negotiation and government–firm interaction is central to the prevalence of corruption. Research supports this characterization of corruption. Scholars have shown that the amount of time managers spend dealing with government officials is linked to the extent of corrupt transactions. For instance, Svensson (2003) found that firms whose operations require more government infrastructure, e.g., for exporting, importing, or in regulated industries, are more likely to engage in corrupt transactions with government officials. Others have argued that firms engage in corrupt transactions as a means to get contracts from the government (Doh et al., 2003; Luo, 2005; Uhlenbruck, et al., 2006). In firms that depend on government contracts for a significant portion of their sales, executives frequently dedicate much time to managing the interactions with representatives from government agency customers. Government sales contracts typically go through a lengthy proposal process and often require extended periods of negotiations. The proposal and negotiation phases of these contracts require on-going inter-personal interactions between government officials and firm representatives involved in the transactions (Anderson and Jap, 2005; Baker and Faulkner, 1993). Opportunities for engaging in corrupt transactions often manifest themselves during these extended periods of inter-personal interaction (Buchan, 2005; Vaughan, 1999). Private conversations, meals, and assorted meetings provide the most intensive and most difficult to monitor personal interactions between government officials and representatives of private firms. Therefore, we expect that executives who spend time with the employees of their government customers build relationships with these officials that create incentives as well as opportunities to engage in corrupt transactions.

Hypothesis 1: The likelihood of a firm engaging in corruption is positively related to the proportion of the firm's revenues attributable to government customers.

Social relationships and corruption

Social relationships exert their influence on firms through the actions of managers and others within the firm (Adler and Kwon, 2002; Scott, 1995). Through a history of interaction, individuals develop personal relationships with others, which Nahapiet and Ghoshal (1998, p. 244) describe as an individual's ''personal embeddedness.'' One's personal embeddedness within a family, organization, or other relationships creates identification with the group that leads to shared norms, develops trust, and creates the expectation or obligation to support others in the group (Coleman, 1990; Uzzi, 1997). The management literature emphasizes the importance of top managers and their social connections to strategic choices of the organization (Baumer, 2007; Finkelstein and Hambrick, 1996; Friedrichs, 1996; Peng and Luo, 2000).

Understanding the interactions between people is essential in comprehending why criminal behavior occurs (Berger and Luckmann, 1971; Sutherland and Cressey, 1974). The social context in which crime takes place shapes attitudes as well as propensities toward criminal behavior (Canter and Alison, 2000; Maguire et al., 1997). Social relationships shape our views of what constitutes appropriate behavior, including our view of the duties and obligations inherent to social relationships (Greenwald and Banaji, 1995). Indeed, our frameworks of comprehension are formed by our social environments, including one's family, membership in organizations, etc (Berger and Luckmann, 1967; Blau, 1964; Levine and White, 1961).

The decisions of managers are likely influenced by the social obligations they feel toward their family and others with whom they have strong social relationships. Those with close relationships to government officials may more readily consider engaging in corrupt transactions owing to a sense of social obligation (Coleman, 1988; Gouldner, 1960; Westphal and Zajac, 1997). The influence of perceived social obligation can be particularly high in countries where government officials are known to depend for their livelihood on various forms of illegal payments they receive for facilitating government actions (Ades and Di Tella, 1999; Kwok and Tadesse, 2006; Svensson, 2003).

Correspondingly, social ties can create a sense of obligation within government officials toward managers who proffer various forms of payment in order to influence the actions of government officials. For would-be participants, engaging in corruption is accompanied by two major sources of risk. First, the party receiving a solicitation to engage in corruption may choose to expose the offender, who then faces the risk of legal punishment. Second, the enforcement of agreements to engage in corruption is difficult and fraught with opportunities for opportunism (Doh et al., 2003; Rodriguez et al., 2005) as the nature of the act precludes the use of public institutions to aid in contract enforcement. Strong social ties involving government officials should reduce the probability of opportunism among parties to a corrupt transaction (Nahapiet and Ghoshal, 1998). Family ties in particular are valuable in non-market transactions of high uncertainty (Geertz, 1978; Khanna and Rivkin, 2006; Ouchi, 1980).

Likewise, strong social ties with politicians and government officials will likely increase engagement in illegal corruption payments. Social ties are critical facilitators of knowledge exchange (Benjamin and Podolny, 1999; Podolny and Baron, 1997), including knowledge regarding opportunities to engage in corruption. Social ties among executives and their counterparts at governmental agencies provide firms non-market alternatives to achieving desired outcomes for the firm (Agnew, 1995; Messner, 1988). As the number of personal relationships used to benefit a given firm increases, the corresponding risks of malfeasance and conflict of interest also likely grow (Buchan, 2005; Velthouse and Kandogan, 2007). Firms whose executives hold the largest number of ties to government are more likely to be presented the most opportunities to engage in unethical behavior (i.e., corrupt transactions) (Brass et al., 1998; Rockness and Rockness, 2005).

Hypothesis 2: The likelihood of a firm engaging in corruption is positively related to the degree of social ties among top managers, politicians, and government employees.

Executives' rationalization of corruption

The institutionalization of unethical behaviors in the environment supports firm-level behaviors that perpetuate the institutions by channeling efforts to achieve legitimacy through certain practices. Galaskiewicz and Wasserman (1989) argue that organizations often conform to economically inefficient rules because they expect that conformity will enable the organization to achieve legitimacy, which will in turn permit or promote the pursuit of organizational goals. Similarly, managers who view corruption as unproductive or unethical may participate in corrupt transactions with government officials if they view corruption as a means to acquire or preserve legitimacy (Vaughan, 1998). Moreover, relying on institutionalized practices may help managers justify their actions and bolster their excuses for deviant behavior (Bernard, 2006; Elsbach and Sutton, 1992). It also directly contributes to the routinization of these behaviors within firms (Ashforth and Anand, 2003; Vaughan, 1999).

We argue that firms that engage in corrupt transactions with government agents seek to reduce the uncertainty in their environment. Rodriguez et al. (2005) note that corrupt environments are often characterized by an enduring, even unassailable uncertainty of the kind that encourages compliance with pressures from the environment (DiMaggio and Powell, 1983; Zucker, 1987). Even though corruption is widely viewed as highly costly to society, engaging in corruption can often be vital to reducing uncertainty for firms. Such actions are particularly likely when managers believe that corruption is a common, widely understood practice. For managers holding such a view, acquiescing to an official's demands for bribes or other favors will be perceived as increasing their firm's chances for survival. Accordingly, we propose that some executives may perceive corruption to be a "taken-for-granted" practice, despite its illegality and social costs. Consequently, corrupt behavior can even become an accepted practice within a given organization, i.e., become part of the organizational culture (Anand et al., 2005; Ashforth and Anand, 2003). In turn, managers may rationalize participation in such behavior based on the social expectations in the organization (Ashforth and Anand, 2003; Baker and Faulkner, 1993).

Hypothesis 3: The likelihood of a firm engaging in corruption is positively related to the degree to which the firm's top managers rationalize the practice of corruption as a normal part of doing business.

Corruption is commonly considered a serious threat to the efficiency of markets, the development of badly needed infrastructure, the appropriate allocation of public spending, the pace of economic development, and the credibility of contracts (Mauro, 1998). Corruption is both widespread and widely recognized as a serious social problem in many emerging markets. The pervasiveness of corruption fuels extensive efforts to reduce or eliminate corruption by the government and other institutions. Because the costs of corruption are accentuated and widely recognized, we expect that many managers view corruption as a social ill and associate corrupt acts with destructive social behavior. Even while firms' engagement in some form of corruption may be widespread, the conspicuous costs of corruption are likely to support a normative belief that corruption is highly detrimental to society. Corruption may persist and yet be regarded by many as an act that violates social norms of appropriate business behavior. Among the many influences on managers regarding corruption we expect that personal normative views of corruption as a social ill will move managers to avoid corrupt acts.

Hypothesis 4: The degree to which firms' top managers perceive corruption as harmful to business is negatively associated with the firms' likelihood to engage in corruption.

Normative pressures in professional industries

Managers often identify with norms and standards established in their business and professional circles that provide a frame of reference and guide decision making (Nahapiet and Ghoshal, 1998). Through tacit or explicit endorsement of norms and standards, these circles promulgate an appropriate process or set of acceptable solutions to managerial problems. These solutions are institutionalized in the occupational subculture of the profession (Galaskiewicz and Wasserman, 1989). Compliance with the profession's established norms is a source of professional legitimacy for executives and their respective firms (Tolbert and Zucker, 1983). When managers have to make decisions under uncertain conditions, they will tend to adopt the preferences of elites and other organizations in their environment.

DiMaggio and Powell (1983) argue that norms are created from the ''professionalization'' of an occupation. The effect of professionalization on the creation of industry norms and adaptive behaviors by firms has been demonstrated in a number of settings (Fogarty, 1995; Montgomery and Oliver, 1996). Professional industries are characterized by higher normative pressures on the behavior of managers and their firms than are ''non''-professional industries (DiMaggio and Powell, 1983). Two aspects of professionalism are particularly relevant. One is the growth of professional communities based on knowledge produced by university specialists and legitimated through academic credentials. The second is the spread of formal and informal professional networks that span organizations (Powell, 1998). Formal education, growth and elaboration of professional networks, personnel selection, socialization, etc., determine the form and extent to which such professionalization occurs. Examples of professional industries include accounting, consulting and legal services, financial services, and the health care industry. Managers of firms in these industries typically are members of a professional network, such as the *Institute of Chartered Accountants of Indi*a or the *Institute of Chartered Financial Analysts of India*.

Within the context of dealing with illegal corrupt transactions, the widely recognized social costs of corruption will likely be reflected in the perceptions of members of professional industries more so than in firms in non-professional industries. We expect that professional networks have developed more effective norms than that exist in non-professionalized industries for discouraging engagement in corruption and guiding appropriate actions when confronted with corruption. More importantly, individual professionals, including the managers of firms that belong to professional industries, are likely to lose their membership in their chartered organization if suspected of engaging in corruption. Members of these organizations thereby face a higher risk when engaging in corruption than do individuals who are not members in such organizations. Moreover, there may be a self-selection of individuals into the professions based on their norms.

Hypothesis 5: Firms in which top managers belong to professional industry networks are less likely to engage in corruption than firms in which managers do not belong to professional industry networks.

Methods

Sample

Many organizational theorists point to the importance of studying top managers to predict how the characteristics and beliefs of individuals affect firm action (Child, 1972; Elsbach and Sutton, 1992; Finkelstein and Hambrick, 1996; Kostova and Roth, 2002; Scott, 1995; Westphal and Zajac, 2001). Likewise, Oliver (1991) suggests that predicting the likelihood of conformity or resistance to common practices can best be achieved through empirical examination of the perceptions of upper-level managers. Following these earlier prescriptions for research, our empirical analysis builds on a survey that captures the perception, cognition, personal and professional background, and social ties of senior executives in India. Recent research on relational influences on organizational practices has successfully employed survey research (Kostova and Roth, 2002) as have studies that examine the effects of economic variables on firms' engagement in corruption (Svensson, 2003).

Semi-structured, in-person interviews were used to collect the data for this study. The interviews were conducted in late 2003 and involved upper-level managers at firms of various sizes from a variety of industries in India. Each interview was guided by a survey instrument which was completed during the interview process. Because of the potentially sensitive nature of the subject, in-person interviews were undertaken by an organization the interview subjects trusted (Svensson, 2003). As Hitt and colleagues (2000, 2004) note, personal contact is often essential for survey research in developing nations. To ensure the consistency and effectiveness of the interview process, the authors trained faculty and graduate students of a cooperating university in India to perform the structured in-person interviews. All participants were directly interviewed to assure consistency of protocol. After project-specific training, Indian faculty members and graduate students interviewed each of our respondents. A small number of respondents requested the survey be sent to them in advance and filled out the survey prior to the interviews. Other respondents filled out as much as they could prior to the interviews and then relied on needed grammatical clarifications from the project staff (primarily for those respondents whose English was not strong). The interviews for the participants who completed some portion/all of the instrument prior to the interview were generally shorter in length and dealt primarily with clarifying questions and responses.

The initial participant pool comprised 462 individuals who were executives of their respective firms and graduates of, or otherwise affiliated with, the collaborating university. The collaborating university in this study was one of the premier national universities in India. After accounting for those in the initial pool whose current addresses were unobtainable or who proved unreachable, a total of 352 interviews were completed. These participants represented a cross section of industries and represented numerous geographic regions – the interviews were conducted primarily in major cities of several different states within India (Delhi, Chandigarh, Bangalore, Chennai, Mumbai, Jaipur, Lucknow). We excluded firms with fewer than 20 employees to reduce firm heterogeneity in the sample. The participants were all executives involved in making strategic decisions within their respective firms. Titles of the participants in this study included: Founder/Owner (32%), General Manager/Managing Director/Chief Executive Officer (31%), Chief Financial Officer or Chief Operations Officer (17%), and President or Executive Vice President (12%), Other Senior Executive (8%). Eleven of the 352 surveys were eventually dropped because of incomplete data, leaving a sample of 341 completed in-person interviews.

The respondent was the sole representative of his/her firm for the majority of firms in our sample. For purposes of cross-validation and to allow tests of inter-rate agreement (Jones et al., 1983), interviews addressing all firm-level questions were conducted with a second executive – also identified from the university's correspondence list – at 50 of the firms in our sample. The second executive was selected independently from the first respondent for each of these dual-respondent firms. The responses from the executives at these firms demonstrated strong inter-rater agreement (Spearman rank $r = 0.842$). The double responses were averaged for the relevant variables bringing the total sample size to 291 firms.

The survey instrument was written in English and was pretested in India and the U.S. English is one of the official languages of India, is typically the language of choice for business, and is also the language in which business contracts are written. The pretests involved a total of 12 senior executives from Indian firms. Input regarding the instrument was also solicited from three business professors and four graduate students in India. In the U.S., feedback was gathered from a total of five business professors (including two from India), two Indian doctoral students in business, and two business people of Indian heritage.

We used several methods to control for potential bias associated with the survey method. One of the issues of greatest concern for this project was whether or not the responses gathered were truthful. The sensitive nature of the subject of corruption could cause respondents to give socially acceptable, rather than truthful, responses. Due to the importance placed on inter-personal relationships and social capital in India, and in other emerging markets (Hitt et al., 2002), the use of interviewers, who had some social or business network connection with the respondents, was expected to help mitigate this risk. Further, study respondents were specifically assured that all responses would be held confidential and questions on corruption were worded such that they did not implicate the respondent of wrongdoing. Corruption-related questions were asked toward the end of the interview, after the interviewer had time to establish credibility and trust, and these questions were asked in different sections of the instrument. We also included a measure of socially desirable responses (Paulhus, 1991) to control for remaining bias and compared the responses across two respondents from the same organization where available as explained above.

Variable measurement

Dependent variable

Likelihood of engaging in corrupt transactions. We investigated the strategic responses of firms to corruption following Oliver (1991). She classified the strategic responses of firms to institutionalized practices as either acquiesce, compromise, defy, manipulate, or avoid. These strategic responses can be thought of as occupying a position on a resistance continuum (Oliver, 1991, p. 151). Our survey parallels Oliver's strategic continuum and assessed the likelihood of firms to resist engaging in corrupt transactions. Each participant was asked about how frequently his/her firm engages in corrupt transactions via "discounts," "commissions," and/or "gifts-in-kind" as these are well-understood terms for bribing government officials in India (*Economist*, 2004). These questions also serve to distinguish corruption from more general investments in social capital with government officials (Luo, 2002). The six-item measure has a reliability of 0.928 (Cronbach's α). The exact wording for this and other measures are listed in the Appendix; Table I presents descriptive statistics and a correlation matrix of all variables.

Independent variables

Proportion of revenues from government. As previously noted, sales contracts involving government customers often require a significant amount of interaction between a firm's representatives and various government officials. Further, firms which receive a large portion of their revenues via government contracts are expected to encounter corruption by government officials more frequently than firms which do little business with government (Uhlenbruck et al., 2006).

Managers' social ties to government officials. We utilized two measures of participating executives' social ties to government officials. The first one assessed the

TABLE I

Correlation matrix[a]

	Mean	SD	1	2	3	4	5	6	7	8	9	10
1. Engage in corrupt transactions	3.12	1.55	1.00									
2. Rationalize practice of corruption	4.11	1.38	0.44**	1.00								
3. Proportion of revenue from government	15.08	23.24	0.01	−0.04	1.00							
4. Managers' political ties	0.10	0.13	0.16**	0.15**	−0.05	1.00						
5. Managers' family ties	0.82	1.75	0.16**	0.06	0.13*	0.03	1.00					
6. Basic services industries	0.05	0.22	0.01	0.00	0.27**	0.06	0.02	1.00				
7. Wholesale and retail industries	0.20	0.40	0.18**	−0.07	−0.14*	0.01	−0.02	−0.12*	1.00			
8. Professional services industries	0.17	0.38	−0.27**	−0.04	0.01	−0.09	−0.08	−0.11	−0.23**	1.00		
9. Manufacturing industries	0.40	0.49	0.10	0.08	0.08	0.04	0.08	−0.19**	−0.41**	−0.37**	1.00	
10. Other industries	0.18	0.38	−0.06	0.02	−0.12*	0.00	−0.02	−0.11	−0.23**	−0.21**	−0.38**	1.00
11. Firm age	20.59	20.77	−0.11	0.02	0.05	−0.04	−0.04	0.07	0.05	0.15**	−0.12	−0.10
12. Firm size	2.17	0.81	−0.05	−0.26**	0.16**	−0.08	0.06	0.03	−0.01	0.05	0.06	−0.13*
13. Firm performance	3.14	1.05	−0.07	0.00	0.02	−0.06	−0.03	0.02	0.06	0.14*	−0.17**	0.00
14. Ownership status (public/private)	0.34	0.83	0.00	−0.01	−0.04	−0.11	0.04	−0.07	−0.06	0.08**	0.03	−0.01
15. Percent of foreign ownership	12.15	27.79	0.01	−0.09	−0.06	−0.07	0.00	−0.11	−0.01	0.18	−0.12	0.05
16. Executive position	4.02	0.85	0.15*	0.17**	0.03	−0.11	0.00	0.02	0.05	−0.09	−0.01	0.04
17. Corruption "viewed as harmful"	6.12	1.00	0.05	0.02	−0.07	0.01	−0.07	−0.01	0.08	−0.04	0.05	−0.11
18. SDR index	1.98	0.41	−0.24**	−0.22**	−0.01	−0.04	−0.09	0.09	0.03	0.02	−0.06	−0.02

	11	12	13	14	15	16	17	18
11. Firm age	1.00							
12. Firm size	0.21**	1.00						
13. Firm performance	0.04	0.21**	1.00					
14. Ownership status (public/private)	0.14*	0.18**	0.07	1.00				
15. Percent of foreign ownership	−0.03	0.22**	0.22**	0.05	1.00			
16. Executive position	−0.01	−0.12*	−0.02	−0.04	−0.09	1.00		
17. Corruption "viewed as harmful"	0.02	0.05	0.02	−0.04	0.01	0.08	1.00	
18. SDR index	0.04	0.08	0.09	−0.04	−0.07	0.00	0.19*	1.00

*$p < 0.05$, **$p < 0.01$.
[a] $n = 291$.

familial ties of managers to government officials or politicians via a measure consisting of two items that counted the number of each participant's family members who are civil servants or who are elected government officials. We then summed the responses to these two items.

The second measure of managers' social ties to government officials relates to their financial support for political activities or membership in political parties. Individuals who support political initiatives and/or are members of political parties are expected to have access to connections across various levels of government. We used a two-item measure relating to the political ties of managers which assessed whether respondents are a member of a political party and whether or not they had ever provided financial support to any political activities.

Rationalize practice of corruption. Participants were asked six questions about their view of the characteristics of corruption as a 'taken-for-granted' business practice (Oliver, 1997; Scott, 1995). The six questions related to the interviewee's perceptions of corruption as (a) the way things get done, (b) a normal part of doing business, and (c) required in order to compete. We also included items to gauge whether firms that do not engage in corruption are competitively disadvantaged and whether corruption ranks among important considerations for doing business in India. The reliability of this measure is $\alpha = 0.879$.

Corruption viewed as harmful. Each participant was asked to answer several questions about her/his individual appraisal of corruption's influence on business. This series of questions was utilized to develop a comprehensive picture of participants' opinions of whether the existence of corruption in India is generally detrimental to the open, transparent practice of business. The measure used for our analysis consisted of three of these items and had a reliability of $\alpha = 0.688$. The items queried participants about their personal views on whether corruption in India is generally harmful to all businesses and whether the existence of corruption is harmful to competition in India. The third item asked whether or not participants thought corruption in India should be eliminated. This multi-item measure is therefore an assessment of the participants' normative beliefs regarding the practice of corruption.

Professional affiliation. We controlled for the impact of industry affiliation on firms' engagement in corruption because managers are often influenced by the norms and standards of their professional environment (Galaskiewicz and Wasserman, 1989; Nahapiet and Ghoshal, 1998). We categorized all industries represented in the survey as either: Basic Sector, Manufacturing, Wholesale and Retail, Professional Industries, or Other. The 'Basic Sector' category is composed of firms whose primary business activities are related to agriculture (livestock production, fishing, and forestry), construction, mining, and quarrying. The 'Manufacturing' category represents all firms engaged in production of consumer and/or industrial products. The 'Wholesale and Retail' category encompasses such activities as retail shops and stores, tourism, hotels, restaurants, storage, transportation, and all non-professional service activities. All firms which fell outside of these four categories were grouped into 'Other.' The 'Professional Industries' category is composed of firms engaged in financial, legal, business consulting, accounting, and health services. Firms providing these services rely on highly trained employees and top managers demonstrate very strong loyalty to their profession (Løwendahl, 2000) and typically are members of a professional association.

Control variables

Firm characteristics. Firm age (in years since founding) and size (represented by the logarithm of the number of the firm's full-time employees) were controlled because older and larger firms often have more resources. Larger firms presumably have ready access to financial resources, which can facilitate legal costs, and have successfully established relationships with relevant constituents. In addition, older firms are thought to have different concerns regarding survivability than younger, smaller firms. A variable related to firm characteristics was included to account for differences in domestic versus foreign ownership. We also included a control variable to account for whether the firm was publicly traded versus privately owned. We controlled for firm performance by using a multi-item perceptual measure. The 'performance' measure assesses the firm's relative position vis-à-vis its competitors in the areas of: assets, return on sales, sales growth, profitability, and overall competitive position (Tan and Litschert, 1994). The reliability of this measure was $\alpha = 0.944$.

Respondent's position in the firm. A control was included to account for variance in the level of responsibility each respondent had at her/his respective firm. We expect executives with the most senior levels of responsibility to have the most comprehensive and accurate knowledge about their firms' activities. This variable was coded on a 5-point Likert-type scale, as follows: Founder/Owner = 5, General Manager/Managing Director/Chief Executive Officer/President = 4, Chief Financial Officer or Chief Operations Officer = 3, Executive Vice President = 2, Other Senior Executive = 1.

Socially desirable responses. A measure was included in the survey specifically to measure the degree to which interviewees were likely providing socially desirable responses. The items were obtained from the Balanced Inventory of Desirable Responding (Paulhus, 1991). Our measure was created by selecting five items from the original measure, which contains 40 items. Many of these 40 items are culturally specific to the U.S. and therefore irrelevant for research in India. To ensure that the items used were relevant for India, two doctoral students from India attending a major university in the U.S. selected the five most relevant for use in India. These five items were then reviewed by faculty members at the Indian university participating in this study for face and content validity. Selecting five items from the larger scale also helped maintain a parsimonious survey instrument. Because each of these items measures a different dimension of socially desirable responses, an additive index was created to measure the overall impact of socially desirable responses. Following Paulhus (1991), on the 7-point scale raw scores falling between 1 and 5 were then coded as 0 and scores in the 6–7 range were coded as 1. This was done to ensure that high scores were attained only by respondents who gave exaggeratedly desirable responses. The scores across all five of the recoded (0 or 1) items were then summed to create the Socially Desirable Response Index (SDR Index).

Psychometric properties

Following previous research (Kostova, 1997) the analysis of the psychometric properties of the instrument included analysis of its content and face validity, reliability, and factor structure (Bagozzi et al., 1991). Face validity and content validity of the instrument and its items were concluded by various researchers with experience in conducting survey research via the pretests described above. Factor analysis was used to assess convergent and discriminant validity of each construct in this study. Goodness of fit statistics established significant factor loadings for the multiple-item measures. Table II illustrates the discriminant validity, as evidenced in the factor loading scores, for the dependent variable 'engage in corrupt transactions' and the multi-item independent variable 'rationalize practice of corruption.' Further, low correlation between the factors provided additional support for discriminant validity between items and measures used in the survey (see Table I).

Because of potential common method variance inherent in survey research, we cross-validated our findings utilizing the data from those 50 firms with multiple respondents. That is, we regressed the data from the dual-respondent firms for the relevant independent variables for a random selection of one-half of the respondents on the data for the dependent variable for the other half of the respondents (Thompson, 2002). The results for this sub-sample including the cross-validated responses were similar regarding the influence of the independent variables to the results for the full sample presented here. All the variables which were significant in the original testing protocol were also significant in this test. Moreover, the level of significance for these variables as well as the overall model adjusted-R^2 remained substantively unchanged.

Results

The results of the OLS regression analysis identifying the relationship of the predictor variables with the likelihood of firms to engage in corruption are reported in Table III. Notably, our estimations yielded small and statistically insignificant coefficients for most of the firm-level control variables (firm age, performance, foreign ownership, public–private status). Although the bi-variate correlation between firm size and engaging in corruption (reported in Table I) is not statistically significant, firm size does become statistically significant in the full model. As seen in Model 2 of the regressions

TABLE II

Results of factor analysis

	Component	
	1	2
Engage in corrupt transactions		
Provide "discounts" as a method for improving the responsiveness of a government official	**0.8256**	0.1446
Provide "commissions" as a method for improving the responsiveness of a government official	**0.8214**	0.2836
Provide "gifts-in-kind" as a method for improving the responsiveness of a government official	**0.8189**	0.2268
Provide "discounts" as a method for enhancing/maintaining your relationship with government officials	**0.8807**	0.1074
Provide "commissions" as a method for enhancing/maintaining your relationship with government officials	**0.8451**	0.2259
Provide "gifts-in-kind" as a method for enhancing/maintaining your relationship with government officials	**0.8139**	0.2002
Rationalize practice of corruption		
Additional payments to government officials are required to "get things done"	0.2958	**0.5848**
Businesses generally engage in various types of corruption in order to compete effectively	0.0786	**0.7705**
Engaging in various types of corruption is a normal part of doing business	0.1775	**0.8560**
Firms which do not engage in corruption will be at a competitive disadvantage compared to firms that do	0.1497	**0.7830**
Corruption is one of the most important considerations when doing business	0.2104	**0.8144**
Engaging in corruption is the way things get done	0.2232	**0.7973**

Extraction method: Principal component analysis. Rotation method: Varimax with Kaiser normalization.
Bold indicates items which loaded on the same factor.

presented in Table III, firm size has a modest, positive effect on the likelihood of engaging in corruption and was weakly, statistically significant. This result is consistent with Svensson's (2003) finding that larger firms are more likely to participate in these illegal transactions than smaller firms.

The correlation reported in Table I between the executive position of the respondent and the likelihood of the firm engaging in corrupt transactions initially seemed to indicate a significant relationship between these two variables. However, when included in the full regression models presented in Table III, the position held by the respondent at her/his respective firm had no meaningful effect on the dependent variable. This suggests that the other variables in the model provide more explanatory power than does the executive position variable. The social desirability of responses was found to have a large and statistically significant effect on the participant's claimed likelihood of engaging in corrupt transactions. Evaluated at its mean the variable measuring socially desirable responses accounts for just over −1.4 points on the Likert scale: approximately enough to move a response from 'often' to near 'rarely' regarding the likelihood of engaging in corruption.

Hypothesis 1 stated that the likelihood of Indian firms to engage in corruption is directly related to the proportion of the firm's annual revenues from government agencies. However, this hypothesis failed to receive support from our results.

Hypothesis 2 predicted that the likelihood of a firm engaging in corruption is positively related to the degree to which top managers have social ties with politicians or government employees. This hypothesis is supported by both measures of social

TABLE III

Results of regression analyses likelihood of engaging in corrupt transactions[a]

	Model 1	Model 2
Firm control variables		
Firm age	−0.008	−0.006
Firm size	0.128	0.204†
Firm performance	−0.083	−0.109
Ownership status (public/private)	−0.004	0.002
Percent of foreign ownership	−0.020	0.006
Executive control variables		
Executive position	−0.028*	−0.014
SDR index	−0.208***	−0.142***
Independent variables		
Proportion of revenue from government		0.002
Managers' political ties		3.968**
Managers' family ties		0.095*
Rationalize practice of corruption		0.408***
Corruption "viewed as harmful"		−0.018
Professional affiliation		
Basic services industries		0.290
Wholesale and retail industries		0.688**
Professional services industries		−0.847***
Other industries		−0.068
F value	4.180**	12.292***
Adjusted R^2	0.090	0.329

Dependent variable: engage in corruption. Excluded variable: manufacturing industries.
*$p < 0.05$; **$p < 0.01$; ***$p < 0.001$; †$p < 0.10$.
[a]$n = 291$.

ties. The effect of participants' political ties was found to be notably larger than that of family ties.

Hypothesis 3 stated that the likelihood of a firm engaging in corruption is positively related to the degree to which the firm's top managers rationalize the practice of corruption as a normal part of doing business. This hypothesis is strongly supported. Our results indicate an effect of this variable that is larger than, but opposite in sign to, the effect of our measure of socially desirable responses.

Hypothesis 4 predicted that firms in which managers perceive corruption as harmful to business are less likely to engage in corruption. The sign of the coefficient is small, negative, and not statistically significant. Thus this hypothesis failed to receive support.

Hypothesis 5 stated that firms in which managers belong to professional industry networks are less likely to engage in corruption than firms in which managers do not belong to professional industry networks. The coefficient for the professional industries dummy variable indicates that firms in these industries are notably less likely to engage in illegal corrupt transactions than firms in the other industry groups in our sample ($p < 0.001$). Thus, these results support Hypothesis 5.

Discussion

This study investigates the roots of firm involvement in illegal corruption transactions through an examination of the perceptions, characteristics, and social ties of top managers. The focus on top managers distinguishes this study from other studies of corruption, which have examined macro-environmental causes and therefore cannot directly speak to within-firm determinants of corrupt activities. Owing to its focus on managers, this study offers new insights into the nature of these illegal behaviors, the value of using a social relations perspective when investigating illegal behaviors, and the development of strategies for dealing with such behavior.

The results of our study demonstrate that top managers' personal relationships are significant predictors of engagement in corruption and, more particularly, that these relationships promote a greater willingness to ignore legal proscription regarding corruption. The finding that membership in political parties and support for political activities promote a willingness to engage in corruption is among the strongest in our study and suggests that the personal relationships of top managers, particularly politically motivated ones, are important factors explaining corrupt behavior. Similarly, familial ties to government officials may lead top managers to be more willing to engage in illegal corrupt transactions because they receive favorable opportunities and terms, are more confident that their transactions will be effective and secreted, or out of a sense of obligation and reciprocity to their kin. Our results comport with findings of the importance of familial ties to decision making within firms (Khanna and Rivkin, 2006).

Surprisingly, we did not find that firms with the government as a customer were involved in more government corruption. Building on extant research (Doh et al., 2003; Luo, 2005; Uhlenbruck et al., 2006), we expected that firms and their representatives build relationships with government officials and would exploit these for economic advantages. This does not seem to be the case. Perhaps, the professional ties that executives develop with customers do not reduce the risk of opportunism on either side sufficiently to facilitate illegal behavior. Another one of the interesting insights offered by this research is a tendency for managers with political ties and/or family ties to government officials to rationalize the practice of corruption. We thus conclude that it is the personal ties of executives, not the organizational relationship between supplier and the government as buyer, that create opportunity for engagement in corruption.

The results of this study speak directly to the perceived role of the practice of corruption in affecting business ethics. We show the importance of executives' rationalizations of these illegal behaviors, independent of their respective firms' propensity to engage in the practice. This finding speaks to one of the most difficult issues that arise in ethics-related initiatives. When a practice is widely seen as the ways things are done, even harsh sanctions may fail to change behaviors. Managers' perception of corruption as taken for granted may lead them to believe that these acts are less likely to be discovered or punished. Or, they may simply rely on the pervasive nature of the practice to justify their actions as morally or ethically defensible (Bernard, 2006; Elsbach and Sutton, 1992).

We expected that managers who believed corruption to be harmful to society and the economy would be less likely to engage in corruption, but our study revealed no such association. Managers' beliefs about the harmfulness of corruption did not significantly affect their willingness to engage in these illegal behaviors. Despite the costs and risks of engaging in corruption, managers may justify corrupt acts on economic grounds related to performance or because of beliefs about the importance of engaging in corruption. This misalignment between normative beliefs regarding corruption and the nature of opportunity structures in which the firm is embedded also contributes to organizations ignoring legal proscriptions of corruption (Bernard, 1987; Merton, 1968; Vaughan, 1999). Thus, the decision to engage proceeded from and was dominated by other concerns, not managers' personal beliefs.

However, our findings suggest that industry norms significantly affect the likelihood of managers' engagement in these illegal transactions. This result likely is generated by a combination of opportunities to engage in corruption in some industries (Rose-Ackerman, 1997; Uhlenbruck et al., 2006) as well as differences in normative pressures across industries. This result is consistent with the position that professionalized industries prescribe finer normative limits on managerial decisions. Additionally, this finding suggests that the variance in corruption within and across industries proceeds in part from managers' beliefs and industry or professional associations, placing them as central actors in determining the incidence of these illegal transactions.

Our study contributes a view of managers and their relationship to corruption to the growing management and business-related literatures on this subject. Recent work in these fields has focused on the strategies used by firms to avoid the effects of corruption as they enter emerging markets (e.g., Rodriguez et al., 2005; Uhlenbruck et al., 2006). We add to this literature an emphasis on managers, their social relationships, perceptions, and industry norms. Finally, this study demonstrates that corruption is not only determined by economic firm variables (cf., Svensson, 2003) and corrupt government officials, but also by executives' decisions regarding whether or not to engage in these transactions. Thus we show that economic gains (Luo, 2005; Shleifer and Vishny, 1993) are not the only driver – and not even the most important – why firms engage in corruption, but that social forces are quite important.

Research limitations and implications for future research

The value of using structured interviews to collect data for a study of corruption is that the interviews will provide access to information not obtainable through other means of data collection. Since corrupt transactions are illicit and almost always undisclosed, no publicly available data can provide firm-level insight into these transactions. Recognizing that surveys suffer a number of potential disadvantages, we made efforts to minimize the pitfalls of using semi-structured interviews. The potential mono-method bias caused by relying on a single source of data for this study is acknowledged. However, the use of dual respondents for 50 firms, which allowed testing for inter-rater reliability and cross-validation of the findings, alleviates the concern. The nature of the phenomenon being investigated (i.e., how firms deal with government corruption) severely limits alternatives for data collection. As a result we were able to gain unique understanding of some of the factors which likely influence managers' ability to resist engaging in corrupt transactions. The effective use of a social desirability response index controlled further bias.

A concern of our study is that it does not incorporate the "demand" side of corruption, i.e., extortion of firms by government officials. In particular, government officials might also exploit social ties with managers or their social obligation to government employees when demanding bribes. Unfortunately, the design of the study does not allow the consideration of this possibility. However, it is not the goal of this study to identify who initiates corruption but what conditions promote or hinder engagement in it.

Another important concern, especially with regard to the value of this study, is the limitation of the survey to one country, India. As previous research has identified, the nature of corruption varies across countries (Rodriguez et al., 2005; Uhlenbruck et al., 2006) and causes of corruption are associated with cultural conditions (Husted, 1999; Lipset and Lenz, 2000; Robertson and Watson, 2004). Thus one might expect to find different results when performing a study like ours in other countries. However, the ability to isolate country-level conditions permits greater focus on other influences. Moreover, India is a very large, rapidly growing and increasingly important nation. The setting is valuable for its size and growing relevance to world commerce and also for its political and social characteristics, which connect India to a large and diverse group of countries. Also, India does not rank in the extremes for any of the cultural dimensions (cf., Hofstede, 2001) that have been connected to the prevalence of corruption (c.f., Husted, 1999; Robertson and Watson, 2004). The generalization of our findings to other countries and environments is limited by the breadth of data and requires additional research to confirm its applicability in other settings. Nonetheless, our study complements the research linking culture to corruption by illuminating how social forces shape firms' engagement in corruption. Also, we support Luo's (2005) notion regarding the value of observing government corruption using firms as a window.

Conclusion

Like other illegal activities, engagement in corruption proceeds from the beliefs, social relationships, and incentives facing individuals. Within firms, managers are charged with responsibilities for firms' performance and charged to make decisions on behalf of owners and other stakeholders. Managers' decisions are affected by influences that proceed from the macro-environment, from firm and industry norms as well as from their personal relationships and experiences. Accordingly, this study focuses on the effects of social relations on the actions of managers with regard to their engagement in corruption. Our study offers new insights into the questions of why corruption persists in business and is more or less prevalent across countries and industries.

We find that the degree of managers' engagement with corruption is driven by their familial ties to government officials, their perception of corruption as taken-for-granted, their involvement in political parties, and their affiliation with professional organizations. Taken together, our results establish the value of examining corruption through the influences on managers and of looking well beyond regulative measures as means of controlling corruption. One of our more intriguing findings is that managers' cognition and social ties supersede the widely appreciated illegality of corruption and the belief that corrupt acts are harmful to society. For the future of globalization and the integration of multinational firms and emerging market firms into new, unfamiliar environments, a deeper understanding of the forces that propagate corruption is vital if not a precondition for socially accepted and responsible growth of firms.

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Appendix

Survey items

Engage in corrupt transactions (*7-point Likert scale from never to always*)

How often does your firm engage in the following behaviors?

- Provide "discounts" as a method for improving the responsiveness of a government official.
- Provide "commissions" as a method for improving the responsiveness of a government official.
- Provide "gifts-in-kind" as a method for improving the responsiveness of a government official.
- Provide "discounts" as a method for enhancing/maintaining your relationship with government officials.
- Provide "commissions" as a method for enhancing/maintaining your relationship with government officials.
- Provide "gifts-in-kind" as a method for enhancing/maintaining your relationship with government officials.

Rationalize practice of corruption (*scale from strongly disagree to strongly agree*)

- Businesses generally engage in various types of corruption in order to compete effectively in India.
- Engaging in various types of corruption is a normal part of doing business in India.
- Firms which do not engage in corruption will be at a competitive disadvantage compared to firms that do engage in these types of actions.
- Corruption is one of the most important considerations when doing business in India.
- Engaging in corruption is the way things get done in India.
- In India, irregular, additional payments to government officials are required to "get things done".

Corruption viewed as harmful (*scale from strongly disagree to strongly agree*)

- Corruption in India is generally harmful to all businesses.
- Corruption in India should be totally eliminated.
- The existence of corruption is harmful to competition in India.

Social desirability response index (based on Paulhus, 1991) (*scale from not true to very true*)

Please indicate to what extent you agree with each statement below.

- I never cover up my mistakes.
- I always obey laws, even if I'm unlikely to get caught.
- When I hear people talking privately, I avoid listening.
- I have said something bad about a friend behind his or her back.
- I have done things that I don't tell other people about. (*The last two items were reverse coded.*)

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