

A Cross-Cultural View of Corruption

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The world is shrinking, but its cultures remain worlds apart, as do its ethical norms. The West views bribery, kickbacks, cronyism and nepotism as unethical, but they are standard practice in many parts of the world. This poses a familiar dilemma for business firms that operate globally: should they engage in what they see as corrupt behavior in order to do business?

The position defended here is that firms should always resist corruption, but at the same time understand it from a broader perspective: as behavior that undermines a cultural system.¹ Behavior that is acceptable in one country may be corrupting in another. Businesses must take into account the cultural situation on the ground, or else they may help to disrupt the very system they wish to engage.

What Is Corruption?

Corruption can be defined simply as behavior that corrupts. It tends to subvert the cultural system in which it occurs. This means that one cannot recognize corruption in a particular society without knowing something about how that society works.

The West tends to be universalist in its outlook: every society works, or should work, essentially the same way. Its business practices, for example, should be based on a market system that is characterized by transparency and regulated by laws that apply equally to all players. A country that fails to conform to this model is viewed as underdeveloped or dysfunctional. It follows that corruption is basically the same, whether one does business in Sweden or Sudan.

The reality, however, is that different cultures use radically different systems to get things done. Whereas Western cultures are primarily rule-based, most of the world's cultures are relationship-based. Western business people trust the system, while people elsewhere trust their friends and family. Westerners organize their business around discrete deals that are drawn up as written contracts and enforced by a legal system. Others organize their business around personal relationships that are cemented by personal honor, friendship, or long-term mutual obligation. Loyalty to cronies is suspect behavior in Western business but represents high moral character in much of the world.

The distinction of rule-based and relationship-based systems is only one of many cultural differences,² but it already creates different ethical norms. One can immediately predict that cronyism, for example, might have a very different status in the two systems.

Corruption as Culturally Defined

Since cultural systems operate differently, business practices that are corrupting in the West may be acceptable elsewhere, even obligatory. Practices that are acceptable to Westerners may be corrupting elsewhere. And finally, practices that are corrupting both in the West and elsewhere may be corrupting for very different reasons. Each of these three possibilities may be illustrated as follows.

What is corrupt in the West may be acceptable elsewhere. The classic example of the purchasing agent illustrates this point. The Western purchasing agent is expected to award contracts based on the quality of bids and transparently available financial information about the bidders. An agent who favors personal friends is viewed as corrupt, because cronyism subverts this transparency-based system. It creates a conflict of interest: a choice that is good for the agent and his or her cronies may not be good for the company.

In much of the world, however, cronyism is a foundation for trust. A purchasing agent does business with friends because friends can be trusted. He or she may not even ask to see the company financials, since this could insult the other's honor. It is assumed that cronies will follow through on the deal, not because they fear a lawsuit, but because they do not wish to sacrifice a valuable relationship in an economy where relationships are the key to business. In such a system it is in the *company's* interest for the agent to do business with friends, and cronyism therefore presents no conflict of interest.

What is acceptable in the West may be corrupt elsewhere. Lawsuits provide an example of this. In the West, which relies on rules and individual responsibility, lawsuits are routine and necessary. In Japan, however, they are corrupting. Japan is a strongly relationship-based culture in which interpersonal relations are based on maintaining harmony. Harmony is preserved by elaborate courtesies, humility, deference to superiors, and avoidance of confrontation. Lawsuits have no place in this system because they promote confrontation. Thus if a plane crashes, the victims' families normally do not file suit; rather, the airline's CEO personally apologizes to them. The apology does not indicate personal guilt as in the West but is intended to restore harmony. A dramatic illustration of this principle is provided by Shohei Nozawa's tearful apology to employees and stockholders shortly after Yamaichi Securities declared bankruptcy. Nozawa was not admitting guilt and in fact had just assumed his position as CEO in order to clean up a mess left by others. His aim was to restore harmony among the stakeholders.

What is corrupt both in the West and elsewhere may be corrupt for different reasons. Bribery, for example, is corrupting in the West because it induces people to depart from established rules and procedures. Furthermore, if bribes become common enough, people in general may lose faith in the system and flout the rules routinely.

Bribery is also corrupting in most Confucian cultures, but for a different reason: it short-circuits the building of relationships. China and Taiwan, for example, rely on the

stability provided by long-term relationships of mutual obligation (*guānxi*). A bribe “buys” a relationship that lasts only until the next bribe is required.

Since there is a fine line between legitimate *guānxi* relationships and quid-pro-quo bribery, bribery tends to be more common in Confucian countries than in some Western countries. An Western analogue would be litigiousness, or overuse of the legal system, since there is an equally fine line between legitimate lawsuits and nuisance lawsuits. Litigiousness is a form of corruption that is particularly prevalent in the United States. Bribery can also flourish in Western countries, of course, particularly when political upheaval or oppression break down the traditional rule-based mechanisms.

Scenario: Taiwan

It is instructive to examine a few scenarios, based on real events, in which cultural norms clash. In one scenario, you (a Westerner) are a manager in your company’s Taiwan branch. You meet with a team representing a potential local supplier and notice that, after the team departs, one of them left behind a briefcase. While looking for the owner’s name, you find the case to be full of cash.³

This situation is actually easier to deal with than many, because the locals are offering a bribe rather than demanding one. Since kickbacks are mildly corrupting in Taiwanese culture, it is best to refuse them, which if properly done need not give offense. In this case, you can send a trusted subordinate to return the briefcase to the owner. You should email a vaguely-worded note to the owner’s boss stating that you are returning lost property. The owner clearly got the cash from his boss, and you do not want him to keep it and leave his boss with the impression that you accepted the money. If you eventually hire the local firm, the boss will be pleased to get the contract without paying a kickback, and if you do not, you have already returned the money.

Scenario: Korea

Your accounting firm wishes to set up operations in South Korea, and you need a number of permits from the government. When the approval process bogs down, a local consultant offers to take care of the problem. When you ask how, he confides that he will hand his government contact a white envelope—with money inside. His consulting fee will include an unitemized allowance for the payment. A related scenario is even more common: your applications for customs clearance never seem to get through the authorities at the airport, and your Korean counterpart offers to take care of this in a similar way.

In this case one can argue that side payments are actually functional if they are kept under control, and therefore not an instance of corruption. Government regulation has played a major role in creating the prosperity that makes your business in Korea possible. Since Korea is not a rule-based culture, some relationship-based mechanism is needed to enforce these government regulations. One expensive and heavy-handed mechanism is police power. Korea has evolved a different approach: business people “invest” in their

relationships with government officials. This gives businesses an incentive to obey the regulations in order to preserve a costly relationship, thus allowing the government to enforce its will. Government officials have an incentive to cooperate with business in order to get the money. Bribery can get out of hand, however, and this may explain why it is loss of face to be caught doing it. Ironically, journalists sometimes take bribes from a government official in exchange for not exposing his receipt of bribes.⁴

U.S. business people should take note that their country's Foreign Corrupt Practices Act forbids bribery of foreign government officials. It is wise to consult an attorney in cases where the law could apply. Interestingly, Taiwan recently enacted a similar law.⁵

Bribery Around the World

While on the subject of bribery, it is useful to survey briefly the state of affairs in several countries. The brief summaries given here do not reflect the subtlety and complexity of local situations, which should be researched thoroughly before doing business there.

China and Taiwan. As already mentioned, bribery is common in these countries and is corrupting because it undermines more stable forms of relationship. In China particularly, the central government strongly discourages bribery, which erodes its power. The penalty for some types of bribery can be severe (e.g., death).

Japan. Bribery scandals periodically come to light in Japan and may result in a flurry of prosecution and punishment. Bribery is corrupting primarily because it undermines group solidarity, the primary mechanism for social cohesion. Group solidarity is maintained by a careful process of cultivating loyalty and maintaining harmony, not by side payments.

Singapore. Bribery is strictly forbidden in Singapore and is not practiced.

India. Bribery and skimming are common in India, and facilitating payments are ubiquitous. The latter are small, routine payments made to obtain services to which one is already entitled. They are arguably functional in that they supplement the inadequate salaries of bureaucrats. On the other hand, bribery in the sense of influence peddling is both unnecessary and dysfunctional. It is unnecessary because Indian business and politics are based primarily on skilled networking and family connections, not bribes. It is dysfunctional because it corrupts India's quasi-Western public administration. Although bribery is common, the system operates despite it, not because of it. It is therefore corrupting and should be avoided.

Russia and Eastern Europe. Bribery is a way of life in many of these countries and is an unmitigated evil. It is a symptom of system breakdown, due to a recent history of political oppression or instability. It is best to rely on corporate clout, connections, and pro bono activities, and to maintain a clean reputation.

Arab countries. These present a complex picture, due to regional variations and mixing of cultures. Kickbacks are other relationship-based practices are common, but their tendency to corrupt depends on the local situation.

Turkey. Bribes and facilitating payments are very common in both business and public administration, and Turks find them quite irritating. Bribes that circumvent the law undermine the country's quasi-Western administration and should be avoided. Some small payments may be unavoidable, as when settling a traffic ticket, getting children into school, or clearing customs.

Sub-Saharan Africa. Bribery in much of central and southern Africa is out of control, and it cripples the economy. It represents the total corruption of an ancient patronage system that once held rulers accountable. It is a symptom of social breakdown that stems from Africa's encounter with Western powers and a radically different economic system. Companies should use any means available to avoid paying bribes. They can often exert the necessary influence through the potential economic benefits of their operations and their willingness to fund infrastructure.

Latin America. Bribery is common in Latin America but not ubiquitous. It is widely regarded as immoral, in many cases even by those who demand bribes. Bribery seems to be a holdover from a turbulent past and is arguably inessential for a system that can rely on other kinds of relationships. It in fact seems to be on the wane in some countries, such as Mexico. Business people should cultivate personal connections and avoid paying bribes. They should make it known that they work only with locals who play it clean.

Scenario: China

You are in Singapore to complete arrangements for a joint venture. Your Chinese counterpart has proposed several persons for top executive positions, including his son-in-law, his brother, and his nephew. Should you object?

Nepotism occurs in the West but is generally viewed with suspicion, due to a conflict of interest: the boss who hires a relative may not hire the best person for the company. In Confucian countries, however, nepotism has several positive aspects. Whereas a Western boss tends to go easy on relatives, a Confucian boss exercises greater authority over his family members than others and may be able to extract greater effort. He knows their strengths and weaknesses more intimately and can assign duties accordingly. More fundamentally, the family is the foundation of Confucian society. Children support their parents and grandparents in old age, and parents get jobs for their children. Far from being a form of corruption, nepotism is an essential part of this ancient system.

Scenario: Kenya

You run a book shop in Nairobi, and tomorrow is the deadline for a proposal you wish to submit for a government contract. You offer to pitch in to help your employees make photocopies. Your sense of equality encourages you to convince the staff that you are

“one of them.” Yet they resist your offer and insist that they can take care of it, even though in reality they will almost certainly miss the deadline.⁶

Such gestures of egalitarianism are admired in the United States, Australia, and some other Western cultures, but not in most of the world. They cause subordinates to lose respect for the boss, and in Africa in particular they invade the employees’ turf. In most cultures, individuals are not created equal but receive their status from circumstances. Authority is not earned by individual merit but is endowed—perhaps by family, wealth, good connections, or the mandate of heaven. As a Western bookshop owner in Nairobi, your authority derives from your relative wealth. Your duty is to accept your higher station and plan more carefully for the next deadline.

Ethics and Human Nature

The ethical norms discussed here ultimately reflect different interpretations of human nature. In the West, for example, human beings are viewed as autonomous rational individuals, whence the central role of equality and emphasis on individual responsibility.

In a Confucian system, human beings surrender much of their autonomy to parents, ancestors, or rulers. Personhood is defined primarily by relationships with others rather than existence as an individual. This gives rise to the central role of authority and saving face, and it places responsibility on the ruler rather than the individual.

A prevalent African view, which is shared by many other traditional cultures, is that the basic unit of human existence is the community. People do not distinguish their individual welfare from the collective welfare, and the economy is based on sharing of resources.

The Hindu/Buddhist world view likewise declines to see human beings as separate entities but interprets them as manifestations of a single consciousness (*atman*). This highlights the connectedness of all life but assigns no role to egalitarianism.

Each of these viewpoints supports a sophisticated ethical philosophy. Those of us who operate across cultures owe them respect not only for their own sake, but because they teach crucial insights that may be absent from our own traditions.

¹ This view is further developed by the author in *Working Across Cultures*, Stanford University Press (2003).

² For cultural characteristics of specific countries, see *Working Across Cultures* for a reading list organized by more than 100 countries.

³ My thanks to Don Lamb for relating this incident.

⁴ See Boye Lafayette De Mente, *Korean Etiquette and Ethics in Business*, NTC Publishing Group (1994).

⁵ *Taiwan Economic News*, July 10, 2002.

⁶ From an incident related by Gary Ferraro, *The Cultural Dimension of International Business (4th Ed.)*, Prentice-Hall (2001).