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Anti-bribery disclosures: A response to networked governance

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ABSTRACT

This study examined the posited link between networked governance (the activities of NGOs and the media) and the anti-bribery disclosures of two global telecommunication companies. Based on a joint consideration of legitimacy theory, media agenda setting theory and responsive regulation, the findings show that anti-bribery disclosures are positively associated with the activities of the media and NGO initiatives. The findings also show that companies make anti-bribery disclosures to maintain symbolic legitimacy but are less prominent in effecting a substantive change in their accountability practices.

1. Introduction

Corruption in business such as financial misappropriation and kickbacks, is a term that addresses the illegitimate use of one's position or authority for personal benefit (for example, see Agbiboa, 2012; Jain, 1998; Misangyi, Weaver, & Els, 2008). Bribery, as a subset of corruption is similarly defined as a financial or non-financial inducement to conduct business or to gain an advantage that may not have otherwise occurred (for example, see Sanyal, 2005). Bribery in emerging economies is visible in public procurement where officers circumvent protocols and assign transactions (e.g. tenders, contracts) to the bribe-payer in return for a pecuniary benefit (Ntayi, Ngoboka, & Kakooza, 2013). Bribe-paying corporations attribute their actions to local cultures and conditions claiming that bribery is a necessary cost of business. From the demand-side perspective, the economic conditions (low socio-economic status), social values and the ethics of the recipient are cited as reasons for accepting bribes (Baughn, Bodie, Buchanan, & Bixby, 2010). While bribery is commonly practiced to speed up work-in-progress or expedite the issue of licenses (referred to as 'facilitating payments'), bribery can also create a monopolistic market position (Argandona, 2007; Gordon & Miyake, 2001; Shahabuddin, 2002). It is in the latter scenario that corporate bribery has the potential to create a serious economic, social, political and moral blight by rewarding inefficiency and holding back the economic and social advance of the local economy (Baughn et al., 2010). As a social issue, bribery has been linked to a lack of growth, development, and inequality (Apke, 2001; Buscaglia, 1996; ERIS, 2005; Gray & Jarosz, 1995). In political

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terms, bribery erodes the credibility of political leaders and the legitimacy of the state, which in turn discourages foreign aid because of the concerns that aid money will not be directed to its intended purpose (Agbiboa, 2012).

The effects of corporate bribery on society have mobilised a range of institutions including non-government organisations (NGOs), trade associations and business organisations to stimulate anti-bribery policy development to check the supply of bribery through the standards of corporate accountability, transparency and integrity (ERIS, 2005). The media similarly acts as an intermediary in coordinating and communicating global concerns between corporations and its stakeholders. Together the actions of NGOs and the media create an informal relationship known as 'networked governance' to engender compliance with self-constituted anti-bribery rules. Commitment to these rules is enhanced when the effects of networked governance raise community expectations so that corporations take corrective measures to combat bribery and disclose anti-bribery measures through corporate reporting media. The global telecommunications services industry provided the relevant lens by which to examine the effects of networked governance. The proliferation of market opportunities arising from the relaxation of regulatory constraints around the turn of the 21st century has brought with it a number of transgressions associated with public procurement inducements. The media has been littered with reports of corporate bribery while NGOs worked towards the development of anti-bribery guidelines (OECD, 2011) and indices to improve corporate accountability (TI, 2009a,b).

The aim of this study is to examine the effects of networked governance, or the actions of media and NGOs, on the nature and extent of corporate anti-bribery disclosures. The findings from an analysis of media articles, corporate annual reports and sustainability reports, found that the initiation of NGO activities and increased media attention on bribery was followed by an increase in the extent of corporate disclosures on anti-bribery activities. In order to better understand the nature of corporate anti-bribery disclosures, the reporting media of two European-based global telecommunication companies (Alcatel-Lucent and Siemens AG) were examined. These companies were selected because they were linked to extensive and high profile bribery activity resulting in convictions among key company personnel and substantial financial penalties to the company. An investigation of the reporting disclosures of these two companies, using interpretive analysis, found a combination of substantive (disclosures of fact affecting change) and symbolic (creating the appearance of behaviour) reporting disclosures. With the re-occurrence of bribery among these companies following previously disclosed preventative measures, suggests that they were only partially successful in making a substantive change in their accountability practices.

Prior research on corporate bribery is centred on the economic, social and ethical impacts of such behaviour (for example, see Apke, 2001; Argandona, 2007; George & Birmele, 2000; Hamra, 2000; Mauro, 1995; Rose-Ackerman, 1999; Sanyal, 2005; Shahabuddin, 2002; Sung, 2005). For example, McKinney and Moore (2008) discovered a deterrent effect on business professionals when codes of ethics contained anti-bribery policies. Despite growing interest from political and economic scientists, research on how global corporations' combat bribery beyond a corporate code of conduct and how such measures are disclosed is limited (Gordon & Miyake, 2001). The paper also brings the study of bribery into the social and environmental accounting literature which is presently centred on issues and impacts arising in environmentally sensitive industries (e.g. mining and chemical) (for example, see Cho & Patten, 2007; Deegan & Blomquist, 2006; Deegan, Rankin, & Tobin, 2002). Furthermore, the specificity of legitimacy theory to explain corporate behaviour that is questioned by some commentators (Deegan, 2002; Parker, 2005; Tilling & Tilt, 2010), led this research to draw on an analytical framework that combines legitimacy and media agenda-setting perspectives with responsive regulation theory to understand changes in anti-bribery practice.

The balance of this paper is structured as follows. The next section outlines the relevant literature and the theoretical framework that combines specific notions of media-agenda setting theory, legitimacy theory and responsive regulation theory to explore the potential motivation for corporate anti-bribery disclosures. Section 3 explains the research method employed in this study that relies on a content analysis of bribery related corporate disclosures and news media articles. Section 4 provides the results followed by a discussion of the findings in Section 5. Section 6 outlines the concluding remarks.

2. Theoretical framework

2.1. *Media-agenda setting and legitimacy theory*

Media-agenda setting theory is grounded in the journalism and mass communication literatures and is premised on understanding how the media shapes public awareness, concern for particular issues and community expectations; and how these issues end up on corporate agendas (McCombs & Shaw, 1972). Prior research suggests that media coverage influences public opinion and public policy development (Barnes et al., 2008; Berger, 2001). Similarly, in business, the media in its variety of forms (business press, web and visual medium) has a marked influence on establishing and influencing the corporate image (Carroll & McCombs, 2003), agenda (Grafstrom & Windell, 2011) and practices (Mazza & Alvarez, 2000). To the extent that the media can influence a corporation's reputation and its public image as a responsible corporate citizen, the media plays a significant role in the way in which stakeholders interact with corporate activities (Otubanjo & Amujo, 2012). The media-agenda setting effect on corporate agendas is especially strong for issues where the proximity between the company and its stakeholders is distant and the media serves as a primary source of communication (Aerts & Cormier, 2009). For example, Ader (1995) investigated pollution-related issues and found that the media-agenda and the public agenda were positively related. Prior accounting research similarly demonstrates the role of the media in shaping community expectations and in turn, influencing corporate communications (Brown & Deegan, 1998; Carroll & McCombs, 2003; Deephouse, 2000; Islam & Deegan, 2010; O'Donovan, 2002). A shift in the position of mass media, particularly when the news is negative, will