



Private-to-private corruption: Taking business managers' risk assessment seriously when choosing anti-corruption measures

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Abstract

Corruption in the private sector interferes with market mechanisms and results in economic loss through inefficiency and misallocation of resources. In private sector corruption, a manager or employee chooses to act to his own benefit and contrary to his duties and responsibilities. Although the benefice of the company is an oft-applied excuse, private sector corruption exposes the company and its manager to risks; that is, losing markets, reputations or careers if caught. In turn, managers' perceptions of risk influence which preventive measures they believe to be effective.

The analysis is based on a 2015 survey of managers in Estonia and Denmark, with 500 managers in each country. Estonia and Denmark belong to relatively similar cultures but have been part of different socio-economic systems for 50 years. However, the study emphasizes the micro-foundation of how risk perception relates to views on anti-corruption measures.

The study shows that anti-corruption measures fall into three packages emphasizing ethics, control and salary-related issues. Moreover, it concurs that if, according to managers' perception, private corruption imposes an immediate risk to the company in the form of financial loss or to the manager's own career, their preference for control and punishment strategies increases. On the other hand, if they connect the risks to long-term business development strategies – that is, the company's reputation – courses, information and trustees become more important as they internalize honest business values among employees. As a Danish respondent noted, “we need a multifaceted approach” and should remember that “trust is cheaper than control – and more fun”.

Keywords

private sector corruption, prevention, risk management.

1. Introduction

Corruption in the private sector interferes with market mechanisms and results in economic loss through inefficiency and misallocation of resources (Argandoña 2003). Consequently, private sector corruption brings serious risks for establishing sustainable economies. Corruption in the private sector often compares to administrative corruption, but in contrast agreeing on exactly who suffers is more difficult. In fact, the benefice of the company is an oft-applied excuse for private sector corruption. Notwithstanding, corruption does expose the company and its manager to risks; that is, losing markets, reputations or careers if caught. In addition, as products and services may be delivered at higher prices and lower quality, it can pose a risk to, for example, public health or the environment. This aspect of private corruption makes it a public concern, so prevention of corruption in the private sector should be a priority. This holds even though private companies may underestimate the risks or refrain from implementing anti-corruption measures because of costs (Arnold et al. 2012).

Despite its negative consequences, private sector corruption is an understudied phenomenon. First, it is a question if and how managers acknowledge the risk associated with private sector corruption; second, we do not know how widespread the phenomenon is; and third, it is not well understood how private companies could or should approach the problem. This study aims to overcome these lacunae. The analysis employs a 2015 survey of 1000 managers, 500 in Estonia and Denmark, respectively. Since very little systematic evidence on private-to-private corruption exists, this is a baseline study.¹

We claim that managers' perceptions of risk align with their view on measures being effective in preventing corruption. We approach this by, first, discussing the concept of private-to-private corruption and its different forms. We then turn to risk perceptions and prevention strategies. After a discussion on research design, we turn to a description of the data and the variables. The analysis is followed by a general discussion.

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2. Private-to-private corruption

Private corruption is defined as misdirection of organisational resources for personal or organisational benefit (Pinto et al. 2008). Private corruption manifests in various forms: bribery, extortion, facilitation payments, nepotism, trading of information, use of undue influence, to mention some (Argandoña 2003). Previous lack of attention on private sector corruption reflects a strong belief in free market competition as a sufficient mechanism that penalises inefficient company behaviour. Private sector corruption is a type of deviant behaviour that conflicts with norms related to market competition, and accordingly, personal gains come with the risk of losing contracts to other, more competitive companies (Argandoña 2003). This holds even though a widespread strategy for justification or rationalization of corrupt acts is that no harm has been done to the company or that it is common business practice (Rabl and Kühlmann 2009).

Little systematic evidence on private-to-private corruption exists compared to the number of studies on public sector corruption (Argandoña 2003; Gopinath 2008). The international anti-corruption activity has mostly targeted public sector corruption. In line with this, the OECD anti-bribery convention focuses on prohibition of illegal payments to foreign public officials by companies acting in foreign countries. Modest attention on private-to-private corruption leaves unfairly one important piece of the puzzle aside in the anti-corruption picture. Private corruption should, however, receive more attention, as it threatens national security, the free market and a trustful business environment. While more economic transactions are taking place between private enterprises than between private enterprises and governments, the blurring borderline between public and private is well reflected in the health sector and pharmaceuticals (Andvig 2002). Moreover, one should also be concerned about corruption in the private sector because private companies are not placed on an isolated island. Corruption originating in either the public or private sector transports its values and activities through employee mobility, procurements and de-privatization (Johannsen et al. 2016). Thus, private corruption bears a subtle capacity of metamorphosis to political and administrative corruption (as an illustration, see the EU-Russia Civil Society Forum 2015).

Measures to prevent corruption should take into account the specific character of the crime. As Tyler notes, corruption is not emotionally driven. It does not involve physical harm, and individuals taking part in it even achieve economic rewards (Tyler 2014: 267). By nature, corrupt practices take place in closed circles and networks. Even if managers acknowledge the risks, they may not know that their company is exposed to corruption. Thus, managers make decisions based on what they believe, and perceptions often differ greatly from “objective” measures of risk (Bromiley et al. 2015: 270). Consider that the possibility of being exposed to theft is not a risk, whereas losing one’s property because of the theft is. Thus, managers may not perceive that there is risk associated with owners or employees diverting assets to their own purse. If corruption, however, means losing reputation, business opportunities or network, they may react. This has three implications. First, it is necessary to identify the degree of risk that managers associate with private sector corruption. Second, it is important to distinguish between different forms of private sector corruption. Risk may, for example, be seen as higher if we talk about embezzlement or kickback than if we talk about prioritising one’s family. Third, it is necessary to know how perceptions of risks trigger practical steps made by business people when deciding to apply anti-corruption measures.

3. Measures preventing private sector corruption

The temptation to cheat and make corrupt deals increases with unchecked discretion (Klitgaard 1998). Thus, oversight, transparency and channels to report misbehaviour are part of the solution to fight corruption. The fact that corruption takes place in a triadic relationship between an individual, the company and a third part, however, makes oversight a complex task. Moreover, triadic relationships tend to develop a specific business culture or internal organisational norms in which corruption seems acceptable and more difficult to deal with through formal institutions (Kindsiko 2013). Prevention measures are therefore as much about rules and systems as they are about values.

Enterprise risk management conquered the scene of managerial practice as well as that of academic literature during the 1990s. Instead of incidental tackling of financial, societal, environmental and

other types of risks, *enterprise risk management* means a comprehensive approach towards risks (Bromiley et al 2015). In some cases, company managers find it difficult to perceive the risk associated with private corruption. Bromiley et al. (2015) argue that because of disagreement about what constitutes a business risk and whether risks should be looked upon as a threat or an opportunity, management suggestions have been scarce and inconclusive. Anti-corruption as an integral part of a risk management system might actually have made corruption schemes more complex and systemised. Compliance with risks includes failure to comply with anti-corruption laws, anti-money-laundering laws, security laws and other state legislation (Create.org). Aspirations to comply with laws tend to misdirect organisations' anti-corruption agendas narrowly towards regulation and control. Furthermore, enterprise risk management tends to be reactive; that is, it only comes into effect after an incident has taken place and in the face of negative consequences (Hauser and Hogenacker 2014).

Some companies have integrated anti-corruption in their risk management system. This is, however, far from all. Following the attention on corruption and its negative consequences that peaked in the late 1990, the situation today is better described by anti-corruption fatigue, and companies are reluctant to take sufficient anti-corruption measures, specifically with regard to third parties in new markets (Ernst and Young 2013). Companies' reluctance to engage in the anti-corruption agenda contrasts with increased public expectations, media attention and pressure by international organizations, which will not let companies remove their attention on private-sector corruption.

Corruption is the outcome of a conscious decision made by either the manager him-/herself or the employee. The traditional take on dealing with crime is through illegalisation, followed suit in management theory, according to which regulating employees' behaviour traditionally takes place through command-and-control efforts. Following Klitgaard (1998) in both cases, command and control minimise the discretion allocated to the individual manager and employee while emphasising the problem of effective control.

Measures preventing corruption can run in two channels. One channel is internal and includes the establishment of auditing procedures, legal counselling, declarations of intent, codes of conduct, training programmes, guidelines on specific issues and actions plans for how the management will tackle the issue, should a case arise (Argandoña 2003). Another channel goes outside the organisation and includes regulation on whistle-blowing, disclosure of information about allegations and, not least, effective law enforcement (Hauser and Hogenacker 2014). In alignment with Johannsen and Pedersen (2012), we group anti-corruption measures in three categories: 1) control, detection and punishment; 2) awareness and ethics; 3) salary-related motivations. We will briefly discuss the merits of these categories.

Individually targeted anti-corruption measures traditionally stress a command-and-control type of management. The focus on control, risk of detection and punishment directly influence the cost-benefit calculation of rational individuals. As Arnold et al. (2012) point out, the increase of control and detection is not costless. Accordingly, managers will have to assess the value of honest business against the cost of control. The effect of punishment is also disputed and particularly so in organizational management. Although punishment in laboratory experiments is found effective to reduce or eliminate undesirable behaviour, “positive” reward systems are often found more desirable in organisational settings because they generate a sense of belonging and contribute to higher productivity (Arvey and Ivancevich 1980). This highlights the importance of changing the employee’s cognitive perception that channelling part of a profit to one’s own purse is incorrect and unacceptable behaviour. Moreover, control and punishment only work if the risk of being caught is sufficiently high, while when they will be removed, people continue to act according to their belief of what is right (Mulder et al, 2009). The use of control therefore relies on other initiatives, such as creating secure systems for employees and others coming forward with knowledge. However, revealing knowledge about undue practice requires that the specific practices are acknowledged as unwanted. Thus, even if command and control is attractive as a tool for management, it may not work if the problem is neglected or if the deed is accepted as a norm.

Raising awareness and ethics is internalisation of moral behaviour, meaning that an honest, non-corrupted business practices is the accepted and normal practice of doing business. Businesses can raise awareness and ethics through different measures (e.g. a formalised code of conduct and corporate social responsibility schemes, ethics training and in-house courses). Concretely, Adam and Rachmann-Moore (2004) argue that regular ethics training is one of the most effective measures to develop a shared understanding of the company's policies, accepted behaviour and, not least, what is expected from the employees. The flip side of the coin is that ethical training may fail if it only scratches the surface (Aguilera and Vadera 2008: 445). Thus, for training to matter, deep learning for correct behaviour is required. Deep learning requires that the manager's personal behaviour follows suit, as exemplified with the old proverb "do as I do, not as I say" (Aguilera and Vadera 2008; Lange 2008). Ethical training is not only more effective under charismatic and trusted leadership, but the personal example is only effective when the leader represents and behaves according to non-corrupt values (Aguilera and Vadera 2008).

Salary-related motivations may affect the employees' incentive structure. As frontrunners in developing a non-moralistic approach to corruption control, Becker and Stigler (1974) argue that increasing the wages would curb their temptation to take bribes because doing so makes the violation of trust costly. Others argue that low-paid employees might be tempted to embezzle funds (Vian 2008) or accept informal payments (Cohen 2012). There is no reason to believe that salary-related motivation matters less in the private sector, but it may matter more in low-income than in high-income economies.

In sum, the traditional command-and-control model of regulating behaviour combines control, detection and punishment. While empirical evidence suggests that command-and-control systems have an impact, they are not costless. Furthermore, according to a workplace-based study, only around ten percent of employee behaviour is shaped by incentive schemes based on control (Tyler 2014: 272). Awareness and ethics measures are directed against the individual value system, which, on the other hand, is sensitive to organisational culture. Influencing incentives through salary-related initiatives may be effective but depends on the economic context. We now turn to the study and data.

4. Research design

The study employs a 2015 survey of business managers in two small open economies, Estonia and Denmark. Estonia and Denmark share similar features. First, Estonia has long been recognised as one of the frontrunners among the Central and East European countries with less public corruption. Compared to Denmark, which ranks among the least corrupted countries in the world, a substantial level of corruption is characteristic of Estonia (Transparency International). Second, and related, corruption is in both countries fought through the ordinary judicial system. Because of relative success, there has been no need, neither symbolic nor tangible, to follow costly international recommendations to establish multi-faceted and separate anti-corruption agencies with competences to initiate legislation, campaigns and investigations (Johannsen and Pedersen 2011). Third, corruption is not seen as an accepted part of the culture in neither country. Even if Taagepera (2002) argues that Estonians in their attitudes towards corruption have more in common with orthodox than protestant Europe, the specific political discourse after Estonia regained independence aimed at linking it to Scandinavian values (Johannsen 2006). Importantly, however, Estonia has not only had relative success in coping with corruption. Anti-corruption norms are explicitly cherished as an Estonian value (Pedersen and Johannsen 2012). Despite these similarities, different experiences – the inclusion in a Soviet political and economic system and having a developing, not mature open economy – may make Estonian managers look differently upon anti-corruption measures. In 1998 Suutari found that Estonian business culture underwent an extensive transformation and that Estonian managers were “less active in most forms of behaviour suggested by western theories” (1998:250). It remains an open question whether this is true two decades later.

Table 1: Average size of companies, age, work experience of managers and gender. Estonia. Denmark

	Estonia		Denmark		Total		
	Avg.	St.D.	Avg.	St.D.	Avg.	St.D.	N
Company size							
- number of employees	3.9	1.4	3.9	1.5	3.9	1.5	1.000
Age (years)	47.5	11.5	49.6	9.2	48.5	10.5	996
Years worked for company	11.7	7.4	15.0	11.8	13.4	10.0	1.000
Gender (women) Pct.	31.4		20.2		25.8		1.000

The survey includes a total of 1000 respondents, 500 managers in each country. The study was carried out in August 2015 as telephone interviews by TNS Emor. The target group was top managers and mid-level managers of companies with two or more employees. A stratified random sampling was used to take size, sector and region into consideration to make it representative of Estonian and Danish businesses. The samples in the two countries are relatively similar. The average sizes of the companies are almost identical (3.9 employees) even if the average numbers mask a spread within each country. In both countries, the typical manager is close to fifty and has worked for more than a decade within the same company. Women constitute almost a third of the Estonian sample, whereas only 20 percent of the Danish managers are female. In the analysis, we use OLS regression in a double procedure in which all variables are, first, entered simultaneously and, second, subjected to step-wise regression in order to estimate the best parsimonious model. Beside our key variables, the analyses control for gender, age and nationality.

5. Mapping prevention measures, risk perception and form of corruption

With respect to prevention measures, we asked: “In your opinion, how effective are the following measures for preventing misuse of a position for personal benefit at the expense of the company?”

Please use the scale from 1 to 7, where 1 means “not effective at all” and 7 means “extremely effective”. Managers were given 11 items to evaluate (see Table 2).

Table 2. How effective do you perceive specific anti-corruption measures to be on a scale from 1 (not effective) to 7 (effective)?

	Estonia		Denmark		Sig.D	Total		N
	Mean	St.D.	Mean	St.D.		Mean	St.D.	
Adoption of code of ethics	4.2	2.0	6.0	1.5	***	5.1	2.0	1000
Ethics training to employees	4.6	1.9	5.1	1.8	***	4.9	1.9	1000
Declaration of (financial) interests	4.7	2.3	5.0	1.9	**	4.8	2.1	1000
Raising salary	3.8	2.0	3.3	1.8	***	3.6	1.9	1000
Internal control system	5.9	1.4	5.9	1.4		5.9	1.4	1000
Setting up of an anonymous hotline	2.8	2.3	3.7	2.0	***	3.2	2.2	1000
Nomination of a trustee	3.9	2.4	3.9	1.9		3.9	2.2	1000
Punishing wrongdoers (decrease salary, demoting etc.)	4.7	2.0	4.2	2.2	***	4.4	2.1	1000
Punishing wrongdoers (ending their employment contract)	5.9	1.4	6.1	1.4		6.0	1.4	1000
Reporting to law enforcement (police, prosecutor)	3.7	2.4	5.3	1.9	***	4.5	2.3	1000
Manager setting positive personal example	6.4	1.1	6.5	1.2		6.5	1.1	1000

*Note: For each question, a Likert scale of 1 to 7 is applied, where 1 represents “not effective at all”, and 7 represents “extremely effective”. Level of significance: ***0.001, **= 0.01, *=0.05.*

All in all, both Danes and Estonians acknowledge different anti-corruption measures. The “stars” indicate significant country differences but also common ground. Table 3 reveals that when it comes to the different prevention mechanisms, they form into three “packages” roughly resembling the above suggested categories. The first package – and the one adding most to the explanation with an eigenvalue of 2.980 – is based on awareness and ethics combining ethical training, code of conduct,

hotlines and trustees. The second package consists of punishment and control systems, while the third specifically concerns two salary-related items. The personal example set by the manager is dropped from further analysis. The statistical argument is that the high agreement implies less variance, while in empirical terms, the personal example is a preventive measure supported equally by those who prefer control and punishment and ethics and reporting measures.

Table 3: Three approaches to prevention. Factor analysis (Principal component; Varimax)

	Ethics & reporting	Control & punishment	Salary
Adoption of code of ethics	.770	.151	-.117
Ethics training to employees	.732	-.049	.067
Declaration of (financial) interests	.582	.012	.338
Raising salary	.227	-.236	.706
Internal control system	.384	.485	.203
Setting up of an anonymous hotline	.537	.295	.021
Nomination of a trustee	.576	.107	.263
Punishing wrongdoers (decrease salary, demoting etc.)	-.115	.459	.700
Punishing wrongdoers (ending their employment contract)	.035	.847	-.040
Reporting to law enforcement (police, prosecutor)	.515	.481	-.232

Note: initial eigenvalues: Ethics & reporting: 2.980; Control and punishment: 1.274; Salary: 1.174.

Cumulative explained variance: 54.272.

Respondents were asked to assess damages if a case of corruption is revealed. These losses are expressed in either financial costs, reputational damage or cost incurred to the managers own career. . . Furthermore, respondents were asked to assess how common the following four different types of corruption are:

1. Kickbacks: When a mediating company is to provide a company with a service, but instead of recommending the best and cheapest offer, the mediating company recommends another

company, which, in turn, *kicks*, for example, 10 percent of the sales *back* to the mediating company.

2. Conflict of interests: When an employee responsible for procurements or purchasing goods and services gives the order to a close friend or relative.
3. Bribery: When an employee responsible for procurements or purchases receives, for example, five percent in cash or goods in return for an order.
4. Fraud: When an employee responsible for inventory management makes fictitious account entries and, instead of storing the goods, resells them.

From table 4 it is shown that Danes are more and most concerned about the damage that a case of corruption can do the company's reputation but that the managers own career might be at stake is also evident. Both Estonians and Danes are equally concerned about financial losses. However, the bottom-line is that Danish managers foresee higher costs than their Estonian colleagues.

Table 4: Differences in risk perception and commonality of corruption. Estonia. Denmark

		Estonia			Denmark			Total			
		Mean	St.D.	N	Mean	St.D.	N	Sig.D.	Mean	St.D.	N
Commonality of corruption (type)	Financial loss	4.3	1.9	436	4.4	2.0	486		4.3	2.0	922
	Loss of reputation of	4.5	1.9	450	5.2	2.0	496	***	4.9	2.0	946
	Loss of career	3.8	2.0	436	5.0	2.2	495	***	4.4	2.2	931
	Kickback	2.1	1.6	416	1.9	1.5	447	**	2.0	1.5	863
	Conflict of interest	2.2	1.5	431	1.8	1.3	474	***	2.0	1.4	905
	Bribery	1.6	1.2	422	1.4	1.1	488	*	1.5	1.2	910
	Fraud	1.5	1.1	379	1.3	0.9	468	**	1.4	1.0	847

Note: For each question, a Likert scale of 1 to 7 is applied, where 1 represents "not effective at all" and 7 represents "extremely effective". Level of significance: ***0.001, **= 0.01, *=0.05.

6. Taking managers risk assessment seriously: explaining preferences for preventive methods

As mentioned, our claim is that what affects the perceived effectiveness of anti-corruption measures is the risk associated with corruption as well as the form of corruption. The differences in risks associated with corruption and the commonality of each types of corruption can be used in explaining what managers believe is effective in preventing corruption. We report the three packages in separate tables: 5a – awareness and ethics, 5b – control and punishment and 5c – salary-related measures.

Table 5a. Predicting preferences for ethics and reporting. OLS (entered and best step-wise)

	Ethics & reporting (entered)			Sig.	Ethics & reporting (best step-wise)			Sig.
	B	S.E.	Beta		B	S.E.	Beta	
(Constant)	-1.590	.288		***	-1.570	.153		***
Financial loss	.041	.024	.082					
Loss of reputation	.056	.025	.114	*	.061	.019	.123	***
Loss of career	-.030	.022	-.067					
Country (EE=1; DK=2)	.875	.082	.429	***	.830	.078	.407	***
Kickback	-.019	.030	-.030					
Conflict of interest	-.035	.033	-.052					
Bribery	.010	.041	.012					
Fraud	.086	.045	.088					
Age	.000	.004	-.001					
Gender (1=F; 2=M)	-.051	.092	-.021					

*Level of significance: ***0.001, **= 0.01, *=0.05. EE = Estonia; DK = Denmark*

Table 5a reveals that awareness and ethic measures explain 19 percent of the variation. However, only two variables contribute significantly. When managers find that a reported case will have damaging effect on the company’s reputation, they are more likely to believe in the effectiveness of ethical management. Ethical management going hand-in-hand with fear of loss of reputation suggests that these managers are well versed in the new economy, in which brand value is crucial. Furthermore, there is a significant difference between Danes and Estonians in that Danes have more trust in ethical management than Estonians do.

Table 5b. Predicting preferences for Control and punishment. OLS (entered and best step-wise)

	Control & punishment (entered)			Sig.	Control & punishment (best step-wise)			Sig.
	B	S.E.	Beta		B	S.E.	Beta	
(Constant)	-1.111	.320		***	-.973	.237		***
Financial loss	.046	.026	.089		.056	.024	.108	*
loss of reputation	.029	.028	.056					
Loss of career	.043	.024	.093		.057	.021	.123	**
Country (EE=1; DK=2)	.045	.091	.021					
Kickback	-.050	.034	-.074		-.057	.028	-.085	*
Conflict of interest	.003	.036	.004					
Bribery	.008	.046	.009					
Fraud	-.043	.050	-.042					
Age	.012	.004	.121	**	.012	.004	.124	**
Gender (1=F; 2=M)	.038	.102	.015					
Adjust R2	0.056				0.062			

*Level of significance: ***0.001, **= 0.01, *=0.05. EE = Estonia; DK = Denmark*

The “package” of control and punishment only explains about six percent or less of the model. The drivers are risk associated with financial loss and fear that the case can damage managers’ own career.

In such circumstances, managers will do what they can to detect wrongdoing by setting up control systems and clearly expressing that wrongdoing will be punished. Thus, costs related to corruption outweigh costs of control systems. Age turns out to be significant, suggesting that older managers have more firm belief in traditional command-and-control management. The type of corruption also affects the result. If corruption takes the form of kickbacks, managers do not recommend control and increased punishment. Our data shows that compared to the other forms of corruption, kickbacks are more common and more accepted (Johannsen et al. 2016). We therefore suggest that the result indicates that managers do not find costs associated with control justifiable in these cases.

Table 5c. Predicting preferences for salary instruments. OLS (entered and best step-wise)

	Salary (entered)			Sig.	Salary (best step-wise)			Sig.
	B	S.E.	Beta		B	S.E.	Beta	
(Constant)	.662	.306		*	1.050	.139		***
Financial loss	.032	.025	.064					
loss of reputation	-.050	.027	-.101					
Loss of career	.032	.023	.070					
Country (EE=1; DK=2)	-.661	.087	-.323	***	-.646	.082	-.316	***
Kickback	-.008	.032	-.012					
Conflict of interest	.018	.035	.026					
Bribery	.008	.044	.009					
Fraud	.032	.048	.033					
Age	.003	.004	.032					
Gender (1=F; 2=M)	.086	.097	.036					
Adjust R2	0.096				0.098			

*Level of significance: ***0.001, **= 0.01, *=0.05. EE = Estonia; DK = Denmark*

The preference for using salary-related measures either by giving a raise or punishing wrongdoers by demoting them or subtracting from their salary explains a little less than 10 percent. In both models, it turns out that this is in reality driven by nationality, perhaps reflecting differences in standard of living. In sum, the analysis suggests that the risk perception of managers does matter for how they assess the efficiency of prevention measures. We find that the fear of financial loss and career loss makes managers believe in instruments of control and punishment, while the fear of damage to public relations steers managers towards the use of ethics and reporting-related measures. Hence, increased awareness among business men of the variety of corruption risks makes them more responsive to implementing various types of anti-corruption measures instead of limiting themselves to either salary-related or control- and punishment-related measures.

With respect to different forms of corruption, it turned out that only kickbacks come out as having a negative influence on managers' incentives to increase control and punishment. This suggest that kickbacks are a different kind of corruption compared to bribes, nepotism and fraud and also more frequent even though our study shows that managers do not accept it.

7. Discussion: Corruption prevention is a multi-faceted activity

Until now, the anti-corruption efforts by states and international organisations have predominantly focussed on public sector corruption. The time has come to bring attention to private-to-private corruption as it may not only have dire consequences for the involved company but also at the societal level (Johannsen et al. 2016). Most business people know this and that wrongdoing entails risks, and they are also able to assess the type and how exposed they and the company will be if a story of corruption breaks. In our study, business people saw the loss of company reputation as the greatest risk associated with corruption, whereas a possible financial loss only came third, after the risk that the manager would lose his or her career. Utilizing this finding, we ask if the risk perception leads managers to prefer specific packages of instruments in their prevention efforts. We find that the risk perception leads managers to prefer specific packages to prevent corruption.

Aguilera and Vadera (2008) stress that preventive measures should be manifold is that there are both organizational and individual aspects to the issue. It is not only a question of opportunities being “provided” by the organization by, for example, weak control systems and the individual’s motives. It is, as also posed by Ashfort and Anand (2003: 37), easy to “demonise” individuals, but often, corruption has been normalised in organisations. In other words, corruption is not only a question of the rotten apple in the basket. The basket itself can be mouldy, infecting the apples. Thus, preventive measures are as much about rules and systems as it is about values and individuals. This leads to the conclusion that efforts by states, international organisations and business organisations raising awareness among managers must be broadly based. If corruption risks are only related to certain types of effects; for example, loss of finances, the measures adopted will be one-sided. As expressed by a Danish respondent: “Control is good, but trust is cheaper and more fun”. This reflection constitutes a fairly good recap of the case at hand, not only of the measures available but also of the wide range of different tactics and strategies that must be used.

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