Company culture and prevention of corruption in Germany, China and Russia

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Abstract
A Web-based survey of 15 German companies with an international profile studied the main factors effectively preventing corruption. Results showed that the most important preventive factors were a company culture that promotes integrity, along with strong knowledge of norms and a high level of acceptance of the company anti-corruption programme. Using the example of Russia and China, the survey also studied how far German parent companies succeed in exporting their company cultures and prevention measures to foreign branches. Results showed that hierarchic-elitist cultures increase the susceptibility to corruption and impede the preventive effect of single anti-corruption measures.

Keywords
Company culture, corruption prevention, informal social control, national culture, whistleblowing culture

Introduction
Corruption has devastating consequences for the state, the economy, democracy and the rule of law. The study presented here concentrates on those forms of active and passive corruption that are engaged in by company employees. Being involved in crimes of corruption is a growing risk for companies, because recent years have seen not only a tightening up of the legal position and more prosecutions but also increasing social condemnation of these offences. Studies throughout the world confirm that it is above all the more rigorous US legal requirements that have delivered a strong signal promoting global advances in the field of the prevention of economic crime (Bussmann, 2015; Bussmann and Matschke, 2008). As a result, companies now implement special
compliance management systems to counter the risks of liability and damage to their reputation.

Preventing corruption represents a challenge to every compliance management system, because such programmes can be effective only when companies successfully enforce directed measures. Studies on the effectiveness of compliance programmes show that the challenges facing a company can be demanding, because, in many cases, the offences being committed emerge from a specific company culture. Internationally operating companies face the additional challenge of not only establishing a culture that promotes integrity within their own organization embedded in and shaped by their own national culture, but also extending this to foreign employees who have a host of different socialization backgrounds, cultural experiences, values and beliefs. However, we know very little about how far companies succeed in enforcing their company culture of integrity in the face of national cultural idiosyncrasies and thereby manage to reduce their risk of corruption. On the one hand, companies could potentially try to justify an engagement in corrupt practices because of their need to do business successfully in cultures that are both susceptible to corruption and difficult to change. On the other hand, however, one could argue that their compliance programmes may eventually even have a positive effect on foreign economies and societies by exerting an influence on not only their own employees but also the local companies in their supply chains.

Theory

Fighting corruption when doing business in foreign national cultures

The fight against corruption requires functioning institutions and democratic structures such as informed and politically mature citizens, an efficient administration, a free press and an independent judicial system (Graf Lambsdorff, 2007; Huisman and Vande Walle, 2010; Karstedt, 2003). It is quite clear that some countries have managed to move towards a functionally differentiated society more quickly and successfully than others, and that they have established law courts, parliaments and administrations that are not permeated by corrupt networks and nepotism. The extent of corruptive structures can be ascertained by looking at the value orientations in a country and the prevalence of hierarchic-elitist social structures (Karstedt, 2003).

Studies have shown a significant relationship between the collectivist value orientations in a country and its degree of corruption. Such values encourage patronage along with the formation and stabilization of exclusive and corrupt networks (House et al., 2004; Karstedt, 2003). Societies characterized by collectivist values tend to favour the in-group or organization. For the individual, the emphasis is on the profit or advantage for the in-group. In contrast to individualistic cultures, ‘ego’ refers not to the individual but to the reference group.

Such susceptible networks justify corruption by ideas about the need to look after one’s own collective. Collectivist value orientations are assigned particularly to hierarchic-elitist nations (Karstedt, 2003). In the social context, employees in collectivist cultures tend to make unethical decisions when these seem to be advantageous for their own company or for their extended family. As a result, they view such business practices in
their company uncritically (Sims, 2009). At the same time, studies indicate that these employees are far less willing to engage in whistleblowing than are employees with a more individualistic societal background (Bhal and Dhadich, 2011; Helfrich, 2013).

Moreover, cross-cultural comparisons reveal that a high general level of social trust in institutions, companies and people is accompanied by a low level of corruption (Tonoyan, 2004; Uslaner, 2005). If, in contrast, the level of generalized trust is low, citizens and companies will compensate by maintaining exclusive networks through which they create a situation- and person-oriented trust. For such networks, corruption is almost a matter of course. According to Paldam (2002), the lack of generalized trust in post-Soviet states is one factor explaining their continuously high level of corruption. In contrast, a low level of corruption, such as that found in the Scandinavian countries, can be traced back to a high level of generalized trust (Björnskov and Paldam, 2004). Karstedt (2003) associates a low level of generalized trust and a high level of uncertainty with hierarchic-elitist nations. Owing to the influence of this cultural background, employees can be expected to place little trust in whistleblowing systems, even when these have been set up within their own company, and to have more reservations about reporting suspicions than employees with an egalitarian cultural background.

Further relationships can be found with a strongly shaped power distance within a society, which stands for a strongly hierarchical social order, clearly marked social classes and an authoritarian value system, as found to a greater extent in Latin American and Asiatic countries (Graf Lambsdorff, 2007; Hofstede and Minkov, 2013; La Porta et al., 1999). Particularly in countries combining a hierarchic-elitist balance of power with an extremely unequal distribution of wealth, any existing problem with corruption will become even further consolidated. Moreover, this increases the tendency to avoid uncertainty in society; and that makes the use of exclusionary (corrupt) networks continue to be attractive. Controlling for prosperity factors such as gross domestic product, this corruption-promoting influence can also be shown on the dimensions of power distance and avoidance of uncertainty (Getz and Volkema, 2001; Graf Lambsdorff, 2007). Studies have shown significant relationships between power distance and managers’ attitudes towards ethically questionable business practices (Christie et al., 2003).

Moreover, the dimensions of power distance and avoidance of uncertainty are considered to relate particularly strongly to the readiness to use whistleblowing systems. Results show that an ‘emphasis on power differentials’ inhibits social control from below and thereby exerts a negative influence on the readiness to report compliance violations (Karstedt, 2003). Based on these empirical findings, countries with a high power distance can be expected to have a low readiness to report violations directly; the most that can be expected from them is a higher level of anonymous whistleblowing (Bhal and Dhadich, 2011).

According to previous findings, egalitarian societies such as Germany and other West European countries, the United States or Australia are characterized by a lower risk of corruption, a higher readiness to discuss improper behaviour, more trust in regulatory and supervisory bodies and less reluctance to initiate formal reporting processes. In hierarchic-elitist countries such as South European, East European and some Asiatic nations, there is a higher risk of corruption and a lower readiness to report compliance violations, combined with greater uncertainty and distrust.
In most cases, corruption and many other economic crimes are embedded within the usual practices prevailing within a business sector along with the specific company culture and the national culture. Offenders are socially well adjusted, better educated and generally middle-aged individuals who have been working in the company for many years (Bussmann and Werle, 2006). Improper behaviour does not have to be due to a ‘defect’ in the offender. In cases of corruption, the ‘defect’ is frequently to be found in the company itself and its environment. This is why so-called ‘bad apple’ theories have only a limited ability to explain corruption, because they do not take the influences of company culture into account (Caiden, 2001). Despite committing what are recognizably criminal offences, most companies and individuals perceive themselves as having acted in a morally acceptable way, because strict compliance with the norms of criminal law is not among the normal practices in the relevant occupational world in which they move. Hence, when explaining corruption, personality characteristics are of only secondary importance compared with company culture (Bussmann, 2015). Indeed, empirical studies show that it is above all compliance management systems that are able to reduce unethical and illegal behaviour in employees (McKinney et al., 2010; Trevino et al., 1999). Nonetheless, merely implementing a programme does not simply result in a crime prevention effect per se. Visible behaviour can emerge only on the basis of firmly anchored beliefs and values (Schein, 2010). Therefore any compliance programme has to be embedded in a company’s value management – in an ethical company culture (Eigenstetter et al., 2007; Valentine et al., 2014). The guidelines for the USA’s Foreign Corrupt Practices Act (Criminal Division of the U.S. Department of Justice and the Enforcement Division of the U.S. Securities and Exchange Commission, 2012) and the UK’s Bribery Act 2010 (Ministry of Justice, 2012) also call for a clear commitment to an anti-corruption policy and its clear communication from the management level. In other words, they call for an ethical company culture. The guidelines on the international standard for compliance management systems (ISO 19600:2014, International Organization for Standardization, 2014: sec. 7.3.2.3, p. 16) also contain a special section focusing on how to establish a company culture that promotes integrity.

Empirical studies have already examined several individual aspects of such an integrity-promoting company culture. Results have shown that perceiving positive model behaviour in one’s direct superior exerts a positive influence on employees (Brown et al., 2005; Kaptein, 2011). This model behaviour has a particularly strong effect on how well an anti-corruption programme is accepted throughout a company (Weaver et al., 1999). However, the perceived fairness and justice of the direct superior’s management behaviour also help a company to succeed in creating an environment that promotes integrity as the foundation for all the commercial activities of its employees (Lind, 1994; Tyler, 1990; Viswesvaran and Ones, 2002).

In addition, a company culture that promotes integrity must also encompass an acceptance of informal social control. Company employees are embedded within a social network, and violations of the norms and values within this social reference framework can be sanctioned by the group in the form of, for example, severe disapproval or loss of status. There is broad consensus that decisions to carry out criminal acts depend strongly
on expectations regarding informal sanctions (Akers, 2013; Brown et al., 2013; Steßl, 2012). There is also a need for a whistleblowing culture that goes beyond the informal framework of social control, should this fail, by communicating illegal activities to superiors or others responsible for this, such as the legal or compliance department or an ombudsman. However, employees will desist from whistleblowing if they personally fear social sanctions from either their colleagues or the company (Berry, 2004; Rothschild and Miethe, 1999). In contrast, if they can trust that their information will be dealt with appropriately, the threshold to whistleblowing may well be lower. The whistleblowing procedure, along with how such information is processed, is decisive for the readiness to report incidents (Miceli and Near, 2002; Rothwell and Baldwin, 2006).

This all shows how formal and informal reactions to rule violations have an impact on each other. Reservations about and a reluctance to use a company’s internal whistleblowing system are, once again, subject to the influence of the company culture; and the crime prevention effect of the company culture is also expressed by the establishment of a positive whistleblowing culture. This juxtaposes rule-based and value-based approaches. These should be seen in no way as competing strategies but as supportive approaches (Cooper, 2006; Maesschalck; 2004).

Research questions and methods

As the state of research on the degree of corruption in various countries shows, certain national cultural dimensions seem to exert a decisive influence on the preventive success of compliance management systems. These dimensions particularly include the extent of hierarchic-elitist structures and generalized social trust. Hence, our research focused on how established company culture and prevention measures can be transferred to branch offices and subsidiaries in other countries.

Russia and China are understood here as representing hierarchic-elitist societies that are also typically characterized by low generalized social trust and a high power distance. According to the Bribe Payer Index from Transparency International (2011), Russian and Chinese companies are strongly affected by corruption. In both countries, this creates tough obstacles to corruption prevention based on the model in the German parent company. Therefore, we selected these two countries and compared the efficacy of internal company corruption programmes in the German parent company with their efficacy in foreign branches in Russia and China. Drawing on the current state of research, we derived the following hypotheses:

Hypothesis 1 (H1): Managers in Germany will report less willingness to engage in corrupt behaviour than will managers in Russia and China.

Hypothesis 2 (H2): Managers in Germany will reveal a higher degree of informal social control than will managers in Russia and China.

Hypothesis 3 (H3): Managers in German parent companies will report fewer reservations about using the company’s own whistleblower system than will managers in foreign branches in Russia and China.
In addition, we anticipated that the company culture in foreign branches would be less supportive of integrity. This led to the following individual hypotheses:

**Hypothesis 4 (H4):** Managers in German parent companies will perceive senior management as more supportive of integrity than will managers in foreign branches in Russia and China.

**Hypothesis 5 (H5):** Managers in Germany will rate the ethical leadership of direct superiors more positively than will managers in Russia and China.

**Hypothesis 6 (H6):** German managers will reveal a stronger corporate culture of success than will the sample of Russian and Chinese managers.

Previous national and international research strongly confirms the need for a company culture that promotes integrity. However, little is known about how effectively this culture influences prevention programmes. This leads to the following hypotheses:

**Hypothesis 7 (H7):** A company culture that promotes integrity will have a direct crime-preventive effect on the willingness to engage in corrupt behaviour.

**Hypothesis 8 (H8):** A company culture that promotes integrity will have a direct effect on informal social control and increase the willingness to engage in it.

**Hypothesis 9 (H9):** A company culture that promotes integrity will have a direct positive effect on the company whistleblowing culture.

These hypotheses were tested with data from the research project ‘Kriminalpräventive Wirkung von Anti-Korruptionsprogrammen’ [Effectiveness of anti-corruption programmes on crime prevention].

**Methodology**

As well as reporting descriptive findings on the responses of managers in the three countries, we used non-parametric Mann–Whitney U tests to analyse the differences between the German parent companies and their foreign branches in Russia and China. This statistic tests how far the three groups differ regarding their central tendency. It is a distribution-free procedure that tests for significant differences between group medians. Given that the data do not follow a normal distribution, we applied this approach to Hypotheses 1 and 2 as well as 4 and 6 because of its relative robustness in relation to outliers. In addition, we applied a chi-square test for homogeneity to Hypothesis 3. This approach can be used to test whether a feature of interest has an identical distribution in two independent, random samples. Hence, we applied this test in order to confirm whether the willingness to engage in corrupt behaviour varied across the different manager samples.

We tested Hypotheses 7 to 9 with complex structural equation modelling in order to analyse the cause–effect relationships between various factors of crime prevention simultaneously. The goal of this method is to conceive theoretically derived statements on the
relationships between various phenomena in reality in formal terms and then to test their validity empirically (Schumacker and Lomax, 2015). We estimated the parameters of the model with the maximum likelihood method. As the outcome of model estimations, we computed standardized estimates in the form of path coefficients. These correspond to the beta weights of the regression analysis within the structural model (Kline, 2011). Statements on the strength of the relationships are based on the size of the beta weight. According to Chin (1998), path coefficients larger than .20 can be taken to be meaningful.

Sampling

The study focuses on internationally active German companies that have already implemented an anti-corruption programme. All companies possess an established compliance management system. Nearly all managers surveyed (98 percent) had received at least one training on preventing corruption in their company. All companies had implemented a whistleblowing system as part of their anti-corruption programme and appointed a special internal or external contact person for this purpose.

Therefore, the data do not give a representative picture of German business, but show the situation in those companies that have made a lot of advances within the shift towards greater compliance. The data also permit a study of the postulated relationships in a group of companies from different industries. Within the companies, the managers surveyed were selected at random; their participation was voluntary. The companies informed their employees about the survey by mail and invited them to complete the online questionnaire. Participants were a total of 4302 managers from 15 internationally active major German companies. The companies in the sample are in the automotive \((n = 9)\), retail and consumer \((n = 4)\), and transport and logistics industries \((n = 2)\). On average, they employ more than 120,000 staff worldwide. Roughly one-third of respondents (36 percent) came from the top or middle management of the company concerned; a further 31 percent were senior executives, department managers or team managers; and the other respondents could be assigned to other levels of the company hierarchy. Their average age was 45 years, and they had been employed in their company for an average of more than 8 years. A total of 20 percent of the surveyed managers were female. The majority of the managers surveyed were responsible for Germany \((n = 1988)\), about 3 percent for Russia \((n = 127)\), and 3 percent for China \((n = 124)\).

Results

Based on the reports of employees in the German parent companies and the reports of their colleagues in Russian and Chinese branch offices we performed a cross-cultural comparison of several aspects of the internal prevention of corruption. Furthermore, we analysed the significance of the company culture for crime prevention.

Risk of corruption in Germany, Russia and China

The risk of corruption in a company is ultimately an expression of how managers and employees deal with corruptive situations in their daily business. However, any replies to questions
on such sensitive issues will be influenced strongly by social desirability effects. Therefore, alongside self-reports, we also asked respondents to rate other employees. Research on social desirability has shown that it is particularly misbehaviour and undesirable behaviours that tend to be underestimated in self-reports but projected onto others (Fisher, 1993). It can therefore be assumed that ratings of others are a more valid measure than self-reports. Hence, they can be used to estimate the frequency of undetected misbehaviour and, in our context, corrupt acts. Specifically, we asked the participants to tell us how probable they considered it to be that colleagues would either accept a bribe from or give a bribe to a potential business partner in a competitive situation. Depending on their work tasks, respondents were given case scenarios describing either illegally making gifts (sales and distribution) or accepting invitations in a competitive situation (procurement contracts).

The proportion of those who were certain that their colleagues would act corruptly in such a situation hardly differed across the three countries (Figure 1). This was probably due particularly to the fact that we were surveying companies possessing well-established compliance management systems.

However, clearer differences emerged in the proportion of those who were at least uncertain about how their colleagues would behave. In Germany and Russia, roughly 1 in 10 managers was uncertain about the integrity of her or his colleagues. However, this proportion was twice as high among the Chinese managers: 20 percent of managers in China was uncertain about how colleagues would behave in a competitive situation in which they are confronted with giving or taking a bribe. For the Chinese branch offices of German companies, this resulted in a risk group of one-quarter of all employees whose integrity was questionable. In Germany, only roughly 1 in 10 belonged to this risk group. In comparison, the proportion in Russia was slightly higher at 14 percent of employees.

The only one of these descriptive differences that proved to be statistically significant was that between the appraisals of German and Chinese managers (H1, see Table 1). However, contrary to Hypothesis H1, Russian managers did not differ from their German colleagues in their estimations of the risk of corruption. This result shows that German companies are not confronted with a higher risk of corruption in foreign markets in general, as shown by the example of the Russian sample in this study. China however, as an emerging market, nonetheless reveals a high risk of corruption. This confirms the greater burden of corruption repeatedly confronting German companies in some emerging markets. Hence, the study is able to show a higher risk of corruption in hierarchic-elitist societies compared with egalitarian nations – using the example of Germany, Russia and China.

**Figure 1.** Appraisal of whether colleagues would give or take bribes in a competitive situation.
Cross-cultural comparison of crime prevention through informal social control

A major element of an effective prevention programme is control measures designed to ensure that a company’s compliance rules are obeyed. On the one hand, these are provided by formal authorities such as the company’s internal auditing, top management or further formal control agencies both inside and outside the company. On the other hand, employees and managers can also ensure compliance with the rules and regulations among themselves. In this case, one talks about informal social control.

Six out of seven German managers reported that they would talk about observing a suspected infringement at least with their colleagues. In Russia, this was only five out of seven; and, in China, roughly four out of seven managers (Figure 2).

The readiness to talk with the person concerned about an observed infringement of compliance was much stronger among German managers than among those in Russia and China. The difference compared with Chinese managers was particularly large. Among the managers in China, less than one in two would talk about their behaviour to a person suspected of having acted in a corrupt way.

We formed a scale from these items and used this to compute the differences between manager groups. This confirmed the postulated descriptive differences (H2). Both Russian and Chinese managers were significantly less willing to sanction infringements in an informal way than were managers in the German parent companies (Table 2).

**Table 1. Results of the chi-square test of group differences in the appraisal of corruptive behaviour.**

<table>
<thead>
<tr>
<th>Scale</th>
<th>Germany vs Russia</th>
<th>Germany vs China</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$\chi^2$</td>
<td>$p$</td>
</tr>
<tr>
<td>Appraisal of corruptive behaviour</td>
<td>1.776</td>
<td>.412</td>
</tr>
</tbody>
</table>

***$p < .001$.**

**Figure 2. Measures of informal social control when observing an infringement of compliance.**

**Cross-cultural comparison of crime prevention through informal social control**
Table 2. Group means on the scales studied and the results of the U test on significant group differences.

<table>
<thead>
<tr>
<th>Scale</th>
<th>Means of managers from…</th>
<th>Germany vs Russia</th>
<th>Germany vs China</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Germany</td>
<td>Russia</td>
<td>China</td>
</tr>
<tr>
<td>Informal social control</td>
<td>4.09</td>
<td>3.89</td>
<td>3.47</td>
</tr>
<tr>
<td>Positive whistleblowing culture</td>
<td>3.98</td>
<td>3.50</td>
<td>3.28</td>
</tr>
<tr>
<td>Tone from the top</td>
<td>4.74</td>
<td>4.70</td>
<td>4.65</td>
</tr>
<tr>
<td>Ethical leadership</td>
<td>4.23</td>
<td>4.40</td>
<td>4.43</td>
</tr>
<tr>
<td>Culture of success</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td>3.84</td>
<td>4.15</td>
<td>3.99</td>
</tr>
<tr>
<td>Transparency</td>
<td>4.20</td>
<td>4.46</td>
<td>4.34</td>
</tr>
<tr>
<td>Non-egoism</td>
<td>4.06</td>
<td>3.52</td>
<td>3.26</td>
</tr>
<tr>
<td>Compliance with rules</td>
<td>4.12</td>
<td>4.18</td>
<td>4.12</td>
</tr>
</tbody>
</table>

*p < .05. **p < .01. ***p < .001.

Cross-cultural comparison of whistleblowing cultures

Informal and formal controls complement each other in the effective implementation of an anti-corruption programme. Therefore, they have to be viewed together. Both forms should be promoted by companies within the framework of a compliance management system. One possible way of dealing with a suspicion formally is to report it to an anonymous whistleblowing system.

Companies differ in the type of whistleblowing systems they have implemented. They all possess a special internal contact person and some also have external contact persons such as an ombudsman. A few companies also allow whistleblowing over a Web- or Intranet-based system. Almost 1 in 10 German managers (n = 182) and even more than 1 in 10 Russian (n = 18) and Chinese managers (n = 21) stated that they had reported a suspicion over the whistleblowing system during the previous two years. However, any thoughts about reporting a suspicion to a whistleblowing system are always linked to certain doubts (Figure 3).3

Chinese managers particularly lacked trust in the confidentiality and anonymity of their whistleblowing system. Compared with their colleagues in Germany and Russia, a particularly large number strongly doubted whether the suspicion would be investigated thoroughly and also feared that a whistleblower could be viewed as an informer. One in five managers in China assumed that whistleblowing could result in setbacks to their personal careers. Although Russian and German managers shared these reservations to a similarly large extent, this percentage tended to decline from China to Russia to Germany. Regarding their doubts, Russian managers took an intermediate position between their German and Chinese colleagues. Doubts about the lack of confidentiality and anonymity were most prominent here, along with the fear of being viewed as an informer.
Statistical tests on significant group differences confirmed these descriptive trends in line with Hypothesis 3. Both the Russian and Chinese managers differed significantly from the sample of German managers. Managers in both foreign branches reported significantly more reservations and thereby indicated a less positive whistleblowing culture (Table 2).

The reported doubts and scepticism regarding the use of the company’s internal whistleblowing system reflect the effect of the generalized level of trust in a society and the degree of social uncertainty in the individual nations. As expected, particularly strong reservations and low trust are to be found in countries such as Russia and China where less trust is placed in institutions, companies and people compared with Germany.

**Dimensions of company culture that promote integrity**

Alongside further aspects such as different control measures, a company culture that promotes integrity is an essential framing condition for the successful implementation of a prevention programme.

‘Tone from the top’. An efficacious compliance management requires a clearly communicated commitment by top management to norms and values that reject corruption. This is how top management lays the foundation for the specific company culture. With the help of guidelines and rules, it intervenes in daily business to regulate it and thereby communicate the central compliance message in the form of the ‘tone from the top’.4 Results showed that the credibility of a prevention programme depends decisively on the picture of how to deal with corruption that top management conveys to managers and employees. The decisive aspects are consistency, unity, making no exceptions and a clear public stance.

Just about all German managers perceived the top management of their company in this way. This is not surprising, considering that, as far as top management was concerned, all companies participating in the study had already built up a compliance management system and could therefore be expected to achieve good results. However, this
applies only with reservations when it comes to foreign branches. For example, in the Russian and Chinese branches, the tone from the top was not perceived in such a homogeneously positive way (Figure 4). Compared with their German colleagues, markedly fewer managers who worked for a German company in Russia had the impression that their top management resolutely backs the company guidelines. The second aspect in which Russian managers fell behind their German colleagues was in the extent to which they perceived top management as making no exceptions and preferring to let a business transaction fail rather than having to use bribery. In China, the German top management was also viewed as being less resolute. In addition, fewer Chinese managers reported having the impression that the top management credibly conveys that bribery is not a legitimate practice.

These results reveal that, even when trying to convey the basis for a company culture that promotes integrity, reductions in the effectiveness of the tone from the top are already emerging outside of Germany. This applies particularly to the top management’s resoluteness and making of no exceptions. Although this is perceived as effective in the home country, it cannot be conveyed fully to managers in foreign branches.

In all, Hypothesis 4 could not be confirmed, because there were no significant group differences on this scale between managers in the German parent companies and their foreign colleagues (Table 2). Nonetheless, all groups perceived the ‘tone from the top’ in a similar way as a company culture that promotes integrity.

**Ethical leadership.** The direct superior, who is mostly a member of middle management, serves as a vital link between top management and the individual employee. For the prevention of corruption within the company, the main function of middle management is to communicate the compliance message from top management to the levels below and to put this into practice in their daily business.⁵
In a company culture that promotes integrity, the leadership behaviour of the direct superior should not only function as a model of how to deal with active and passive corruption but also be perceived as consistent and trustworthy. In addition, when it comes to ethical leadership, it is important for the direct superior not only to model the company rules and regulations but also to criticize violations of these. This promotes commitment. The aforementioned function of serving as a vital link between top management and individual employees seems to be particularly important in foreign branch offices (Figure 5).

In both Russia and China, notably more managers reported that their direct superiors discuss how to handle corrupt situations in business dealings with employees and also define successes not just by the results but also by the way they are obtained. In the domain of consistency (‘sets an example of how to do things the right way in terms of business ethics’) and making no exceptions (‘criticizes employees who violate ethical standards’), there were hardly any differences between countries.

We used these items to form a scale with which to test the descriptive trends statistically. This revealed significant differences in response behaviour between German and Russian managers as well as between German and Chinese managers (Table 2). In both cases, managers in foreign offices perceived the behaviour of their direct superiors as being more ethical and rated this more positively. This ran counter to Hypothesis 5.

**Culture of success in the company.** Although top management and managers define the binding rules and values within the company, a company culture that promotes integrity requires their internalization at all staff levels. However, it is the value orientations with which employees also succeed within their company that are decisive, and these are therefore perceived as the desired defining culture. This culture that employees experience with each other in their daily business lives can be labelled the culture of success, and can be understood as the social behaviours that lead to success in the company.6

If a culture of success promotes integrity, then successful employees can be characterized as those who deal with colleagues and business partners in an open and transparent
way. A culture that promotes integrity rejects not only acting independently when making important decisions but also neglecting company guidelines in order to achieve business deals.

On the aspect of compliance with rules, 9 out of 10 managers viewed the guidelines and rules of their company as unreservedly binding. Only a very small group considered that part of their own culture of success was keeping silent when others infringe company guidelines, along with neglecting company guidelines if it would help to do a job well. If others infringe company guidelines, more than 1 in 10 in Russia and China would keep silent – a markedly larger proportion than in Germany (Figure 6). It would seem that Russian and Chinese managers less frequently question the decision-making authority of their colleagues. However, tests revealed no statistically significant differences between manager groups on this scale (H6, see Table 2).

Particularly when it comes to egoistic self-serving behaviours, a markedly larger proportion of Russian and Chinese managers reported exploiting their authority in the company to further their own interests or also acting on their own authority when making decisions with far-reaching consequences. It is particularly conspicuous that one-third of managers active in China considered that they were able to exploit their authority in the company to further their own interests. These descriptive group differences were confirmed statistically (Table 2). Both Chinese and Russian managers observed a significantly higher degree of egoistic behaviour among their colleagues (H6). However, this is
not behaviour giving advantages to the individual in the way that is familiar in individu-
alistic societies. In collectivist cultures, egoistic behaviour primarily serves the interests
of the in-group. In collectivist societies, these ‘own interests’ are frequently the interests
of one’s own reference group, which may be the family or the proximal working environ-
ment. Favouring this reference group is often driven by a notion of care that is character-
istic of a collectivist value orientation and is found particularly in hierarchic-elitist
societies.

A further success factor and thereby also a primary aspect of a company’s culture is
transparent business practices. More than two-thirds of German managers considered
both internal and external transparency to be indispensable for success in their own com-
pany. In the Russian and Chinese branch offices of major German companies, this pro-
portion was even larger. Four out of five managers responsible for Russia or China
reported making business decisions transparent as a success factor in their company. This
attitude was also reflected in the support for open internal communication procedures. In
turn, markedly more Russian and Chinese managers considered that addressing prob-
lems openly or openly questioning management decisions if they have a good reason to
do so in everyday working life would promote their careers in the company.

Main corruption prevention factors in the company

To control for the influence of different national cultures, we studied the influence of
company culture on internal company corruption prevention in only a subsample. An
international sample would probably contain so many cultural effects that it would be
impossible to achieve a good model fit. Therefore, for the multivariate analysis, we
selected Germany as the largest culturally homogeneous subsample.

The goal of this analysis was to identify prevention factors underlying the German
compliance system that could serve as a platform for compliance systems in foreign
offices and be used to measure their efficacy. We formulated a causal model that had
a satisfactory model fit and therefore provided a good reconstruction of conditions
with the help of selected model parameters. This model could be used to deduce the
significance of individual factors for the company’s internal corruption prevention
(Figure 7).

This model revealed the role of individual factors in internal company corruption
prevention (Figure 7). As expected, analyses confirmed that the company culture has to
be assigned a central role because it influences various factors in a multiplicity of ways.
A culture that promotes integrity has a direct positive influence on the rejection of cor-
ruption ($\beta = .64^{***}$) and impacts directly on the knowledge of company norms ($\beta =
.21^{***}$). The predominant culture in a company determines whether employees are
aware of which business practices infringe internal company guidelines or even repre-
sent a criminal offence. In addition, it reveals their direct effect on the dependent varia-
bles (H7–H9):

1. Informal social control ($\beta = .18^*$)
2. Whistleblowing culture ($\beta = .37^{***}$)
3. Own corrupt behaviour and that perceived in others ($\beta = -.61^{***}$)
The multivariate analysis showed that a company culture that promotes integrity reduces the willingness of employees to engage in corrupt business practices. The influence on the dependent variable *corrupt behaviour* is direct (β = −.61***). Alongside company culture, awareness of the valid norms is the second significant factor reducing the risk of corruption (β = −.35***). These two strong direct preventive effects on crime are additionally supported by a negative attitude towards corruption (β = .50**).

Moreover, a company culture shaped by promoting integrity directly promotes the willingness to engage in *informal social control* (β = .18*). If an environment promoting integrity is generally predominant in a company, this promotes the willingness to address colleagues regarding possible misbehaviour and compliance infringements. This willingness is additionally supported directly by the *acceptance of the company’s anti-corruption programme* (β = .26***), and the *knowledge of norms* (β = .33***). The opposite of informal social control is formal reactions to compliance infringements. A positive *whistleblowing culture* is present when whistleblowing is linked to positive expectations, few fears and more company-oriented motives. Results show that such a whistleblowing culture is supported not only by a company culture that promotes integrity (β = .37***), but also, and in particular, by the acceptance of the company’s anti-corruption programme (β = .60***), which is additionally influenced by the internal company culture over a diversity of other paths.

The dependent variables *informal social control* and *whistleblowing culture* additionally show direct effects on *corruption behaviour*. Although a high informal social control lowers the inclination to corruption (β = −.08, n.s.), the present study also reveals how the so-called control paradox (Bussmann, 2007, 2015) leads to more outspoken and therefore more frequent reports on the inclination to corruption in the circle of colleagues (β = .55**).
There is also a close interaction between the quality of training and company culture. The better training measures are judged to be, the more frequently they are carried out and the more varied they are, the more the (perceived) company culture promotes integrity, and vice versa. Training measures within the framework of an anti-corruption programme are particularly significant for crime prevention because they represent an important instrument for conveying an integrity-promoting and corruption-preventing attitude to employees. Training measures can exert a positive influence on the given company culture.

Discussion

Contrary to Hypothesis 1, hierarchic-elitist national cultures do not necessarily encourage corruption. In the case of the sample of Russian managers in German companies studied here, we have to reject the hypothesis: there are no significant differences in the willingness to engage in corrupt behaviour compared with German managers. The sample of Chinese managers in German companies, in contrast, shows a significantly higher willingness to use corrupt practices in their daily business compared with German managers (Table 1). It seems as if German companies have more success in implementing their compliance management system among Russian managers in Russia than among Chinese managers in China. There may be different reasons for this: for example, it could be owing to the quality of the compliance management systems in the specific countries. However, we could not test this within the framework of the present survey. In addition, we could not rule out the possibility that the cultural distance between Germany and China is far greater than that between Germany and Russia. In a further study, we are planning to survey a comparison sample outside the participating companies in order to control these national cultural influences more effectively.

Looking at the willingness to address criminal or compliance-relevant behaviour among colleagues and thus subject it to informal social control, we find marked differences between hierarchic-elitist national cultures with a low level of generalized trust such as Russia and China compared with egalitarian societies with a higher level of generalized trust such as Germany. Correspondingly, H2 can be confirmed: the German sample reveals significantly higher scores on the willingness to engage in informal social control than the Russian and Chinese managers in this study (Table 2).

The same applies to the willingness to use whistleblowing systems. The present survey shows a significantly more positive whistleblowing culture in German parent companies than in their Russian or Chinese foreign offices. Correspondingly, German managers report significantly fewer reservations about using the company’s own internal whistleblowing systems than do Russian and Chinese managers. This confirms H3 (Table 2). This result shows that national cultural effects weaken the willingness to use whistleblowing systems, even though the non-German managers are working in German companies and are embedded in their company culture.

The study fails to confirm H4 (Table 2). Although German managers rate the ‘tone from the top’ more positively than do managers in the Russian and Chinese foreign offices, differences failed to attain statistical significance. Evidently, German companies succeed so well in communicating the tone from the top to the non-German managers in
their foreign offices that the perception of the compliance message of upper management is not impaired by cultural differences. According to the reports of Russian and Chinese managers, they perceive the tone from the top just as strongly and probably take it just as seriously as their German colleagues.

Results differ on the perception of direct superiors. Their ethical leadership is perceived less positively by managers in the German parent companies than by Russian and Chinese managers in their foreign offices. Hence, the present data fail to confirm H5 (Table 2). This could indicate that the training given to superiors by the companies in this survey was particularly intensive owing to the higher degree of corruption in Russia and China. However, it is more plausible that the local culture does not allow managers to express criticism of their superiors or that the lack of trust is so high despite the anonymity of the survey. It is conceivable that this shows the effect of a low level of generalized trust at a national level (see the theory section above) that inhibits respondents from expressing criticism of superiors and authorities despite the expressly guaranteed anonymity of the survey. This interpretation is supported by the results on the lower willingness to engage in informal social control and the stronger reservations about using the company’s internal whistleblowing system (see above, H2 and H3).

Moreover, the perception of the culture of success in the manager groups studied also does not support the hypotheses. Three of the four dimensions of a culture of success (communication, transparency and compliance with rules) produced lower scores in the sample of German managers than in the non-German manager groups. Only the dimension of non-egoism was significantly higher among German managers. Hence, H6 could be confirmed only in part (Table 2). Evidently, compliance with rules could also be established as a basis for all efforts to ensure compliance even when exposed to the influence of foreign national cultures. However, regarding the dimensions transparency and communication, it is not clear whether one can assume higher levels in countries with a collectivistic value orientation. It is conceivable that a higher willingness to communicate might also reveal positive effects of a collectivistic compared with an individualistic national culture.

Regarding the crime-preventive effect of anti-corruption programmes, the present study shows that a company culture that promotes integrity reduces the willingness to engage in corrupt behaviour in everyday business both directly and significantly (Figure 7). This confirms H7. The same applies for the influence of a company culture that promotes integrity on the willingness to engage in informal social control. Such a culture has a direct and positive effect on the willingness to address infringements among colleagues (Figure 7). This confirms H8. A company culture that promotes integrity can also have a crime-preventive effect by influencing the whistleblowing culture in a company. As the study shows, such a company culture has a direct and statistically significant effect on a positive attitude towards the whistleblowing culture (Figure 7). Hence H9 can also be confirmed.

Nonetheless, the multivariate analysis had to be restricted to the German sample because there would probably have been too many cultural effects in the international sample to produce a good model fit. An internationally valid model will have to take account of specific national cultural dimensions. The planned continuation of the research project will address these weaknesses.
Conclusion

The study shows that companies can succeed in setting up an effective compliance management system not only in their home country but also in their foreign branches located in regions exposed to a high level of corruption. As well as building up a compliance management system, they additionally succeed in the far more demanding task of developing a company culture that promotes integrity – an aspect that makes a decisive contribution to the crime prevention effect.

The study also shows how important it is to embed a compliance management system within a company culture that promotes integrity. Results show that this, combined with knowledge of the legal and internal company norms, has a direct preventive effect on taking and receiving bribes in daily business. In addition, an integrity-promoting company culture has a positive effect on that company’s whistleblowing culture, and this can be expected to lead to an increase in the number of suspected infringements reported and thus to a higher detection rate. Moreover, a company culture that promotes integrity encourages the spread of informal social control. When it comes to preventing corruption in companies, single measures and strategies should not be viewed in isolation but should always be understood as parts of a complete intervention at all company levels. Finally, an essential aspect is the need to demand that employees and managers at all levels know what the norms are and practise conformity with the rules and values that promote integrity.

Even in countries with a strong collectivistic value orientation, it is possible to implement an effective compliance management system, although this will not be equally effective in every culture. Our results show that German companies have more success in implementing their compliance management in Russia than in China. In the case of China, the managers surveyed showed a greater willingness to engage in corrupt business practices, although at a rather lower level. However, it will be possible to test the success of a compliance management system in a foreign national culture more reliably only by applying a control group design.

Nonetheless, the stronger collectivistic orientation in both these countries is reflected clearly in other aspects of corruption prevention such as the greater willingness to engage in self-interested behaviour in everyday business and the willingness to make decisions in one’s own personal interest. This tendency to favour oneself or the in-group is accompanied by a lower readiness to talk to work colleagues about the compliance violations they have been seen to commit. This reveals the effect of a society shaped more strongly by power distance in which hierarchies, responsibilities and decision-making powers are questioned more rarely or more reservedly. At the same time, managers in Russia or China have more doubts about using whistleblowing systems. Compared with managers working in Germany, these managers particularly doubt the reliability and confidentiality of the system. This is an expression of a lower generalized trust, along with strong tendencies to avoid uncertainty in these countries, which is also a typical feature of hierarchic-elitist societies.

The results of the survey indicate that companies have basically succeeded in also conveying the ‘tone from the top’ to non-German managers in their foreign offices. However, it is probable that the local culture or the lack of trust in these countries does
not permit critical evaluations of one’s own superiors. This assumption is also supported by the lower willingness to engage in informal social control and the stronger reservations about using the whistleblowing system (see above, H2 and H3). The second stage of the project will compare samples of managers both inside and outside the participating companies in order to further study the significance of the specific national culture in countries such as China and Russia.

As the cross-cultural comparisons show, companies that possess an established compliance management system can succeed in taking what has become a broadly well-established company culture to promote integrity in Germany and transferring it to their foreign branches. By doing this, they make a contribution to social policymaking that should not be underestimated. Although it is scarcely possible for companies to create the socio-structural and institutional preconditions for fighting corruption such as rule of law, freedom of speech, the press and demonstration, along with the correspondingly independent institutions, they can make an important contribution to cultural change by not only pursuing an anti-corruption policy in their daily business but also implementing a company culture that promotes integrity. The socio-political contribution of major companies to changing corruption-facilitating local value orientations and everyday standards is supported by the way they reach out to a large proportion of the employed population. The significance of major international companies should also not be underestimated, because major companies like those in our sample nowadays also exert a strong pressure for compliance on the supply chains that depend on them in order to avoid (further) bad publicity and legal penalties (Bussmann, 2015). Hence, their compliance programmes may also influence the local foreign economy and eventually spread to the local society as well.

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Notes
1. To ensure anonymity and data protection, the actual survey was carried out by an external company. Both the online questionnaire and the data gathered were saved on a server outside the company. Data were gathered in a period extending from the third quarter of 2012 to the third quarter of 2014. The return rate in individual companies varied between 30 percent and 55 percent.
2. The proportion of German employees in the Russian branches is 14 percent; in the Chinese branches it is 25 percent. Excluding the German managers from both of these subsamples did not lead to any substantial changes to the findings. To reflect real conditions in foreign branch offices, we included the responses of German managers working in the Russian and Chinese branches.
3. These results were obtained with a specially constructed theory-based scale.
4. The set of questions on the perception of top company management was specially developed on the basis of Steßl’s (2012) scale to assess illegal actions. All items were translated into English by a professional translator.
5. The items describing the behaviour of the direct superior were taken from Brown et al.’s (2005) Ethical Leadership Scale and partially reformulated for the present survey.
6. This was assessed with a specially constructed, theory-based scale drawing on items formulated by various authors on the topics of organizational culture, ethical climate and illegal activity within an organization (Daumenlang et al., 2004; Eigenstetter, 2006; Steßl, 2012).

7. Respondents were given items addressing corruption-specific attitudes assessing their opinion on the advantages and disadvantages that could arise from the corruption scenarios for both the company and society. Responses on the variable ‘rejection of corruption’ were inverted.

8. The quality of training was derived from the evaluation of schooling measures by the managers in the survey as well as the frequency and variety of perceived schooling and training provisions (e.g. workshops, face-to-face sessions, online training).

9. When a correlation is as high as that found here, this always leads to the suspicion of multicollinearity. However, an examination of collinearity revealed consistently acceptable tolerances of over .50. Hence, a bias through collinearity can be ruled out.

References


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