Corruption and Culture: A Relationship Comparison Between 1996 and 2004

Elí Samuel González-Trejo
Doctoral Student
Program in International Business Administration
Texas A&M International University
Laredo, TX 78041

Abstract
Culture can facilitate, but sometimes can also impede corruption. This study investigates the relation between culture and corruption by partially replicating the work of Husted (1999), who used data from 1996 and found that uncertainty avoidance, masculinity and power distance have a high correlation with corruption. However, this study, using data from 2004, concludes that only high power distance and collectivism are positively related to high-perceived corruption.

Introduction
Corruption is a social problem that affects many countries. Its negative impact in the society may take different forms, from income inequality to high poverty levels. The World Bank identified corruption as the single greatest obstacle to economic and social development. The Bank recognizes that one of the ways to cut poverty is by reducing corruption because of its harmful effects (World Bank Group, 2005).

There are different definitions of corruption; for instance, corruption is defined as “dishonest or partial behavior on the part of a government official or employee” (Deardoff, 2000), or as “the abuse of public office for private gain” (Transparency International, 2003).

There are some studies that address the corruption issue; for example, Habib and Zurawicki (2002) examine the impact of corruption on foreign direct investment (FDI) and conclude that foreign investors generally avoid corruption because it can create operational inefficiencies. In support of this same argument, Voyer and Beamish (2004) focus their study in Japanese FDI and conclude that in emerging nations, corruption reduces FDI. Gyimah (2002) has studied corruption in African countries and found that increased corruption is positively correlated with income inequality. Regarding the same topic, Mauro (1995) found that corruption lowers investment and economic growth. The focus of this paper is to partially replicate previous research on corruption. The author comes from a country (Mexico) that has suffered two economic crises, high inflation rates and high unemployment, and is convinced that all these problems may have been avoided or at least lessened without corruption.

Corruption may have different origins and motivations. This study will focus on how corruption is related to culture. Specifically, this study is a partial replication of the work by Husted (1999), who found that corruption is significantly correlated with culture. In fact, at the end of his research, Husted suggested that the culture of a corrupt country is one in which there is high masculinity, high uncertainty avoidance, and high power distance. Husted’s (1999) work has a main weakness: he tested using only 36 countries, which was the only data available for both corruption and culture in 1996. This study will expand Husted’s work by using data from 2004, when data was available for more countries.

Several studies have used the findings from Husted (1999) to build new theory or make affirmative statements. In this regard, Zhao, Seung, and Jianjun (2003) suggested that the corruption level of any country is rooted in the culture of that country. It is important then to replicate this culture-corruption relationship with a bigger sample to fairly support or reject the findings from Husted (1999).

This paper partially replicates the research reported by Bryan W. Husted (1999). Husted (1999) also studied the relation between corruption and wealth; however, this relationship has been studied deeply by other researchers (Mauro, 1995; Voyer & Beamish, 2004; Gyimah, 2002; Habib & Zurawicki, 2002; Zhao et al., 2003). Therefore, this study will focus only on the relation between corruption and culture, which has not been deeply addressed. Only two pertinent studies were found. Robertson and Watson (2004) found that high corruption is related with uncertainty avoidance and masculinity, and Getz and Volkema (2001) found that power distance and uncertainty avoidance are positively associated with corruption.

With this in mind, this research will address the corruption-culture issue using the Corruption Perception Index (CPI), as a measure of corruption or transparency; and Hofstede’s cultural framework. All the data is from 2004, based on the Transparency International (2004) and Geert Hofstede (2005) websites. The organization of this paper is as follows: first a brief literature review is presented, second the research problem and hypotheses are established, third the research methodology is described, and finally, the results, limitations, implications, and conclusions are presented.
Review of the Literature

Several theories have been developed trying to explain and understand corruption. Rent seeking theory from economics (Besley & McLaren, 1993), and transaction cost (Husted, 1994) are some examples of these theories.

One of these theories comes from economists, who view corruption as a rent-seeking behavior that increases the transaction costs (Husted 1994; Besley & McLaren 1993). This theory suggests that corruption implies additional costs for obtaining valuable or confidential information about market conditions in a given country. There is more research suggesting that corruption brings extra costs to host countries reducing the tax revenues and distorting the effects of industrial policy and productivity on investment (Ades & DiTella, 1999). The work from Gyimah (2002) also shows that corruption may lead to income inequality, which, in this author’s opinion, may be correct (at least in Mexico).

Several efforts have been made to reduce corruption; for example, global institutions, like the IMF, the World Bank and some governments, have tried to help reduce corruption levels within and between countries. For example, the World Bank Group (2005) has identified corruption as the single greatest obstacle to economic and social development, and since 1996, the World Bank has supported more than 600 anticorruption programs and governance initiatives developed by its member countries. These anticorruption initiatives are built on five key elements (World Bank Group, 2005, p. 1):

1. Increasing political accountability
2. Strengthening civil society participation
3. Creating a competitive private sector
4. Institutional restraints on power
5. Improving public sector management

In addition, the members of the OECD and other countries signed the OECD convention in 1997 to outlaw cross-border bribery and other corrupt practices (Hamra, 2000). Other efforts against corruption include the U.S. Foreign Corrupt Practices Act (FCPA) of 1977 (Hamra, 2000). However, some studies suggest that in order to be successful these anti-corruption efforts need complete institutional and government involvement (Hamra, 2000). Finally, other studies have evaluated the extent to which these anti-corruption efforts will be successful and have concluded that for some countries with high corruption indices the development of culturally sensitive policies may be effective in the fight against corruption (Husted, 2002).

Husted’s Work

The main contribution of Husted’s (1999) study was to be the first that associates corruption with cultural values. To develop his work, Husted drew on previous research primarily from the ethics literature. For instance, Wines and Napier (1992) suggested that values influence dominant cultural practices, among them corrupt practices. But the model which Husted used to support his ideas was the Marketing Ethics Model developed by Hunt and Vitell (1986) as used in a study from Vitell, Nwachukwu, and Barnes (1993); it applies this marketing ethics model to cross-cultural business ethics. In their model, Vitell et al. (1993) included cultural and political issues as primary factors in the cultural environment, and then they develop propositions concerning the influence of various cultural dimensions on ethical decision-making using Hofstede’s typology. Vitell et al.’s study is based in the field of moral philosophy, in which ethical theories have been generally classified into two major types, deontological and teleological. The deontological theories focus on the specific actions or behaviors of an individual while the teleological theories focus on the consequences of those actions or behaviors (Vitell et al.). The main focus of the Vitell et al. study was to conceptualize the impact of culture on the deontological and teleological evaluation of business practitioners, which may determine their intentions, and therefore, influences their behavior. To help understand their purpose, Vitell et al. (1993) used the following example:

With respect to one’s deontological evaluation, how important are factors such as organizational norms, industry norms, professional norms and professional experiences? Likewise, with respect to one’s teleological evaluation, how important are the various stakeholder groups such as the individual, his/her family, the organization, or other social units to which the individual is a member? (p. 754)

Hofstede’s Cultural Framework

Many studies have used this cultural framework, replicating and extending on Hofstede’s work. There are many supporters and many critics. Hofstede (2002, p. 1356) himself cites five standard criticisms of his approach:

1. Surveys are not suitable way of measuring cultural differences [His answer: They should not be the only way.]
2. Nations are not the best units for studying cultures. [His answer: True, but they are usually the only kind of units available for for comparison and better than nothing.]
3. A study of the subsidiaries of one company cannot provide information about entire national cultures. [His answer: What was measured were differences between national cultures. Any set of functionally equivalent samples from national populations can supply information about such differences.]
4. The IBM data are old and therefore obsolete. [His answer: The dimensions found are assumed to have centuries-old roots; only data which remained stable across two subsequent surveys were maintained; and they have since been validated against all kinds of external measurements; recent replications show no loss of validity.]
5. Four or five dimensions are not enough. [His answer: Additional dimensions should be both conceptually and statistically independent from the five dimensions already defined and they should be validated by significant correlations with conceptually related external measures; candidates are welcomed to apply.]
Even though some studies have recognized the shortcomings of Hofstede’s Model (Singh, Zhao, & Hu, 2003), these same studies have concluded that Hofstede’s typology is appropriate. One of the main arguments in favor of Hofstede’s cultural framework is that it is the most used. However, being the most used does not guarantee being a reliable measure; but if there is not a better measure available, being the most used may become a good reason to use it.

Hypotheses

Individualism-Collectivism

Based on Hofstede’s cultural framework, it is suggested that managers and/or business practitioners in high collectivism countries will be most likely to be influenced by the norms of the group and/or other organizations with which he or she interacts. According to Hofstede (1980), these clans or groups tend to protect the interests of their members, but in turn they expect loyalty from all the members of the group. In contrast, business practitioners of high individualism countries, who are more concerned about their self-interest are less likely to be influenced by group norms. Some studies have found a relationship between collectivism and corruption; for instance Hooper (1995), who links the tendency to favor one’s own group to corruption in Spain. Thus leading to the first hypotheses:

\[ H_1: \text{High collectivism countries will show higher levels of corruption compared with high individualism countries.} \]

Masculinity-Femininity

Hofstede (1980) suggests that masculinity may favor unethical conduct. Because these societies encourage males to be ambitious, competitive and to strive for material success, that may contribute to the engagement of an individual in unethical practices.

In contrast, feminist cultures define more overlapping roles for both men and women (Vitell et al., 1993). According to Vitell et al. some business practices in masculine cultures may be perceived as unethical in feminist ones. According to Husted (1999, p. 344), “One would expect that this focus on material success would, in some cases, lead to a greater willingness to participate in corrupt transactions in the pursuit of material success.” Vitell et al. gives an excellent example to differentiate cultural dimensions. He says that many in a more feminine culture may consider some practices like high pressure selling that are seen as just good business in a masculine culture as unethical. His example suggests a past experience when working for a U.S. telecom company in Mexico. The pressure for selling was very high. To achieve sales objectives, the sales executives would engage in unethical practices like ghost sales or agreements with the customers (with whom the sales executives had a very good relationship) to sign the sales contract and after two months the customer would cancel the order for the service. Thus, the previous argument leads to the following hypotheses:

\[ H_2: \text{High masculinity countries will show higher corruption levels.} \]

Power Distance

This dimension is based on the belief that business practitioners in countries with high power distance are more likely to accept the inequality in power and authority that exists in many firms and organizations. Also, people in these high distance cultures may be influenced in their ethical behavior by the behavior of their superiors. In contrast, individuals in low power distance countries may guide their behavior not only from their superiors but also from all the groups with which they interact. In this low power distance culture, there is not a high reverence and loyalty to the superiors, which is common in high power distance countries. Husted (1999) states that,

In high power-distance countries there is considerable dependence of subordinates on their superiors in the form of paternalism. Paternalism is a system by which superiors provide favors to subordinates in return for their loyalty. Decisions are not made on the basis of merit, but on the basis of a balance of favors and loyalty. A paternalistic system thus leaves considerable room for corruption in the form of favoritism and nepotism. (p. 343)

Again there are experiences in Mexico, not only in the workplace, but also at different settings such as church, school and the university in which this paternalistic system was found to lead to corruption and favoritism. From these arguments, the following hypotheses is developed:

\[ H_3: \text{The higher the power distance in a country, the higher the level of corruption.} \]

Uncertainty Avoidance

This dimension is related to the way that individuals in a given country react to ambiguity and uncertain situations. People in high uncertainty avoidance cultures are risk averse, resistant to change and variety seeking, and have a low tolerance to ambiguity. In high uncertainty cultures, corruption can be viewed as a mechanism to reduce uncertainty (Husted, 1999).

An excellent example provided by Husted (1999) is the study from Rashid (1981), which argued that bribery can reduce uncertainty in the contracting of utility services in third world countries. For example, two years ago, a close friend contracted with the electricity company (a state monopoly) in Mexico for service to provide enough electricity for an air conditioner. Four months later, he was still waiting for company workers to install the service. One day, he saw one of the workers of this company near his house and asked him to install the service. The worker told him that he needed $40 in order to make things happen. After the worker was given the $40, the next day the service was running. This leads to the last hypothesis:

\[ H_4: \text{The greater the level of uncertainty avoidance in a country, the higher the level of corruption.} \]
Methodology

Based on the four hypotheses, the impact of culture on corruption was performed using cross-sectional data looking for a positive or negative relation between the dependent variable, which in this case is corruption, and the independent variables, represented by the four cultural dimensions. To measure corruption, the Transparency International 2004 Corruption Perception Index was used. While there are other corruption indices available, none of these indices are necessarily better. The Corruption Perception Index combines a number of measures from various sources into a single composite measure, thus strengthening its validity. In addition, the Corruption Perception Index has been used in prior research (Zhao et al. 2003; Husted 1999; Habib & Zurawicki, 2002).

The Corruption Perception Index scores range from 1 to 10, where the higher the score, the less corruption. The cultural data was obtained from the Geert Hofstede’s (2005) website. Using these two sources, data was available for 67 countries (including countries clustered in several regions), almost two times the sample of 36 used by Husted (1999).

To analyze the data, an ordinary least squares (OLS) regression was used. The Corruption Perception Index was used as the dependent variable; the measures of the four cultural dimensions were used as independent variables.

Results

A regression was run including all the cultural dimensions (the independent variables). Power distance and individualism show significant results at the .05 level while masculinity and uncertainty avoidance show non-significant results. The adjusted coefficient of determination ($R^2$) is .548. All four cultural variables had the expected signs; however only power distance and individualism have significant results. Thus, hypotheses 1 and 3 were supported; hypotheses 2 and 4 were not supported. Table 1 shows the correlations between the four cultural variables and the corruption index. Table 2 shows the OLS regression results.

It is important to understand the values for the Corruption Perception Index, the higher the Index value the less corruption in that country. For instance, $H_1$ states that the higher the Power Distance the higher the corruption, this hypothesis assumes a positive relation between Power Distance and corruption. However, because the meaning of the values for the Corruption Perception Index is that the lower the Index, the lower corruption, we should expect that Power Distance will show a negative relation with the Corruption Index. If we examine the result of the regression for Power Distance (-.358) we can conclude that $H_1$ is supported because it means that the higher the Power distance, the lower Corruption Perception Index, which means higher corruption for that country. The same logic is used for the other hypotheses.

One problem that may occur with this data is multicollinearity. However, the variable-inflation factor (VIF) was used to test multicollinearity. Multicollinearity is severe when there are large values for VIF. However, the values of the regression model in all cases are lower than 2. A suggested cutoff for VIF is 5 (Hair, Anderson, Tatham, & Black, 1996), thus multicollinearity does not appear to be severe.

Power distance (PD) and Individualism (IND) show a negative correlation, which supports the results by Hofstede (1997, 1980). This negative result means that on average countries which score high in individualism, tend to score low on power distance (PD). Also, Power distance (PD) has a negative correlation with the Corruption Perception Index (CPI); this negative result suggests that the higher the degree of Power Distance (PD), the lower Corruption Perception Index. This supports the results of Hofstede (1980). As a last comment, Table 2 show that the coefficient of determination ($R^2$) for the regression model is relatively good (.548); this coefficient supports the results from Husted (1999), who obtained a coefficient of determination of .81 including GNP and government size as predictors.

Discussion

The results shows clear evidence that culture has a relationship with corruption. However, the results of this study are not the same as the ones from Husted (1999), nor those of Robertson and Watson (2004) or Getz and Volkema (2001).

First, Husted (1999) using 36 countries and data for 1996 found that uncertainty avoidance, masculinity and power distance were positively related with corruption. This study, in which 67 countries were used (including countries from various regions), as well as data for 2004, indicates that only power distance and low individualism have a significant impact on corruption.

<table>
<thead>
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<th>Variable</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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<td>-0.142</td>
<td>-0.232</td>
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<tr>
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<td>-0.225</td>
</tr>
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<td>0.091</td>
<td>1</td>
<td>0.049</td>
</tr>
<tr>
<td>UA</td>
<td>-0.232</td>
<td>0.167</td>
<td>-0.225</td>
<td>0.049</td>
<td>1</td>
</tr>
</tbody>
</table>

* MAS= Masculinity, UA= Uncertainty avoidance, PD= Power distance, IND= Individualism, CPI= Corruption Perception Index

Power distance (PD) and Individualism (IND) show a negative correlation, which supports the results by Hofstede (1997, 1980). This negative result means that on average countries which score high in individualism, tend to score low on power distance (PD). Also, Power distance (PD) has a negative correlation with the Corruption Perception Index (CPI); this negative result suggests that the higher the degree of Power Distance (PD), the lower Corruption Perception Index. This supports the results of Hofstede (1980). As a last comment, Table 2 show that the coefficient of determination ($R^2$) for the regression model is relatively good (.548); this coefficient supports the results from Husted (1999), who obtained a coefficient of determination of .81 including GNP and government size as predictors.
The results of this study are more aligned with that of Davis and Ruhe (2003), in which using 42 countries and data for 2000, they found that power distance, individualism and masculinity had a significant relationship with corruption. However, a difference was observed. This study did not find a significant relationship between masculinity and corruption.

The above discussion may obviously lead to wondering why different studies have found different results when testing for the same relationships. The answer is not a simple one, but some possible reasons are suggested:

- Over the last few years, some countries may have been successful in reducing their perceived corruption levels, while maintaining their cultural values intact.
- The availability of data for both perceived corruption and culture may be an important factor; thus it is possible that the sample size may seriously affect the results of each study.
- The Corruption Perception Index is a measure of perceived corruption, not real corruption. This is a measurement limitation.
- Also, it is recognized that Hofstede’s measures have some limitations that may affect the research findings.
- It is possible that the relationship between culture and corruption is a more complex one, which needs to be explored in more detail.

**Limitations and Future Research**

Even though two of the four hypotheses were supported, the following limitations may have to be addressed in order to make better interpretations.

1. The exclusive use of data from 2004 is a limitation that may weaken the practical significance of this research. The results of this study differs from previous research that used different years. A longitudinal study on the relationship between culture and corruption may help to understand the fluctuations of said relationship over time.

2. As the majority of the corruption indices are based on perceptions, the results of an index may be biased.

3. When measuring culture, no cultural instrument is totally useful and valid; this may also affect the findings.

Future research should address these and other weaknesses. Also, more research is needed to help explain why different studies have found different results for the impact of culture on corruption.

**Implications**

A practical implication may be for anyone involved in any national government to consider cultural issues when policies and efforts to reduce corruption are being developed. Also for managers involved in international business, they need to take into account this impact of culture on corruption, to better decide where and with whom to invest, to reduce the uncertainty and risk of their investment. For academics, the main implication is to extend and continue the debate on how to best measure both corruption and culture. The findings of this study, which differ from previous ones, may call for further and deeper exploration of the impact of culture on corruption.

**Conclusions**

The main objective of this study was to replicate the study from Husted (1999), who studied the relationship between culture and corruption. Based on these results, the limitations of this study, and also the unexpected different results, the main conclusion is that the impact of culture on corruption may have changed over time. In 1996, power distance, masculinity and uncertainty avoidance were significantly related to corruption. However, in 2004, only power distance and individualism were predictors of corruption. In conclusion, based on 2004 data, a cultural profile of a corrupt country is one in which there is high power distance and high collectivism.

**References**


About the Author

Eli Samuel González-Trejo is pursuing a Doctorate degree in International Business at Texas A&M International University, Laredo. He also holds a Master degree in Business Administration from the same university and a bachelor degree in Industrial Engineering from the Universidad Autónoma de Nuevoleón, México. His current research interests include culture, ethical leadership, corporate governance, and supply chain management. He has worked for several companies in sales, customer service and general management.

E-mail: elisgoz@yahoo.com.mx