Bribery in international marketing marketing essay

Bribery and corruption is a way of life in many countries and these practices affect the way international business is regularly conducted. However, in most of these countries, it is illegal to offer or receive bribes or engage in corrupt practices. Yet these corrupt practices are a part of the ‘ culture’ or normal way of doing businesses. Unless companies ‘ conform’ to such practices, in many cases, international business cannot be transacted.

This essay will try to provide discussion about bribery and corruption in international trade, with examples from very different point of view in according to the principal ethical system, despite whatever religious, realistic and nature. Analyses of the case of Siemens bribery scandal related to ethical issues will be investigated.

Bribery is an important issue of concern for many companies. Confrontation of bribery vary across many countries, but everyone has a different concept about it, such as in Hong Kong and Greece, here, managers are less critical of bribery in certain situations than that of the Americas. Paying bribery carries with it a great risk to damaging the company’s standing with the country which the briberies are paid, and at home too. Moreover, there is also the risk that the commercial culture of the company will become more open-minded of several of other practices at the legal issues. There is also evidence to suggest that those countries with the reputation for bribery and corruption damage themselves, as it reflects in their economic growth, has a low rates for high level of corruption, like that of Nigeria.

It is true to say that bribery in international markets can lead to astonishment,

bewilderment and misunderstanding for expatriates, at both organisational and

personal levels. This essay examines bribery from two viewpoints and tries to

develop procedures to bridge them. The first viewpoint is relativist, accepting that

different cultures have different ethical values and not imposing an expatriate's

values onto another culture. The second viewpoint is universalist, averring that

ethics apply anywhere in the world, and is based on psychological and economic

grounds. To resolve these two approaches, it is suggested that trying to understand

the cultural forces that determine home and overseas attitudes to the many forms

of bribery, this is a first step to adjustment. The next step is the development of a

global or regional code of conduct that allows flexibility within a ‘ gray’ zone. The

result could be an evolving code that adapts to the many dimensions of bribery for

each country’s situation, in a manner that is a negotiation between the cultural,

psychological and economic values of an expatriate’s organisation and of local

officials.

Introduction

International marketing is complex as foreign environments are different

from home environments, as they differ on physical, cultural, legalpolitical,

economic, competitive and distributive dimensions (Ball and McCulloch

1996). Due to these environments, marketers can adapt parts of the marketing

mix for each overseas country or region (Hoang 1997), for example, a company

might alter its packaging, distribution channels and advertisements in each of its

international markets.

These marketing mix issues are not the only ones facing international marketers.

Cultural management issues are important too, and bribery is the most important of

these, at least for Australian and US marketing managers (Armstrong et al. 1990).

For example, should a firm pay a customs official to process a shipment through

normal channels? Should a firm pay education expenses in its home country for

the child of a prince in an overseas country that the firm wants to enter? Should

payments to distributors be paid into two separate accounts when one is

apparently illegal? Should funds in the public relations budget be paid to someone

who appears to do nothing for public relations other than being related to someone

in power? Issues like these are important to someone from a culture where these

activities are unusual.

1937

Nevertheless, little research has been done on the ethics of international marketing

(Armstrong and Sweeney 1994), and interest in ethical issues in general has been

mainly empirical (Donaldson 1989). Moreover, levels of corruption vary widely

around the world, as seen in a survey of 52 countries by Transparency

International (1997). Furthermore, the issue of bribery in particular is often

considered within only one of the six different environments above, and bribery is sometimes discussed in the legal environment chapter of a textbook for

example, Keegan and Green 1997), where the effect of the United State's Foreign

Corrupt Practices Act (FCPA) on that country's ability to compete with Europe in

international markets is covered (Graham 1984). Alternatively, bribery is

sometimes in the public relations part of a textbook (Phillips Doole

and Lowe 1994), where it is discussed along with concern about corporate

citizenship and employee safety. In addition to this, bribery can be treated as a separate,

ethical issue, usually based on cultural issues (Donaldson 1996).

However, the aim of this essay is to consider bribery from across several

environments such as legal, cultural, economic and competitive, in order to

develop a managerial approach to the issue. Contribution is an integrated and

up-to-date review of these several viewpoints in a form that international

marketing managers might find useful. As well as, the review is from a non-US

view, while several other papers have a US view that is different from other

developed countries (Donaldson 1996; Mayo 1992; Across the Board 1993). It is

concluded that managers can develop a code of conduct for the several dimensions

of bribery that bridges the relativist and universalist views.

This essay has four main sections. Firstly, bribery in developing countries is

looked at from a Western view point that aims toshow the roots of bribery may be

common to both. This leads into a cultural, relativist view of bribery, which

suggests that bribery is appropriate if it is normal in the culture of an overseas

country. However, counter arguments to this relativist view are then presented,

including psychological and economic arguments. Finally, facing these two

contrasting positions, the essay considers how management could handle bribery.

In this essay, bribery is defined broadly: “ bribery is offering, or promising to pay,

‘ anything of value’ to influence an act or decision by officials in a foreign

government, including politicians, a political party or a bureaucrat to assist in

obtaining, retaining, or directing business to any person” (based on the FCPA’s

definition). This definition does not cover issues such as human rights or child labor use, sexual harassment or industrial espionage. Our

definition of dealing with officials about business matters is the one of major

concern to marketing managers in particular.

1938

Four Roots of Bribery

From a Western point of view, bribery sometimes appears to be caused merely by the

greed of locals, especially poor locals. however bribery has four, more complex roots

which appear to exist in both Western and developing countries.

Firstly, a bribe can be simply linked to a “ tip” to insure promptness at a restaurant, just as

a restaurant kitchen can sometimes have inefficient processes that require human

involvement to overcome, so can the bureaucracy of a developing country. Bribes

may be seen to be a way of ‘ purchasing’ government services when a government

cannot afford to provide salaries that are adequate for the service to be provided

free to every person (Tullock 1996). Thus, bribery may be a form of privatisation

that makes the wealthy who can afford it, pay for a service. Indeed, the relatively

high-principled FCPA that tries to limit the involvement of US firms in bribery,

actually permits payments to officials to do their normal duties while disallowing

payments to high-level officials for special favors. A prime example is a US business

person can bribe a customs officer to expedite an inspection but not to skip it

altogether. However, the next three roots of bribery may not be allowed by the FCPA.

Secondly, a bribe can be considered to be a normal promotion activity. Such as that of

BMW cars are provided free to family members of politicians in Western

countries for the spillover effect on the prestige of the car. If the wife of the

Premier of Victoria, Australia has free use of a BMW, why cannot officials in

overseas countries who are close to real power also be given ‘ gifts’ to help

promotion. Similarly, many Western companies provide ‘ corporate hospitality’

at sporting venues such as at the Ascot, Henley and Wimbledon in the name of

promotion (Ramsay 1990). Therefore, how is this kind of promotion different from some bribery in

developing countries?

This leads to the third root of bribery, which is related to the general idea of

gifts to show respect and gratitude to a person in a relationship, at certain times.

Gift giving is common at Christmas time in Western countries, and gift giving at

birthday and holidays may serve the same purpose in overseas countries (Onkvist

and Shaw 1997). As interactions between buyers and sellers proceed, a social

relationship is developed that can be enriched by gift giving. ‘ Social relationships

are often characterised by the exchange of gifts and hospitality as trust develops

between the parties. In seeking to build relationships of trust, the exchange of

gifts may be seen as an entirely appropriate act of social bonding.’ (Wood 1995,

p. 11). This reciprocal gift and favor giving is more important in some Asian

countries than in the West, simply because of their cultural values (Hofstede 1991, p.

169).

Finally, in food and other markets in developing markets, the occasional

expatriate customers are usually asked to pay more than locals because the

stallholder knows that his or her usual price is usually a far smaller proportion of

the discretionary spending of an expatriate than that of a local. A dual price system

1939

reflects the dual economies that exist in many developing countries and do not

exist to the same extent in western countries. That is, a poorly paid overseas

official with an extended family living in his small house may consider it

reasonable to ask a wealthy foreign business person staying at a five star hotel to

pay more than the usual low prices for labor and other services in his or her

country.

Thus a bribe may be seen to improve equity just as a progressive taxation system

aims to do in developed countries. The inequity without bribes in a developing

country may be even greater than in a market or a taxation system of a developed

country, because the official will have high local ‘ power’ from their

immediate and extended family, friends and political party despite having low

monetary ‘ wealth’. In contrast to this , the foreign business person has lower power despite

having higher monetary wealth. That is, bribery may not violate the Christian but

sometimes be considered to be a universal doctrine of love you neighbor like yourself,

but actually affirm it (contra Coady in Way 1996, p. 19).

Overall in brief then, bribery is seen to exist and has roots that exist in both a Western and an overseas

countries.

Cultural View of Bribery

Implicit in the discussion above is a relativist, cultural understanding of bribery –

‘ that what is right or wrong, good or bad, depends on one’s culture’. However, this

argument implies that there are no ‘ golden rules’ underlying most human behavior

(Way 1996, p. 19), that is, one’s own culture is the major influence on views

about bribery. This concept of culture therefore deserves to be explored further.

Culture has five dimensions: the relationship between the individual and the

collective group, power differentials within society, masculinity and femininity,

dealing with uncertainty and Confucian dynamism (Hofstede 1991). Several of

these dimensions strongly influence views about bribery. The first dimension of

individualism/collectivism would appear to be the most related to bribery (Tanzi

1995; in Onkvist and Shaw 1997, p. 175). Developing countries are more

collective than developed countries, that is, officials place greater emphasis on

their responsibilities to their own extended families and friends, than do Western

business people.

However individualism/collectivism is not the only cultural dimension affecting

bribery. Developing countries are often high on the second culture dimension of

power distance, that is, individual officials with which marketing

managers deal have major obligations to their supervisors. Thus, the officials will

support a bribery culture if it is related to power as some of the four roots of

culture above were shown to be, and especially so if their own superiors accept

and foster bribery. In addition to this, some Asian countries are more concerned with

1940

virtuous behavior than the abstract truth (which is related to the dimension of

Confucian dynamism). An official's actual behavior toward his or her immediate

and extended family, and toward friends and superiors is more important than

abstract ' universal' values applying to all humans, to which some Westerners

cling (Hofstede 1991). Onkvist and Shaw (1997, p. 175) appropriately sum up

this relativist, cultural view of bribery:

… the concept of arm's-length relationships would seem strange and alien.

It would even seem immoral. The idea that, economically speaking, one

should treat relatives and friends in the same way as strangers would

appear bizarre.

In brief, a cultural view of bribery initially suggests that expatriate marketing

managers should simply fit in with local bribery practices wherever he or she

goes. However, the cultural relativism approach to bribery developed above cannot be

the basis for a marketing manager's approach to bribery, because awareness of

cultural differences is only the starting point for international cooperation. That

is, a marketing manager cannot completely adapt to a different culture and deal in

bribes with no regard for his or her own cultural values, for an appreciation of

another's culture does not mean forgoing one's own culture. ' Successful

intercultural encounters presuppose that the partners believe in their own values.

If not, they have become alienated persons, lacking a sense of identity' (Hofstede

1991, p. 237). To handle the issue of bribery comprehensively for a real world

individuals involved in business, managers need to consider issues other than cultural

differences per se, and we turn to these relatively universalist issues next.

Economic and Managerial Issues of Bribery

Economic advantages of bribery for the receiving official and for the company

that receives preferential treatment ahead of its competitors, are obvious.

However, there are economic disadvantages for both the taking and the giving

country.

First, bribery can send incorrect signals about demand price and supply cost in a

market economy. More directly, bribery adds to the cost of contracts and goods roughly

by five percent in Asia (Kraar 1995), this could perhaps be even more in some instances.

Secondly, it distorts the decision-making processes too. When contractors are selected

on the basis of what the decision-maker will receive personally rather than the

contractors' ability to do the best, lowest cost job, then the whole economy suffers

misallocation of resources. This form of bribery was perhaps a major influence in

the recent meltdown of some Asian currencies. Thirdly, bribery can lead to

industrial standards being dropped with social and economic repercussions upon

the firm. For example, workers may work in substandard conditions that may

impair productivity, people may die in buildings that collapse due to building

standards inappropriate, and the environment and firm's future may be hurt by

over-zealous timber-felling.

1941

Moreover, there are other disadvantages of bribery that are particularly important

for the giving country. Firstly, home and foreign customers help pay for

' uneconomic' spending in bribes, often for the enrichment of a few overseas

individuals who become more wealthy than ordinary citizens of the giving

country. In 1995, bribery cost businesses almost $45 billion worldwide

(Kaltnhauser 1996). Secondly, bribery could be used against the giving

organisation, in the case of managers returning to the home country and rejoining

the salesforce at home could accept bribes for practices that the giving

organisation does not want done at home. That is, a relativist position that allows

a match between expatriate individuals and the ‘ corrupt’ organisations overseas,

may also foster at home the separation of personal and organisational moral

standards, with consequences at home that the organisation does not want.

In brief then, bribery has economic and social disadvantages that a purely cultural

understanding leading to a relativist attitude to it, may hide.

How Can Managers Handle Bribery in a Competitive Market?

Given the two contrasting views about bribery above, what can managers in a

non-US company do to bridge the gap between a relativist and a universalist

approach to ethics. The practices and what managers in a US firm do is clear, they obey the FCPA or get around it by channeling funds through an agent who

then handles the bribery behind a screen. Some managers might try to offset a

competitor’s bribe with a better, total product – ‘ You might offer a lower price, a

better product, better distribution or better advertising to offset the benefit of the

bribe to the decision influencer' (Keegan 1989, p. 201).

This US position is an ' idealist' position that many non-US managers may not

adopt, for it assumes that the better, total product will win the contract, when in

fact, bribery occurs to oftentimes successfully ensure that it does not. Moreover,

competing firms from European countries and Australia are allowed to treat bribes

as a tax-deductible business expense, reducing the after-tax effect of the bribe. In

April 1996, the OECD passed a resolution saying bribes should not be taxdeductible

and in 1993, Transparency International, a not-for-profit organisation

with chapters in 40 countries, tried to increase awareness of bribery's

existence, but anti-foreign bribery legislation outside the United States does not

yet exist.

Moreover, one is never sure of the level of bribes that competitors are offering for

a project, and so deciding on how much to improve the total product to fight

bribery is difficult. In addition, bribery is sometimes paid for day-to-day

operations as well as a project, and so discussion of a better, total product may be

of limited usefulness. For instance, if bribes are not paid by an individual firm, it may

experience bureaucratic delays on wharves and in warehouses and its goods may

1942

be stolen, while its bribe-paying competitors do not experience these costly

problems. In brief, curbing bribery from an idealistic position may be quixotic

until the United Nations or a similar organisation arranges for a multinational,

legal approach to it.

Given the present, imperfect world within which companies operate, some more

options to handle bribery are available. One option is to choose to internationalise

into the less-corrupt countries. Clear examples of corrupt countries are China,

Indonesia and India, which are rated among the most corrupt countries to do

business in the world after Russia; indeed, corruption in Indonesia…" is almost a

way of life". Only Singapore is more squeaky-clean than most Western countries

(" Hard graft in Asia" 1995, p. 61).

Organisation code of ethics. There is another option to approaching the ethical

gaps in international marketing. Firstly, within the home firm, managers could

develop an organisation code of ethics for any non-home country within which it

operates, or maybe for a particular region of many countries. For all these

countries, this code would outline the degree of standardisation and adaptation in

each of eight or so dimensions of bribery, such as expediting bureaucratic

processes, promotion, corporate hospitality, gifts, dual prices, wage rates,

occupational health and safety standards, and lobbying to influence government

policies. The code would take into consideration the cultural, legal-political,

economic, competitive and distributive environments of each foreign market and

the home organisation. For instance, it might specify when bribes appear on an

invoice and when they may not (adapted Cadbury 1987). Moreover,

acknowledging the greatest differences between an expatriate's and his or her

home organization's ethical systems, and the local environment's ethical

standards, this code might specify when some purchases or tenders are outsourced

away from the organisation to a local agent.

familiarisation tour of the home organisation would help home country managers

appreciate overseas operations, and helping with scholarships to home country

universities would foster long-term links when the students return.

Of course, managers need to know relevant national and international laws or hire

reputable lawyers who know local laws and customs. Although local legal and

judicial systems can be ‘ underdeveloped’, flawed and flouted (for example, with

bribes), a firm may have in its global code that local laws will always be

observed, even if the risks involved in flouting them, even though

competitors may be prepared to take the risks.

Finally, to help implementation of the code, the organisation could institute and

code of ethics sensitisation training before managers enter an overseas country

and when they return, based on cross-cultural sensitisation sessions like those

discussed in Hofstede (1991, p. 232). Ethics audits could also be carried out,

emphasising improvement and learning about the processes used, such as TQM

continual improvement programs do. Furthermore, these audits would foster an evolving

awareness of ethical considerations for each of the eight dimensions in a particular

organisation, and in a particular country.

Conclusion

Evidence suggests that bribery is a fact of life in international marketing that can lead to astonishment,

bewilderment and misunderstanding for expatriates at both organisational and personal

levels. Two viewpoints about bribery were examined. The first viewpoint was

relativist, accepting that bribery has the same roots in Western and other countries

and so different ethical systems may be simply the result of different cultural

values. In contrast, the second, universalist viewpoint is that a set of ethical values

applies anywhere in the world, based on psychological and economic grounds. To

bridge these two views, it is strongly suggested to try to understand the cultural

forces that determine home and overseas' attitudes to the many forms of bribery,

which will indeed be a first step to adjustment. The next step is to develop a global or regional code

of conduct that allows flexibility within a gray zone for some situations in

particular countries, based on win-win adjustments. The result could be

an evolving code of conduct that adapts to the many dimensions of bribery for

each country’s situation, in a manner that is a negotiation between the cultural,

psychological and economic values of an expatriates’ organisation and of local

officials.

1945