

Bribery in international business

Business



Bribery reduction: increase the 'economic cost' to firms who resort to bribery

Bribery is an act of offering something, usually money, in order to gain an illicit advantage. In the strictest sense, bribery can be viewed as exchanging money for gaining favors from another party, usually the government agencies, or other firms from the private sector. In order to look at the prevalence and reduction of bribery, we look at the relative benefits and costs of engaging in such practice. If the benefits of engaging in such practices are huge for a party in contrast to the costs, then the firm will likely resort to it as a rational act in line with conducting its business. Otherwise, the behavior will be discouraged as the benefits are perceived to be not worth the trouble, or costs to engaging in it.

The benefits to facilitate bribery are huge for both the giver and the receiver of the bribe. The giver or the firm get favor, maybe from the government agencies or another firm from the private sector. The receiver, maybe the government agencies or other firms, receive a sum of money in return for this favor. The main reason why it is not reduced is that these benefits are greater than the costs to participate in such a practice. There are not enough punishments in order to make the benefit seem not worth the price to be paid. Apart from the lack of moral integrity in some countries, why should such a beneficial behavior to these parties be discouraged if there are not enough costs to punish them? Therefore, in order to discourage bribery, the cost to parties that participate in such practice should be increased.

In what form should the cost come in? The cost should come in the form of
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finances, as what is included in the US laws for anti-bribery. But aside from it, these costs can come in the form of damage in reputation for the parties that involve in facilitating bribery. What multinational companies and the global community can do is to raise moral awareness on a global scale while condemning such practices. This is to increase the costs to parties who are doing it, the costs in the form of damage in reputation, if the fines are not enough, for being seen as firms who lack integrity in doing business in other countries.

Effects: the positives and the negatives

The effects to US firms come both in the positives and negatives. On the positive side, US firms, because they are forced to comply with anti-bribery law, will be perceived as more responsible corporate citizens in the respective countries they operate in. They can occupy the moral high grounds, and be liked for doing it, thus strengthening their reputation for integrity, which does have effects on maintaining their relationships with other stakeholders.

On the negative side, however, US firms are put into a disadvantage. As we mentioned earlier the most common causes why firms resort into bribery, because US firms can no longer facilitate in bribery without incurring costs such as the fines and damage on the reputation, they will have a harder time dealing with governments. Their non-US-based competitors who do not face such consequences can continue to pay the bribe and will have an easier time with the government, which gives them more advantage than their US-based counterparts

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Possible measures to 'level the playing field'

US-based companies see this unfair treatment as they face a relative disadvantage to their non-US-based competitors who still engage in bribes, without having to face such consequences which serve as punishment to discourage the acts. In order to level the playing field, what the global community can do is to encourage cooperation of as many countries in combating bribery. The key is to raise moral awareness among as many countries, educating them about the costs of bribery to society as a whole, while condemning those who engage in such practices. The possible measure is to raise moral awareness among the global public. The reinforcement of the anti-bribery law in other countries is weak; therefore in order to raise costs to firms that engage in it can come in exposing these deeds to the public. When the public perceives these deeds as detrimental to society, even if these firms do not face the consequences of paying large sums of fines, will be disliked and less trusted by the public. And the economic costs to firms who are disliked and less trusted by the people can be enough to serve as punishment to them.

Question 2

Why do some countries have more corrupt business practices, and lack the integrity found in other countries? What are the underlying reasons for these differences? Please be specific with some discussion. What are possible solutions to bridge the gap in these differences?

Reasons why bribery is prevalent

One of the political forces that influence how a business conducts its operations is the political government of the country where it operates in. In many countries where there is poor government, stiff bureaucracies, and red tapes are prevalent. This prevalence in red tapes that causes inefficiency in the part of government agencies can either delay or pile up the processing of necessary permits for the business, and other documents necessary for a business' operations. In order for businesses to get ahead and for their concerns not to be piled in a heap of other documents that take a very long time to service, they resort to bribery to get what they want. While bribery is not limited to the public sector, this practice which is seen as a necessary evil has been adopted in the private sector, thus becoming acceptable in many cultures.

Why the practice of bribery is prevalent and becomes an acceptable business practice in many countries is explained by our cost-benefit analysis in the earlier discussion. Some countries, like the US, raise costs or punishments to discourage such behaviors. Those companies that see the costs to be greater than the benefits will likely stop resorting to it. However, many countries do not give emphasis to combating bribery--those who are in power, who usually need to pass laws and in the government are sometimes the receivers of bribes. Apart from the political systems, sometimes the weak legal systems of governments in other countries contribute to loopholes to reinforcing these anti-bribery laws abroad.

Publicity: educate the globe about the effects of bribery

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As the head of US Justice Department Alice Fisher said in an interview, “Foreign corruption can be devastating to an economy, undercuts democracy and destabilizes markets (Schmidt, 2007).” While there are negative effects of bribery, the positive effects of combating bribery should also be emphasized; these include creating a more transparent environment which will encourage trust among foreign investors who will, in turn, invest in local markets to help expand the economy and a country.

In contrast to increasing costs to firms resorting to bribery, benefits should be increased for firms that will comply with the anti-bribery law. This is to give more reward and make compliance a better choice for firms, which in turn will reduce bribery.