

“Playing the game” - Corruption as a risk for doing business in Argentina and Mexico

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Abstract

This paper analyses corruption as a risk for international activities by focussing on the expatriates' and managers' 'stress-field' between dealing with existing corrupt practices on one hand and the need to respect business guidelines and ethical standards on the other hand. The starting point of analysis is a conceptual framework of corruption research discussing forms, practices and consequences of corruption as well as strategic adaptation options. We present preliminary results of a qualitative research project, which is part of a interdisciplinary research group project on international risk management in transcultural networks and applies interviews with decision makers of German subsidiaries in Argentina and Mexico as its main method. The findings show a wide range of different interpretations concerning the level of perceived corruption, strategic adaptation and the consequences thereof. Corruption is partly perceived as a game which actors have to play; contrasting opinions use the image of being trapped in a network of unpredictable demands and therefore sustain a no tolerance strategy towards corruption. Power resources, alternative strategic options as well as host country involvement are some issues which provide decision makers with major tools to avoid participating in corrupt practices.

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1 Introduction

Definitions of corruption frequently refer directly to the involvement of the public sector, for example as „*private or individuals or enterprises who misuse public resources for private power and or political gains. They do so through abusing public officials whose behaviour deviates from the formal government rules of conduct*” (Lindgreen, 2004, p. 31). This link between corruption and the public sector has been dominating the understanding of this phenomenon despite of early studies on business to business corruption and their observation that “*corruption in business is as old as business itself*” (Pitt/Abratt, 1986, p. 39) During the last years an increasing number of studies has shown the importance of the neglected research field on corrupt practices in private transactions (e.g. Argandoña, 2003). Therefore a restriction on the misuse of a public charge is too restrictive. Also the UN Convention Against Corruption (UN, 2003) explicitly includes the private sector, even though the focus is on the public sector.

Therefore we regard the following aspects as important elements of a definition of corruption (Vahlenkamp / Knauss, 1995, p. 20; Höffling, 2002; Imhof, 1999):

- The abuse of power as a public official, political mandatory or within a private organisation in order to gain personal (mostly monetary) benefit.
- Interactions that have the characteristics of a transaction exchanging goods, services, and benefits. We do not include the so-called “social corruption” referring to clientelism and nepotism (Lindgreen 2004, p. 32).
- Interactions deviating from the existent normative system, i.e. they must be considered to be illegal or at least sanctioned by society and therefore need to be obscured.

Although the academic discussion about corruption started in the 1970s (Rose-Ackermann 1978), there has been a lack of scientific research for many years. Especially during the 1990s, a vast body of research developed on the issue of corruption. Comprehensive studies have been conducted, including criminological view (Bannenberg, 2003; Berg 2001; Löw 2002; Schaupensteiner 2004), conceptual work on the nature of the phenomenon, its different forms, existing practices and organisation (e.g. Sautu et al., 2004b; Shleifer / Vishny 1993) and the political, institutional and macroeconomic factors which influence the level of corruption including the “benefits” for various participants (e.g. Engerer 1998; Ricks 1995) as well as the negative effects of high levels of corruption (e.g. Bardhan, 1997; Mauro, 1995;

Welsch 2003). In addition, during the 1990s there have been considerable efforts in developing new tools and instruments to measure corruption and compare corruption on an international level (for a review see e.g. Graf Lambsdorff, 2006b). Mostly based on the results of these comprehensive studies, there has been a proliferation of empirical evidence on different effects of corruption on macroeconomic performance as well as political systems. There still is a lack of research, however, on the micro-economic level, the perception of corruption as a risk in international business and strategic adaptation and risk management (Uhlenbruck et al., 2005, p. 302), although recent research on business codes of practice and ethical standards is partly addressing these issues.

Outstanding attention has to be paid to the 'stress field' of decision makers caused by the perception of living in a context with considerable level corruption including the need of adaptation to existing practices on the one hand and personal ethical standards as well as business codes on the other hand.

2 Conceptual framework

2.1 Some issues on the nature of corruption

The discussion of corruption in developing countries or emerging markets is often located in the context of issues like development, democracy and good governance. First of all, some remarks have to be made on different types of corruption and their definition.

The most frequently discussed form of corruption - especially in the mass media - is the so-called **grand corruption**, which takes place at the top levels of the political system. „Grand corruption is corruption that pervades the highest levels of a national Government, leading to a broad erosion of confidence in good governance, the rule of law and economic stability.“ (UNODC, 2004, p. 10) Usually it is referring to situations in which politicians abuse their authority to sustain their own power, status and private wealth.

The second form of corruption often highlighted is the bureaucratic or **petty corruption**, which means the everyday bribery in connection with the implementation of existing laws, rules and regulations. This form of corruption is usually related to modest sums of money and involving people in lower positions of power as well. In some countries petty corruption is experienced on a more or less daily basis, through encounters with public administration and services like local licensing authorities,

utilities, police, or hospitals. *“Petty corruption can involve the exchange of very small amounts of money, the granting of minor favours by those seeking preferential treatment or the employment of friends and relatives in minor positions (UNODC 2004: 10).*

It is widely accepted that corruption has **negative effects** on economic growth, investment and that high corruption levels lead to an increase in social disparities (Mauro, 1995; Tanzi / Davoodi, 1997; Gupta et al., 1998). From a macroeconomic point of view political corruption definitively leads to the misallocation of resources, as rent-seeking is becoming more attractive than the production of goods and services. Furthermore the quality of public infrastructure declines (Collier / Höffler, 2005) as the willingness to pay bribes is more important than the performance of a firm which participates in a public tender (Tanzi / Davoodi 1997). Such government driven projects which are more likely to provide bribery payment may be more attractive than smaller projects, for example in the education sector. In a political sense it perverts the manner in which decisions are made, because it consists of the abuse or ignorance of existing laws and regulations by the rulers. There are also arguments sustaining the negative effect of corruption on poverty control programs (Voyer / Beamish 2004: 211). Even environmental pollution is linked to corruption (Welsch 2003). Therefore some authors identify corruption as one of the most important causes of poverty and underdevelopment.

Without doubt, corruption first of all is a crime – for this reason and for its negative effects, society as well as different actors within it usually ask for a fight against corruption. Therefore we may ask how it is possible that corruption is still a virulent problem in many countries.

Different “**benefits**” can be distinguished, which apply to both levels of corruption (Ricks, 1995, pp. 213). For the local official or politician, increasing income and / or sustaining his power are the main motivations. From the point of view of the bribery payer, in most cases corruption is necessary to speed up the decision-making process (e.g. getting licences, approvals, customs procedures), in some cases to change decisions but also to tamper with information and thus trying to overcome the problems of information asymmetries. This may concern the way of getting information (e.g. about governmental projects or laws), as well as avoiding the spread of information or manipulating it (UNODC, 2004, pp12).

Petty corruption in particular may be regarded in a microeconomic sense as reducing transaction costs. In the context of a lacking legal framework, weak institutions or

insufficient control, it is in many cases the second best solution. Even if there was a legal way, e.g. to get a licence, pursuing the proper path of action often takes a long time. As officials are aware of this, in some cases they tend to abuse their power, prolonging the official procedures and therefore it is more efficient for the firms to pay bribes. Assuming that those enterprises which have a higher benefit from specific resources are willing to pay higher bribes, one may come to the (perverse) conclusion that the procedure is not only reducing transaction costs but also promoting competitiveness. Clarke and Xu (2002) found that in the case of bribery payments in order to get preferential treatment by utility providers, there is a positive correlation between profitability of the firm and the amount of bribes paid.

“Facilitation payment is defined as the making of small payments to low-level officials through an intermediary to ensure a smooth passage through customs or other inconvenient procedures” (Kidd 2004, p. 30).

Starting in 1995, the NGO „Transparency International” published the well-known global corruption report (Transparency International, 2007), which introduced the **Corruption Perception Index (CPI)**. The purpose of the CPI is to reflect the perception of corruption by decision-makers, experts and the society but not to be a reliable measure for the real level of corruption. The CPI is a composite index which is calculated on a yearly basis, using different studies from international sources (Graf Lambsdorff, 2006a; 2006b). As the studies used as well as the countries analysed vary from year to year, any interpretation of a trend is problematic. In addition, there is some discussion on the reliability of comparative data between different countries. As the ethic context of the decision-makers and experts differs, it is likely that some differences are not caused by the comparison of countries but by differences in the sampling method. The evaluation by members of foreign cultures always contains the risk of the evaluation being culturally biased. Despite of these weaknesses the CPI still is considered to be the best corruption index available, but it must not be overestimated in his relevance for the decision makers and the processes of market entry by SMEs. In respect of our work it is useful as it is an aggregate picture of subjective evaluations. We analyse how these information are disaggregated on the personal level. It is of interest to investigate to what degree the experts’ evaluations are important to explain individual actions and – as their result – spatial structures.

On the global level, during the 1990s notable progresses in **combating corruption** could be observed, as a number of institutions monitoring and fighting corruption had been established, among them the NGO ‘Transparency International’ (1993). The

Corruption Perception Index became an important measure for public discussion of corruption and a means to force governments to provide access to information and to strengthen transparency. The Anti-Bribery Convention (OECD, 2004; Convention on Combating Bribery of Foreign Public Officials in International Business Transaction) and the Global Programme Against Corruption initiated by the UN Office on Drugs and Crime (UNODC, 2004) are expected to become even more important for business practice. The first one regards bribery of local officials as a criminal act. Moreover, the International Monetary Fund and the World Bank consider the level of corruption in their decisions on the “Guidelines Regarding Governance Issues” as important for decisions on loans and credits. Multinational enterprises as international institutions are implementing a large number of initiatives and ethic standards to combat corruption which normally are valid globally (for analysis of global anti-corruption systems see e.g. Butler, 2004; Eigen, 2004; Mukherjee / Gokcekus, 2006; Quiñones, 2004; UNODC, 2004; for an comprehensive analysis of studies on business codes see e.g. Kaptein, 2004).

2.2 Corruption as a risk in international business

Empirical studies have provided evidence of the negative effect of corruption on Foreign Direct Investment FDI (Egger / Winner, 2006; Habib / Zurawicki, 2001; 2005; Voyer / Beamish, 2004). Wu (2006) shows that not only the corruption level of the host country but also the ‘corruption distance’ between home and host countries affects FDI. From an enterprise point of view especially in international business one of the most problematic effect on business is competition distortion – in different countries high percentages companies believe that they have failed to gain new business because of bribery payments of competitor (Control Risk, 2006, p. 5).

As a consequence international companies may not invest in certain markets because of corruption even if the markets are attractive, withdraw from a country or abort a partnership or suffer from a cost increase (Control Risk, 2006, pp.7-9, Uhlenbrock et al., 2005).

“In general, a company’s liberty of action will be dependent on the size of the company’s economic activities and the amount of the company’s available resources (...). Small companies are more likely to do business with a corrupt partner than larger companies, ceteris paribus, as a closed business deal easily can decide whether or not the company continues to stay in business” (Lindgreen, 2004, p. 35).

In general there are considerable differences in the extent to which specific industries are affected by corruption: As the bribery index shows (Transparency International, 2002), industries are more likely to be affected by corrupt actions with growing involvement of the government in those industries. The outstanding importance of high public sector involvement for explaining corruption vulnerability has been discussed referring to the health industry (Vian, 2006; Savedoff / Hussmann, 2006), as well as to pharmaceuticals (Clare Cohen 2006).

„The industry is subject to a high degree of government regulation at every nearly stage of its activity. The large interface between industry and government throughout the life cycle of medicinal products poses continuous risks of corruption.” (Bale, 2006, p. 91)

Based on those and other case studies from different industries, e.g. construction / infrastructure (Stansbury, 2006) we identify the following key factors explaining an industry's vulnerability:

- Complexity: Large number of participating companies and other actors, large number of contracts. Different phases reduce transparency and possibility to mask payments.
- Uncertainty and information asymmetry provoke the rise of benefits of power accession.
- Strategic importance: The size of projects in relation to firms' turnover as well as frequency of contracts influence the importance of single projects for firms' success as a whole and produce power imbalance.
- Culture: The type of customers, a lack of common guidelines or the existence of a culture of secrecy in certain industries facilitate the emergence and durability of corrupt practices.

2.3 Corruption risks in Mexico and Argentina

Latin American states are generally regarded as being highly corrupt systems (Wills Herrera et al., 2002), although in the last years some of them, especially Mexico has achieved remarkable improvements. There is no doubt that corruption is a well-known problem in Latin America and that it is far from being a new phenomenon. Nevertheless, this should not be misunderstood as sufficient proof for the popular view that certain cultures (here: Latin American cultures) are intrinsically more corrupt than others (here: West European). There is some empirical evidence that the corruption

level in Latin America has been decreasing during the second half of the 1980s and the 1990s. This experience of declining corruption is likely to be linked to the process of democratisation and strengthening of institutions which can assure public control and transparency. However, influential groups still e.g. in Argentina ask for more transparency and institutional control, as the evaluation of the mentioned countries still regards them as highly corrupt (March, 2003).

Insert Table 1 here

Over the last years the corruption problem has been frequently discussed not only by the mass media but also on a political level. In both countries there have been remarkable efforts to fight against corruption on a political level. Mexico took these steps during the late 1990s and especially under the government of Vicente Fox (Gutiérrez, 2001; Fuentes et al. 2001) and more recently Vicente Calderón. There has also been made considerable efforts to implement transparency good governance practices and a companies good reputation monitoring system (see e.g. Transparencia Mexicana 2005a; 2005b; 2006). Kite / Sarles (2006) show the outstanding importance of bribery within Mexican police and local authorities. 20% of Mexicans are confronted with bribery of local officials, and around 10% report to have suffered of corruption in health system or education. Costs of corruption are estimated to reach 9% of Mexican GDP (Rodas-Martini 2003: 96).

In Argentina the Menem era is regarded as highly affected by corruption on the grand as well as on the petty level although corruption is supposed to be on a problematic level since colonisation (Sautu 2004). Measures aimed to combat corruption during the 1990es has been reported to be not efficient (CIPPEC, 2001) After the deep crisis the new Argentinean president (Nestor Kirchner) didn't hesitate to take fast and hard measures against corrupt high level officials, especially during the year 2003. Nevertheless the level of corruption is still considered to be high, even in Latin American context (Graf Lambsdorff, 2007).

In both cases these actions of politicians which were able to sustain their power through a strong support of the population should be discussed in the context of growing demand for fighting corruption. As the attitude against corruption seems to change, it is nowadays a very sensible issue and must not be regarded as a given fact

or as culturally enshrined – with a connotation of impossibility to change it and the resulting need to adaptation.

2.4 *Dealing with corruption risks*

As corruption is often aimed to achieve advantages or preferential treatment, the key for fighting corruption is transparency and strong but accountable institutions. This is consistent with a neoliberal perspective, as transparency enhances competition. Markets with high levels of competition are found to have a lower level of bribery (Clarke / Xu, 2002, p. 19).

There is some empirical evidence that small enterprises are more seriously affected by corruption, e.g. they are more often asked to pay bribes than bigger, globally operating companies. Furthermore it seems that foreign enterprises are more often targets of bribery requirements than local businesses. The last point may be seen as a hint that local firms are able to deal in a better way with a corrupt system, or to develop specific mechanisms to avoid corruption. Consequently some authors propose co-operations with local firms as a strategy of corruption avoidance (Habib / Zurawicki, 2001, p. 698). That way they are able to achieve a better understanding of the corrupt system, which is helpful to develop avoidance strategies. In general a high percentage of corporations are able to circumvent legislation on corruption by using intermediaries occasionally or even on a regular basis (Control Risk, 2006, p. 13).

In this context special attention should be paid to the conflicts to which the foreign expatriate manager is exposed, as he is acting in a field between different interest groups and his personal needs. As the local representative of an international firm, he has to adapt to culture-based, different ways of doing business. In order to be successful as manager he has not only to respect the differences but to deal with them. As recent developments in Mexico and Argentina show, corruption can not be regarded as an issue of “Latin culture” and therefore adaptation to the local culture does definitely not mean finding the easiest, cheapest or most secure way of practising bribery and corruption. On the other hand the foreign manager is often asked to pay bribes in very unspectacular cases just to ensure the production process. This certainly is not in accordance with globally defined ethic values of the firm nor is it regarded as reducing transaction costs. But it still seems to be unavoidable.

If the integration in the local society is a useful variable in explaining the development of adaptation strategies, it may also be helpful to develop strategies for avoiding the need to apply corrupt actions.

Therefore we state that interaction within informal networks is influencing all the different levels of risk management, with reference to dealing with corruption risks. Transnational networks are expected to have a special impact because of the process of intercultural interaction within the network.

3 Methodology

We use a mix of different tools of qualitative social research especially interviews with decision makers in local subsidiaries of German enterprises in Argentina and in Mexico. The interviewed managers are Germans as well as Argentineans and Mexicans to ensure a bi-perspective view on the issue. Interviews have been conducted in Mexico City and Buenos Aires. There still has to be done interviews in German parent company.

The interview guideline focuses three subject concerted within the interdisciplinary research group Fortrans (networks, success and risk management) and contains the issues

- Company profile
- Perception and Evaluation of corruption
- Adaptation and avoidance strategies
- Networks
- socio-demographic data / biography of the interviewed person.

The interviews are transliterated and the empirical investigation is based on content analysis – as the project is still in process we present only preliminary findings. These interviews are combined in a few occasions with narrative elements which fulfil a hermeneutical function. By analysing personal experience of interviewees it is possible to access and reconstruct personal interpretations, significance and justifications. These personal discourses on the meaning and different aspects of the phenomenon corruption will be supplemented in the next project phase by analysing public discourses extracted from mass media coverage on corruption cases in Argentina and Mexico as well as Germany.

4 Findings and Discussion

4.1 *Perception and practice of corruption*

Both Mexico and even more Argentina are perceived as being affected by a problematic level of corruption (Graf Lambsdorff, 2007). Statements in qualitative interviews conducted with representatives of German companies in both countries reflect the CPI scores. In the case of Mexico they vary between reporting considerable improvements and statements of an unchanged high level of corrupt practices, claiming that it is just occurring in a more disguised way because of the measures against corruption on global and national level. By the same token, positioning local corruption levels in an international context ranges from considering it a unavoidable phenomenon in Mexico to the negation of any local particularities, stating the global nature of corruption instead.

Frequently the interviewees report remarkable efforts and effects in combating corruption as they consider a decreasing level of corruption in Mexico. The reasons reported by managers are on the one hand trade liberalisation, as it reduces both the need and possibilities of bribery in customs and competition, and as it improves the providers' strategic position. On the other hand increasing transparency in public tenders and diversification of the political system is lowering the importance of traditional corruption networks. Nevertheless, in a global comparison Mexico still is characterized by a considerable level of corruption. The following reasons for this persisting high level have been identified by the interviewed managers:

- Poverty, low level of income and the lack of alternatives. This argument is referring to an implicit conceptual explanatory statement offered based on rational choice: As there are little other opportunities and the probability of punishment is low, for rational economic calculations asking for bribes is a attractive option. Therefore it includes a certain justification (if not an excuse) by using the "rational choice" argument.
- Inefficient institutions e.g. executive authorities, especially within the police.
- The most alarming element of corruption frequently is stated to be its organisation as a network and the perceived affection of all social groups and public institutions.

In general the executives in **Argentina** consider corruption a highly relevant problem and make references to famous cases of bribery most if they are part of *grand*

corruption and therefore are not usually directly linked to the business of the sampled enterprises. As the most vulnerable segments managers identify different authorities on the lower level (e.g. customs and police). Although the assessments of interviewed managers differ considerably, frequently they report the mentioned institutions using different practices of petty corruption. The typical situation includes unhidden demands of bribery payments in order to provide service or to avoid complications. As these acts are a product of the opportunity generated by the emergent situation and it is possible to identify a victim who is forced to pay usually a very small amount of money, this type of corrupt action is sometimes considered a bagatelle or corruption by opportunity (Bannenberg, 2003). Mostly they are not linked to providing illegal services or preferential treatment but only to avoid injustice or to have access to a service which normally should be provided without additional payments. Therefore it is often explained by the existence of inefficient institutions and justified by the low income level of the officials.

Typical examples for this kind of situation are the frequent traffic controls by police patrols with the only aim to improve their income. Similarly in Argentina frequent cases are reported of procrastinating administrative decisions or customs declarations in order to obtain additional payments. Depending on the specific constellation this kind of demand may not allow any kind of negation, but need an early anticipation in order to avoid being confronted to the situation.

The most relevant corrupt practices which are not reported by our sample but in the Argentinean economy and society in general can be pooled to the following four types (own aggregation based on Sautu et al., 2004):

- Tenders: fixings and agreements by different participants, faked tenders where suppliers are already fixed at the moment, including extremely detailed specifications
- „Commissions“ for purchasing agents and decision makers
- Billing excessive prices or purchasing immoderate amounts
- Billing services which are not part of the project e.g. private benefits

In difference to these reported practices in our interviews there are few references of business corruption but as mentioned above a high level of systemic corruption among administrative authorities. However it has to be stated that decision makers of German enterprises in Argentina complain about the existence of certain actor groups within different industries or market segments showing established network structures who

are supposed to use corrupt practices or at least practices of preferential treatment and nepotism or clientele effects. Those are practices which in our definition are not considered corruption but certainly are considered illegitimate – some authors call them „white corruption“ (He 2000, 244).

4.2 *Adaptation strategies*

There is a worldwide necessity of protection against corruption not only by civil society but also from the point of view of private companies. This mostly dominates a popular discourse, asking politicians and the mass media to act and investigate corrupt practices more forcefully. Recently, the importance of civil society and NGOs in this process has been stressed as a third pillar to stem corruption (Eigen, 2004). It has to be emphasised that companies themselves as well as ethical standards of international economy and global networking are other important elements of combating corruption (Eigen 2001).

By preliminary analysis of the interviews of decision makers we identify the following different types of strategic reaction and management of perceived corruption risk.

- „No tolerance“: Often based on globally valid business codes within the MNE as well as on personal ethic standards, decision makers implement measures to avoid corruption within their company and try to build up a good reputation. As a consequence the company has to renounce to cooperation with certain groups of customers. Those market segments affected have to be factored out, as it is not possible to gain a promising market position inside the predominant system without participating in the bribery system.
- Adaptation of organisational structure: Certain type of administrative acts are hard to conduct without paying bribes, especially without profound knowledge on local institutions and mechanisms. Therefore outsourcing of vulnerable parts of services, processes or contacts is a strategic option. It has been stated, that in some cases the cooperation with local firms may provide the firm with possibilities to avoid bribery payment, as dealing with local officials is part of the responsibility of the local partners.
- Need to adaptation and participation: Interviewees partly refer to cultural relativism and state that „You can't change the games rules, you are supposed to learn them“. It rises the risk of being trapped in a network and vicious circle of increasing demands and loosing reputation.

These strategies offer the additional benefit of helping to build up or strengthen good reputation of the enterprise. Therefore it is possible – depending on the strategic position and power resources of the company – to avoid the need of bribery payments on the long run. Furthermore it is economically reasonable and beneficial as increasing demands may cause a vicious circle and trap the company in a corruption network as soon as they start to participate.

There are also some possibilities to react on a personal level. For example in certain situations pretending not to know the „games rules“ may offer a certain protection, as the bribe demander needs to know that his counterpart is familiar with the existing practices especially because of the need for obscurity.

On the company level Business Codes are regarded as a meaningful base of combating corruption and establishing a „anti-corruption culture“ within the company which is considered to be essential (Kidd, 2004, 31). Multinational Enterprises companies often already have established codes of conduct or a set of ethical standards. By virtue of differing perceptions and culturally biased meanings of the phenomenon corruption it is crucial to adopt global standards and business codes to the specific spatial and cultural context.

“While the basic principles and policy are fixed, the individual countries are encouraged to develop specific guidelines to reflect local traditions and cultures, for example, in the giving and receiving of gifts” (Kidd, 2004, 31).

Certain practices - like gifts, invitations, etc. - may be in some contexts at least objectionable – within other cultural systems they are an indispensable part of respectful treatment of a partner. It is crucial to integrate those cultural adaptations in the own codes of conducts and to fix them in guidelines.

4.3 What benefit can networks provide?

One of the key elements of theoretical analysis of networks is the generation of trust among the networks' participants. Trust reduces malfeasance and the expectation of other participants of the network acting in an opportunistic way. Applying the network issue to the topic of corruption prevention, this means: In a certain context, in which voluntary ethical standards may provoke competitive disadvantages and make certain market segments inaccessible, the negation of corrupt practices can be successful only if it is linked to agreements within the industry. These agreements may be formalised or not – it is decisive that expectation of solidarity and no opportunistic action is met.

“Voluntary action, of which codes of conduct are an example, may be most effective when businesses work together on collective initiatives. By eliminating the competitive advantage of non-compliance, cooperation reduces the cost of compliance to a single business. Publicly sharing information may be one means of enforcing such cooperation. In addition, the more transparent the collective action, the less likely is it that companies will be seen as collusive” (Fletcher, 2003, p. 35)

According to our preliminary results there is little evidence for this optimistic view on networks and their assumed virtues. Rather, there dominates a negative perception of network effects: Depending on the industry, more or less important parts of the markets show relevant network structures hindering market entrance of newcomers and – at least according to the statements – may combine their trust relations within networks with corrupt practices. Therefore there are stated exclusionary effects of networks, building up market access barriers.

Nevertheless, there are some cases which show some risk reducing effects of networks:

- Networks help to learn about the host country's culture and make it easier to recognize properly which practices are accepted by the local society and which are not. This is crucial as culture sometimes is used to justify corrupt practices pretending that certain practices are common.
- By generating information advantages and improving the interpretation of business partners or officials' networks support the early understanding of situations which may generate corruption demands. One of the most important strategies to avoid corruption (especially during administrative decisions) is good preparation and detailed knowledge of the regulatory and institutional framework.
- Private-public-partnerships may produce a climate of cooperation which may reduce significantly the company's confrontation with demands of bribery payments and other corrupt practices by officials.
- Communication processes within networks conduct reputation – therefore they play a crucial role for selection of business and cooperation partners.
- Networks may reduce risk by supporting outsourcing, if certain services, administrative acts or relations are transferred to consultants.

5 Conclusion

This paper's goal was to discuss the managers' 'stress-field' between dealing with existing corrupt practices on one hand and the need to respect ethical standards on the other hand. The dominating explication of interviewees refers to reasoning inspired by rational choice and implicit categories of "power". On the one hand has been stressed that decision makers, especially in Argentina frequently do not dispose of the strategic position and power resource to oppose to the system or even change the context. Therefore predominates a perception of being committed to existing structures, These structures are characterised by power imbalances which can not be adjusted, but the only option may be the exit. Consequently success is directly linked to the existence of strategic alternatives, looking for other markets and the actors power in the sense of his resources and his dependency on single customers. Network involvement is not stated as a crucial strategic opportunity although it offers certain strategic options. Major tools and possibilities of decision makers to combat corrupt practices depend on power resources, alternative strategic options as well as host country involvement.

Nevertheless companies frequently establish measures to prevent corruption, most of them oriented towards the own organisation. Based on arguments inspired by rational choice these actions are destined to reduce the probability of exit (e.g. by a sophisticated control system). Measures which aim to reduce the expected benefits are limited in their possibilities, as they are oriented particularly to the employees of the own company and offers additional benefits like bonuses or advanced trainings.

Further research within this project has to integrate the discourse analysis in order to investigate the different interpretations, individual meanings and social construction of the phenomenon corruption in order to provide profound understanding of the mentioned "stress-field" and possible adaptation.

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Table 1: Transparency Internationals CPI in selected countries

	Trend	2003			2004			2005		
	1995-2004	Rank	CPI-Value	Range	Rank	CPI-Value	Range	Rank	CPI-Value	Range
Germany	0	16	7,7	4,9-9,2	15	8,2	7,5-9,2	16	8,2	7,5-8,2
USA	0	18	7,5	4,9-9,2	17	7,5	5,0-8,7	17	7,6	5,3-8,5
Japan	0	21	7,0	5,5-8,8	24	6,9	3,5-9,0	21	7,3	5,5-9,0
Mexico	+	64	3,6	2,4-4,9	64	3,6		65	3,5	2,7-4,5
India	0	83	2,8	2,1-3,6	90	2,8	2,2-3,7	88	2,9	2,1-3,5
Russia	+	86	2,7	1,4-4,9	90	2,8	2,0-5,0	126	2,4	1,9-3,0
Argentina	-	92	2,5	1,6-3,2	108	2,5	1,7-3,7	97	2,8	1,8-3,5
Indonesia	-	122	1,9	0,7-2,9	133	2,0	0,8-3,2	137	2,2	1,7-3,3
Bangladesh	k.A.	133	1,3	0,3-2,2	145	1,5	0,3-2,4	158	1,7	1,0-2,4
<i>Number of Countries</i>		133			146					

Source: TRANSPARENCY INTERNACIONAL (different years; own aggregation)