ACADEMIA DE STUDII ECONOMICE DIN BUCUREȘTI

Școala doctorală de Economie și Afaceri Internaționale

TEZĂ DE DOCTORAT

Prezentată și susținută public de către autor:
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Titlul tezei de doctorat:
BUSINESS-TO-BUSINESS CORRUPTION IN
FORMER COMMUNIST COUNTRIES.
SPOTLIGHT ON ROMANIA

CORUPȚIA ÎNTRE ACTORI PRIVAȚI ÎN
STATE FOST COMUNISTE. STUDIU DE CAZ ROMÂNIA

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București, 2019

ACADEMIA DE STUDII ECONOMICE DIN BUCUREȘTI

Consiliul pentru Studii Universitare de Doctorat

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REZUMAT

Corupția între actori privați, business-to-business (B2B), este actualmente un fenomen la fel de neînțeles pe cât este de periculos. Definit ca exploatarea abuzivă a autorității în tranzacțiile dintre părți private pentru a extrage beneficii nejustificate, acest fenomen a fost subiectul a foarte puține studii de specialitate. Pe baza analizei cercetărilor existente și a rezultatelor acestora, această lucrare propune un nou model integrat de evaluare a corupției B2B, bazat pe patru elemente interconectate: factori de decizie individuali, companii, instituții și rețele sociale. Printr-o combinație de date obținute și analizate în premieră prin intermediul unui sondaj, a unor focus grupuri și a unor chestionare bazate pe studii de caz, cercetarea curentă confirmă următoarele ipoteze pe baza studiului de caz România: (i) corupția reprezintă o provocare majoră pentru oamenii de afaceri, în toate formele sale; (ii) liderii actuali și viitori din mediul privat nu au capacitatea de a recunoaște provocările etice în tranzacțiile dintre actori privați, având standarde extrem de diferite în perceperea și reacția la diverse forme de corupție B2B și justificând acțiunile lor prin argumente legate de profitabilitatea afacerii și nu pe baza unor considerente morale; (iii) percepțiile privind corupția B2B reflectă percepția generală a corupției; (iv) întreprinderile cred în obligația lor de a combate corupția B2B și sunt gata să acționeze în acest sens; și (v) oamenii de afaceri manifestă un sprijin larg pentru soluțiile interne și externe de combatere a corupției între actori privați. Concluzia este că există soluții viabile pentru transformarea unui ciclu vicios de comportament neetic la nivel individual și corporativ, de instituții slabe și de rețelelor sociale corupte într-un cerc virtuos prin care actorii privați fac ceea ce este bine, instituțiile pentru integritate sunt puternice, atât intern, la nivelul fiecărei firme, cât și extern, prin legi și instrumente colective, iar relațiile sociale promovează și recompensează în mod proactiv comportamentul onest, bazat pe încredere, sancționând elementele corupte.

SUMMARY

Business-to-business (B2B) corruption is as misunderstood and understudied as it is dangerous and harmful. Defined as the misuse of authority in transactions between private parties to extract undue benefits, it is the focus of very limited research. Upon reviewing existing studies and their findings, this thesis proposes a new integrated model for assessing B2B corruption, based on four interrelated factors: individual decision-makers, business-level, institutional, and social. Through a combination of primary survey data, focus groups, and case-study questionnaires, the current research confirms the following hypotheses, with Romania as the case in point for the first time: (i) corruption is a major challenge for business people in all its forms; (ii) current and future business leaders do not recognize ethical issues in private transactions, displaying vastly different standards in perceiving and responding to various forms of B2B corruption, and justifying their actions based on business motives as opposed to moral considerations; (iii) perceptions of B2B corruption reflect overall perceptions of corruption; (iv) businesses believe in their duty to combat B2B corruption and are ready to act toward this end; and (v) business people demonstrate wide support for both internal and external solutions to fight against B2B corruption. The conclusion is that there are viable solutions for turning a vicious cycle of individual and corporate unethical behavior, weak institutions, and corrupt social networks into a virtuous circle whereby individuals and companies do the right thing, institutions for integrity are strong, both internally at the level of each firm and externally through laws and collective instruments, and social networks proactively and effectively promote and reward honest, trust-based behavior, while punishing and excluding corrupt elements.

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1. INTRODUCTION

"We said that a single injustice, a single crime, a single illegality, particularly if it is officially recorded, confirmed, a single wrong to humanity, a single wrong to justice and to right, particularly if it is universally, legally, nationally, commodiously accepted, that a single crime shatters and is sufficient to shatter the whole social pact, the whole social contract, that a single legal crime, a single dishonorable act will bring about the loss of ones honor, the dishonor of a whole people. It is a touch of gangrene that corrupts the entire body."

– Charles-Pierre Péguy (1944)

In the current global context, businesses, governments, and societies at large interact more often and more closely, with profound implications over the evolution of economic and social affairs. The paradigm of looking at private firms as purely selfish actors has been largely replaced by the view that companies are active participants to communities. Hence, they are accountable. In the meantime, private firms have responded to these relatively new expectations by creating internal regulations and ethical codes of conduct, investing in corporate social responsibility (CSR) projects, and signing integrity pacts. Indeed, business is now increasingly about "doing well by doing good."

Equally important, competition between private actors is stiffer than ever. As the wave of globalization unfolded in recent decades, even with some current backsliding, the global competitive landscape is more open than ever before in human history. These dynamics have opened up unprecedent possibilities for profitmaking and have accelerated the pace of progress. But they have also made companies, governments, and civil society increasingly aware of factors that distort competition all around the world, hurting prosperity and productivity. Chief among them is corruption (Argandoña, 2003).

Until recently, both scholars and policymakers have concentrated their attention to the demand side of corruption, i.e., seeking to disincentivize officials from asking for bribes or other illicit gains in exchange of various services. More limited work has focused on the supply side, i.e., private firms offering illegal benefits to public officials. However, one particularly fascinating and even less studied form of corruption is business-to-business (B2B) corruption. This thesis explores anticorruption policies in the context of business ethics, with a singular focus on former communist economies, with their particular social structure and evolution of capital formation post-1989. To this end, this research reviews the main literature available as it relates to these topics, presents the results of groundbreaking research on Romania's B2B corruption, compares them to findings in other former

communist countries and advanced economies, respectively, and investigates potential solutions to addressing this deeply destructive phenomenon.

To begin with, some concrete examples will help frame this thesis' topic, including its specific importance and urgency. Once upon a time, in various parts of the world, the following stories unfolded (Meudal-Leenders & Sööt, 2017). In the first one, the purchasing manager of a large retail store asked a wholesale food and beverages company to reduce prices on soft drinks. Two managers from that firm offered the purchasing manager 0.5-1 Eurocents for each unit sold if he agreed to give up on his request. In the second story, the owner of a soccer club offered 1.7 million Euros to another team for winning against a competitor in the National Soccer League, infamously bringing the money with him, in cash, in a suitcase. In the third story, representatives of a company meant to supervise construction works asked the contractor for 50,000 Euros in bribes in exchange of a hassle-free approval of the works performed. Finally, in a fourth story, an expert charged a plaintiff 3,000 Euros for himself in exchange of producing a favorable opinion on damages produced on a vehicle, artificially doubling them from 5,000 Euros to 10,000 Euros. He was caught in the act and apprehended promptly by the police.

Several questions are worth asking. What are these protagonists doing exactly? Are they acting as individuals or as business entities? Are they wrong, or are they right? Is what they are doing illegal, immoral, or neither? Do they perceive it for what it is, or do they genuinely believe that they are doing the right thing for themselves or their companies? Why are they engaging in exchanges that depart from what is to be expected between two private, profit-maximizing parties operating in a competitive market? What are the gains versus the costs of their behavior? What are the direct and indirect consequences for the protagonists and for other parties such as customers, competitors, and government representatives? If these deeds are morally wrong, have negative consequences, or are to be avoided for any other reason, what can businesses and other actors in society do to prevent, detect, and punish them appropriately?

Before beginning to answer these critically important and difficult questions, it is useful to shed some more light on the stories presented above. It turns out that the four cases have multiple things in common. For one, they are real and were collected by the Council of Europe's Group of States against Corruption (GRECO) in a report by Leenders & Sööt (2017). Second, they are all instances of illegal acts involving private companies. These can also be identified as different instances of B2B corruption, as introduced above, including several key elements: the perpetrators are

employees or representatives of private-sector entities; they committed these acts in the course of their professional activities; they promised, requested, or accepted undue advantages in exchange of breaching contractual obligations or legal provisions; and they were committed intentionally, as are other criminal acts punished by law. Finally, all these stories have one more thing in common: they all went to court, and three of them ended with actual prison sentences and significant fines, while the trial for the fourth was still ongoing at the time of the GRECO report's publishing (Leenders & Sööt, 2017).

While many remain unknown and a few of them turn into media scandals, such examples are not isolated incidents in the business community. Over the course of this research, through personal interviews and in candid focus groups, subjects recounted countless similar stories of B2B corruption cases in the context of the Romanian business environment. Here are just a few of them:

- The head of a local importer of parts has to bribe a department store manager every month in order to keep his products on the shelf;
- A construction company is required to work, at a price premium, with a subcontractor selected by the client's CEO;
- A local producer is forced by one of his biggest clients to purchase raw inputs from a preferential source; a media outlet is required to pay in cash a commission to an agency head who has secured certain advertising deals;
- An analyst is caught selling privileged information to a competitor, but the scandal is contained for fear of reputational costs to the company;
- A purchasing manager asks for a gift in advance of a personal holiday;
- A company's manager uses another company's products or services on account of personal relationships (e.g., a relative works there) as opposed to sound economic decisions; etc.

The list goes on and on, and the examples include "an endless array of other possibilities born of human ingenuity over the centuries" (Argandoña, 2003).

With the help of the stories above, this brief introduction has put into perspective the main topic of this thesis – B2B corruption. What is intuitive so far is that the phenomenon of B2B corruption is real, prevalent, and takes many different forms in practice. Going forward, the next subsections of the current chapter serve to define the issue and its importance, along with the main motivations for examining this sensitive and complicated subject in the context of Romania and the broader region. Subsequently, this introductory chapter briefly presents the initial hypotheses and objectives of this

research, as well as the main analytical methods and this work's unique contribution to the field. The final subsection includes an overview of this thesis' structure, serving as a roadmap for navigating the rest of the chapters, from the review of available literature to current research objectives, methodology, results and discussion, and conclusions.

1.1. B2B CORRUPTION DEFINED

Scholars and policymakers alike have devoted to date very limited resources to understanding and addressing business-to-business corruption, also known as private-to-private corruption. The next chapter provides an in-depth review of available academic research, as well as current legislation on the matter. For the purposes of this introduction, however, it suffices to provide a simple definition of the phenomenon. According to Transparency International (TI), corruption is "the abuse of entrusted power for private gain" (2018a). For its part, the OECD defines corruption as "the abuse of a public or private office for personal gain" (2008).[1] In a similar vein, this thesis defines B2B corruption as *the misuse of authority in transactions between private parties to extract undue benefits*.

There are three main components to this definition, each worth explaining further: (i) "misuse of authority" in (ii) transactions between private parties "(iii) to extract undue benefits." The second one is the simplest: B2B corruption has to involve at least two or more private parties, whereby parties can refer to individual companies, subunits or departments, or employees. What is important is to note that B2B corruption excludes public actors and, hence, public money.

Regarding the first part of the definition, the term "misuse of authority" can refer to different instances: employees may breach contractual obligations to shareholders and use their power for private gain (for themselves or for others); or employees may act together with shareholders (e.g., offering a bribe to another company in exchange of winning a contract), but this should still count as corruption. In other words, the "misuse" of the position of authority can be both against internal stakeholders (e.g., shareholders) and/or against external ones (e.g., customers, competitors, etc.), both against the organization and respectively on behalf of the organization.

To further clarify "misuse of authority," a reference point is required – i.e., misuse as a departure from proper behavior. One approach is to agree that whatever the company allows

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[1] Note that both the TI and the OECD versions are broad enough to cover both public and private forms of corruption.

employees to do is within the mandate of authority granted, but this would fail to include companies that may themselves have a corrupted culture or that may actually push employees to engage in B2B corruption acts (e.g., forcing them to pay bribes or kickbacks, etc.). Another approach is to look at the legal requirements, and restrict B2B corruption only to those acts falling under the purview of each country's legislation. But this is also too narrow a perspective, as it does not account for those businesses that operate in states that have not yet criminalized B2B corruption.

Yet another perspective adopts as a reference point what Anand, Ashforth, and Joshi call "departure from accepted societal norms […], which leaves open the possibility that individuals termed corrupt by societal standards may see themselves as ethical within the context of their organization" (2004). However, this societal approach also lacks short, as there are societies around the world where there are no norms against corrupt behavior, particularly between businesses, when no public money is involved. But business cannot be locally constrained, particularly in today's globalized world, and competition should be as free from corruption as possible, regardless of various societal norms. This is also why, as the next chapter shows, there are several international conventions against B2B corruption, regardless of how individual societies may see the phenomenon. What is then the proper reference point versus B2B corruption? What the company allows, what the law requires, or what society has adopted as norms?

This thesis proposes to resolve this dilemma by adopting a utilitarian approach and focusing on the actual consequences of potential B2B corruption acts. This is the third part of the agreed definition, whereby corruption between private parties exists where one or more of them "extracts undue benefits." As before, these can accrue at the level of an employee, or for an entire organization. In the case of B2B corruption, what matters is that these benefits are unwarranted, i.e., they do not result from the competitive dynamics of the free economic exchange itself, but rather are agreed among the parties separately, and often covertly.

1.2. THE CRITICAL IMPORTANCE OF B2B CORRUPTION

The fundamental premise of this research endeavor is that corruption is deeply harmful for economies, political systems, and societies as a whole. As one form of the overall phenomenon, B2B corruption has similarly damaging consequences as its counterpart, public corruption. Studies have also found that indeed the prevalence of private-to-private corruption is "nearly as high as bribery of public officials across all sectors" (Lee-Jones, 2018). The critical importance of examining B2B

corruption therefore derives from acknowledging its destructive consequences and the need to find long-lasting solutions.

There is now a very broad consensus in the literature and in policy circles regarding the negative impact of corruption, but this was not always the case, and the study of corruption generally is quite recent. Initially, in the 1960s and early 1970s, functionalists viewed corruption as a way to grease the wheels of bureaucracies and speed up processes, particularly in developing countries (Leys, 1965; Heidenheimer, 1970). However, such claims were soon to be disproved by demonstrating that the main beneficiaries of a corrupt system are bureaucrats themselves, not businesses (Krueger, 1974), even though some scholars have continued to support the idea that corruption may be associated positively with efficiency where institutions are particularly ineffective (Méon & Weill, 2008).

For their part, cultural relativists emphasized the importance of local norms vis-à-vis corruption, going as far as noting that some traits make particular societies more likely to engage in corruption acts (Kotkin & Sajo, 2002). Other scholars note, however, that practices like gift-giving may facilitate corruption, but are not shown to cause it (Alatas, 1968). There is no such thing as a corruption gene, and there is no evidence to show that, given proper conditions, a society cannot significantly reduce even the most entrenched forms of corruption.

From a political perspective, corruption in all its forms, including B2B, erodes the legitimacy of democratic institutions, aggravating perceptions of unfairness and abuse by a chosen elite. Success in such societies is therefore not based on hard work and merit, but on personal connections and access to corrupt deals. As Larry Diamond showed, "no problem more alienates citizens from political leaders and institutions and undermines political stability and economic development than gross, endemic corruption on the part of government and political party leaders, judges, and officials up and down the bureaucratic hierarchy" (2002). While Diamond references political corruption, there are many linkages between the public and the private sectors. Public and private corruption are inseparable, and an individual or a firm engaging in corrupt behavior with a public counterpart is likely to do the same in relations to private partners, which tend to be under less scrutiny and involve lower risks. Put simply, B2B corruption weakens democracies and market economies where it is prevalent and left unaddressed. As institutions become weaker, as rule of law fades away, the economy also suffers increasingly, as investors fear that their rights are no longer properly protected.

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Above all, corruption involves massive financial and economic costs for firms. The World Economic Forum estimates that roughly 5% of global gross domestic product (GDP) is wasted on corruption, amounting to over $2.6 trillion annually (2012). It biases economic decisions based on corrupt agreements as opposed to competitive outcomes, leading to resource misallocation (Boles, 2014). Matthew Jenkins (2017) provides an extensive review of various studies demonstrating the deeply harmful consequences of corrupt behavior on firm performance: lower-quality, higher-priced goods and services for consumers; lower productivity and weaker growth for companies, as success is no longer based on having a better value proposition for the market, but on offering bribes and other corruption-related incentives; lower quality staff, hired based on nepotism, not on potential contribution to the companies; lower tax revenues for the state because B2B bribes are often paid in cash, under the table, implying various forms of tax evasion; long-term reputational costs for companies involved in corruption schemes, potentially putting them out of business, laying off employees, and destroying accumulated value; etc.

While many studies do not focus on B2B corruption specifically, it is reasonable to assume that its impact is captured within the effects of overall corruption and, moreover, that many of the aforementioned consequences apply to B2B, as well as business-to-government (B2G) corruption. In the words of Argandoña (2003), "private-to-private corruption is no less important, no less widespread, no less harmful and no less worth combating than private-to-public corruption." Argandoña (2003) also shows that recognizing and fighting against corruption is based on established principles: (1) employees' fiduciary duties toward shareholders; (2) free competition and consumer protection; (3) property protection (anti-fraud); and (4) special legal provisions against insider trading, industrial espionage, etc.

Largely thanks to a sustained research and policy effort over the past few decades, there is now broad consensus on the profoundly damaging nature of corruption and the need to combat it. Instruments like Transparency International's Corruption Perception Index (CPI) are now widely cited and used to evaluate a particular environment's economic and political features. Legally, corruption is punished throughout the free world, both domestically and internationally. For instance, in 2018 alone, the US imposed over $2 billion in penalties related to breaches of the Foreign Corrupt Practices Act (FCPA), whereby companies are forbidden to bribe foreign officials (Sidley Austin LLP, 2018). The vast majority of such efforts, however, only focus on government-related corruption, also referred to as political corruption or public-to-government corruption, i.e., "behavior [that] deviates from the

formal duties of a public role (elective or appointive) because of private-regarding wealth or status gains" (Nye, 1967). The next subsection explains why this continued gap in the literature is one of the major motivations behind the current research.

1.3. MOTIVATIONS, OBJECTIVES, AND HYPOTHESES

The following sub-sections present this thesis' main motivations, along with its primary research aim, objectives, and hypotheses to be tested. Together, these elements explain the logic behind this effort, along with key choices regarding the focus on corruption generally as a critical, harmful phenomenon, on B2B corruption specifically as an understudied form of corruption, and on Romania versus other former communist and advanced economies. This is also the foundation for the literature review in chapter 2 and the research methods described in chapter 3.

1.3.1. Motivations

The primary motivation for examining the topic of B2B corruption is two-fold: first, because it is a highly destructive phenomenon that impedes people's basic rights and freedoms, as well as their opportunities for individual and collective progress; second, because it remains deeply understudied and misunderstood, in virtually all its aspects, particularly in a country like Romania, a relatively young democracy and market economy. As argued before, policymakers, lawmakers, and scholars express wide agreement regarding the fact that corruption generally and B2B corruption particularly are harmful phenomena that humanity should address. They recognize that corrupt transactions between private entities happen around the world, with profoundly damaging consequences in terms of distorting free-market competition, damaging corporate culture and reputation, and eroding much-needed social capital (Argandoña, 2003). The next chapter shows that, indeed, this consensus has served as the basis of recent proposals and measures to reduce B2B corruption, including through international conventions, regional instruments (e.g., by the EU and the Council of Europe), and national-level legislation.

At the same time, businesses that decide to fight against corruption have access to a number of key benefits. In addition to reputational gains vis-à-vis customers, suppliers, and other stakeholders, as corruption decreases, the predictability and transparency of business processes increase, making planning and resource allocation much easier. Further benefits accrue in terms of protection from legal risks, better innovation, and increased competitiveness.

While many key stakeholders acknowledge the dangers of B2B corruption, major gaps remain in understanding and addressing this phenomenon. Studies of B2B corruption are very few, and many of the existing ones are brief policy papers. Available data are severely limited, particularly at the level of individual firms and entrepreneurs, though the EU has made some progress in recent years by financing specialized research like the pilot project Private Corruption Barometer (PCB).[2] As a consequence, business communities, along with societies as a whole, continue to lack awareness regarding the high prevalence of B2B corruption, ways to recognize problematic situations (Gopinath, 2008), and potential solutions to combat this phenomenon (Di Nicola, Espa, Costantino, & Dickson, 2018).

There are multiple reasons for this lack of focus and understanding of B2B corruption. For one, corruption is by nature an illegal and covert phenomenon, hence it is hard to identify, assess, and address (Sampford, Shacklock, Connors & Galtung, 2006). Moreover, since it deals with two or more private parties, B2B corruption is usually resolved internally (Argandoña, 253). This comes with a range of challenges regarding measurement (i.e., perceptions vs. reality), and researchers can expect both types of effects: some interviewed subjects will be cautious about openly sharing their experiences with such a sensitive topic; others may overemphasize corruption as a catch-all issue for their dissatisfaction with political systems, parties, lack of employment opportunities, etc. (Bryane, 2004). B2B corruption is especially hard to examine because private entities rarely have sufficient reasons to uncover it, as the potential costs to their reputation usually outweigh the benefits of publicly punishing corrupt employees (Argandoña, 2003).

In addition, there continue to be differences in how B2B corruption is legally sanctioned in different countries. Some have adhered to international and regional conventions on B2B corruption, but have yet to transpose them into national legislation (Lee-Jones, 2018). Along with lack of specialized training programs, this helps explain the wide discrepancies in business people's perceptions of what constitutes corruption in a private-to-private transaction, and, because public money is not involved, the lines between regular deals and corrupt exchanges remain murky (Gopinath, 2008). But precisely because private actors are subject to less scrutiny compared to public officials handling taxpayer money, company employees may have more room for arbitrary decisions, particularly in procurement (Lindskog, Brege, & Brehmer, 2010).

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[2] The Private Corruption Barometer (PCB) is a project co-funded by the Internal Security Fund of the European Union Directorate-General Migration and Home Affairs, in partnership with the Faculty of Law of the University of Trento. More details on the PCB are available on http://www.project-pcb.eu/theproject.html.

Finally, there are some who believe that free markets should take care of all private-sector problems and, either way, they should only concern those private parties involved. Should transactions between private parties count as corruption acts if no public money is involved? After all, if economic actors are rational and they seek to maximize profits, it follows that, *ceteris paribus*, they should never engage in B2B corruption if this leads to suboptimal outcomes. Different forms of B2B corruption, such as commercial bribery or kickbacks, solicitation, fraud, nepotism, conflicts of interest, the use of privileged information, etc., are expressions of an inefficient use of resources (Di Nicola, Espa, Costantino, & Dickson, 2018). For example, a company that resorts to bribing for getting contracts will in the long run become less productive and lose the race with its competitors. Moreover, in the case of employees acting against their company's best interests, shareholders are expected to intervene and punish such behavior internally, without the need for external reinforcement or sanctions (Argandoña, 2003). If a company is to survive in the long term, competition requires corruption-free behavior that maximizes profits and minimizes reputational and legal risks.

It is true that under an ideal scenario free competition among rational actors should exclude, with its "invisible hand" (Smith, 1795), any behavior that leads to suboptimal outcomes, including B2B corruption. Indeed, B2B corruption may involve a short-term gain in the form of an illicit monetary benefit (i.e., a bribe or a kickback) or a new contract (i.e., higher revenues and profits), but in the long term the costs of lower productivity, weaker competitiveness, and damaged reputation far outweigh the immediate benefits.

In practice, however, these premises do not hold true. Even presuming actors are entirely rational, other considerations apply that affect their cost-benefit calculations. For instance, markets are not entirely free, and institutions are often too weak to prevent or punish corruption acts, particularly among private actors. Where B2B corruption exists, competition is – by default – imperfect. Left unaddressed, corrupt exchanges can affect increasingly large shares of global business activities, in a vicious cycle where clean companies are pushed out of the market by those actors who are willing to engage in corruption. Much like in a prisoner's dilemma game, in the absence of strong institutions punishing perpetrators of corruption, the suboptimal equilibrium becomes one where everyone does it. In addition, principal-agent dynamics based on information asymmetries open possibilities for corrupt deals whereby personal gains of individual employees take precedence over shareholders' interests.

It is useful to distinguish between the impact of B2B corruption on the parties that engage in it and the broader impact on the economy, political system, and society as a whole. There are, of course, those who believe that B2B corruption is entirely a private matter. But studies clearly show that neither business, nor corruption can be isolated from the broader society, and through employee mobility, for instance, corrupt norms easily propagate across sectors (Sööt, Johannsen, Pedersen, Vadi, & Reino, 2016).

All these arguments underscore the key motivation of this thesis: examine the critically important and understudied economic issue of B2B corruption in a particularly challenging environment – Romania and other former communist countries. As of June 2019, there are no research studies on B2B corruption in Romania, despite the fact that the country constantly ranks as one of the most corrupt in the European Union. Indeed, in the Romanian context, corruption is considered rampant and profoundly damaging, across all sectors of the economy, including both petty and grand forms (Business Anticorruption Portal, 2017).

Corruption was a key focus during Romania's effort to join the European Union, and remains of critical concern to the European Parliament and the European Commission (European Commission, 2018). Most perception-based surveys rank Romania as one of the most corrupt countries in the EU (Transparency International, 2018b). Previous research shows that corruption levels after Romania joined the EU have likely increased, in the absence of accession conditionalities (Burduja, 2016). At the same time, there is a relatively high level of mistrust in private employers in Romania, and one of the top factors is perceived unethical behavior by firms (EY & Hypo, 2017). Beyond these data, there are virtually no studies on the prevalence of different forms of public versus private corruption in Romania. These phenomena are either mixed together, as in Transparency International's Corruption Perception Index (CPI), or reports cover public corruption only, as is the case with the EU's Cooperation and Verification Mechanism (CVM) series.

The results of this work will be of interest to scholars and policymakers alike. For the former, this thesis adds important data points regarding B2B corruption, particularly in the context of former communist economies like Romania. For the latter, it sheds light on potential practical solutions to promote awareness and adopt countermeasures vis-à-vis B2B corruption.

1.3.2. Research aim and objectives

Given the current context in Romania, the wider region, and globally, this thesis aims to evaluate the role that the private sector can (positive) and should (normative) play in promoting strong business ethics through the prevention and combating of B2B corruption. This overall aim rests on several assumptions: (i) that B2B corruption does exist and is a harmful phenomenon; (ii) that B2B corruption is still understudied, largely ignored, and hence misunderstood; (iii) that businesses can and should fight against it; and (iv) that the current research can both fill current gaps in the literature to clarify perceptions, consequences, and expectations regarding B2B corruption and recommend practical ways for the private sector, government, civil society, and other key stakeholders to prevent and reduce B2B corruption; and (v) that, for all the aforementioned reasons, this would be good both for businesses and for society generally.

In pursuit of this general aim, this research explores B2B corruption focusing on the Romanian context, including international comparisons, with the following research objectives:

1. Explore the theoretical and practical links between corporate social responsibility and business efforts against corruption, particularly B2B corruption;

2. Review the available literature on B2B corruption, showing current gaps and potential avenues for further research;

3. Define and measure perceptions of B2B corruption's prevalence and consequences by surveying and interviewing current and future business leaders in Romania, through a combination of focus groups, surveys, and in-depth questionnaires;

4. Compare results in Romania with findings from similar existing studies of other former communist economies, as well as from available research of advanced capitalist systems;

5. Identify potential solutions to B2B corruption based on direct inputs from business people.

1.3.3. Hypotheses

Based on this thesis' objectives, the following hypotheses are tested in subsequent chapters:

1. H1: Corruption generally is an important challenge for business people in their professional pursuits;

2. H2: Business people do not recognize ethical issues in private transactions, responding differently when faced with problematic ethical situations;

3. H3: Perceptions of B2B corruption reflect overall perceptions of corruption;

4. H4: Businesses generally seek to play a positive role in combating B2B corruption;

5. H5: Most business people support both internal and external solutions to fight against corruption.

1.4. RESEARCH PHASES

Spanning over three years, the current research effort has included multiple phases and methods, as explained below. The main reason for adopting this multipronged approach is related to the complexities of the topic of corruption in general and B2B corruption in particular. These phenomena involve a range of factors: social, political, business-related, legal, etc. They are also notoriously hard to measure and evaluate as covert and illegal phenomena, particularly among private parties, which are generally very reluctant to discuss or expose corrupt practices, for previously mentioned reasons related to their reputation, potential legal and business risks, etc. The research plan for this thesis included the following eight phases:

1. Review the main literature on business ethics, corruption, and B2B corruption;

2. Compile and assess available quantitative and qualitative data on corruption perceptions, anticorruption instruments, private corruption, etc.;

3. Determine the optimal research methodology, including the theoretical model, the case study as the main research method, and corresponding instruments (surveys, focus groups, and scenario-based questionnaires);

4. Design and run two initial focus groups with business people to understand the main concerns, attitudes, and responses of the Romanian business environment vis-à-vis corruption, particularly in relation with other private entities.

5. Design and implement a quantitative survey for a larger sample of respondents (100+ C-level executives and owners of small, medium, and large enterprises, both Romanian and foreign)

6. Design and implement four additional focus groups with mid-level managers, including a general discussion of B2B corruption's prevalence and manifestations and applied discussions on four case studies;

7. Design and implement a qualitative interview guide, and conduct interviews with 50+ key stakeholders, testing the attitudes of future business leaders – current graduate students in business and related fields – when faced with different hypothetical situations through five case studies (four of them similar to those deployed for the focus group discussions);

8. Synthesize results and draw policy implications, reflecting current research gaps and potential avenues for future studies.

Chapter 4 presents these research phases and methods in greater detail, including their limitations. Based on the review of available literature, this thesis is the first study of B2B corruption to focus on the case study of former communist economies, primarily Romania, and deploy multiple complementary research instruments – focus groups, qualitative questionnaire, and quantitative survey. Surely, this does not mean that there are no shortcomings to the current research, many of them emerging precisely from the difficulty of evaluating corruption, particularly among private entities. With this caveat, the implications of this study will interest scholars in this field and beyond, business people keen on doing something about B2B corruption and corruption generally, as well as elected representatives and public servants who are looking for ways to improve the functioning of anticorruption institutions, including through by partnering with the private sector.

1.5. CONTRIBUTION TO THE FIELD

This research brings several new and important elements to the field of business ethics and anticorruption studies. First, it focuses on a highly understudied, yet vitally important topic – B2B corruption. Second, it assesses this phenomenon in the specific Romanian business, political, and social context, drawing inferences regarding the prevalence of B2B corruption and attitudes toward it in a relatively young democracy and market economy. Importantly, perceptions of overall corruption tend to be very high in Romania, which can bias business people's attitudes toward B2B corruption specifically. Third, this research deploys three different methods for gathering data in the field, at the level of individual business people and ventures. Such data are very rare in the current literature on the topic; individual perceptions are, however, deeply important to understand the causes, consequences, and potential remedies of B2B corruption.

Finally, this thesis leverages existing research to the extent possible by deploying methods that allow for a comparison between B2B corruption in Romania, other former communist countries, and advanced economies in the West. In particular, compared to the existing Gopinath study (2008), this thesis tests respondents' reactions to multiple difficult situations, as opposed to a single scenario. This allows for comparing attitudes toward various forms of B2B corruption and also vis-à-vis a case study where everything is within legal boundaries, i.e., there is no B2B corruption at all.

With respect to its findings versus existing knowledge in the field, this thesis confirms many of the current results in whatever limited literature is available. For one, it provides evidence from business leaders and middle managers in Romania regarding the challenges they face in their professional endeavors related to corruption generally and B2B corruption specifically. Second, it demonstrates that business people have very different interpretations of various ethical challenges: they often fail to recognize these situations as such, particularly when it comes to more subtle forms of B2B corruption like kickbacks, favors, nepotism, etc. Third, they tend to invoke business reasons much more than moral grounds when justifying their choices, which casts doubt on the effectiveness of the training they receive in school or on the job regarding business ethics and corporate accountability. Fourth, research subjects tend to prefer to deal with corruption cases in their companies discreetly, away from media scrutiny and, when possible, without the involvement of authorities. Fifth and last, but not least, businesses are generally willing to fight against corruption through both internal and external measures.

At the same time, this research also provides some important additions to previous studies' findings. Based on all the data gathered, it developed a theoretical model to explain B2B corruption as the outcome of individual, business-level, institutional, and relational factors. It identified mechanisms that generate vicious cycles of corruption versus virtuous cycles of integrity, arguing that equilibria from one state to the other are unstable and may change rapidly in time. It also emphasizes the importance of context, including historical processes and evolving mindsets regarding the role of businesses in society. Testing managers' and students' reactions in the context of various case studies, this research determined not only types of justifications for corrupt behavior, as explained above, but also that respondents may stop or refrain from initiating perfectly legal practices if they fear that these will be perceived as corrupt; this may have something to do with the Romanian context, highly sensitive to the topic of corruption, particularly in recent years.

Ultimately, this thesis is a singular, first-of-a-kind effort to gather and evaluate data on B2B corruption in Romania. Through this deep dive, in the broader context of former communist states, the current research allows for exploring the various facets of B2B corruption, from causes through consequences and potential solutions. The findings and their implications are pertinent to both academic and policy communities.

1.6. THESIS STRUCTURE

This introductory chapter has served multiple goals. It defined the main topic of the thesis, B2B corruption, explaining why it is an important economic challenge, particularly in the context of Romania. It also presented the main motivations for addressing this topic, along with the research objectives and main hypotheses to be further tested. Finally, this chapter reviewed the main steps of the research process, including methodological choices, and summarized the study's key contributions to the field.

In what follows, the second chapter provides an extensive review of available literature, starting with business ethics and going through corruption, B2B corruption specifically, and corruption in the Romanian context. It includes both foundational theoretical aspects and existing field data, both qualitative and quantitative evidence, focusing on the most relevant sources for the current thesis, including the 2008 study by Gopinath, the PrivaCor study of corruption in Estonia and Denmark (Johannsen, Pedersen, Vadi, Reino, & Sööt, 2016), and the Private Corruption Barometer data for several EU countries (Di Nicola, Espa, Costantino, & Dickson, 2018). It also reviews the main applicable legislation at global, European, and national levels, along with the main solutions to address B2B corruption, as described by available literature. It ends with a discussion of the critical contextual factors related to Romania, including its transition from communism to capitalism and more recent events, and provides a summary of the main arguments for pursuing this topic and its main contributions to the field.

The third chapter includes the main research objectives, in line with the overall aim of the thesis, including working hypotheses and proposed ways for testing them. The fourth chapter proposes a theoretical model for B2B corruption, and it also reviews the research methodology for each of the instruments deployed: focus groups, qualitative questionnaire with case study scenarios, and the quantitative survey. This includes details on sampling methodologies and corresponding limitations. The fifth chapter is dedicated to presenting and discussing the research findings, across all methods

deployed as part of this research process, explaining their significance on their own and in relation to other available research. The final chapter concludes, focusing on the thesis' main contributions to the field, including novel methodological elements and findings, as well as limitations and suggestions for future research avenues.

2. LITERATURE REVIEW

> *"The ideas which are here expressed so laboriously are extremely simple and should be obvious. The difficulty lies not in the new ideas, but in escaping from the old ones, which ramify, for those brought up as most of us have been, into every corner of our minds."*
>
> *– John Maynard Keynes (1936)*

This second chapter provides an extensive review of available and relevant literature for the current thesis. This is a critical synthesis of the main theories and research on relevant topics. The broader context is set by economic, political, and social theories of how individuals, businesses, institutions as formal and informal norms, and embedded social networks act and interact to generate particular outcomes (section 2.1). On this foundation, this chapter further focuses on business ethics, corruption and anticorruption, and B2B corruption specifically.

The assessment covers methodologies deployed in existing research, including their strengths and weaknesses, as well as key findings that are relevant for this study. Upon review of the literature, a preliminary finding was that the research on B2B corruption in particular is extremely limited (Burduja, 2017), and there are virtually no other studies of this phenomenon in the Romanian context. This work therefore has a great opportunity to make a unique contribution to the field, which comes with an equal responsibility to produce valid results and interpret them adequately, while making note of inherent limitations.

In what follows, the main focus of the literature review remains centered on B2B corruption, including both qualitative and quantitative findings to date.[3] Of particular interest is the Gopinath study of graduate students in the United States of America and their responses to a particular case-study scenario (2008). Before that, however, it is useful to set the stage of the current analysis by looking at three paradigms for explaining the behavior of individuals and businesses, including actions leading to B2B corruption. The aim is to provide a theoretical foundation for understanding primary motivations and causes of B2B corruption before reviewing the specialized literature dedicated to studying this phenomenon and providing background details on the specific Romanian context.

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[3] Some of the arguments and works referenced in this chapter were also covered in the proceedings of *the International e-Conference "Enterprises in the Global Economy"* (Burduja, 2017).

2.1. THEORETICAL FOUNDATIONS

This section covers multiple economic and social theories of individual and firm-level choices. Fundamentally, B2B corruption is a transaction between two or more private parties, which decide to enter into an arrangement together. Four different, yet interconnected levels can help explain the phenomenon of B2B corruption: (i) individuals; (ii) firms; (iii) institutions; and (iv) social networks (Burduja, 2016).[4] The following subsections explain each of the four possible theoretical lenses for understanding B2B corruption.

2.1.1. Individuals

The first lens for looking at B2B corruption is to deconstruct it to the level of individual decision-makers. Bribes, kickbacks, insider trading, nepotism, and all the other forms of B2B corruption ultimately depend on the agreement between individuals within two or more private entities. Note that this agreement can be with the knowledge and to the benefit of each company's shareholders or, on the contrary, without their consent and to their detriment. Several elements matter: economic, legal, and ethical.

From a classical and neoclassical *economic perspective*, rational, atomized individuals pursue their self-interest based on calculations of costs and benefits. Whether an agent (manager) or a principal (shareholder), the goal would be to maximize the economic value brought to the company and its shareholders. The invisible hand thus produces, in a perfectly competitive market, social benefits (Smith, 1776). There are several problems with this line of reasoning. For one, if this was the case, B2B corruption, the main topic of this thesis, would not exist. The markets, under the assumptions of rational actors, complete and equal access to information (i.e., no information asymmetries), perfect competition, and no externalities, would quickly punish anyone engaging in B2B corruption as a deviation from the optimal equilibrium. But we know from existing research and field observations that B2B corruption does exist.

Indeed, it is reasonable to argue that B2B corruption is an example of market failure. Pareto efficiency is defined as an allocation or resources whereby nobody can be made better off without making someone else worse off (qtd. in Sen, 1993). In practice, however, markets are not efficient. Competition is imperfect in many markets because of limited supply and demand, leaving room for

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[4] The same three paradigms can be deployed to explain political corruption, i.e., involving the government (Burduja, 2016). In this thesis, however, the focus is squarely on private-to-private transactions.

making economic decisions based on factors beyond price (e.g., bribes, favors, etc.). Also, information asymmetries do exist all the time, including between principals (generally have less information) and agents (generally have more information), enabling B2B corruption cases where an individual employee acts against shareholders' interests in pursuit of direct or indirect personal gain (Eisenhardt, 1989).

Acknowledging that markets are imperfect, what may explain the emergence of this phenomenon under the paradigm of self-interested actors? It follows that the perceived benefits of B2B corruption outweigh the costs. The benefits are usually pecuniary in nature, for self or for others, or include some other type of favor gained (e.g., the promise of better employment, etc.). The costs may include losing a job, facing criminal prosecution, incurring reputational damages, etc. It is important to note that costs and benefits are not simply set by the parties to the transaction itself, but are also shaped by external constraints, such as available legislation, judicial capacity to identify and prosecute such acts, etc.

In an environment where B2B corruption becomes the norm, the logic of a prisoner's dilemma applies across competitors (Davis, 1970). Suppose firm A starts off in a new market by refusing to pay bribes to get contracts from company B. However, A's competitor, company C, has no problem in paying a bribe to secure B's business, even if C's product is inferior. In a context where corruption is rampant, B will prefer C to A because of the additional benefits acquired. A is then faced with a choice: pay a bribe and get the contract; or refuse to pay a bribe and leave the market or go out of business. Surely, all parties would be better off if they did not appeal to corruption: they would avoid the risks to their reputation and freedom, the payer would save the money otherwise spent on a bribe or a kickback, and competitive dynamics would ensure better outcomes for all players. But competitive dynamics and corrupt social norms can lead to situations where B2B corruption becomes the suboptimal equilibrium.

From a *legal standpoint*, individuals are personally liable for their actions (Paine, 2005) and should act in accordance with the letter and the spirit of existing laws and regulation. At least based on US law, they can neither claim that they acted to the benefit of their employer through engaging in B2B corruption, nor can they use what some call the "Nuremberg defense," i.e., that they were forced to act in this way by their superiors or shareholders. Moreover, they can also be held responsible for the criminal actions of subordinates, if they ordered them, authorized them, or failed

to prevent them or address them. Such provisions typically hold in most advanced economies and liberal democracies.

As a subsequent section on legislation shows, B2B corruption can be defined separately in the law or can fall under a range of other criminal or civil offenses, depending on applicable laws. For instance, money laundering, trading of insider information, and fraud are typically criminal acts on their own, though they are also considered forms of B2B corruption, in some instances. B2B corruption can also mean breaches to fundamental principles such as fiduciary duties, which form the foundation of contractual relations between principals (shareholders) and their agents (executives). There are three main duties of a company fiduciary: duty of care (diligence in decision-making, proper oversight of company operations, etc.); duty of loyalty (forbearance of pursuit of personal interest at odds with company interests); and duty of candor (timely and complete disclosure of all relevant information to shareholders) (Smith, 2015). B2B corruption acts breach all three duties.

Finally, there are also *ethical considerations* when assessing the actions of individuals. Different moral theories propose their own framework for evaluating the righteousness of particular actions. For one, utilitarians like Bentham (2000) and Mill (2014) look at the balance of good and bad consequences of particular decisions, with the aim of producing the best overall result or maximizing value. It is beyond the scope of this thesis to perform utilitarian calculations on B2B corruption acts, especially as these will vary on a case-by-case basis. However, it is reasonable to believe that for utilitarians B2B corruption is unethical, as its destructive consequences (reduced productivity, weaker competitiveness, etc.) far outweigh the potential benefits of getting additional business, particularly over the long run.

Another moral paradigm is obligation-based, deontological, or Kantian theory, which argues that morality is grounded in reason, and people should act for the sake of moral obligations, not only in accordance with them (Kant, 1985). Kant's categorical imperative requires people to act in ways that become universal laws and never treat others as mere means to an end. The morality of actions does not depend on their consequences, but on their intentions to do what is morally right. B2B corruption fails the ethical test against the Kantian standard because perpetrators do not resort to corruption out of a sense of moral duty, but for direct or indirect personal benefits. If they, however, choose to not partake in B2B corruption for the wrong reasons, including a sense of guilt or self-gratification for staying moral, then they do the wrong thing, in a Kantian sense.

A third moral theory is liberal individualism, "a doctrine of basic human rights, protecting specific basic liberties and interests of individuals" (Hart, 1979: 828). B2B corruption breaches the rights of others: where agents act against principals, it breaches the property rights of company shareholders; where principals of two separate companies agree to engage in corruption, they hurt the rights of competitors and consumers. At the same time, individuals cannot claim that it is their right to participate in or benefit from B2B corruption, a phenomenon that – by nature – breaks legal, institutional, and moral rules.

From a communitarian standpoint, there are even fewer arguments to ever see B2B corruption as morally permissible. For that to happen, B2B corruption would have to generate positive effects on a community and be in line with communal values, ideals, goals, and traditions (Sandel, 1984). This is typically not the case. In fact, as argued earlier, B2B corruption erodes communities' social capital and threatens their coherence, as an arbitrary path to individual success, often at the expense of other members of the community. Sure enough, this line of reasoning depends on how the community is defined. A scenario where a criminal community has a tradition in, and benefits from, B2B corruption is theoretically possible, but practically beyond the scope of the current thesis. This applies to all other theories explored above – the point is not to imagine extreme scenarios where B2B corruption could be considered moral, but to note that in the vast majority of cases, B2B corruption is clearly unethical, regardless of the philosophical perspective of choice.

2.1.2. Businesses

The second level that plays a role in B2B corruption is businesses themselves. Individuals typically operate within private entities. The key question here concerns the role of businesses in society. On September 13, 1970, Milton Friedman published in the New York Times Magazine a famous piece called "The Social Responsibility of Business Is to Increase Its Profits." This implies that any tactics are fair game as long as they boost profitability, regardless of their potential consequences on society (Friedman, 1970). Friedman also called for clearly distinguishing between the roles of the public and private sectors. By contrast, Howard Bowen, hailed by many as the founding father of corporate social responsibility, argued years before Friedman that firms have to act in accordance with "the objectives and values of our society" (1953: 6). Bowen's perspective would require businesses to fight actively against corruption if it goes against societal objectives and values,

presumably even at the expense of business profitability, at least in the short term. Over the long run, adhering to corrupt practices can hurt a company's competitiveness and viability.

These two models are also called "the property conception" and "the entity conception," and they provide very different answers to this simple question: "for whose benefit are those in control of a corporation supposed to act?" (Allen, 1992). The first model views the corporation as its shareholders' private property, and its aim as the advancement of shareholders' interests and maximization of their wealth, through the actions of their agents (i.e., executives) (Friedman, 1970; Arrow, 1973). The second model considers the corporation as an institution with the mission to nurture society's general welfare, while managers have a duty of loyalty not only to shareholders, but to other stakeholders as well. This second model makes the corporation itself subject to legal and moral obligations (French, 1979). As Allen (1992) points out, the entity model won the day in the 1980s and 1990s, but as global competition becomes increasingly fierce, he argues that the property model will make a comeback.

In the global business and academic community, the dominant view is that businesses have a role to play in society and, evidently, in curbing detrimental phenomena like corruption. One example is the Harvard Business School's formula for conferring degrees to graduates "ready to lead people and organizations in enterprises that will serve society." Another example is Gandhi's famous list of seven social sins, which include "commerce without morality" (qtd. in Open Culture, 2014).

Beyond moral obligations, there are also legal requirements against corruption. Businesses can be liable for the actions of their employees, based on the *respondeat superior* doctrine, followed by American federal courts, for instance. This stipulates that corporations can be held responsible for crimes or civil damages by employees, provided that they were acting while carrying out their jobs and to benefit their employer (Paine, 2004). A company can also be liable for "collective knowledge" when no single individual is found to be guilty, yet the business as a whole could have prevented the wrongdoing (Paine, 2004). Having proper procedures and systems to prevent, detect, and sanction misconduct can support businesses' potential court cases. All this goes to show that between the two models presented earlier, the entity conception is a lot more prevalent today, which requires businesses to play a role in combating B2B corruption.

This conclusion actually holds regardless of the conception of choice. Under the first model, the argument is that B2B corruption actually hurts shareholders' interests by eating away at companies' competitive advantage. A rogue agent may pursue selfish goals against the best interests

of company owners, who should remain vigilant in detecting and punishing such cases. Where instances of B2B corruption occur with the approval of company owners, the case is less clear, but the fact remains that any company's long-term interests should be to refrain from B2B corruption acts, because of all the previously mentioned arguments (high risks and no sustainable benefits). As for the second model, given the damaging impact of B2B corruption on society as a whole, it is obvious that businesses have a moral obligation to fight against this phenomenon.

What is more, there is no way to fully separate the roles and impact of public and private actors in society today. Through their policies, governments affect businesses, and through their operations private entities shape the public sector. In this context, it is relevant to note the concept of business ethics, defined as the prerequisite that "the organization or individual behaves in accordance with the carefully thought-out rules of moral philosophy" (Robin & Reidenbach, 1987). In that sense, business ethics defines how a private-sector entity and its agents (employees) should act, given a set of ethical principles, unwritten organizational norms, and formal rules. Business ethics covers a very wide domain, including multiple areas of interest for a business: human resources, finance, sales and marketing, procurement, production, intellectual property, etc. (Donaldson & Walsh, 2015). Particularly sales, procurement, IP rights, and human capital management are relevant for the current study of B2B corruption, as the subsequent chapter dedicated to research results shows.

2.1.3. Institutions

A second paradigm is based on the role of institutions, famously defined by Douglas North as "humanly devised constraints that structure political, economic, and social interaction" (1991). In this view, individuals act based on formal and informal norms of their societies, which can shape their personal perceptions of costs versus benefits of B2B corruption acts. Relevant institutions for the current research topic include: *endogenous or firm-level* regulations and norms (e.g., codes of ethics, monitoring mechanisms, whistleblowing provisions, etc.); and *exogenous* constraints (e.g., legislation, clean business coalitions, integrity pacts across businesses and sectors, social and cultural norms, etc.). Both endogenous and exogenous institutions influence individual and firm-level decisions regarding B2B corruption acts. In an advanced democracy with tough laws on B2B corruption specifically and a credible threat of catching and punishing perpetrators, institutions can discourage and reduce the prevalence of B2B corruption.

By contrast, where companies lack internal rules and controls and evolve in a context where corruption flourishes, it is much more likely that they will engage in corrupt transactions. Indeed, in a country with very weak rule of law and high tolerance of corruption, individuals may view it as an acceptable social norm, particularly in private-to-private interactions, which do not involve any public funds. It is also possible that in a context where everyone resorts to corruption this becomes the new rational choice, as clean entities will be pushed out of the market in time (Putnam, 1993).

Extreme versions of this theory argue that people's behavior depends entirely on formal and informal institutions. Based on their background, education, or profession, people supposedly act mechanically, only in accordance with the roles prescribed by the norms and laws they follow (Bowles and Gintis, 1975). In some sense, such transactions are easier to model, as researchers can infer behavior based on a number of set variables, yet in reality it is difficult to imagine a universe devoid of individual responsibility, where people become machines putting into practice a list of good or bad norms. Particularly in the context of B2B corruption, an illegal act by definition, it remains important to treat individuals as actors fully responsible for their actions. That said, as noted before, institutions can and do affect individual choices and the weighing of costs and benefits of B2B corruption.

2.1.4. Embedded networks

There is also another perspective, pioneered through the well-known work of Mark Granovetter, centered on the role of social networks and the concept of embeddedness (2001). This differs from previous paradigms, which tend to treat actors as atomized units, whether undersocialized (the individual as selfish, utility-maximizing) or oversocialized (the individual as the subject of institutional constraints). But individuals – and businesses, for that matter – are not isolated from their social context, and economic life does not and cannot exist in the absence of social connections. Instead, actors' "attempts at purposive action are embedded in concrete, ongoing systems of social relations" (Granovetter, 2001: 55). In this view, trust-based relationships among individuals matter greatly in the decisions they make; these relations form over time and are valued by each party.

Granovetter further explores the concepts of "trust" and "malfeasance" in economic life (2001: 56-60). He argues that trust between different parties is the result of personal relations and structures or networks, which explains why people prefer to work with individuals they know well, directly or indirectly. Trust among individuals is not only a product of their economic exchanges and it cannot only result from institutional constraints.

As in the previous paradigms, this can work both ways. On the one hand, in a network that discourages and penalizes B2B corruption, this phenomenon is less likely to spread. Strong trust-based relations imply that agents fulfill their duties toward principals, and refuse to engage in deals that further their personal goals while hurting the company's interests. Similarly, between two different businesses that enjoy very strong relations there is likely no need to "sweeten the deal" with a corrupt component.

On the other hand, if B2B corruption is at the foundation of a business network or penetrates it to a large degree, it will become rampant and very hard to control, similar to an organized criminal group based on "honor among thieves." The strength of social relations will work in the opposite direction, encouraging transactions based on B2B corruption, as each party to the deal will trust that the other one will not blow the whistle or otherwise try to undercut its partner. As Granovetter concludes, "both enormous trust and enormous malfeasance, then, may follow from personal relations" (2001: 59).

Ultimately, the causes of B2B corruption are likely a combination of all the aforementioned factors: individual and business-level preferences and perceptions of costs and benefits, institutional constraints, and embeddedness into social networks.

2.2. OVERVIEW OF B2B CORRUPTION

While corruption has been part of human societies for a long time, it has become the focus of academic and policy efforts only in last 50 years or so. It is a universal phenomenon, across countries, societies, and cultures. It affects economies, political systems, and social relations. Corruption undermines economic growth and lowers investment, burdening the private sector with additional "taxes" and greater unpredictability; it misallocates talent and resources based on rent-seeking, rather than merit and efficiency; it reduces the quality and increases the cost of public investment projects, hurting countries' chances at development and moving public resources into private pockets; it squanders resources and misdirects international aid flows (Mauro, 1997; Diamond, 2004; Theobald, 1990).

Politically and socially, corruption undermines democratic legitimacy, reducing people's trust in public institutions and their representatives (Diamond, 1999). In a study comparing Romania and Sweden, with their levels of corruption (high vs. low, respectively) and social trust (low vs. high, respectively), Rothstein and Eek found that people experiencing corruption among health-care

workers or police lose trust in these institutions and also in other people in society (2009). Moreover, corruption spreads and gradually infects all parts of society. As Fehr and Fischbacher show, "If people believe that cheating on taxes, corruption and abuses of the welfare state are widespread, they themselves are more likely to cheat on taxes, take bribes or abuse welfare state institutions" (2005). In the wise words of Pope Francis, "the constant temptation and cancer of corruption is one of the most devastating illnesses to befall society" (qtd. in Glatz, 2019).

For all these reasons, the importance of studying corruption and understanding what works to prevent and reduce it can hardly be overstated. Especially as a consensus on the harmful consequences of corruption emerged beginning in the 1970s, scholars and policy experts have begun researching the topic extensively. The vast majority of efforts have focused, however, only on public or political corruption, where a private party pays a public party to access certain benefits (Argandoña, 2003; Shleifer & Vishny, 1993; Rose-Ackerman & Palifka, 2016; Gardiner, 2002). This is also called business-to-government (B2G) corruption. Similarly, a lot of work has gone into exploring demand-side anticorruption solutions, i.e., preventing and combating corruption by constraining public officials asking for bribes or other favors, while the supply-side of the equation has been often ignored (Olsen, Petkoski, & Greenhalgh, 2009). It is as if the blame for corruption practices belongs exclusively or mostly with the public sector, though in practice many corrupt transactions include a private entity.

For reasons mostly pertaining to the nature of corruption, as explained in depth in the first chapter of this thesis, corruption between private entities, also known as private-to-private or B2B corruption, has gone largely unnoticed and remains critically understudied. Some early attempts included investigating purchasing practices, including gifts for managers (Forker & Janson, 1990). But it was truly in the 2000s that the situation started to change, with both scholars and policymakers becoming increasingly interested in B2B corruption. Over the last two decades, however, progress has been slow, and plenty of gaps remain in understanding and combating this phenomenon. The following sub-sections cover definitions of B2B corruptions, the legal framework, and the main specialized studies.

2.2.1. Definition

Leslie Holmes argued in her book *Rotten States* that, due to cultural and legal differences, "it is impossible to produce a universally accepted definition of corruption" (2006: 17). To be sure, a

number of scholars have purposefully restricted their focus and definitions to public or political corruption (Nye, 1967). In a widely cited article on the causes of corruption, Treisman uses a common definition: "the misuse of public office for private gain" (2000: 399). This is very similar to the World Bank's definition of corruption dating from 1997. For his part, Lindgreen also chooses a narrow definition, whereby corruption necessarily includes "abusing public officials whose behavior deviates from the formal government rules of conduct" (2004: 31). Others, however, have preferred definitions broad enough to cover both private and public forms of corruption (Transparency International, 2018a; OECD, 2008; Klitgaard, 1993: 234). Anand et al. consider that corruption is behavior that breaks from agreed social norms (2004).

Focusing on bribery specifically, the Harvard Business School defines it at length as "giving or offering something of value to a party entrusted to act on behalf of another, i.e., a principal such as a public institution, a company, or another individual, for the purpose of influencing the recipient to favor the giver in a way that violates the recipient's fiduciary or other duty to act on the principal's behalf, depriving the principal of property/service to which it is entitled, providing a personal benefit to the recipient, and resulting in an unfair advantage to the giver (or third party) relative to others who are similarly situated" (Payne & Bruner, 2005). Boathright follows a similar reasoning in claiming that bribes are payments aimed at incentivizing others to breach their duties and act dishonestly (2000). Both definitions clearly cover both B2G and B2B corruption.

Regarding B2B corruption specifically, scholars prefer various definitions. Argandoña defines it as a manager or employee acting to his own benefit or the benefit of a third party, in breach of his duties and responsibilities, thus directly or indirectly hurting the company (2003). Pinto, Leana, and Pil define it as misdirecting organizational resources for gain, whether personal or organizational (2008). Sööt et al. further clarify that "there is a watershed of difference depending on whether an employee or manager engages in corruption with the consent of the owner or without it" (2016: 9). If the owner is not aware of what is going on, then this is a case of principal-agent asymmetry of information, where the latter is cheating on the former, usually without any benefit to the firm. If the owner and the manager are acting together, then it is likely that the culture of the entire organization is riddled with corruption (Sööt et al., 2016).

In a 2005 article, one of the pioneers of the study of B2B corruption, Antonio Argandoña, provides a full definition of the phenomenon. He emphasizes multiple key characteristics of a corrupt transaction (2005: 252):

- *An action or inaction*, or merely an attempt;

- *Includes offering or soliciting*: both the demand and the supply side of corruption are needed;

- *A thing of value*: pecuniary rewards, favors, promises, etc.;

- *Aimed at motivating a person in a position of authority* to do or not do something within their control, including inducing a third person to act on their behalf or produce some intended outcome;

- *Breaching formal or informal rules and norms*, including laws, contracts, or just acceptable moral standards inherent in that post or position;

- *Benefitting the person who provides the undue reward*;

- *Likely done in secret*, given the covert and often illicit nature of the transaction.

The same author compiled a broad list of common practices that fit this definition and, hence, count as private-to-private corruption: "bribery (when it is the person who pays who takes the initiative); extortion or solicitation (when it is the person who receives the payment who takes the initiative, whether explicitly or otherwise); dubious commissions, gifts, and favors; facilitation payments (to speed up completion of an order, delivery of goods or payment of an invoice, for example); nepotism and favoritism (in the hiring and promotion of personnel, for example); illegitimate use or trading of information (trade or industrial secrets, for example); use of undue influence to change a valuation or recommendation; and an endless array of other possibilities born of human ingenuity over the centuries" (Argandoña, 2003: 255-256). Through a study of natural resource sectors in South Africa, Bracking demonstrated that there are additional new types of B2B corruption "that have emerged in response to the increasing complexity of the public-private boundary and the effects of more liberalized markets" (2013: v). These include: "deliberate bankruptcy, thin capitalization, illicit financial flows, transfer (mis)pricing, jurisdiction shopping, and tax evasion" (Bracking, 2013: 2).

As argued in the introductory chapter, this thesis defines B2B corruption as *the misuse of authority in transactions between private parties to extract undue benefits*. This definition has multiple advantages. First, it is broad enough to incorporate all forms of B2B corruption as identified by the literature. Second, it is simple enough to communicate, explain, and internalize at the level of

business people. Third, it covers both the supply and demand side of B2B corruption: the solicitor seeks to extract undue benefits in the form of bribes, kickbacks, or other favors; the payer seeks to extract undue benefits in the form of new business, services, or goods that he is otherwise not entitled to. Fourth, it clearly emphasizes that B2B corruption does not accidentally occur: it is the result of conscious actions on both sides of the transaction, whether voluntary or coerced.

2.2.2. Measurement

As mentioned previously, it is difficult to measure corruption generally (Apaza, 2009; Huberts, Lasthuizen, & Peeters, 2006), and arguably even harder to examine corruption between private entities (Di Nicola, Espa, Costantino, & Dickson, 2018). The reasons have to do primarily with the nature of the phenomenon as covert and illegal, which makes subjects reluctant to talk about it and expose themselves to potential reputational or legal risks. In addition, research shows that business people, even if willing to share their thoughts on this topic, may have genuine difficulties recognizing which transactions count as B2B corruption (Gopinath, 2008). Moreover, as Anand et al. have shown, "one of the most intriguing findings in the white-collar crime literature is that corrupt individuals tend not to view themselves as corrupt" (2004: 40). In fact, they justify their behavior by noting that they are doing their best to support their companies, particularly in a context where other players may be doing the same thing (Anand et al., 2004).

As with overall corruption, actual measurements of B2B corruption are, evidently, impossible, and have to depend on subjective perceptions. Perception-based measures and corruption scores have come under harsh criticism from some scholars, for several reasons, most notably: inability to track evolutions over time and large standard deviations (Galtung, 2006); strong influence of context and timing, whereby subjects may use corruption as a catch-all net for their distrust and disappointment with political leaders, governmental performance, circumstantial economic problems, etc. (Bryane, 2004). Fear of potential reprisals may have the opposite effect, determining respondents to play down the prevalence and importance of B2B corruption.

Such points are valid, but at the same time it is unwise to discard all perception data on corruption as useless. Kaufmann, Kraay, and Mastruzzi note that corruption is measurable by "gathering the informed views of relevant stakeholders" (2006, 1). The same authors argue that "perceptions of corruption based on individuals' actual experiences are sometimes the best, and the only information we have" (2006, 1). In fact, when it comes to investors' attitudes, beliefs, and

decisions, perceptions probably matter more than reality. Of course, there is also the possibility to investigate actual experiences of B2B corruption by asking respondents about their personal encounters with the phenomenon. This approach, however, raises a number of issues, including a much higher degree of mistrust by interview and survey subjects, who may fear legal consequences of their answers, particularly in difficult contexts like Romania today. In addition, there are no guarantees that such questions determine people to share their actual experiences of corruption.

In any case, recognizing the need to control for potential bias in perception-based survey data, this thesis deploys a myriad of methodologies, including qualitative case-study interviews and focus groups, as mentioned in the introduction and further explained in the fourth chapter.

2.2.3. Legislation

Argandoña argues that B2B corruption is the punishable by law primarily based on: breaches of fiduciary trust; undermining of free market competition; fraud; insider trading, etc. (2003). Indeed, since the mid-1990s, a growing regulatory framework has emerged, dedicated to addressing corruption and, in part, B2B corruption. The effectiveness of these provisions is questionable, particularly in the case of international regulations that lack the "teeth" required for punishing breaches (Argandoña, 2007).

At the international or supranational (EU) level, the following acts call upon signatories to sanction this phenomenon: the 1996 Inter-American Convention against Corruption (does not cover B2B corruption specifically); the 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, though this focuses on B2G corruption only;[5] the EU's Joint Action on private corruption (1998); the Council of Europe's Criminal Law Convention on Corruption (1999); the EU's Council Framework Decision 2003/568/JHA on combating corruption in the private sector (2003); and a range of other reports, guides, and codes of conduct put forth by international organizations.

An interesting case in point is the OECD Antibribery Convention. The International Chamber of Commerce (ICC) sent a memorandum to the OECD Working Group on Bribery in International Business Transactions, responsible with the monitoring of the convention's implementation (2006). In short, the text calls for adding a recommendation to the 1997 convention

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[5] The OECD Convention on Combating Bribery has not been signed by Romania, even though it is open to non-members. Countries like Argentina, Brazil, Bulgaria, Columbia, Costa Rica, Peru, Russia, and South Africa have all signed it, even though they are not part of the OECD. *See* http://www.oecd.org/corruption/oecdantibriberyconvention.htm.

to sanction private-to-private corruption because, "even though it does not affect directly public trust vested in public officials, [it] undermines the smooth functioning and credibility of free, open and global competition" (ICC, 2006: 1). The ICC is most concerned with facilitation payments, defined as:

- "the intentional offering, promising or giving, whether directly or through an intermediary, in the course of international economic, financial or commercial activities, of any undue pecuniary or other advantage, to any person, who directs or works for, in any capacity, another private sector entity, for this or another person, in order that this person act or refrain from acting in breach of this person's duties"; *and*

- "the intentional solicitation or acceptance, whether directly or through an intermediary, in the course of international economic, financial or commercial activities, by any person who directs or works for, in any capacity, a private sector entity, of any undue pecuniary or other advantage or the offer or promise thereof, for this or another person, in order that this person, act or refrain from acting in breach of this person's duties" (ICC, 2006).

To this day, the OECD has not acted on this appeal.

There are, however, instruments that do specifically address B2B corruption. The most notable international framework is the 2005 United Nations Convention against Corruption (UNCAC). Article 21 of the UNCAC asks signatories to criminalize offences including: "(a) The promise, offering or giving, directly or indirectly, of an undue advantage to any person who directs or works, in any capacity, for a private sector entity, for the person himself or herself or for another person, in order that he or she, in breach of his or her duties, act or refrain from acting; (b) The solicitation or acceptance, directly or indirectly, of an undue advantage by any person who directs or works, in any capacity, for a private sector entity, for the person himself or herself or for another person, in order that he or she, in breach of his or her duties, act or refrain from acting" (United Nations, 2005).

The UNCAC is the first global instrument in the fight against corruption, and it includes a number of key strengths and weaknesses. On the positive side, it is a much-needed response to the proliferation of corruption in the international arena, not just in terms of consequences, but also as an agent that gradually affects more and more jurisdictions (Posada, 2000). It is also sufficiently broad to encompass many different forms of corruption, including B2B, and defines some of the main forms of the phenomenon, including bribery, extortion, embezzlement, etc. Article 12 is specifically

dedicated to the private sector, proposing a range of potential anticorruption solutions to be adopted at the level of each company: codes of conduct, international accounting standards, forbidding tax deductions for bribes, etc. Interestingly, upon adoption of the UNCAC, the list of principles for sustainable and socially responsible policies known as the United Nations Global Compact (UNGC) for corporate entities and other stakeholders (UN agencies, labor groups, etc.) was expanded to include a tenth principle: "Businesses should work against corruption in all its forms, including extortion and bribery" (UNGC, 2004).

The main shortcoming of the UNCAC, however, at least from the point of view of the current research, is that it does not require signatories to criminalize certain violations, including embezzlement and commercial bribery in the private sector. It also lacks sufficient leverage and effective monitoring mechanisms to sanction signatories that fail to follow through on their commitments, as opposed to other international conventions that have included oversight by key stakeholders (private parties, civil society, etc.) (Argandoña, 2007).

At the European level, the 2003 European Council Framework Decision 2003/568/JHA, building on the Council's 1998 European Joint Action, calls on Member States to criminalize corruption in the private sector. The Council argues that "any corruption in the private sector within a Member State is […] not just a domestic problem but also a transnational problem, most effectively tackled by means of a European Union joint action" (2003: 54). Further, the paragraphs referring to active and passive corruption are nearly identical to the UNCAC form. The Council's Decision also calls for holding liable the legal entities responsible for private corruption. The deadline for individual Member States' compliance with the provisions of the decision was July 2005, although a subsequent report noted wide discrepancies in transposing this decision into the national legislation of Member States (European Commission, 2011). Romania is specifically mentioned among the states that had, at the time of the report's writing, only partially adopted the provisions of the 2003 Council Decision.

There is also the Criminal Law Convention on Corruption, overseen by the Council of Europe's Group of States against Corruption (GRECO). Articles 7 and 8 concern, respectively, active (offering) and passive (receiving) bribery in the private sector (GRECO, 1999). These articles require signatories to adopt legislative and other measures to establish active and passive bribery as criminal offenses under each state's domestic law. Romania signed the convention in 1999 and ratified it three years later.

At the national level, the legal treatment of B2B corruption varies tremendously. Of course, it is very challenging to do a global survey of all types of corruption and corruption-related offenses that affect the private sector. But there are some available data, particularly on commercial bribery. Global Compliance News showed that 54 out of 75 surveyed countries had specific provisions for criminalizing commercial bribery, while an additional five prosecuted commercial bribery under special circumstances (2017). Only eight countries in the sample had no provisions for prohibiting commercial bribery. In many cases, while not specifically criminalizing B2B corruption, countries may rely on a host of other legal principles and corresponding breaches, including fiduciary duties and antitrust legislation (e.g., Australia punishes price fixing, market sharing, and other anti-competitive behavior, even if it does not have a specific law or article against B2B corruption *per se*) (Lee-Jones, 2018: 8).

Lee-Jones provides in a Transparency International report several examples of countries that punish B2B corruption specifically, sometimes even for acts committed abroad (2018: 9-10). Singapore's Prevention of Corruption Act includes both public and private corruption, and perpetrators risk going to jail. For instance, a director spent nine months in prison for offering a Louis Vuitton staff member $38,000 to win contracts; in another recent sentence, Singapore's High Court, noted that "private sector bribery was equally abhorrent as public sector corruption" (Lee-Jones, 2018: 10). In South Korea, the criminal code specifically covers bribery of private sector employees, penalizing both the recipient (imprisonment of up to five years) and the giver (imprisonment of up to two years) (Lee-Jones, 2018: 9). Interestingly, "bribery is considered a crime against South Korea and its nationals [so] […] a foreign national can be held liable for his or her actions under the bribery offences in the criminal code, even if those actions occurred outside South Korea (Lee qtd. in Lee-Jones, 2018: 9).

The United Kingdom has one of the strictest anticorruption acts in the world, known as the Bribery Act (Lee-Jones, 2018:8). It applies – much like the American Foreign Corrupt Practices Act (FCPA) – not just to British citizens and companies, but also to foreign entities that operate in the UK. The Bribery Act covers both paying and receiving parties, and individuals found guilty may face harsh prison sentences of up to ten years and/or a significant fine. Fines can also be applied to entire organizations, particularly when they failed to prevent corruption acts. Mitigating circumstances include demonstrating that the company had in place prevention measures, which has incentivized

firms to introduce or expand on internal anticorruption mechanisms, as described in the next sub-section.

In the United States, B2B bribery is sanctioned at the level of certain states, as well as through the FCPA. While the FCPA mainly covers bribing of foreign public officials, it also requires companies to keep strict and accurate accounting records, which is very problematic for firms that pay bribes, even to other private entities (Mcinerney, 2002). The Securities and Exchange Commission (SEC) may enforce such provisions on a civil basis. At state level, commercial bribery is a crime in 34 states, often linked to breaches of duties of loyalty and trust; sentences may range from simple fines to jail sentences of up to five years (Mcinerney, 2002).

Romania, the main focus of this research, has a complex legal landscape when it comes to B2B corruption. Law 27/2002 ratified the Council of Europe's Criminal Law Convention on Corruption, in its entirety, making it a requirement to punish B2B corruption acts. Indeed, article 308 of the New Penal Code concerns "corruption and other professional crimes committed by other people." It includes two points, both of them highly relevant to understand the Romanian legal treatment of B2B corruption.

The first point notes that a series of provisions, namely "articles 289-292 and 297-301 of the New Penal Code, which thereby refer to public employees, apply correspondingly to acts done by or in connecting with individuals that fulfill, on a temporary or permanent basis, with or without remuneration, a task of any kind in the service of […] any legal entity." In effect, this criminalizes for B2B transactions the following forms of corruption and corruption-related acts: active (article 289) and passive bribing (article 290), influence peddling (articles 291-292), abuse of power (article 297), negligence (article 298), abuse of power for sexual ends (article 299), usurpation of authority (article 300), and conflict of interest (article 301). The second point of Article 308 mentions that the special limits of prison sentences are reduced in these cases by a third, compared to crimes done by public servants.

It is beyond the scope of this thesis to perform a full review of legal practices and cases of B2B corruption in Romania, as sanctioned by Article 308 of the New Penal Code. However, it is worth discussing briefly the Decision 603/2015 by the Constitutional Court of Romania (CCR), which declared conflicts of interest (article 301) unconstitutional insofar as employees of private entities are concerned. The CCR motivated as follows: *"[…] sancționând penal fapte ce contravin unor interese pur private, legiuitorul le-a calificat pe acestea din urmă ca având caracter public, ceea ce a dus la*

o limitare disproporționată a dreptului la muncă și a libertății economice ale persoanelor care își desfășoară activitatea în mediul privat, în aceste condiții, protecția penală astfel reglementată, deși adecvată sub aspectul finalității, aceea a protejării unor valori sociale chiar și private, nu este necesară și nu respectă un raport just de proporționalitate între severitatea măsurii ce poate fi luată și interesul individual al persoanelor" (Decision 603/2015, paragraph 34).[6]

The Court went on to note: *"Curtea constată că, dacă faptele persoanelor din mediul privat sunt cauzatoare de prejudicii, împotriva acestora poate fi angajată răspunderea civilă, de dreptul muncii sau altă formă de răspundere, care nu implică forța de constrângere a statului prin mijloace de drept penal."* (Decision 603/2015, paragraph 35).[7] This line of reasoning, although it only applies to decriminalizing conflicts of interest in the private sector, as Decision 603/2015 explicitly notes, poses serious questions regarding future cases brought to the CCR regarding constitutional checks on other B2B corruption offenses and cases. The position appears to be markedly different from, say, Singapore's High Court, as cited earlier; indeed, the CCR does not seem to appreciate to the same extent the importance of fighting against private corruption, which remains a vague concept even for legal experts in Romania, let alone for business managers and private-sector employees.

Overall, the data on private-to-private corruption cases is spotty at best, though it would be a good proxy for the phenomenon's prevalence and for estimating the effectiveness of the current legal framework in sanctioning it. Unfortunately, no recent statistics were found, neither for Romania, nor for the EU. Argandoña (2003) references an ICC study from 2002, which found very few recorded cases of B2B corruption brought to court: for example, two sentences on 64 cases in the Netherlands, 0.05% of cases brought to US federal courts (including B2B and B2G corruption), very few cases in France and Japan; the exception is South Korea, which investigated 8500 cases of B2B corruption in 1998-1999, in the context of the financial crisis, with over 40% leading to arrests (2003: 266).[8] Clearly there is a need for updated data on B2B corruption cases and their resolutions, though one thing

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[6] "By criminalizing acts that go against purely private interests, the lawmaker qualified such acts as having a public character, which has led to a disproportionate limitation of the right to work and of economic freedom of individuals working in the private sector and, in these circumstances, the criminal law protection, though adequate in terms of its aim to protect social and even private values, is not necessary and does not abide by the principle of proportionality between the severity of the sanction and individuals' private interests" (author's translation).

[7] "The Court notes that, if the actions of individuals in the private sector cause damages, against them civil law provisions may be used, including labor legislation or other provisions of accountability, which do not require the State's constraining power through the use of criminal law provisions" (author's translation).

[8] For more information, *see* Heine, G., & Rose, T., (2003), *Private Commercial Bribery: A Comparison of National and Supranational Legal Structures*, Project Report for the Max-Planck-Institut für ausländisches und internationales Strafrecht Freiburg im Breisgau.

remains certain: the body of law sanctioning this phenomenon remains incomplete and relatively vague, and it is reasonable to hope for much-needed improvements and additions as more and more cases emerge.

2.2.4. Self-regulatory measures

Sure enough, businesses do not have to rely entirely on the state for preventing and controlling B2B corruption acts. There are a number of self-regulatory instruments available to shareholders and managers of private companies, and their adoption and roll-out depend entirely on the company's decision-makers. These tools are usually open-source and free to use. This section reviews some of the main resources available for businesses seeking to combat B2B corruption through internal mechanisms, along with the instruments they propose for deployment. For previously mentioned reasons, businesses tend to prefer handling B2B corruption cases internally to avoid reputational damages and legal sanctions. They can save face and deal with the problematic cases without losing significant business. This is what makes self-regulatory measures critically important, as long as they are effective in practice and not just formally endorsed.

The International Chamber of Commerce (ICC) published recently an extensive compendium for business integrity, including all its rules and guidance for anticorruption and corporate accountability (2017). The guide is comprehensive, covering everything from rules on combating corruption to guidelines on intermediaries, third-party due diligence, internal whistleblowing programs, gifts and hospitality, and specific contract provisions (e.g., the ICC Anticorruption Clause). Many of the recommendations apply to preventing, revealing, and sanctioning B2B corruption. To take one particularly murky example, the guidelines on gifts and hospitality specify that such offerings must: "(i) comply with national law and applicable international instruments; (ii) [be] limited to reasonable and bona fide expenditures; (iii) not improperly affect, or might be perceived as improperly affecting, the recipient's independence of judgment towards the giver; (iv) not [be] contrary to the known provisions of the recipient's Code of Conduct; and (v) [be] neither offered or received too frequently nor at an inappropriate time" (ICC, 2017: 153-154).

As evidence to the growing recognition of corruption's harmful impact through and on the private sector, the International Organization for Standardization (ISO) launched in 2016 ISO 37001 Antibribery Management Systems, designed to help private organizations in the fight against bribery. ISO 37001 covers both B2G and B2B corruption, and includes provisions on establishing an anti-

bribery management system, including: understanding the context and risks of the organization; fostering leadership commitment; planning for the standard's adoption; support (communication, awareness and training, etc.); operation (due diligence, financial and non-financial controls, raising concerns, etc.); monitoring and evaluation; and continual improvement (ISO 37001, 2016). The standard goes into significant detail on how to apply it, including how employees should respond to problematic situations (e.g., when faced with a demand for payment). Entire countries have adopted it, including Singapore, pledging to support companies operating there with implementing and managing best practices in anti-bribery (Grand-Hart, 2017).

There are other standards related to anticorruption policies for businesses, notably the Global Reporting Initiative (GRI) Sustainability Reporting Standards. These cover economic, social, and environmental impact for individual companies. Over 75% of Fortune 250 companies use the GRI standards in developing their sustainability reports (KPMG, 2017). GRI 205 establishes reporting requirements, recommendations, and guidance in the area of anticorruption, motivating that "organizations are expected by the marketplace, international norms, and stakeholders to demonstrate their adherence to integrity, governance, and responsible business practices" (GRI 205: 4).

The standard includes both management approach disclosures (requirements based on GRI 103) and topic-specific disclosures such as the total number and percentage of operations for corruption-related risks, the total number and percentage of governance body members and, respectively, employees that have received training on anti-corruption, broken down by region, the total number and nature of confirmed corruption incidents, and many others (GRI 205: 7-9). This system has improved awareness of corruption-related risks among companies that voluntarily decide to adopt it, along with accountability mechanisms – not just internal, but also vis-à-vis external stakeholders.

Transparency International has developed its own *Business Principles for Countering Bribery* (2013), as well as a dedicated edition for small and medium-sized enterprises (SMEs) (2008) and, together with the UNGC, a comprehensive report on the 10th principle against corruption (2009). The scope of these various tools covers conflicts of interest, bribes, political and charity contributions, facilitation payments, and gifts, hospitality, and expenses. The aim is the same as that of other similar instruments: obtain management buy-in to fight against corruption, including B2B forms; design and implement an effective anticorruption framework; and report publicly on the results.

Given the business community's growing need to address corruption and B2B corruption, as well as the limited corporate experience, know-how, and capacity for dealing with such matters, a market has emerged for private risk-management solutions. One of the leading companies, TRACE, offers back-to-back solutions for businesses seeking to develop robust corporate compliance and anticorruption programs. TRACE recommends three types of innovations for companies in the fight against corruption: (i) the use of technology to support anti-bribery compliance (e.g., online training seminars, anonymous digital reporting system, online platform for processing forms regarding gifts, favors, etc., automated risk management tools, etc.); (ii) portable due diligence, i.e., outsourcing a full audit to an independent third party, leading to credible results that can be shared with business partners and other stakeholders; and (iii) down streaming, including corruption prevention and control measures for third parties, such as suppliers, service providers, and other business partners (TRACE, 2017).

Based on this brief review, this thesis identifies multiple *internal self-regulatory measures*. In the logical order of sequential steps, these include:

- *Leadership commitment*: official statement against corruption, accountability for anticorruption policies, cooperation with legal authorities, etc.;

- *Set-up and operationalization of anticorruption corporate program*: anticorruption policies, code of ethics, sanctions, risk-assessment procedures, policies for business partners, internal checks and balances (e.g., audit plans, approval procedures, etc.), financial reporting, documentation, and control related to anticorruption;

- *Internal communications, company culture, and human capital management*: recruitment checks, training seminars, whistleblowing protections;

- *Monitoring & evaluation (M&E) and feedback loops*: M&E procedures, external auditing, processes for continuous improvement of anticorruption framework;

- *Reporting*: main standards and indicators used for reporting, private and public distribution channels, external accountability mechanisms (vis-à-vis other stakeholders like consumers, suppliers, local communities, the general public).

In addition to such internal good corporate governance policies, there are also *external self-regulatory measures*. In the literature, these are often included under the umbrella of "collective

action." In one of the first articles on this topic, *The Case for Collective Action*, Olson, Petkoski, and Greenhalgh explain businesses' dual status as both potential victims and perpetrators of corruption, asking: "Why would companies seek to [fight against corruption]? Because, simply put, more effective markets with transactions within a rule-of-law system present more opportunities for business growth and development" (2009: 148). In simple terms, collective actions are partnerships among businesses – and potentially other stakeholders like governments, international organizations, and civil society groups – dedicated to fighting corruption together.

Petkoski, Warren, and Laufer propose a classification of external self-regulatory measures based on their time horizon – short vs. long-term – and their enforcement mechanisms (2009). These include, from the weakest to the strongest capacity to constrain participants' actions:

- *Anti-corruption declarations*: short-term, formal statement of commitment, with enforcement "by honor";
- *Principle-based initiatives*: long-term, based on ethical commitment to not engage in corruption acts;
- *Integrity pacts*: project-based agreement between bidding companies and a customer, with external monitoring and enforcement of rules;
- *Certifying business coalitions*: membership is based on compliance, audited and continuously monitored by an independent third party (Petkoski, Warren, & Laufer, 2009).

Figure 2.1. Different types of collective action (Petkoski, Warren, & Laufer, 2009)
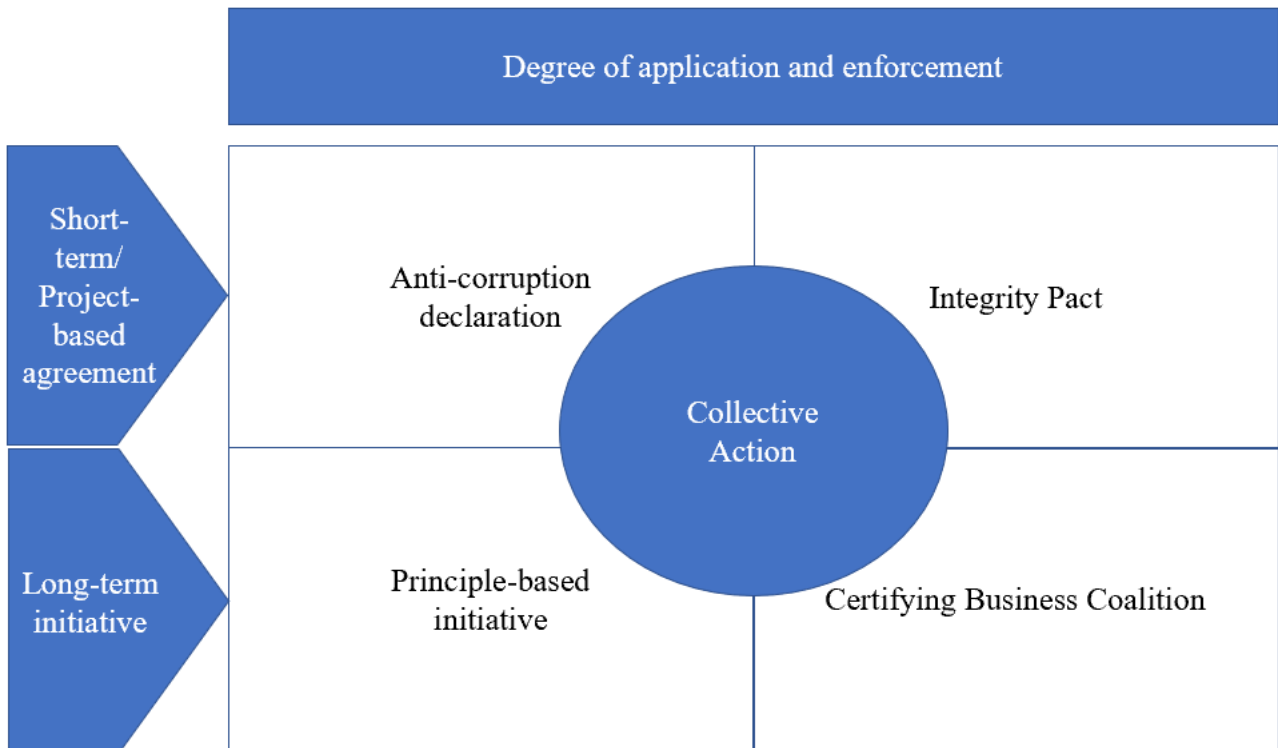
One interesting example of a collective action initiative is the World Economic Forum (WEF) 2004 launch of the Partnering Against Corruption Initiative (PACI), a voluntary-based, "CEO-led platform building on the pillars of public-private cooperation, responsible leadership and technological advances" (WEF, 2019). Signatories include some of the world's largest companies, from various sectors (IT, financial services, pharmaceuticals, consulting, oil and gas, etc.), and the platform facilitates best-practice exchanges and open discussions around innovative solutions for combatting corruption. As with other WEF initiatives, the focus is on new technologies, including through the Tech for Integrity (T4I) Synergy Lab, which connects companies and innovators. For example, the Signatura.co company in Argentina promises to "help eliminate the risk of collusion or inside information by preventing the tampering of proposals using blockchain" (Tech for Integrity, 2019).

Another type of collective action worth describing in more detail is a Certifying Business Coalition or Clean Business Coalition (CBC). CBCs have multiple defining elements: voluntary participation by companies; adherence to common standards and rejection of all corrupt practices; credible and powerful external monitoring of how individual CBC members respect their

commitments; equitable and transparent sanctions, with a fair complaint-resolution mechanism; and, last but not least, special incentives for companies to join the CBC (e.g., a "corruption-free" stamp for companies seeking to appeal to customers, faster custom procedures for certified companies, etc.) (Burduja, 2016: 222-224).

To sum up, companies have at their disposal a wide and diverse range of internal and external instruments for combating corruption. Importantly, all the aforementioned tools apply to B2B corruption, and many of them reference it specifically. Argandoña references some of these same measures for battling B2B corruption: *preventative*, including top management's declaration of intent to prohibit all forms of corruption, followed by delivering judiciously on these promises, clearly defined responsibilities for decisions, clear and transparent criteria for selecting business partners, bright lines with concrete examples of sensitive situations and how to handle them, reporting mechanisms, transparency, restitution of illicit payments and compensation, supervision and control, training, and proactive, innovative measures; and *corrective*, including sanctions and continuous monitoring and enhancement of preventative measures (2003: 259-263).

Companies that are serious about fighting against B2B corruption therefore have access to various solutions. Whether they succeed appears to depend on their will to do adopt them. The business case for fighting B2B corruption should be crystal clear, as the foundational motivation for all such efforts: a cleaner, more competitive business environment, along with enhanced corporate reputation and culture, and a form of protection for honest companies facing corruption allegations, as they can invoke the full set of measures taken to prevent, detect, and punish this dangerous phenomenon. The real cost of B2B corruption always outweighs the benefits. It is financial (diminished productivity and competitiveness, fines, etc.), legal (criminal or civil trials), social (reputational damages), and ethical (corrupt culture) (Argandoña, 2003). The next subsection reviews those studies that focus specifically on B2B corruption.

2.3. B2B CORRUPTION STUDIES

As observed time and again, the literature on B2B corruption is severely limited and still in its infancy. Early studies aimed to define the phenomenon, including its various forms, to explain its harmful consequences and the corresponding importance of studying and fighting against it, to review the evolving legal treatment in various countries and internationally, and to propose potential solutions for addressing B2B corruption (Argandoña, 2001; Andvig, 2002; Argandoña, 2003). The *Fighting*

Corruption: International Corporate Integrity Handbook by the ICC took a similar approach in its chapter on private-to-private bribery (2003). This early literature built on previous studies of corporate ethics (Robin & Reidenbach, 1987; Boathright, 2000) and, interestingly, emerged only after the global policy community had already mobilized against B2B corruption, including through international conventions. In parallel, the literature on public corruption kept flourishing, which likely helped bring the issue of B2B corruption closer to the forefront of policy and academic debates.

In a second phase of the specialized literature, after the mid-2000s, scholars build on the theoretical foundation to further explore different forms of B2B corruption, but the research methods remain the same: extensive policy and legal reviews, doubled by theoretical arguments for fighting against the phenomenon. In 2005, for instance, Argandoña dedicated an entire article to facilitating payments, providing a detailed definition, reviewing applicable international and national laws (in France, Portugal, New Zealand, the United States, Germany, etc.), providing a long list of ethical, social, and economic arguments for refusing to make facilitating payments, and ending with a menu of solutions for protecting against this abusive practice.[9]

In their 2004 article, Anand et al. focus on individuals' motives for accepting and perpetuating corruption in private entities, departing from Argandoña's institutional and legalistic approach. Their research includes a collection of known private corruption scandals and statements by their protagonists, allowing the authors to draw certain conclusions regarding "the rationalization and socialization tactics [of corruption] and the ways in which firms can prevent or reverse their occurrence among employees" (Anand et al., 2004: 39). Rationalization tactics include denial of responsibility (no other choice), denial of injury (no one is harmed), denial of victim (other party deserved this treatment), social weighting (comparison with worse examples in society), appeal to higher loyalties (hierarchical allegiances), and balancing the ledger (wrong supposedly compensated by positive credit accumulated as a result of good deeds) (Anand et al., 2004: 41).

Three socialization processes reinforce these rationalizations: cooptation of newcomers into corrupt practices; incrementalism, equivalent to the gradual introduction of new employees to corrupt acts; and compromise to resolve dilemmas or emerging challenges. These dynamics "allow perpetrators of unethical activities to believe that they are moral and ethical individuals, thereby

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[9] It is true that Argandoña's 2005 article mostly deals with B2G corruption, although the author himself notes that "The arguments set out below refer to the case of a public official who demands a payment (or who receives an offer of payment) from a private company, but they are equally applicable to employees of private organizations and to solicitations or offers of bribes from other sources" (256).

allowing them to continue engaging in these practices without feeling pangs of conscience" (Anand et al., 2004: 40). Corrupt rationalization and socialization tactics generate a vicious cycle: employees of integrity are increasingly excluded from the corrupt entity, whether for their own internal moral compass or as a result of their colleagues rejecting them for not fitting in. Anand et al. call this result "a social cocoon," with informal rules that clearly violate ethical principles, but not in the minds of those stuck inside the cocoon, both initiators and newcomers (2004).

Since the problem lies with individual business people, Anand et al. devise solutions that target the same level, seeking to reverse the rationalization and socialization of corrupt behavior. They provide a list of actionable recommendations, which include: adopting an ethical/conduct code; training people to raise awareness; facilitating access to credible and safe whistleblowing mechanisms; adopting performance evaluations that take into account behaviors, not just numerical outcomes; promoting top managers as role models for employees; and recruiting knowledgeable outsiders as change agents (2004: 47-51).

Adopting a similar perspective, Rose-Ackerman (2007) suggests that individuals' personal ethics and the demands of their jobs are responsible for B2B corruption. Potential solutions are: hiring policies that lead to recruiting "the right people," i.e., individuals with a strong work ethic; and whistleblowing within a company culture that makes it socially acceptable to report on your peers, as a professional duty. Rose-Ackerman cites Baumhart's 1961 experimental study, which proved that executives facing ethical dilemmas tend to choose the profitable option that furthers the company's interests in relation with competitors (e.g., hiring someone to obtain technological secrets, paying a bribe to make a sale). Still, other studies show that "personal standards are the most important source of guidance when respondents face ethical dilemmas" (Cooper & Frank, qtd. in Rose-Ackerman, 2007: 4). In her note, the author relies only on secondary research to support her claims.

In another study from around the same time, Lindskog, Brege, and Brehmer assess private and public procurement processes and corresponding opportunities for corruption (2010). They show that corruption exists in both B2B and B2G procurement, at every stage of the process, starting with the identification of the need to acquire something (which could be irrelevant or nonexistent) to the bidding procedure and award (e.g., biased exclusions of competitors, bribery-induced decisions, etc.). The critical link in the chain are the people actually making the decisions in the various phases of the procurement process. For their part, Ulli, Neubauer, and Schoenherr explore companies' inclination toward corruption in operations and supply chain management, investigating 104 purchasing

managers in Germany and concluding that organizational complexity, corporate culture, internationality, and functional complexity influence a company's propensity to engage in corruption (2012).

In direct reference to private corruption, Lindskog et al. argue that the scope for arbitrary decisions is even greater than in public entities: "When private companies carry out procurements of similar types, they neither need to give any account of the logic behind their choice of suppliers nor the steps in the procurement process need to be shown. That gives a bigger structural scope for arbitrary decisions" (2010: 186). Ultimately, the study concludes that corruption in procurement depends more on political and cultural factors than on the type of transaction, i.e., B2G or B2B. As other studies produced during this phase, Lindskog et al. base their findings primarily on other existing research.

As the topic of B2B corruption grew in importance, for both policymakers and scholars, research studies began gathering their own primary data. This is the third phase of the specialized literature, whereby theoretical arguments are supported not only through a review of existing studies, but also by designing and implementing surveys and research experiments. The next subsections review several sources that are directly relevant to the current research.

2.3.1. Survey data

The main quantitative studies of corruption do not distinguish between B2G and B2B forms. For one, the two key datasets by Transparency International (TI) only measure overall corruption: the Corruption Perception Index (CPI) (TI, 2018b), the most widely used tool for ranking countries' corruption levels; and the Global Corruption Barometer, which captures experiences with bribing officials for basic services (TI, 2018c). Other instruments that can provide useful data regarding business' perceptions of corruption, its prevalence, and potential solutions in addressing it: in chronological order, TI's 2011 "Putting Corruption Out of Business" (2011a), the World Bank's BEEPS survey (2013), the Flash Eurobarometer 374 "Business Attitudes towards Corruption in the EU" (European Commission, 2014), and the "International Business Attitudes toward Corruption" study by Control Risks (2016). Even these tools, while focused on the business sector specifically, do not treat B2B corruption separately. Many of the questions featured only apply to B2G transactions, including bidding for public tenders and political campaign financing.

Of particular interest is TI's Bribe Payers Index (BPI) (TI, 2011b). The BPI inquires business executives about paying bribes in their foreign operations, on a scale of 0 (always bribe) to 10 (never bribe). Although the data are slightly outdated at the time of this research, the BPI notably chose to include several questions on B2B corruption (TI, 2011b). For the most recently available year, the BPI sent to its sample of 3000 executives a question on how often they "pay or receive bribes from other private firms" (TI, 2011b: 18). The results are useful in signaling out sectors where B2B corruption is particularly problematic, as well as for a comparison of prevalence rates of B2B versus B2G corruption.

Regarding the latter, the 2011 BPI shows that no major differences exist between how often business executives deal with private bribery compared to bribery of public officials, which proves that "corruption is not just a phenomenon that involves public servants abusing their positions, but it is also a practice within the business community" (TI, 2011b: 19). As for the sector assessments, data show that public works and construction, utilities, real estate, and oil and gas have relatively higher rates of B2B corruption, while at the opposite end of the spectrum are agriculture, light manufacturing, IT, and banking and finance.

There are also several key surveys focused on European countries. In fact, in recognition of the importance of the importance of B2B corruption, the EU has funded multiple research efforts dedicated to exploring this phenomenon. First, in 2013, together with the United Nations Office on Drugs and Crime (UNODC), the EU funded a study of the impact of corruption on private enterprises in Croatia and the wider region of the Western Balkans. The report notes that B2B bribery are "illicit transactions […] different from normal business transactions, for example marketing or public relations activities, in that they specifically aim, through illegal means, to breach the integrity of the bribe-taker in exchange for a bribe" (UNODC, 2013: 37). The prevalence of B2B bribery is measured as "the number of businesses who gave money, a gift or counter favor, in addition to any normal transaction fee, on at least one occasion in the 12 months prior to the survey to any person who works, in any capacity, for a private sector business entity, including through an intermediary" (UNODC, 2013: 37).

The UNODC study on Croatia, by including a special section on B2B corruption, has the merit of providing some of the first available quantitative, perception-based data on the phenomenon. The main questions addressed focus on: prevalence rates (B2B bribery most common in construction and for small and medium-sized enterprises); forms of payment ("exchange of favors" is most prevalent

at close to 40%, while "cash or job position for family member or friend" is least frequent at under 15%); bribe-seeking modality and timing (about 42% of bribes are offered without being requested, while in 36% and respectively 10% of the cases they are requested implicitly or explicitly, and most bribes are paid at the same time as the delivery of the service); purpose of bribes (34.4% to gain an advantage over competitors, followed by 16.9% to win a contract, and 10.9% to secure better prices, while 17.6% stated no specific purpose); reporting rates (extremely low, with only under 1% of all B2B bribes reported to authorities) (UNODC, 2013: 38-42).

Another study funded by the EU is the PrivaCor, which compares the phenomenon in Estonia and Denmark, having interviewed 500 managers in each country (Johannsen, Pedersen, Vadi, Reino, & Sööt, 2016). The study is grounded on the premise that "most EU countries lack information about the extent and forms of corruption in the private sector" (Johannsen et al., 2016: 8). Several key areas covered by the research in the two countries include: consequences of private corruption; causes and excuses for unethical behavior; B2B corruption forms and their frequency; and recommended steps in the battle against private corruption. Most of the questions test for perceptions of corruption, though a few provide scenarios and ask for respondents' preferred course of action (to see how many would be willing to offer bribes, for instance).

Both Estonian and Danish managers are highly aware of the potential cost of B2B corruption, though the latter are more concerned overall than the former, on all perceived consequences: company reputation (55% Estonia vs. 70% Denmark); financial loss (47% vs. 53%); manager's career (39% vs. 64%); and loss of business network (35% vs. 40%) (Johannsen et al., 2016: 13). Interestingly, responses also vary across company size. Managers of smaller companies (i.e., under 10 employees) fear financial loss and loss of business networks more than their counterparts in large enterprises. Compared to female colleagues, men also tend to fear more the potential damages to their personal career.

Regarding excuses and justifications of private corruption acts, a staggering 85% and 79% of Danish and Estonian managers, respectively, agreed with at least one of the provided excuses (Johannsen et al., 2016: 14). The reasons provided vary: pressure from management (particularly mentioned by medium and large companies), similar behavior by competitors (particularly invoked among small businesses), to pursue the company's best interests, and to keep their job. When a new variable was introduced, i.e., people from Estonia/Denmark would never bribe, 40% of Danes agreed with this versus only 20% of Estonians. Also, ownership structure matters: companies with a foreign

ownership of over 50% of the capital, across the board, appear less inclined to justify corrupt behavior compared to local companies (Johannsen et al., 2016: 16).

Regarding its prevalence, B2B corruption exists and is significant in both states: 57% of Estonians and, respectively, 51% of Danes had encountered at least form of private corruption in their sector (Johannsen et al., 2016: 18). Generally speaking, respondents reject private corruption in all forms, though the more serious forms like bribery and fraud score even higher in terms of their unacceptability compared to kickbacks and helping family or friends, i.e., nepotism (Johannsen et al., 2016: 22). Small companies, younger managers, and men report higher rates of B2B corruption prevalence. In both countries the most common forms encountered are kickbacks (46% in Estonia and 34% in Denmark) and conflicts of interest (49% vs. 38%), while bribery (29% vs. 21%) and fraud (22% vs. 15%) are much less frequent.

Most respondents in both countries are supportive of adopting measures to reduce private corruption. For example, only 3% of managers in Estonia and 10% in Denmark would not report a corruption case, though the vast majority would resolve the situation internally. Among the recommendations to fight corruption are the following: positive personal example by managers (93% in Estonia and 93% in Denmark highly agree this is an effective measure against private corruption); internal control system (86% in both); termination of employment for wrongdoers (85% and 87%); general ethics training for employees (50% vs. 68%); declaration of financial interests (45% vs. 57%); adoption of ethics code (42% vs. 86%); raising salaries (39% vs. 28%); nomination of trustee within the company (28% vs. 41%); reporting to law enforcement (27% vs. 72%); and anonymous hotline (13% vs. 36%). The first few measures are equally approved in both countries, while on other proposals Estonians and Danes differ widely: the former prefer raising salaries, while the latter are much more enthusiastic about reporting to law enforcement, adoption of ethics code, and setting up an anonymous hotline.

The PrivaCor study also allowed open-ended answers and suggestions from surveyed managers. Suggestions offered included: emphasizing social condemnation or public shaming; internal controls like the four-eye principle (i.e., everything checked by two different individuals) and rotation of employees; hiring honest individuals to avoid including in the workforce people who risk corrupting the entire culture of the organization. The widely shared conclusion is that there is no panacea for B2B corruption; instead, businesses should consider deploying a combination of instruments.

Finally, another quantitative study is the Private Corruption Barometer (PCB), also known as Project PCB (Di Nicola et al., 2018), also funded by the EU and implemented between 2016 and 2018. The motivation for the study is clear: "The harm caused by private-to-private corruption to companies and society is not matched by adequate knowledge of the phenomenon" (Di Nicola et al., 2018: 6). It follows that there is no consensus on what B2B corruption is, its impact on the EU market, and ways to combat it effectively. The aim of Project PCB is two-fold: (i) "to develop an innovative and standardized module to measure private-to-private corruption"; and (ii) "to pilot the standardized business victimization survey module on private-to-private corruption on a representative sample of businesses in four EU Member States (Bulgaria, Germany, Italy, and Spain) and to analyze/compare the results" (Di Nicola et al., 2018: 9).

The methodology is similar to the one deployed as part of this research. The authors first organized in-depth interviews with key business actors in all four states to establish preliminary hypotheses, primarily related to differences in perceptions, experiences, and solutions vis-à-vis private corruption across Member States. Next, Di Nicola et al. deployed a questionnaire with multiple-choice answers on a diverse sample (based on, as for this research, company sector, size, years of experience). The questionnaire covered: overall perceptions of private corruption; experiences (knowing someone who engaged in B2B corruption); and effectiveness of potential remedies, from setting up an anonymous hotline to general ethics training. These measures are similar to the ones tested in the PrivaCor study.

Overall, the PCB data indicate similar attitudes vis-à-vis B2B corruption in the three Western European countries, Germany, Italy, and Spain, with some notable differences compared to Bulgaria. When asked if they would take the deal that is not good for the company in exchange of money, gifts, or favors, respondents universally rejected this, but for different reasons: in Germany, Italy, and Spain, most would not accept because they "do not approve similar behaviors" (85-90% vs. only 65% in Bulgaria), while more Bulgarians comparatively would refuse "if the deal would imply the breaking of laws/codes" (32% vs. 8-14% in the other countries) (Di Nicola et al., 2018: 22). This suggests closer attention paid to formal laws and regulations in Bulgaria, while in Western Europe social norms against corruption tend to be stronger. In all countries, less than 1% of respondents would accept the bribe. If the offered deal was good for the company, most respondents across all countries would still reject it, though more people would accept it because "everyone does it" (9% in Bulgaria, 5% in Germany, 2% in Italy, and 4% in Spain) (Di Nicola et al., 2018: 22).

Perceived prevalence rates also vary greatly. In Bulgaria, respondents answered "often" or "very often" when asked about encountering certain corrupt practices much more than in other countries. For example, 46% of Bulgarian respondents encountered private corruption of financial institutions for loans, versus only 2% in Germany, 3% in Italy, and 9% in Spain. 60% note the use of intermediaries for various kickbacks in Bulgaria, versus 19% in Germany, 9% in Italy, and 30% in Spain (Di Nicola et al., 2018: 23). When asked whether employees responsible for procurement are offered cash or goods in return for an order, 48% of Bulgarians answered "often" or "very often," versus only 6% in Germany, 10% in Italy, and 20% in Spain (Di Nicola et al., 2018: 23).

Finally, with respect to preferred solutions for reducing B2B corruption, respondents were asked to qualify the most effective from a list of 10 options. The results are presented in the figure below. In short, respondents prefer: "punishing wrongdoers by terminating employment contracts (93% in Spain, 56% in Italy, 53% in Bulgaria, and 42% in Germany), the development of an internal control system (88% in Spain, 28% in Italy, 31% in Bulgaria, and 46% in Germany), and a standard system of monitoring and evaluation of the activities (87% in Spain, 28% in Italy, 31% in Bulgaria, and 46% in Germany)" (Di Nicola et al., 2018: 24).

Figure 2.2. Respondents' preferences for addressing B2B corruption (Di Nicola et al., 2018)
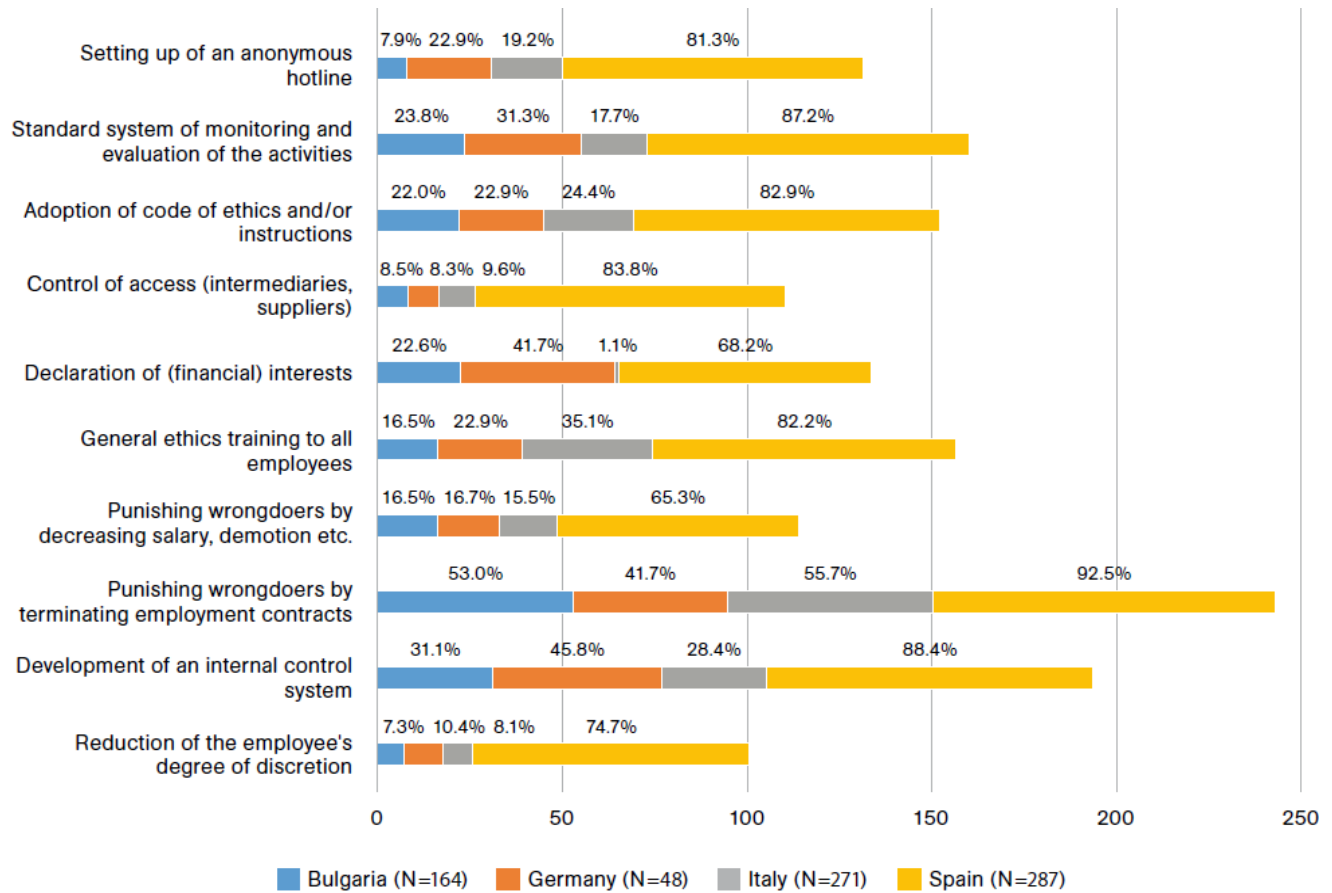
2.3.2. Qualitative data: case-study scenarios

Another possibility for evaluating attitudes vis-à-vis B2B corruption is to present a case-study scenario and inquire respondents about their responses to particular situations. One author deployed this method in a widely cited 2008 exploratory study of 100 business school students in Northeastern USA. The aim was to find answers to three research questions: (i) are individuals able to recognize ethical issues in private transactions? (ii) what arguments do they use to justify unethical behavior? and (iii) would individuals act differently when faced with public vs. private corruption? (Gopinath, 2008: 749-750).

Gopinath designed and administered to his subjects a questionnaire with a hypothetical scenario whereby respondents are the protagonist – the manager of a company going to India to visit a business partner. The brief scenario is as follows: "*Invest Corp. is an international company manufacturing industrial products. The company has recently entered into a trading agreement with*

an Indian company. The Indian company has agreed to act as representative for Invest Corp., for import and sale of the equipment in India. Mr. Smith, marketing vice-president of Invest Corp. is in India to ensure the success of the venture. He is surprised to find that the initial shipment has been held up in customs because government import restrictions have not been complied with due to insufficient data. The information, which is vital to the implementation of the agreement, had been supplied previously by Invest Corp. head office. Mr. Smith is approached by a junior clerk in the Indian company who explains that his predecessor was very disorganized and the documents had probably been misfiled. The clerk suggests that if he were to work overtime, he could probably find the material, but the Indian company does not pay for overtime and the clerk wants to be appropriately compensated." (Gopinath, 2008: 753).

The manager, i.e., each subject of the questionnaire, has to choose whether to pay the clerk or to refuse payment. Interestingly, Gopinath also used a "primed" version of the questionnaire, whereby some respondents in the sample were told that the protagonist of the case feels that the requested payment is illegal (Gopinath, 2008: 753). This did have an effect in the end, as relatively larger numbers of respondents decided not to make the payment (Gopinath, 2008: 751). Gopinath's focus is clear, and it has to do with this critical inquiry: can future business leaders recognize a complicated ethical situation? Indeed, findings suggest that individuals cannot properly recognize bribery in the case of B2B corruption. Those who would pay the bribe invoke a variety of reasons: business (46%) – part of doing business; legal (20%) – it is not illegal to make the payment; moral (20%) – harmless bribe; and cultural (11%) – common practice in a country like India (Gopinath, 2008: 751).

The Gopinath study reached several key conclusions. First, most respondents did demonstrate consistency in their thoughts and actions: those who believed the payment was illegal generally decided not to make it, while most of those who thought it was legal also noted that they would make the payment (Gopinath, 2008: 751). Second, most respondents who would pay the bribe cited business reasons, suggesting that the cost of B2B corruption should be better explained to business leaders. Third, context matters: the fact that the scenario took place in India did influence some respondents, as revealed by their explanations.

2.4. CORRUPTION AND B2B CORRUPTION IN ROMANIA

Romania has long been qualified as one of the most corrupt countries in its part of the world. As explained in the introductory chapter, this is one of the main reasons for which the current thesis

decided to focus on the Romanian case study, but it is not the only one. Indeed, Romania is an interesting case in point for at least two additional reasons: (i) the transition from central planning under communism to free-market capitalism and liberal democracy, with deep implications on relations between businesses; and (ii) recent years in Romania's economic and political evolution, marked by strong debates in economic and policy circles, but also in the broader society, regarding the phenomenon of corruption and corresponding anticorruption instruments. As noted in the literature (Granovetter, 2001) and as shown throughout this study, these contextual factors are critically important for understanding B2B corruption in all its aspects, including solutions for addressing it. This is not to say that this research endorses without reservations a path-dependency theory for B2B corruption in Romania today, but historical evolutions and more recent developments have to be part of the story. More details on Romania's particular context follow in the sub-sections below.

2.4.1. Corruption data for Romania

Virtually all major perception-based surveys and indicators, as well as on narrative reports of the local situation for businesses and citizens (GAN, 2017) tell the same story: corruption has been and continues to be rampant in Romania. Romania's 2018 CPI score was 47, the country ranking as the fourth most corrupt in the EU, with only Hungary, Greece, and Bulgaria scoring worse (Transparency International, 2018b). The Freedom House report *Nations in Transit* has Romania scoring between 4 and 3.75 between 2009 and 2018 with respect to corruption; for the latest available year, Romania is ahead among the last in the EU, again ahead of only Bulgaria, Croatia, and Hungary (2018).

Similarly, the Bertelsmann Foundation's democratic quality and rule of law 2018 indicators, including corruption prevention, have Romania as third to last in the EU, ahead of only Poland and Hungary. The World Bank's Worldwide Governance Indicators (WGI) dataset on control of corruption also ranks Romania third to last in the EU, followed only by Greece and Bulgaria. On other scales, Romania tops the charts. For example, on TI's Global Corruption Barometer, Romania is first in the EU based on the percentage of households that have paid a bribe – 29%, ahead of Lithuania by at least 4% (Transparency International, 2018c).

Other EU-led research provides further data. The Flash Eurobarometer from October 2017 shows that 85% of business people consider corruption to be a problem in Romania, versus 37% as the average across all 28 member states (European Commission, 2017a). The same survey shows that

96% of businesses consider corruption to be widespread, particularly bribes, kickbacks, and nepotism in public institutions. Corruption is also seen as widespread by 80% of the general public; 46% of subjects consider that corruption increased in 2014-2017, while 37% trust it stayed constant. Only 10% think corruption decreased.

68% of all respondents view corruption as impacting their daily lives, versus only 25% as the EU-28 average. Of particular interest for this thesis is that 26% of surveyed Romanians answer that corruption is widespread in private companies versus 40% as the EU28 average, along with relatively lower perceptions of corruption in banks and financial institutions (26% in Romania vs. 33% EU28 average). Romanians may thus view private companies as a less important source for corruption compared to public institutions. That said, when further probed, 80% of those surveyed "totally agree" or "tend to agree" with the statement that "corruption is part of the business culture in Romania" (European Commission, 2017b).

It is noteworthy that the data above do not treat B2B corruption separately from overall corruption. It is reasonable to speculate that business leaders who see corruption as widespread in Romania may have encountered it in B2B transactions too. Also, more than a quarter of surveyed Romanians believe corruption is widespread in private companies, but most of them may actually refer to B2G transactions, which are a lot more visible through media scandals and other publicly discussed cases. This happens elsewhere as well. As Argandoña notes, "the cases of corruption reported by the media tend to almost always involve a private party that pays or promises to pay money to a public party" (2003, 253).

Finally, survey data also show that Romanians tend to distrust the private sector. In a 2015 survey by poling company INSCOP, only 15% of respondents expressed trust in "business owners," placing private companies among the last in terms of the public's level of trust (21 out of 24 institutions in the country). The causes are complex, but this mistrust of business owners probably traces back to the communist era and Romania's tumultuous transition bungled by fraudulent privatizations and huge media scandals featuring corrupt business people. More on this follows in the next subsection.

2.4.2. Romania as a former communist country

The literature on communism's enduring legacy in transition societies is extensive. For the scope of the current thesis, the most important contextual factors have to do with how business ethics

evolved in the years following the 1989 Romanian Revolution. This is in no small part the story of all former communist countries in Europe, where communism left a distinct mark on economic activities, as well as social interactions and trust-based networks (Katchanovski, 2000; Stark, 2001; Zaharia, 2018). Stark explains the pre-1989 situation in the following terms: "[R]elations of reciprocity and marketlike transactions were widespread inside the socialist sector, as well as in the 'second economy' […]. At the shop-floor level, shortages and supply bottlenecks led to bargaining between supervisors and informal groups; at the managerial level, the task of meeting plan targets required a dense network of informal ties that cut across enterprises and local organizations; and the allocative distortions of central planning produced the conditions for the predominantly part-time entrepreneurship of the second economies that differed in scope, density of network connections, and conditions of legality across the region" (2001: 480).

What does all this mean? One key fact is that living conditions were generally difficult for most of the Romanian population during communism. An important study of business students' attitudes toward business ethics compared results in France versus Romania, finding that Romanians tended to focus on profit-making to the detriment of other considerations, precisely because of they grew up under conditions of scarcity, which makes them seek to attain "materialist security" and focus more on the aim than on the means to get there (Bageac, Furrer, & Reynaud, 2011). This makes Romanians and other business leaders from former communist states more likely to cut corners and engage in B2B corruption if they or their companies stand to benefit from this.

In addition, because of the way that the communist economies were organized, informal relations formed among different people, whereby each would offer the other something valuable, often by twisting or breaking formal rules and hierarchies. Trust would gradually develop among these stakeholders. Stoica explains how these relations emerged under socialism and shows that they have likely continued in post-communism, concluding that "aside from their instrumental character and illegal aspects, such social ties also involved elements of personal attachment and mutual friendship" (2012: 171). This way of operating, often with the aim of surviving and accessing basic goods, formed a mindset favorable to unethical practices, both among business owners, and between employees (agents) feeling entitled to informally take a cut from the profits of their companies, which had been defined for decades during communism as the result of exploiting the working class (Zaharia, 2018: 659). It is no wonder, hence, that "the ethics of everyday business in the former communist countries lag behind those of developed countries" (Zaharia, 2018: 658).

As argued earlier, B2B corruption is inseparable from contextual factors and embedded social relations. In the case of Romania and other former communist countries, these relations were built over time, often starting before 1989 as informal networks of trade and exchange of goods and services, and continuing through the transition to a market-based economy (privatizations, property restitution, etc.), mixing together economic success and political power (Estrin, Meyer, & Bytchkova, 2006). This is a recipe for weak competitiveness and lack of productivity, while business' success becomes dependent on various forms of B2B or B2G corruption. Zaharia also notes that positive developments with respect to the adoption and practice of business ethics can be traced to the helpful influence of the EU and of large foreign corporations (2018: 658).

2.4.3. Recent events in Romania's (anti)corruption battle

The picture of Romanian corruption cannot be complete without a brief description of social and political evolutions in recent years. Sparked by several controversial government decisions that aimed to roll back anticorruption efforts, massive street protests began in January 2017 and continued, on and off, throughout 2017 and 2018 (Brett, 2018). It is beyond the scope of this thesis to review or comment on the series of events that unfolded in recent years. It suffices to note that the topic of corruption has stayed front and center on the public agenda in the context of governmental efforts to reform the judicial system, in opposition to opposition parties, official positions by the EU, the US, and individual European Member States, and large parts of civil society.

All this means that the timing of gathering the data for this research may matter in subjects' responses, as they tend to be very aware of the importance of corruption and anticorruption in Romanian society. The expected effect is that some subjects will want to appear overly righteous, and may even refrain from actions that are legal but may otherwise appear as forms of corruption. At the same time, subjects generally may be even more reluctant to share any personal experiences of corruption acts due to social pressures to conform to a clean business environment and society.

Finally, as far as B2B corruption goes, the topic is even less prominent than in academic and policy circles elsewhere around the world (especially compared to North America, Western Europe, and Asia). The National Anticorruption Strategy 2016-2020 is almost entirely focused on the public sector. Some references to the private sector are related to the general principle of public-private partnership in combating corruption, while other points refer to the need to enhance the

integrity, reduce vulnerabilities, and address corruption-related risks in Romania's business environment, but B2B corruption appears to be completely ignored.[10]

Transparency International Romania published a few years ago a brief report on combating corruption in Romania's private sector (TI Romania, 2016), but this also fails to address the topic of B2B corruption. Unfortunately, the same conclusion holds for the much-discussed Cooperation and Verification Mechanism (CVM) reports by the European Commission, an instrument dating from 2007, Romania's and Bulgaria's EU accession, designed to advance these countries' progress in the fight against corruption (European Commission, 2018). None of the CVM reports address the issue of B2B corruption. On the one hand, this is understandable given the nature of this monitoring mechanism: it is supposed to verify what the government is doing to combat corruption and strengthen rule of law. On the other hand, the importance of B2B corruption can hardly be overstated, and such flagship documents may consider referencing it, along with solutions to combat it, in the future.

It comes as no surprise then that, as of July 2019, there are no surveys or other types of studies focused on Romania's B2B corruption. The desk research process revealed a brief article published in 2017 in a specialized journal (Nicolae, 2017). The text is limited to: review of applicable international legislation; citation of article 308 from the Romanian Penal Code, as the legal basis for sanctioning private sector corruption; and a general call for companies to implement internal measures for preventing and reducing B2B bribery. Another Romanian expert referenced B2B corruption in a 2017 op-ed for the *juridice.ro* online portal, concluding that there are significant gaps in correctly identifying B2B transactions as corrupt, partly because in the private sector people deal with private funds, not with taxpayer money (Hostiuc, 2017). The same author notes, however, that Romanians should indeed care because they do end up paying for B2B corruption through higher prices for the goods and services they purchase.

2.5. WHY THIS RESEARCH

Based on this literature review, the current research is one of the very few studies on B2B corruption in general and the first to focus on former communist economies and, most notably, on Romania. This research hopes to contribute to filling multiple gaps in the current literature. For one, it provides valuable quantitative and qualitative individual-level data on perceptions of, experiences

[10] *See* the Government Decision 583/2016, available at
https://static.anaf.ro/static/10/Anaf/Informatii_R/SNA_2016_2020_28112016.pdf

with, and solutions for B2B corruption. Multiple scholars have called attention to the fact that systematic evidence on private corruption continues to lack both generally (Gopinath, 2008) and at the EU level (Di Nicola et al., 2018). Former communist systems are particularly fascinating because of the social relations and informal exchange practices developed during the past decades, which favor arrangements that may nurture B2B corruption. This study is therefore a step in the right direction, and hopes to spark further awareness, debates, and research of this critical topic.

Second, through its triangulated approach, this thesis reaches conclusions and verifies them based on multiple methods, another first in this field: focus groups, quantitative survey, and qualitative questionnaire with case-study scenarios. Third, it builds on and expands existing research, adopting the same questions used in other surveys (European Commission, 2017a; Johannsen et al., 2016; Transparency International, 2011a) to allow for comparisons of results, as well as the scenario method used by Gopinath (2008), increasing the number of case studies presented to respondents to test their reactions to different forms of potential B2B corruption. Fourth, this research covers both emerging and current business leaders in Romania, exploring how they make decisions and how they interpret potentially challenging ethical situations. Finally, the current study hopes to provide researchers and policymakers alike with a blueprint of how to investigate B2B corruption in a particular context, which would allow for understanding the phenomenon and finding the best solutions to fight against it.

3. RESEARCH OBJECTIVES

"It is not the critic who counts; not the man who points out how the strong man stumbles, or where the doer of deeds could have done them better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood; who strives valiantly; who errs, who comes short again and again, because there is no effort without error and shortcoming; but who does actually strive to do the deeds; who knows great enthusiasms, the great devotions; who spends himself in a worthy cause; who at the best knows in the end the triumph of high achievement, and who at the worst, if he fails, at least fails while daring greatly, so that his place shall never be with those cold and timid souls who neither know victory nor defeat."

– Theodore Roosevelt (1926)

As noted in the introductory chapter, this thesis' main objective is to evaluate the private sector's positive and normative role in preventing and combating B2B corruption. The special focus on the Romanian case study is useful from two complementary perspectives: as a stand-alone assessment of completely unexplored territory in both academic and policy fields, i.e., B2B corruption in Romania; and as a comparison with other cases found in the existing literature, including Estonia, Croatia, Denmark, and the United States of America.

3.1. PREMISES

It is important to restate the fundamental premises of this endeavor:

- corruption in private-to-private (B2B) transactions exists and is a deeply harmful phenomenon through its economic, social, and political consequences;

- despite its high prevalence and importance, B2B corruption remains deeply understudied, largely ignored, and hence misunderstood in all its aspects (definition, forms, causes, effects, remedies);

- businesses can, should, and generally want to fight against B2B corruption through both internal tools (e.g., corporate codes of conduct, trainings, etc.) and external instruments (integrity pacts, certifying business coalitions);

- this research can fill gaps in the literature on B2B corruption to clarify perceptions, consequences, and expectations and recommend solutions for the private sector, government, civil society, and other stakeholders to prevent and reduce the phenomenon;

- for all the reasons mentioned throughout this thesis, lower levels of B2B corruption, assuming that it can never be fully eliminated, would be beneficial for businesses and societies in general.

3.2. OBJECTIVES, SUB-OBJECTIVES, AND RESEARCH QUESTIONS

To fulfill its main aim with respect to evaluating the private sector's role in B2B corruption, this research focuses on the Romanian context, with multiple international comparisons. In the same order as reflected by this thesis' structure, this research pursues the following objectives and corresponding inquiries:

1. Explore the theoretical and practical links between corporate social responsibility and business efforts against corruption, particularly B2B corruption (*Section 2.1 – Theoretical Foundations*)

    o *Identify the theoretical factors responsible for B2B corruption at the level of each individual*: How do business leaders and other decision-makers choose the right or the wrong path in B2B transactions? What are their key motivations (economic, social, etc.)? What are the legal constraints they face? What are potential ethical grounds for their decisions?

    o *Identify the theoretical factors responsible for B2B corruption at the business level*: Should businesses care about private corruption, as long as they abide by existing laws and maximize their profits? Or do companies have broader obligations toward society?

    o *Identify the theoretical institutional constraints against B2B corruption*: What are the internal mechanisms for preventing, detecting, and sanctioning B2B corruption at the level of each private entity? What are the external legal requirements and regulations defining the limits of acceptable actions by decision-makers in firms?

    o *Identify the theoretical impact of embedded social networks on decisions related to B2B corruption*: What are the social networks that explain

protagonists' choices of acceptance or refusal of B2B corruption acts? Does trust function as an enabler of B2B corruption or does it prevent and reduce it?

2. Review the available literature on B2B corruption, showing current gaps and potential avenues for further research (*Sections 2.2, 2.3, and 2.4*)

    o *Review and provide definitions of corruption and B2B corruption*: Are there agreed definitions in the literature, in the law, and in policy circles? What are the main common elements of these definitions?

    o *Review ways of measuring B2B corruption in the literature and choose optimal methods for the current research*: Can B2B corruption be measured? How? What are the main limitations of existing methods (e.g., perception-based, experience-based, etc.)? Can a combination of qualitative and quantitative data serve to verify research hypotheses?

    o *Review key legislative constraints against B2B corruption at the international, European, and local levels*: Are there any global efforts to combat B2B corruption? What are their main features and limitations? What about any initiatives at the level of EU? Does Romanian law punish B2B corruption in all or some of its forms? In practice, are there known B2B corruption cases?

    o *Review self-regulatory measures against B2B corruption*: What are the guidelines, resources, and standards available to businesses that seek to control and combat corruption generally and private-to-private corruption specifically? What is the full set of potential internal self-regulatory measures, from leadership buy-in to human capital management and reporting? Are there any available innovations in this effort? What are potential external self-regulatory measures, including sector-level initiatives and certifying corruption-free business coalitions?

3. Define and measure perceptions of B2B corruption by surveying and interviewing current and future business leaders in Romania, through a combination of surveys, focus groups, and in-depth questionnaires (*Chapter 5*)

o *Assess quantitative results of survey of 120 business leaders to understand overall attitudes toward B2B corruption in Romania*: Who are the respondents (characteristics of the sample)? What are their general perceptions regarding the prevalence of B2B corruption in Romania in its various forms (e.g., bribes, nepotism, kickbacks, etc.)? What are the perceived costs and risks? Do they believe they have a moral duty to fight corruption? What kind of anticorruption tools do their companies have? How would they react if faced with a B2B corruption case? What kind of internal and external anticorruption measures would they prefer?

o *Assess results from focus groups to explore small data on B2B corruption, especially in comparison to other forms of the phenomenon (B2G)*: Are private-sector managers aware of B2B corruption? Are there differences between perceptions of general corruption and B2B corruption? How do business people see the consequences of B2B vs. B2G corruption?

o *Assess results from qualitative case-study interviews with graduate students in Romania*: How do they respond to various scenarios where they would encounter different forms of B2B corruption? How many of them would engage in or refrain from B2B corruption? Is there consistency between what they view as legal or illegal and their course of action of choice? What are the qualitative motivations they provide? Are there any situations where they are overly cautious, avoiding to engage in something that is not, but may appear to be, B2B corruption? Are the future business leaders of Romania properly equipped to recognize ethical challenges and respond adequately?

4. Compare results in Romania with findings from similar existing studies of other former communist economies, as well as from available research of advanced capitalist systems (*Chapter 5*)

o *Compare current research findings with data from similar quantitative surveys*: How do results compare between Romania, Estonia (another former communist country), and Denmark (advanced capitalist economy)? What accounts for similarities and differences? Are there limitations to this comparison?

o *Compare current research findings with findings by C. Gopinath (2008)*: How are responses by Romanian and American students different when asked to respond to what is essentially the same case-study? What may explain differences and similarities?

5. Identify potential solutions to B2B corruption (*Chapter 5*)

o *Review qualitative inputs regarding B2B corruption, as gathered through the quantitative survey and through focus groups*: What are common solutions that Romanian business people envision? What are some of the more innovative ideas?

o *Assess suggested solutions against current business practices in Romania*: What would each require to work in practice? If already implemented, why are they dysfunctional or, on the contrary, delivering the expected results?

The stated objectives fit the SMART criteria: specific, measurable, actionable, relevant, and time-bound. For one, they clearly identify what the current research seeks to accomplish and why. Second, they are all measurable in the sense that it is easy to determine if they were attained or remain unmet. Third, they are actionable and provide specific policy directions, both for individual companies and for other interested stakeholders (government representatives, civil society activists, EU-level actors, scholars, etc.). Fourth, they are relevant given the stated aim of this thesis and the contribution it hopes to bring to addressing key gaps in the literature. Fifth, they are time-bound inherently in the three-year timeline set for developing the current research, with each phase completed in due time, as described in Chapters I and V.

3.3. HYPOTHESES

Taking into account these objectives, sub-objectives, and detailed research questions, and as noted in the introductory chapter, this thesis tests the following hypotheses through a variety of research instruments, as referenced above:

- H1: Corruption generally is an important challenge for business people in their professional pursuits;

- H2: Business people do not recognize ethical issues in private transactions, responding differently when faced with problematic ethical situations;

- H3: Perceptions of B2B corruption reflect overall perceptions of corruption;

- H4: Businesses seek to play a positive role in combating B2B corruption;

- H5: Business people support both internal and external solutions to fight against corruption.

4. RESEARCH METHODOLOGY

"Laws can embody standards; governments can enforce laws—but the final task is not a task for government. It is a task for each and every one of us. Every time we turn our heads the other way when we see the law flouted—when we tolerate what we know to be wrong—when we close our eyes and ears to the corrupt because we are too busy, or too frightened—when we fail to speak up and speak out—we strike a blow against freedom and decency and justice."

– Robert F. Kennedy (1968)

The current thesis is a complex, interdisciplinary study of corruption generally and B2B corruption specifically. The scope of this research spans ideas, concepts, theories, practical cases from economics to sociology, and from political science to law and philosophy. These intricacies emerge from the very nature of the topic: B2B corruption. It is impossible to assess and explain this phenomenon without taking into account its causes and effects, which are not limited to the economic sphere or to the private sector itself. Indeed, as the theoretical model included below shows, B2B corruption is the result of a myriad of interconnected calculations, motivations, and desires, as manifested on multiple levels: individual decision-makers, private companies, institutions (formal and informal laws), and embedded social networks. By definition, corruption involves at least two parties, which are not atomized, isolated units in a system, but parts of a multifaceted and ever-changing social and cultural context.

In what follows, this chapter first presents an integrated theory to explain corrupt B2B transactions, bringing multiple perspectives together, to be validated through the current research. Second, it reviews the main research method and the corresponding instruments applied: survey data, focus groups, and case-study questionnaires, along with other research techniques and statistical tests (Pearson chi-squared test for categorical data, the Mann-Whitney U test, etc.). Third, it reviews the main limitations of this thesis. Fourth, firth, and sixth, respectively, it presents in depth the three pillars of this research effort: survey data, focus groups, and case-study scenarios.

4.1. THEORETICAL MODEL

Consider a B2B corruption case between two parties, P_a and P_b, where B2B corruption is defined as the misuse of authority in transactions between private parties to extract undue benefits. The same reasoning could apply to B2B corruption with more than two players, but for the purposes of this model this simple two-party transaction is sufficient. The model also works similarly regardless

of what the benefits actually are (money, positions, favors, gifts, etc.), whether the transaction is voluntary or coerced, whether it is demand-driven or supply-driven, and regardless of who gains from the transaction directly or indirectly.[11]

There are four interrelated levels that influence whether a B2B relation stays clean of becomes corrupt. The first level is the individual decision-maker, which may actually be multiple individuals in practice. The choice of whether to be or not to be corrupt arguably hinges on three types of judgements: (i) economic calculations (costs vs. benefits); (ii) legal risks[12] (depending on the extent to which individuals themselves may be held liable); and (iii) moral considerations, with various potential paradigms, depending on individual choices (utilitarian, Kantian, liberal or rights-based, communitarian, etc.). In profoundly corrupt environments, individuals – and businesses as a whole – may be stuck in a prisoner's dilemma, where everybody decides to engage in B2B corruption even if this is a suboptimal equilibrium. As later shown, this also has to do with embedded social networks, which can act as a force for both good and evil, which is related to Argandoña's distinction between individualized and systemic corruption (2005: 253).

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[11] Argandoña describes a whole range of other ways of segmenting B2B corruption cases (2005).

[12] Of course, legal risks could also be quantified as costs and included in a purely economic equation for maximizing utility. For the sake of the argument, however, the model keeps economic and legal dimensions separate.

Figure 4.1. An integrated theoretical model of B2B corruption

Embedded networks
- Trust vs. malfeasance relations
- Role of context & path dependency
- Culture

Institutions:
- *Endogenous (firm-level)*: codes of conduct, monitoring & control mechanisms, whistleblower protections, etc.
- *Exogenous*: laws, social and cultural norms, collective action

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Business interests:
- Economic interests
- Legal considerations
- Role in society

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Individual decision-maker(s):
- Self-interested, utility-maximizing individuals (prisoner's dilemma, principal-agent problem)
- Legal risks (national & international)
- Ethical considerations & paradigms

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B2B corruption
the misuse of authority in transactions between private parties (Pa and Pb) to extract undue benefits

P_a P_b

Several other elements matter at this first individual level. One is *the consent – or lack thereof – of the capital owners*: (i) the individual is a "rogue employee," such as a manager who takes advantage of principal-agent information asymmetries to engage in corruption without company shareholders knowing; or (ii) the corrupt transaction is somehow endorsed, directly or indirectly, by shareholders, whether to get a business contract for the company, to undercut the competition, or for some other unwarranted gain. In the second case, shareholders and managers may work together, or the former may pressure the latter to engage in B2B corruption, which does not remove responsibility from the agent.

The second key level is the firm. B2B corruption stands for business-to-business corruption for a reason: it involves companies, not just individual decision-makers. Companies themselves have economic interests, legal requirements and risks, and ethical considerations regarding their role in society. As noted previously, the debate on whether business' sole responsibility is profit-making or there are also social obligations to any corporate activity has largely been solved in favor of the latter view.

The third level refers to institutions – the formal rules and informal norms governing human behavior. Two important segments are: *endogenous institutions* (internal to the firm), including company-level mechanisms to prevent, detect, and punish B2B corruption; and *exogenous institutions*,

including current legislation, sector-based initiatives, etc. Endogenous institutions could also be included under the second level (business interests), as they are company-specific, while exogenous institutions, although represented separately for P_a and P_b in the figure above, could be similar for two different companies (e.g., if they are subject to the same legal requirements).

Evidently, endogenous institutions depend on each corporate actor and its decision-makers. This is why they can be considered quicker solutions to a corruption problem, as opposed to legal changes, for instance, which may require sustained public awareness and public affairs campaigns. Endogenous institutions include a range of instruments: *prevention* (codes of conduct, internal checks and balances, employee training, etc.); *detection* (whistleblower protections, partner screening programs, etc.); and *sanctioning* (reporting procedures, cooperation with legal authorities, etc.). Earlier, section 2.2.4 described these in greater depth. For their part, exogenous institutions primarily include laws, but also various types of collective action (Petkoski, Warren, & Laufer, 2009).

Finally, embedded social networks are critical to B2B transactions because they nurture trust among involved parties, whether for good or for bad. It is reasonable to presume that most B2B corruption cases are based on repeated interactions among protagonists, as opposed to one-time exchanges. Social relations thus act as centripetal forces, enhancing the dynamics established by all the other levels and elements: in a clean environment, where business people care about integrity, positive reputation, and genuine competition, the power of social networks will strengthen this virtuous circle, fending off against invaders who may seek to introduce corrupt practices; by contrast, in a context where corruption is ignored or possibly flourishes already, trust-based relations will only serve to strengthen illicit transactions based on the "honor among thieves" principle (Granovetter, 2001: 59).

The most important aspects to consider are context-based, including history and culture. Economic exchanges, including B2B corruption instances, do not happen in a vacuum. Instead, they are often based on a way of doing things, which is the result of any number of factors. Gradually, corruption becomes the norm, as everybody begins to play by those rules and the rules quickly become known to newcomers. To take one example, in such a corruption-ridden society, a new company seeking to sell its products through retail chains will know – and often take into account when building its business case – that it will need to bribe store managers and their superiors in order to get access to the customers.

Any serious strategy to understand and combat B2B corruption will need to take into account these powerful forces, but this thesis does not agree with viewpoints that corruption has to be tolerated on cultural grounds or as an inevitable byproduct of path dependency (e.g., how a political and economic system emerged, as in former communist Europe). It does mean, however, that positive results could come from leveraging existing social networks or creating new ones that promote clean business practices.

The positive aspect of all these elements is that they are not entirely rigid, and all levels are interconnected. The model presented above thus allows for turning a "vicious circle of corruption" emerging from individual and corporate unethical behavior – weak institutions – and social networks for malfeasance (Granovetter, 2001) into a "virtuous circle of integrity" whereby individuals and companies do the right thing, institutions for integrity get stronger and stronger, both internally at the level of each firm and externally through laws and other instruments, and social networks become active in promoting and rewarding honest, trust-based behavior, while punishing and excluding corrupt elements. As the private sector cleans up, the public sector and society as a whole will be more likely to reject corrupt practices, and social networks will become a foundation for ensuring a new sustainable equilibrium based on sound moral principles and integrity.

As the figure below shows through the two extreme states of rampant vs. zero corruption and their corresponding vicious and virtuous cycles, the battle for a corruption-free society is unlikely to ever be won definitively. Arguably, there is always some level of corruption in human society and, just as vice can be turned into virtue, the positive equilibrium may also change back into a negative, deeply corrupt state. This is why it is critical to understand corruption generally and B2B corruption specifically, including solutions for prevention and treatment. Indeed, it is likely that the business community can take the leadership role in fighting against corruption and for integrity, much more so than the public sector, which is often tangled into a complicated web of political interests tied to a corrupt status quo.

Figure 4.2. Vicious cycle of corruption vs. virtuous cycle of integrity
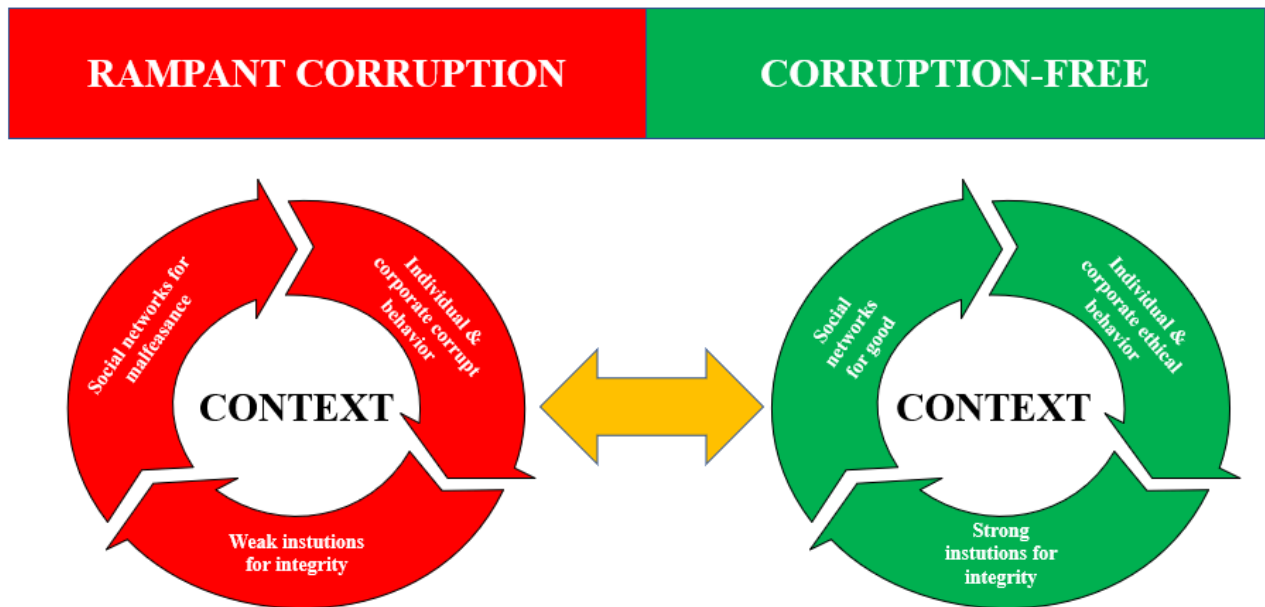
This model and its propositions are, of course, preliminary. Further research is needed to test everything. Despite inherent difficulties in studying corruption, the critical stakes involved make the effort worthy of pursuit. For now, this research takes on a humbler mission: to explore the role of the private sector in B2B corruption and in potential ways of addressing it.

4.2. RESEARCH METHODS AND PHASES

As noted previously, this thesis involved eight research phases, as follows:

4.2.1. Literature review

First, it performed a comprehensive literature review, covering: corruption, corruption perceptions, business ethics, corporate accountability, corporate social responsibility, ethical leadership, public corruption, private corruption, supply-side anticorruption. The main method for

gathering sources included a desk review of the key databases.[13] A complementary method was also deployed, which included asking industry experts (e.g., professors, practitioners, etc.) about the most relevant research studies currently available on this topic. Overall, the conclusion – confirmed by all available sources – is that the literature on business and corruption is still underdeveloped, with even fewer sources available for business-to-business corruption. This has further strengthened the motivation for pursuing this topic, particularly in the Romanian context, where there are practically no data and no research studies of private corruption.

4.2.2. Existing quantitative and qualitative data

In parallel, the literature review gathered a range of survey data on the topic of corruption generally and business-to-business corruption in particular. These statistics cover the main indexes, including Transparency International and the World Bank's Governance Indicators, but also more specific survey information on EU Business Attitudes toward Corruption, Transparency International's Survey of Business People, the Control Risks Survey 2015/2016, etc. Those data served to guide the initial research approach and interview guides, as well as to define the Romanian context to better understand trends, sociocultural perceptions of corruption and of the business environment, etc.

4.2.3. Choice of methodology: case study

Third, this thesis decided on the optimal methodology to be deployed. A theoretical model was drafted based on initial data gathered, to be developed through further research phases. The final outcome is included in the previous section. At this third phase of the research, the case study method was also chosen, focusing on former communist economies and Romania in particular, along with three research pillars: a quantitative survey of Romanian business leaders, focus groups with middle managers in companies in Romania, and case-study-based, in-depth questionnaires for Romanian graduate students in economics and related fields.

This thesis chose the case study method to pursue a complex, multifaceted evaluation of B2B corruption in former communist countries, with a special focus on Romania. Given measurement challenges explained in the introductory chapter, the choice between quantitative and qualitative

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[13] Sources covered included those available through the 2017-2018 "Enformation portal," as well as through a number of open-access portals: JSTOR, PROQUEST Central, SAGE, ScienceDirect, Web of Science, Emerald Management Journals, Google Scholar, etc.

research method appears obvious: the former requires solid, objective statistics, based on actual observations, which is impossible given the nature of corruption as an illicit, covert phenomenon; the latter, by contrast, allows for using many types of data, including perception and experience-based reporting of corruption and B2B corruption. The question then becomes how to best gather these data in order to draw meaningful conclusions.

As much of the key literature also shows, when it comes to corruption studies, case-study research is a particularly attractive choice. For one, case studies allow for understanding and explaining contextual factors, which matter greatly when it comes to economic exchanges between individuals, including B2B corruption (La Porta, Lopez de Silanes, Shleifer, & Vishny, 1997). At this point in time, the literature on corruption is still looking for final answers in terms of causes and solutions. As quantitative methods evolve, it may be the case that statistical models will eventually be able to test various hypotheses related to this phenomenon, as it has happened with other research topics (Collier & Levitsky, 1997). To get to that point, however, more research is needed to understand fine details.

In addition, case studies allow for modeling compound causal relations, path dependencies, and interaction effects (Ragin, 1987). This is clearly the case of B2B corruption, an outcome resulting from a wide range of individual, institutional, and social factors. The case study method thus "allows the researcher to study the *process* through which people become corrupt" (De Graaf & Huberts, 2008). Additionally, through the qualitative data gathered, case studies enable researchers to have a much richer picture of what is actually happening by relying on the data coming in from interviewed subjects – both in terms of their responses and, through face-to-face conversations like focus groups, non-verbal cues, which can be particularly useful when approaching taboo subjects (Varraich, 2017). This facilitates deriving new hypotheses for the research, which is not the case with purely quantitative methods that use large samples of data for testing predetermined causal relations (George and Bennett, 2005). Moreover, whenever possible, primary research findings gathered from the Romanian context are compared with secondary research on different countries, including Estonia as another former communist economy, but also advanced capitalist systems like the United States and Denmark.

One final motivation for choosing the case-study research method has to do with the fact that it allows for drawing policy implications. As the main aim of this thesis is to understand the role that the private sector plays in B2B corruption, along with potential solutions for curbing this phenomenon, the case study reveals key measures that may be further tested and implemented by

policy circles. In the words of Anechiarico and Jacobs, "using focus groups and case studies would generate a mass of data that, when analyzed and organized, will probably provide a way to move forward with policy experiments" (1996: 198). The conclusions chapter presents the main policy implications for former communist economies, primarily in the Romanian context.

4.2.4. Initial focus groups

Fourth, two initial focus groups were organized with 10 business people each, particularly in the energy, distribution, and real estate sectors in Romania. They were selected from among a close circle of connections to ensure a trust-based, safe environment, where participants could share openly their thoughts and experiences regarding B2B corruption. The aim was to test the initial premises of the research. Inputs helped verify observations from the literature and refine the design of the next phases of the process, including the main topics, scenarios, and the research approach to asking questions and assessing answers.

4.2.5. Quantitative survey

Fifth, a quantitative survey was developed (Annex A) and administered to a sample of 120 subjects. It was determined that the sample needs to cover different types of private-sector entities to ensure they are representative of the different types of companies in Romania's private sector. Specifically, respondents were classified based on: firm size (small, medium, and large, based on annual turnover and/or number of employees); sector (manufacturing, heavy industry, services, etc.); origin of capital (international/domestic), with particular care to include firms from countries like the US and the UK, which have specific legislation for combating corruption abroad (i.e., the Foreign Corrupt Practices Act of 1977 applicable to American firms, the Bribery Act of 2010 for British companies); HQ location (different regions within the country); age of company (new vs. established enterprise); type of clients (B2B vs. B2C vs. B2G vs. mixed), etc. Equally important, the sample of respondents targeted high-level managers or shareholders/business owners, with various levels of professional experience (highly experienced, average, freshman).

Based on focus group data and existing research, survey questions were carefully formulated to allow for gathering honest insights, comparable to available data from other countries. The literature review revealed at least three potential models for this type of quantitative survey of B2B corruption: a study on corruption in Estonia and Denmark (the Privacor Study – available at http://www.korruptsioon.ee/en/privatesectorcorruption), the 2015 Flash Eurobarometer on Business

Attitudes toward Corruption in the EU, and the Transparency International's BPS 2011 Survey (http://www.transparency.org/research/bps2011). Some of the questions asked were identical to prompts used by these other surveys to enable certain comparisons.

The data were interpreted to assess: individual perceptions of what may constitute corrupt or unethical practices, including potential risks and consequences; corruption trends in the private sector; individual perceptions regarding the functioning of anticorruption institutions; availability of anticorruption strategies and measures at the level of individual companies; attitudes and responses when faced with B2B corruption, including whistleblowing to internal and/or external constituencies. The survey also includes an open-ended question regarding potential additional reactions, suggestions, and observations on private-to-private corruption. To the extent possible, the quantitative results were interpreted to find out how Romania fares compared to other countries where similar data are available, including another former communist economy, Estonia, and an advanced capitalist society, Denmark.

For all research procedures, interview questions and answers were "sanitized" to ensure that they did not capture the company's name or the name of the interviewee, or any other potentially personal or confidential information. This ensured a more comfortable setting, reassuring subjects that there will be complete confidentiality regarding their responses. Given the sensitiveness of the topic, many of the people approached for an interview – even from a network of personal contacts – felt uncomfortable with the direct attribution of quotes, potentially fearing repercussions (e.g., internal to the companies, of legal nature, etc.). Furthermore, subjects also had the liberty to reference examples outside their own companies and networks: for instance, they were invited to say whether anti-competitive and corruption practices exist in their industry or firm, or possibly elsewhere that they know of. For the quantitative interview in particular, an online platform collected responses, ensuring complete confidentiality.

4.2.6. Additional focus groups

Sixth, using four case-study scenarios, four additional focus groups were organized with mid-level managers. There were two focus groups in Bucharest, one in Brașov, and one in Iași. The discussions were split into two parts: the first aimed to see each subject's perception of corruption and B2B corruption specifically; the second part went through each case study, inviting participants to

discuss and debate whether the hypothetical situations presented were instances of corruption, usual selling techniques, or some other type of B2B transaction.

4.2.7. Case-study questionnaire

Seventh, an in-depth qualitative questionnaire was developed, reviewed, improved, and implemented to assess perceptions of corruption among future business leaders. The questionnaire, as administered (in the Romanian language, with a particular formatting to collect both closed and open-ended answers) is included in Annex B. The questions were drafted based on another similar research survey by C. Gopinath, administered to around 100 business school students in Northeastern USA. Gopinath surveyed students as future entrepreneurs and business leaders on three main research questions: (i) Are individuals able to recognize an ethical issue in a private transaction? (ii) What arguments are used to justify unethical behavior? and (iii) Would individuals act differently when faced with public rather than private corruption? The current research effort adapted and expanded the questions used by Gopinath to the Romanian context, using real-world situations to test students' reactions.

Once finalized, the in-depth qualitative questionnaire was administered to 75 economics and business students in three university centers around the country. The most important results are mostly qualitative, but answers to questions were also coded quantitatively and interpreted using specialized software. Results were also compared with the Gopinath study data, drawing inferences about perceptions of private corruption in Romania, a former communist country until three decades ago, versus the United States, an advanced market-based economy. Following and expanding on Gopinath, key conclusions were drawn regarding policy implications (e.g., are current efforts to combat private corruption sufficient, how can the education system better prepare future business leaders to recognize private corruption, etc.).

Following several key studies (Gopinath, 2008; Ahmed, Chung, & Eichenseher, 2003; Powpaka, 1994; Stevens, 2001), the results of the case-study questionnaire were coded to allow for extracting findings and making comparisons. Answers to closed-ended questions led to sample segmentation based on various options' proportions (e.g., x% qualified a certain transaction as "legal,) while y=100%-x% qualified it as "illegal"), and enabled basic statistical tests on crosstabulations of data (categorical variables), including the Pearson Chi-square and the Mann-Whitney test, like in Gopinath (2008). As for the qualitative answers through which subjects justified their choices, the

thesis also followed Gopinath (2008) to deploy a data reduction method to categorize responses based on their main arguments (e.g., business, legal, moral, etc.). These choices also allowed for exploratory comparisons of responses across Romanian and American graduate school students to a very similar case-study scenario.

4.2.8. Findings across research instruments

The eighth and final phase of the research project concentrated on assessing all the data gathered from primary and secondary sources and formulating conclusions. The findings were triangulated across all sources to test hypotheses as thoroughly as possible. This phase also included formulating policy implications and identifying potential avenues for future research.

4.2.9. Ethical considerations in research design

The research involved working with various subjects, from top business leaders in the case of the survey to middle managers for the focus groups and graduate students in economics and related fields for the case-study questionnaires. Regardless of the method deployed, subjects were asked for and provided their consent regarding the gathering and processing of the data they provided. They were also ensured of the confidentiality of their answers. Given ethical considerations related to this type of research and taking into account the fact that the study involved a survey of business people in Romania, the research was approved by a special commission of the Bucharest University of Economic Studies. The commission, equivalent to an Institutional Review Board, was presided by Professor Rodica M. Zaharia.

4.3. RESEARCH LIMITATIONS

The primary shortcomings of the current research derive from the choice of methodology, which, as noted earlier, is deeply tied to the topic at hand – B2B corruption. For one, measurements of corruption are inevitably indirect, based on reported perceptions and/or experiences; direct observations of any illegal phenomenon are highly problematic, and limiting the research to demonstrated B2B corruption cases would mean missing out on very important instances and conclusions.

Moreover, the case study method itself has several key limitations. Selection bias may result from previous knowledge of the Romanian context, though it is also true that this existing expertise

has enabled much richer data from focus groups, the qualitative questionnaires, and the survey. At the same time, findings from the sample of subjects cannot be generalized because of the non-random sampling strategies deployed. For the survey, the thesis deployed the snowball sampling method. For the focus groups, it relied on personal direct and indirect connections. And for the qualitative case-based questionnaires, students were randomly chosen, but accessing them also hinged on personal connections to particular academic programs and faculty members.

That said, using a randomized, representative sample of businesses to investigate B2B corruption is impractical given time and cost limitations. Even Transparency International and other organizations responsible with producing and assessing large datasets on corruption rely on expert feedback as opposed to answers by random respondents. Imagine that a sample of businesses would have indeed been generated; there is nothing that would guarantee that cold calling or emailing them would result in an acceptable response rate, particularly given the highly sensitive topic of B2B corruption. Indeed, the aim of the current research was never to generate randomized samples and generalize findings to the entire population of businesses in Romania, the broader region, or even globally, but to investigate a very problematic phenomenon using the best available data, which requires honest, insightful answers. As such, known respondents may serve the aim a lot better than unknown, random ones.

Another limitation of case studies generally is that they are not particularly strong at "estimating the generalized causal effects or causal weight of variables across a range of cases […] [and] remain much stronger at assessing *whether* and *how* a variable mattered to the outcome than at assessing *how much* it mattered" (George & Bennett, 2005: 25). This is also true of the current research. As the next chapter shows, findings allow for identifying a range of factors that contribute to the outcome of B2B corruption, from lack of individual awareness regarding ethical challenges to weak rule of law generally. It is thus virtually impossible to assign weights to these various independent variables, as these vary greatly on a case by case basis, depending on each subject, each company, each set of applicable institutions, and each social network.

Another limitation of the current research is the strong focus on a single case study – Romania. It is true that for the scope of this work the primary data are concentrated on Romania, where a rich sample of respondents could be accessed and leveraged. Still, this research has taken great care to use techniques and ask questions identical or very similar to those found existing studies, including of other countries: advanced capitalist systems like the United States (Gopinath, 2008); and

other former communist countries like Estonia (Johannsen et al., 2016) or Croatia (UNODC, 2013). Exploratory comparisons of the various findings are performed whenever possible, with the caveat that results may not be fully analogous because of different sampling techniques, the timing and context of each research, etc. More work will be needed to draw final conclusions on how the B2B situation in Romania compares to that of other countries, but at least the current research provides a useful – and singular – starting point for such efforts.

4.4. SURVEY DATA

The first research component of this thesis relies on a quantitative survey of senior business leaders in Romania. This included multiple steps: design of the survey, sampling, implementation, and assessment. The current section explains the main method deployed, including its strengths and limitations, while the next chapter reviews and discusses the main data gathered through this survey, putting them into the context of the other research components deployed, as well as similar existing studies of other countries.

The first step included the design of the questionnaire to test multiple hypotheses: whether the phenomenon of B2B corruption exists in Romania; its prevalence rates; and what private actors could, should, and are willing to do about it. The questions featured in the survey are not random; instead, they were carefully selected from the set of inquiries formulated in other existing surveys, most notably the Flash Eurobarometer on Business Attitudes toward Corruption in the EU (European Commission, 2017a), the PrivaCor study of Danish and Estonian business leaders (Johannsen et al., 2016), and Transparency International's Putting Corruption out of Business (2011a). Among these instruments, only the PrivaCor research focuses explicitly on B2B corruption, much like the current thesis, exploring its forms and prevalence, justifications by managers, perceived consequences, and potential solutions to combat it.

Once the design was in final draft form, the questionnaire was administered to a focus group of ten entrepreneurs in Bucharest, Romania. The aim was to gather honest feedback on the usefulness of each question, along with potential changes in how the survey was worded and structured to ensure that answers received would be honest and as insightful as possible. Given the sensitivity of the topic of B2B corruption, these focus group members were selected through direct and indirect personal connections, including entrepreneurs who would be inclined to openly discuss their experiences and

perceptions of B2B corruption in Romania, along with providing feedback on the proposed survey design.

The ten members who agreed to take part in the test focus group were excluded from the sample that filled out the final survey to avoid any potential bias and ensure equal treatment among all respondents in the sample, who would react to questions they would see for the first time. One conclusion resulting from the focus group was that Romanian entrepreneurs are generally reluctant to engage in a discussion on B2B corruption, a taboo subject for the local business community. Some of the participants expressed fear regarding legal consequences, others were concerned about their reputation and business record. During the actual discussions, many focus group participants would repeatedly introduce their points with expressions like "just between us", "to be fully honest," and "let me say something that should not leave this table." More than once, participants verbally verified with the focus group's moderator the agreed adherence to strict confidentiality rules. Based on the feedback received, survey questions were rearranged and reworded as necessary, while a few were dropped out.

The third phase included the deployment of the final survey, through a secure online platform, which served to both distribute the questions through a link and collect answers in an organized manner. The research relied on a major digital platform, offering a credible guarantee regarding the full discretion of subjects' answers and ensuring unique, though unattributable and untraceable answers.

In practice, subjects were asked to fill out an online form with a set of questions. The form, with the broad title "Questionnaire for the Romanian Business Environment," did not hint at the real aim of the study, i.e., B2B corruption, to avoid discouraging respondents. Participation to the survey was entirely voluntary and anonymous. The form started with the following paragraph (in Romanian, as the entire survey, to ensure quick fill-out and to avoid excluding non-English speakers): "Thank you for agreeing to participate in this important study as an active member of the Romanian business environment. This research project aims to evaluate the context of the Romanian business environment and the interactions between the private partners. Taking into account the sensitive issues addressed, we commit ourselves to respecting the full confidentiality of your responses to this survey. Data are anonymous. Completion of the questionnaire takes about 7-10 minutes. By submitting your responses, you confirm that you agree to the processing of these data under the conditions specified above."

Note that the introduction adopts a neutral tone, ensuring that it does not influence respondents' answers, merely reassuring them regarding the confidentiality of the data collected. ensured anonymity and confidentiality of responses, and was entirely voluntary. The form did not require inputting any personal data. Still, to allow for some comparisons based on different sample characteristics, respondents were asked to provide general information regarding their background (current position, years of work experience, age, gender) and the firm they work for or own (company's economic sector, company size in terms of number of employees, % ownership Romanian vs. foreign, whether the company is publicly listed, city of main HQ, company's number of years on Romanian market, company profile – B2B, B2C, or B2G).

As far as the sampling methodology goes, it was obvious from the preliminary focus groups that participants to this research would be especially challenging to find because of their privacy, legal, and reputational concerns. For this reason, a nonprobability sampling method was chosen, whereby the author chose an initial number of 15 "trusted respondents" who fulfilled several key criteria: (i) active in the Romanian business world as entrepreneurs or decision-level employees of various companies, in a diverse array of sectors (financial, services, legal, industrial, IT, manufacturing, energy, agriculture, etc.), of both genders (10 men and 5 women), at various ages and levels of professional experience, from both majority Romanian and foreign-owned companies, and from firms of different sizes in terms of number of employees; (ii) in a leadership role (C-level) in their firms; and (iii) enjoying a preexisting trust-based relationship with the researcher (Hosmer, 1995). This helped create a safe environment for sharing honest and, to the extent possible, fact-based perceptions of and experiences with B2B corruption. The author chose to exclude the likelihood of engagement in B2B corruption from the list of selection criteria (e.g., choosing respondents from particular business sectors more prone to this phenomenon), as the main intent was to reach an objective overall picture, not one based on overstated impressions.

To expand the sample beyond this initial group, the research deployed a method known as the snowball technique or chain referral sampling. Scholars have noted that this method is particularly effective in exploring hard to reach or hidden target populations and phenomena (Petersen & Valdez, 2005). B2B corruption fits this requirement well. Each of the 15 initial trusted participants was asked to forward the survey, with limited commentary as to not bias the responses, to a maximum of five other personal contacts that would meet the three criteria noted above, with an amendment to the third criterion whereby the trust-based connection would be between the recommender and the subject, not

between the subject and the author of the research. Then, then those participants were asked to forward the survey to five of their trusted business contacts that would fit the defined criteria, and so on. Of course, not everyone who received the link ended up submitting responses.

The deadline for the survey's completion was set to two months (60 days) after the survey's launch, to allow for ample time for the snowball effect to work. Within this timeframe, the sample reached a total number of 120 responses The author relied on the snowball sampling method for multiple reasons: first, the target population is hard to reach because of the sensitive topic addressed (B2B corruption) and because of respondents' professional status (i.e., top business leaders with very limited time resources); second, trust is vital to ensure honest and informative answers to the questions, which is key for a credible and good-faith research effort; third, it is a relatively quick and efficient method to increase the sample size and get a wide-array of answers, precisely because the instrument relies on direct and indirect social ties, which guarantee a higher degree of subjects' involvement and timely cooperation.

At the same time, this research method also has limitations and disadvantages. By definition, it does not generate a representative sample, as subjects are not randomly selected from the entire segment of Romanian businesses. As noted earlier, the sample of respondents is based on personal connections. The author took great care to select initial respondents from very diverse economic sectors, who likely did not know each other, and would lead to a diverse pool of firms based on all the aforementioned dimensions (size, % capital local vs. foreign, etc.). Still, while the so-called snowball starts with a group of people selected independently of their potential knowledge of and experience with B2B corruption, they may – once they fill out the survey and are asked to send it further – inherently think of others in their network who match their own convictions and attitudes. The research tried to mitigate this risk by presenting the survey as an assessment of Romania's business environment, without any references to B2B corruption in the title or in the introductory questions. Because most questions touch on this issue, it is possible that there is some selection bias toward people who have had experience with B2B corruption or otherwise perceive it as particularly high.

Still, it is possible that people with larger and stronger networks are over-represented in the sample. The research tried to address this by limiting the number of total invitations available to five business contacts for each of the respondents. That said, because of all these limitations, inherent to any nonprobability research technique, this thesis does not generalize the current research results,

calling for further studies based on random sampling to verify the findings and conclusions presented in the next chapter.

As an alternative, the research considered probability sampling for the entire population of businesses in Romania, using a publicly available, fee-based service (Romanian Companies Database, 2019), and sending the survey to randomly selected subjects. However, this entailed financial costs and legal barriers, as cold-call emails can be called out as spam, as well as massive response, coverage, and participation biases. It is unlikely that, in the absence of personal requests from a trusted party, top managers would have taken the time to answer the questions entirely and truthfully. It is also unlikely that actual decision-makers would have received the email, as such databases usually include only generic contact email addresses.

Ultimately, the survey deployed as the first pillar of this research effort provides a unique, first-of-a-kind perspective on B2B corruption in Romania, and remains a baseline assessment. This thesis recognizes the snowball sampling method's limitations, but also argues that the nature of the topic explored in the highly sensitive Romanian environment warrants the use of this method. In fact, most surveys of corruption perceptions – and all surveys that go into Transparency International's CPI scores – are not based on representative samples, but rather on expert and business people's assessments (Transparency International, 2018d). This makes the current research design consistent with standards used by specialized studies of the phenomenon.

Even if it cannot be considered representative for the entire universe of businesses present in Romania, the resulting sample of subjects is very diverse. Average years of work experience equal 15, pointing to an experienced, but also relatively young group, with 75% of respondents between 30 and 50 years old, 14% under 30, and 10% between 51 and 65. 70% of surveyed business people were male and 30% were women. The best represented sectors in the sample were: general services (19%); finance and banking (14%); IT (13.2%); legal, business, and real-estate services (9.9%).

Figure 4.3. Basic characteristics of the survey sample in terms of respondents' years of experience (left) and age (right)
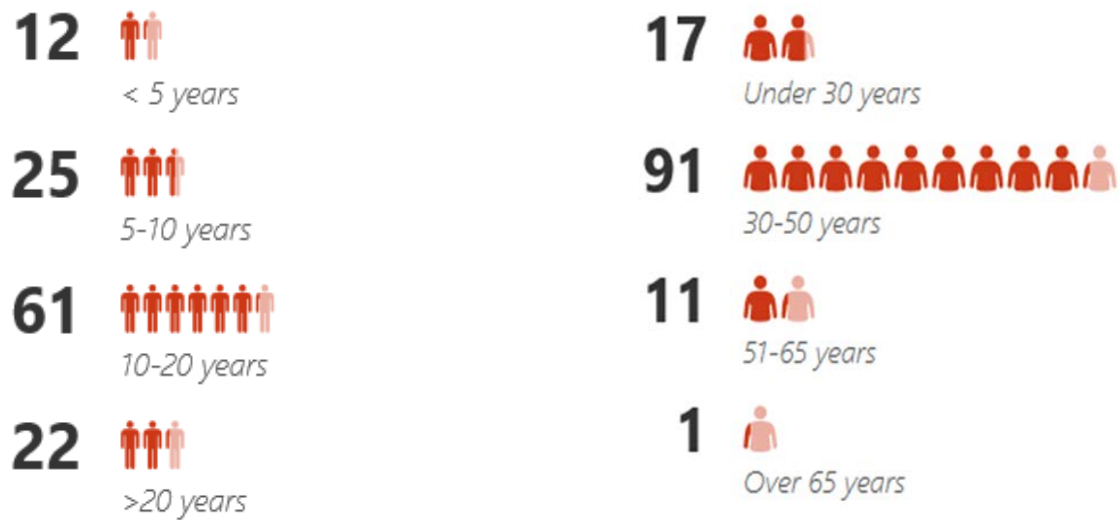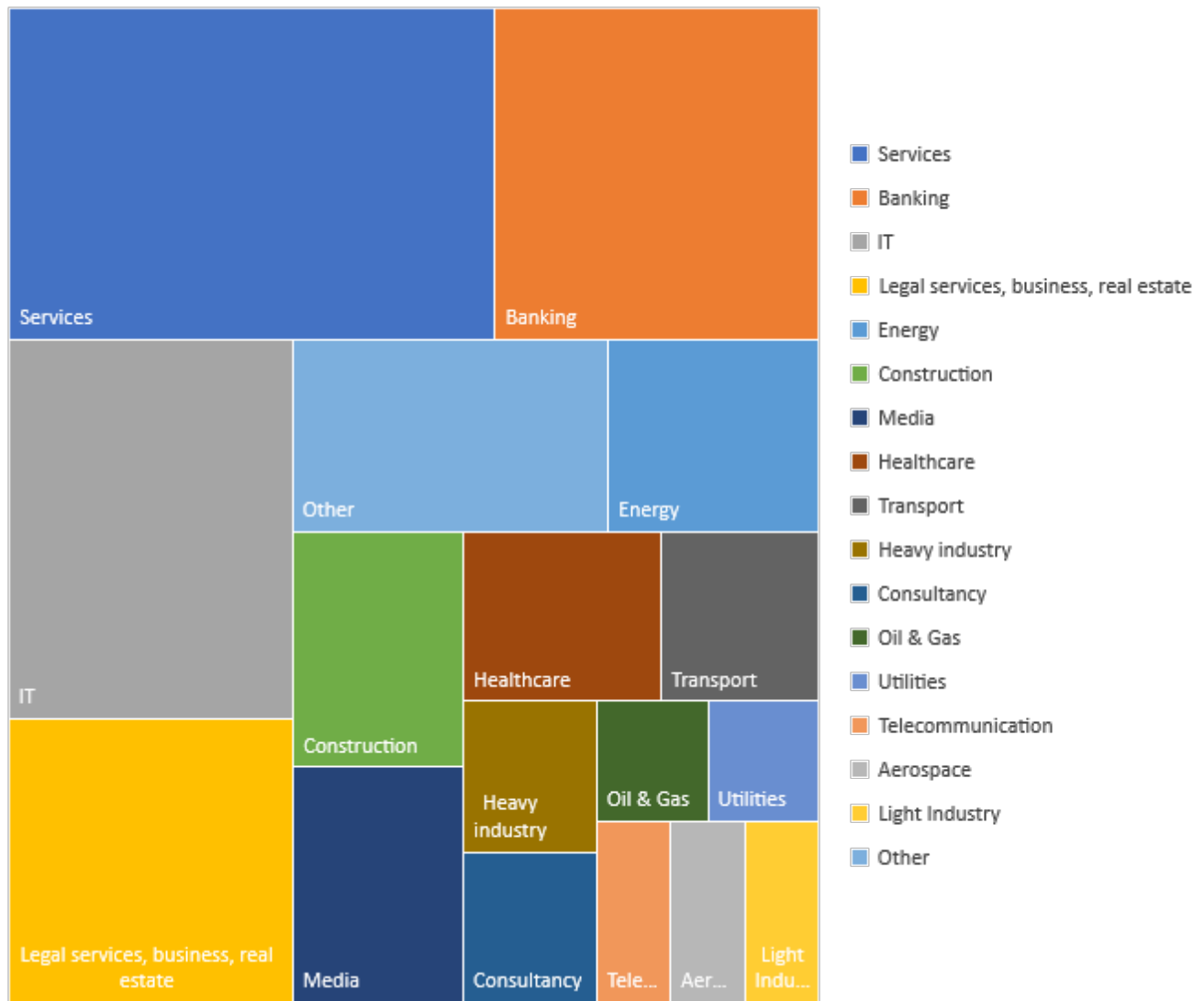

12   < 5 years

25   5-10 years

61   10-20 years

22   >20 years

17   Under 30 years

91   30-50 years

11   51-65 years

1   Over 65 years

Figure 4.1. Gender distribution of survey sample

Figure 4.5. Sector distribution of survey sample

With respect to the size of companies based on their number of employees, the sample was split relatively evenly: 30.6% small (0-5 employees), 35.5% medium-sized (6-99 employees), and 33.9% large firms (over 100 employees). 61.3% had 100% Romanian capital, 24.4% were entirely foreign owned, and 14.3% were mixed. Less than a quarter (18.3%) of private companies in the sample are publicly listed. Based on the number of years since they were founded or they first entered the local market, the sample includes many companies with substantial experience in Romania: 27.3% over 20 years, 31.4% between 11 and 20 years, and only 13.2% between 6 and 10 years. Less than 6% of respondents represented businesses with less than one year on the local market. Importantly, 64% of the sample included business-to-business (B2B) companies, 27.3% business-to-consumer (B2C), and 8.3% B2G enterprises (businesses where public entities are the main customers).

Figure 4.6. Company size in terms of number of employees (left) and % ownership Romanian vs. foreign (right)

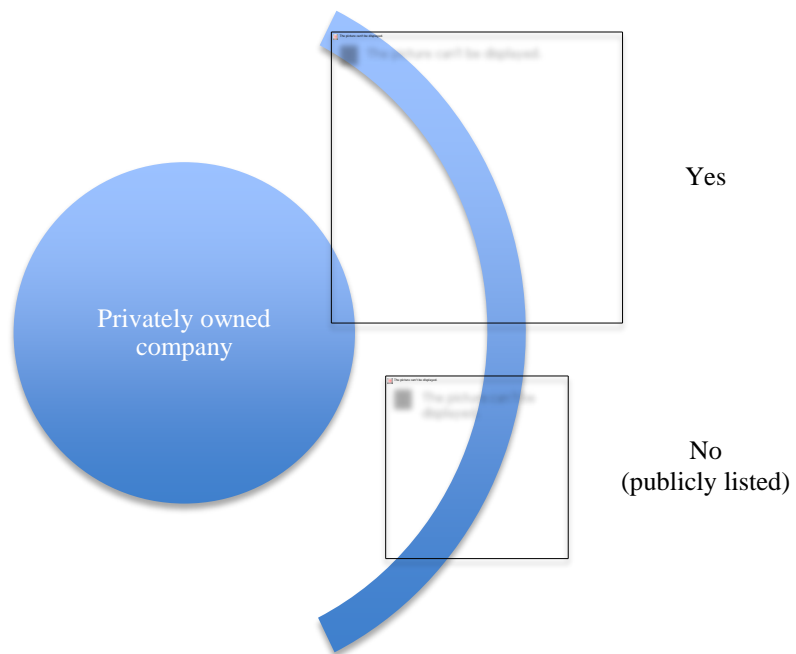*Figure 4.7. Privately owned vs. publicly listed companies in the sample*

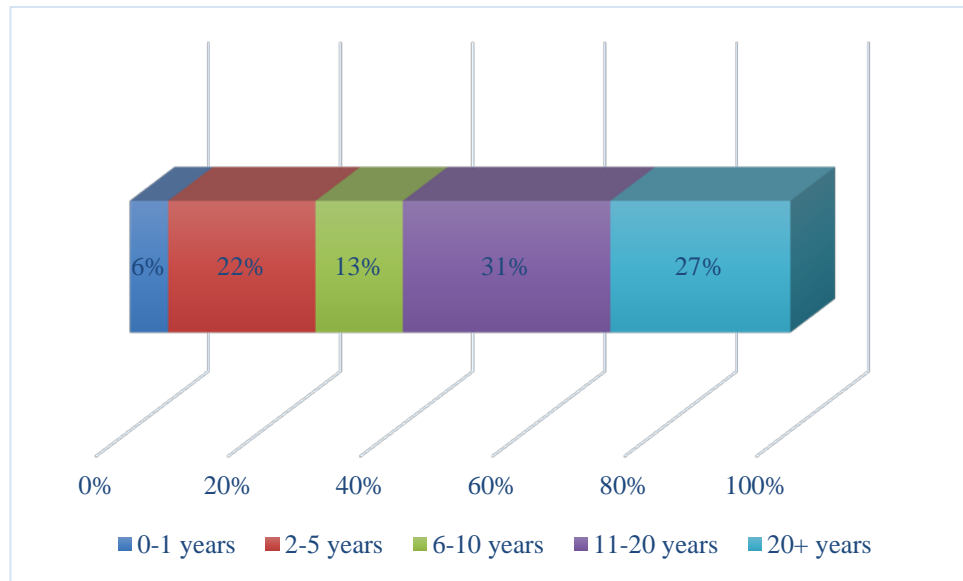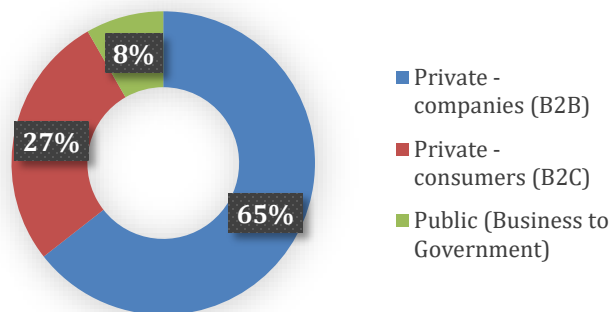*Figure 4.8. Number of years of company presence on the Romanian market*

Figure 4.9. Type of companies based on main clients (B2B, B2C, or B2G)

In terms of their headquarters' location, companies also ensure a diverse enough sample. Essentially, all major regions in Romania are represented, with a higher concentration in and around Bucharest. This makes sense given the general make-up of the economy, whereby almost 50% of Romania's GDP comes from the capital city and its surrounding area (Ionescu-Heroiu, Burduja, & Sandu, 2013). There are also some companies with headquarters in Western Europe, as well as in the United States of America. These are exceptions in the sample; by far, the vast majority of companies have their headquarters in Romania, which is appropriate given the focus of the research on B2B corruption in Romania. Still, their number is the sample is too low to even attempt cross-cultural comparisons of the responses provided regarding B2B corruption. This is, however, a worthy research

endeavor, particularly at the EU level, where the Private Corruption Barometer (Di Nicola et al., 2018) should be extended to cover all Member States.

Figure 4.10. Companies' headquarters location in Europe and Romania
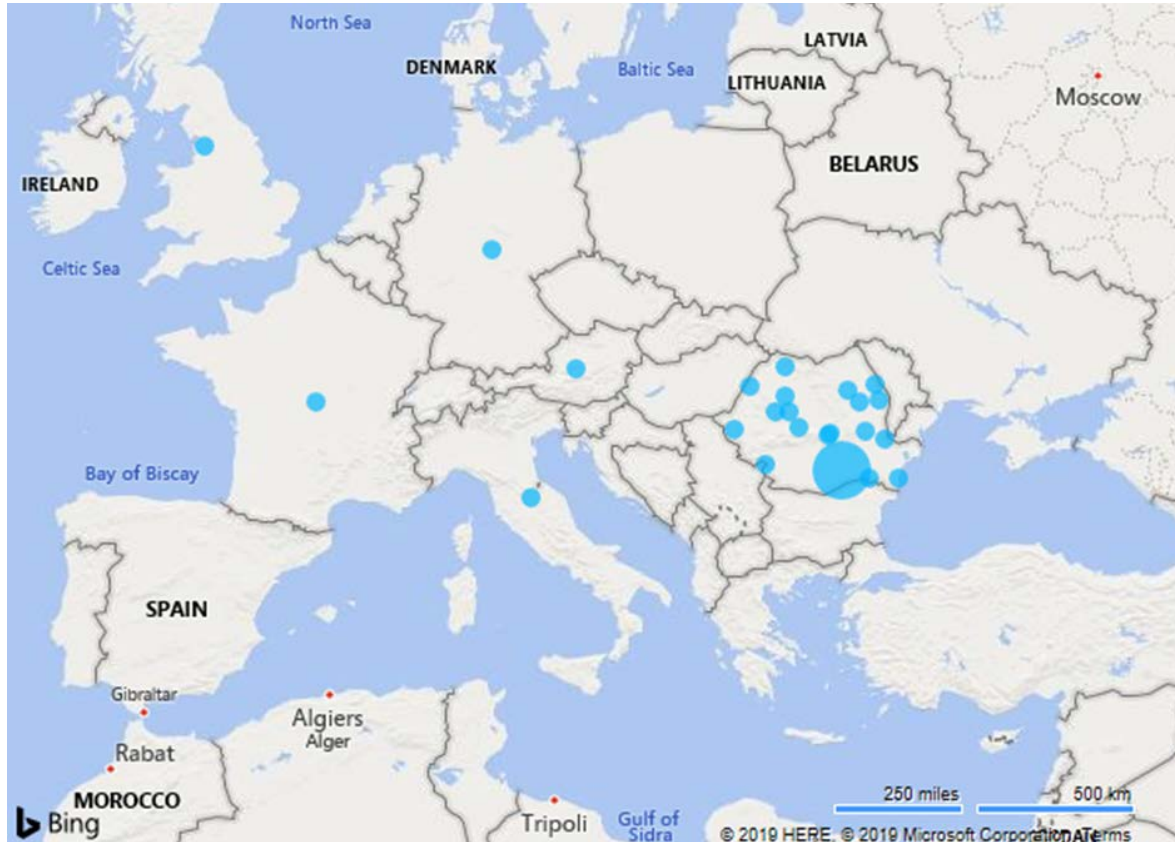
4.5.FOCUS GROUPS DATA

As part of this thesis' research process, four focus groups were designed and organized between November 2017 and January 2018. They were held in three cities: two in Bucharest, one in Brașov, and one in Iași. The main objective was to understand through small data specific perceptions of and attitudes toward B2B corruption in Romania. Focus groups numbered 35 people in total: 16 in Bucharest, split evenly between two focus groups, 9 in Brașov, and 10 in Iași. All those who were invited to take part in the focus groups were employed in the private sector, in line with the scope of the research. Participants included 20 men and 15 women selected based on two key criteria: to be currently employed in a private firm and to hold a middle-management position for that particular company.

All focus groups had the same structure, including two key phases. The first phase aimed to create a safe space where participants could freely share their thoughts and experiences in Romania's business sector, and included assuring them that discussions would be kept confidential and nothing said during the focus group discussion could be attributed. The moderator brought up the topic of corruption casually, guiding the discussion to reveal participants' awareness regarding B2B corruption, how the phenomenon is perceived versus general corruption in Romanian society, and whether these constitute challenges for business activities in the country. A related objective was to understand whether general perceptions of corruption in Romania affect participants' perception of B2B corruption specifically.

The second stage of the focus groups involved going through and then collectively discussing four different mini-case studies featuring various forms of B2B corruption. The goal was to assess participants' reactions to these scenarios, checking for two main signs: whether they recognized B2B corruption and, if they chose to engage in the hypothetical transactions, how they justified their decision. The four case studies were developed as part of the research process for this thesis, based on multiple elements: observations on the ground from the Romanian market; preliminary focus group discussions, which revealed various B2B corruption practices more common in the local market; and insights from existing literature, primarily from the study by Gopinath (2008), which included a case study probing business school students in American regarding their course of action in a complex ethical situation.

Three of the mini-case studies deployed included a potential B2B corruption situation: bribery (mini-case study one), kickback (mini-case study two), and nepotism (mini-case study three). The fourth mini-case study did not include anything illegal; its purpose was to test participants' "extreme" reactions. Particularly in the very sensitive Romanian context, respondents were expected to avoid any kind of actions that could be interpreted as problematic, even in those situations where everything is legal and transparent. Participants were asked to read these case studies individually and then discuss as a group each scenario, one by one, to determine the right course of action. They were also encouraged to explain their reasoning.

To be sure, the case studies provided to participants, particularly the first three, are purposefully in a gray zone. There are no clear-cut answers, and the hypothetical data are meant to spark debates. This is not much different from many of the situations encountered in the real world.

In fact, all of them are based on actual stories heard from informed sources. The four mini-case studies were presented to participants in the following order, along with a consent form.

Mini-case study#1 (bribery)

NetgenRo Ltd. is a local manufacturer of auto parts, available through networks of specialized stores. You are primarily responsible for selling these products and placing them on distribution networks with the goal of increasing sales. In this capacity, you interact with Mr. Ionescu, director of the ABC retail chain, who has not yet distributed NetgenRo products. To approve the sale of NetgenRo's products through ABC network, Mr. Ionescu asks you a commission to guarantee acceptance of the products. Payment will be made in cash to Mr. Ionescu at least 5 days before accepting the delivery of NetgenRo products to the ABC network.

Mini-case study #2 (kickback)

SolionetIT Ltd is a distributor of IT equipment on the Romanian market: computers, printers, etc. Traditionally, products are sold through direct distribution channels (through the company's website) and small companies. Due to low profitability, the employer decided to look for clients among the big companies on the Romanian market. You are the marketing manager of SolionetIT and you have hardly gotten a meeting with the head of the procurement department of an important insurance company, Mr. Georgescu. At the meeting, Mr. Georgescu suggests that he would be interested in the products sold by SolionetIT, but only under certain conditions. One of these is to work through another company, Intermedallio Ltd., which will retain 10% of the total amount of the contract and then sell the products to the final customer, the insurance company. You are assured that you can add 10% above list prices, so that the profitability of SolionetIT will have nothing to suffer.

Mini-case study #3 (nepotism/favoritism)

Haine4everyro Ltd. is a clothing manufacturer in Romania. For its products, it needs synthetic yarns, which it can order from multiple suppliers. At the beginning of the year, it receives two offers that meet technical specifications and quality standards: from FireABC and FireXYZ. You are the head of the procurement department of Haine4everyro and you should make a recommendation to the general manager. The offers are virtually identical in all respects, but FireXYZ's employer is your childhood friend. You decide to recommend FireXYZ as a provider of yarn for the company you are working on.

Mini-case study #4 (legal practice)

Cabluromall Ltd is a manufacturer of electrical cables, for which it needs raw materials, including copper. The company wants to significantly reduce production costs, so it actively seeks a copper supplier at a better price. In this sense, you contact the company Specialintermedro SRL, which offers to approach the company CupruUZB from another country, in exchange for a brokerage commission, established by contract. CupruUZB prices are much more attractive than any other variation in the market, and direct links with that company cannot be established. As Managing Director of Cabluromall, you decide to conclude a contract with Specialintermedro SRL and you are committed to paying a bank transfer fee with the delivery of each freight from CupruUZB.

Importantly, the discussions were not recorded to maintain a trust-based environment conducive to open conversations. Participants at each focus group expressed their voluntary agreement to take part in the research and were informed of their right to leave the discussion whenever they chose. None of them decided to do this during the actual conversations, which is an indication of the fact that discussions successfully created a safe space for sharing ideas. Handwritten notes were taken by group moderators, upon approval by the participants.

Following each focus group discussion, these notes were coded (in vivo codes and codes generated by the authors based on the literature review). This further generated several key findings, assessed in the context of existing literature and other data collected as part of the current research. The next chapter presents and discusses the main results and their contribution to this thesis and to the specialized literature in general.

There are several key limitations of this research method. For one, there were too few focus groups organized to be able to generalize or replicate the findings for the Romanian entire business environment. Much like other studies based on small data at the individual level, this research does not aim to build a universally valid theory regarding B2B corruption in Romania or generally. Instead, the aim is more specific and more modest at the same time: to provide additional empirical evidence regarding private-to-private corruption in Romania, most notably regarding its prevalence, forms, and potential courses of action by middle managers when faced with delicate situations. This component of the research also emphasizes the importance of the overall perception of corruption in a society on B2B relations in that particular context. Indeed, this qualitative research does not draw any comparisons among regions in Romania or between Romanian and foreign companies; as the next

chapter shows, it underscores several important results from the other research components of this thesis and from existing literature.

4.6. CASE-STUDY SCENARIOS

The third and final pillar of the current research includes detailed case-study questionnaires. Inspired by the Gopinath study (2008) of business school students in Northeastern USA, the author of this thesis developed five case-study scenarios to be included in a questionnaire for graduate students in Romania. Over the course of one month during the academic year 2017-2018, 75 students were selected randomly to participate in an interview process, from among several master's programs that the research could access, including: 29 students from a graduate economics program in the Northeast Region of Romania; 10 students from a graduate economics program in the capital city of Bucharest; 27 students from a graduate program in management and marketing in Bucharest; and 9 students from a graduate economics program in the Center Region of Romania.

The questionnaires were developed in both English and Romanian languages, but they were only administered in Romanian, in person, over the course of a full hour for each group of students. In the beginning of each session, a moderator gave a quick introductory presentation of the exercise entitled "Management Research Questionnaire." The language was carefully chosen to avoid biasing the sample. Students were informed that this is a business case scenario experiment, and that, if they chose to participate, they were expected to read each case study carefully, then answer the questions that followed.

The first section of the questionnaire collected general data about the sample: whether the respondent was employed at that time and whether employment was with a private company or with a public institution; if employed in the private sector, whether the company was majority Romanian or foreign owned; age of respondent; years of professional experience; and gender. A disclaimer was included to inform subjects that the case studies are hypothetical situations, and any resemblance with real-world data would be purely coincidental. To ensure a safe environment conducive to insightful comments, respondents were also told that their answers would be entirely confidential, untraceable to their authors, and would have no bearing whatsoever on their academic grades.

The moderator handed out the questionnaire, one copy to each research subject. They would have 30-45 minutes for going through the case studies and answering a few questions about each. Essentially, each scenario was followed by two or three questions, asking respondents what they

would do if faced with the situation presented. The last question asked subjects to motivate their answers.

Case study #1[14]

NetgenRo Ltd. is a local manufacturer of auto parts, available through networks of specialized stores. You are primarily responsible for selling these products and placing them through retail networks. Your goal is to increase sales. In this capacity, you interact with Mr. Ionescu, director of the ABC retail stores, who has not yet distributed NetgenRo products. To approve the sale of NetgenRo's products through ABC network, Mr. Ionescu asks you to pay a commission to guarantee acceptance of the products to be sold. Payment will be made in cash to Mr. Ionescu, at least 5 days before accepting the delivery of NetgenRo products to the ABC retail stores.

Students were asked to respond to three questions with two options each, whereby students had to tick their preferred choice, followed by a question asking them to motivate their answers:

(1.1.) Do you consider the payment of this commission to be legal or illegal? (legal or illegal)

(1.2.) Would you make this payment to Mr. Ionescu? (yes or no)

(1.3.) If the payment to Mr. Ionescu was done through a bank transfer instead of in cash, would you agree to make this payment? (yes or no)

This example is based on many real-world stories heard during the course of this research, whereby heads of retail stores or department heads ask for payments in cash to allow certain products to be sold there. This is a clear form of B2B corruption – i.e., private bribery. It is highly likely that the owners of the retail stores are not aware of these payment requests by their employees, a typical breach of principal-agent fiduciary trust. The questions are intended to leave all the options available to respondents, without biasing their choices. In the assessment presented in the next chapter, following Gopinath (2008), results are cross-tabulated to test if those who consider the commission illegal would not make the payment and, respectively, those who think the transaction to be legal would agree to the Mr. Ionescu's request. Respondents are also tested to see if a bank transfer instead of a cash payment would determine some of them to change their minds and pay the commission.

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[14] The same case study was used in the focus groups described in the previous section.

Case study #2[15]

Roindtrade Ltd. produces industrial equipment in Romania. Recently, the company reached an agreement with an Indian firm, Inimportindia. This agreed to represent Roindtrade Ltd. for the import and sale of the company's products on the Indian market. You are now in India as the Vicepresident of Sales for Roindtrade Ltd. and to ensure that the new partnership is successful. You are surprised to hear that the first shipment was held up by customs, coming into India, because the import documentation is supposedly incomplete. You are approached by a clerk of Inimportindia who explains that his predecessor was very disorganized and the documents had probably been misfiled. The clerk suggests that, if he were to work overtime, he could put the documents in order, but the Indian company does not pay overtime and he would like to be properly compensated.

Students were asked three questions, reproduced below, each with binary options (yes or no). They were also provided the space to justify their choices:

(2.1.) Do you think this payment is illegal? (yes or no)

(2.2.) (*non-primed version*) Would you make this payment? (yes or no) OR

(*primed version*) You feel you are being asked for an illegal payment. Would you make the payment?

(2.3.) If the clerk asking for the payment was instead an official of the Customs Department, would you make the payment?

This case study is essentially the same scenario used by Gopinath (2008), and it includes multiple interesting elements. For one, it tests perceptions and awareness of particular type of B2B corruption, which involves paying a kickback to an individual employee of another private entity to speed up procedures and resolve a business issue. In addition, it takes place in India, a country known – much like Romania – for its rampant corruption. Also, it allows for a comparison of subjects' reactions to potential instances of private (company clerk) vs. public corruption (customs clerk).

Finally, for this case study, just like Gopinath proceeded with his research (2008), there were two versions randomly distributed to students. In the primed version, they were told that they have a feeling that "a bribe is requested," and asked what they would do. In the non-primed version, the mention of a bribe was left out, and respondents were just asked for their reactions. The rest of the questionnaire was completely identical. Each student was asked to randomly pick one of two piles of

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[15] This is essentially identical to the scenario included in Gopinath's research (2008). This allows for exploratory comparisons of data between responses by Romanians and their American counterparts.

questionnaires, and the sample ended up including 19 non-primed and 56 primed questionnaires, which allowed for comparing students' answers and whether the suggestion that they might be dealing with a bribe request has any impact on their chosen course of action.

Case study #3[16]

  SolionetIT Ltd is a distributor of IT equipment on the Romanian market: computers, printers, etc. Traditionally, products are sold through direct distribution channels (through the company's website) and small companies. Due to low profitability, the owner has decided to look for clients among the big companies on the Romanian market. You are the marketing manager of SolionetIT and you have had a really hard time getting a meeting with the head of the procurement department of an important insurance company, Mr. Georgescu. At the meeting, Mr. Georgescu suggests that he would be interested in the products sold by SolionetIT, but only under certain conditions. One of these is to work through another company, Intermedallio Ltd., which will retain 10% of the total amount of the contract and then sell the products to the final customer, the insurance company. You are assured that you can add 10% above list prices, so that the profitability of SolionetIT will have nothing to suffer.

  Students received two questions about this case study, each with two potential answers, followed by a question asking them to briefly motivate their choice:

  (3.1.) Do you consider the condition set by Mr. Georgescu to be legal or illegal? (legal or illegal)

  (3.2.) Would you sign the contract with Intermedallio Ltd., the company recommended by Mr. Georgescu? (yes or no)

  This third case study is also based on actual situations on the ground, as described in anecdotes by a couple of participants to the preliminary focus groups. It is another form of B2B corruption, whereby everything is transparent and set in contracts, and the seller of the products is not hurt by the proposed commission scheme, because he is allowed to increase his sale price by the price of the requested fee. Still, what is likely going on is that Mr. Georgescu's shareholders are not aware of these mechanisms, which are ultimately hurting their company's profitability, as they end up paying a price premium for the products offered. Again, the questions allow for testing the consistency

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[16] The same case study was used in the focus groups described in the previous section.

between the students' evaluation of the situation (legal or illegal) and their chosen course of action (sign the contract or refuse to sign it).

Case study #4[17]

  Haine4everyro Ltd. is a clothing manufacturer in Romania. For its products, it needs synthetic yarns, which it can order from multiple suppliers. At the beginning of the year, it receives two offers that meet technical specifications and quality standards: from FireABC and FireXYZ. You are the head of the procurement department of Haine4everyro and you should make a recommendation to the general manager. The offers are virtually identical in all respects, but FireXYZ's owner is your childhood friend. You decide to recommend FireXYZ as a provider of yarn for the company you are working on.

  Two questions correspond to this case study. Again, each has only two potential answers, followed by space provided to respondents for a succinct motivation of their choice:

  (4.1.) Do you consider this decision to be legal or illegal? (legal or illegal)

  (4.2.) Suppose that FireXYZ's offer would be clearly inferior to the offer received from FireABC, which of these providers would you recommend to the general manager? (FireABC or FireXYZ)

  This is a typical situation involving nepotism or favoritism, one of the more common forms of B2B corruption. The questions clearly aim at establishing the tendency of respondents to factor personal relations into their business decisions. If the offers are identical, in theory, there is nothing wrong or illegal about preferring the friend's company. In the second question, however, the friend's offer is clearly inferior, which turns this into a potential B2B corruption case; choosing the FireXYZ offer is a breach of fiduciary trust between the protagonist and Haine4everyro Ltd. The other nuance in this case is that the final business decision does not belong with the subject, but with the general manager. This may be used as an excuse by some interviewees, since they are only supposed to make a recommendation.

Mini-case study #5

Cabluromall Ltd is a manufacturer of electrical cables, for which it needs raw materials, including copper. The company wants to significantly reduce production costs, so it actively seeks a copper

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[17] The same case study was used in the focus groups described in the previous section.

supplier at a better price. In this sense, it contacts Specialintermedro Ltd., a firm that offers to approach company CupruUZB from another country, in exchange for a brokerage commission, established by contract. CupruUZB prices are much more attractive than any other option in the market, and direct links with that company cannot be established. As Managing Director of Cabluromall, you decide to sign a contract with Specialintermedro SRL and you are committed to paying a commission with each delivery of raw material from CupruUZB.

The questions asked are as follows, each with several response options, and space provided for motivating the answers:

(5.1.) Do you consider this decision to be legal or illegal? (legal or illegal)

(5.2.) Suppose that Specialintermedro decides to give you 10% of the commission as a special thank you for establishing commercial relations, how would you proceed? Pick one. (a)Take the gift and continue the partnership with Specialintermedro; (b) Take the gift but break the partnership with Specialintermedro; (c) Do not take the gift, inform the owner of your company, and break the partnership with Specialintermedro; and (d) Other option (please describe).

This is arguably the most complex case study provided among the five. The situation described in the main scenario is perfectly legal and a common business practice around the world. The commission requested by Specialintermedro is warranted, as Cabluromall cannot have a direct relationship with a cheaper provider of raw material, so the intermediation services are valuable to the company's business model. The first question thus tests for overreactions by respondents: are some overly cautious whereby they would miss a good business deal for fear of how the situation would be interpreted? If so, this would be an additional impetus to ensure proper training on what is and is not ethical in particular business situations. The second question involves a kickback, a form of B2B corruption, where the respondent has the option of accepting or refusing a gift from Specialintermedro, along with continuing or breaking the contract. Again, business interests and moral judgements may clash, and responses are assessed to understand how each student justifies the two related decisions prompted by the additional information provided in question 5.2.

As with focus groups and the quantitative survey, the case-study questionnaires were administered in Romanian only, and the answers provided were also in Romanian. Once collected from all four groups, responses were coded to allow for their interpretation and comparison. Binary responses were coded as 1 and 2, where "1" corresponded to the first option provided and "2" to the

second one. Qualitative explanations were analyzed in Romanian, and the most insightful ones are included in the next chapter, translated into English by the author.

The sample of 75 respondents is diverse. They all shared two common characteristics: they are graduate-level students in Romania, in business or business-related programs; they all had had some full-time professional experience. 60% of them worked in the private sector, 12% of them were employed by the government, while 28% were unemployed at the time of filling out the questionnaire. Unemployed subjects were asked to refer to their most recent professional experience if needed to answer any of the questions related to various sample characteristics. The average age of respondents was 26.8, suggesting a more experienced group. In fact, the average years of professional experience was five, confirming that many of them had been working full-time during their graduate and possibly even undergraduate studies. Interestingly, only 28% were men and 72% were women. Where relevant, this research's next chapter will include segmentations of the sample based on its characteristics and various response options to the case studies.

Figure 4.11. Characteristics of respondents to case-study questionnaires based on their company's sector (left) and % ownership Romanian vs. foreign (right)

5. RESULTS AND DISCUSSION

"If either a business or society pursues policies that benefit its interests at the expense of the other, it will find itself on a dangerous path. A temporary gain to one will undermine the long-term prosperity of both. To put these broad principles into practice, a company must integrate a social perspective into the core frameworks it already uses to understand competition and guide its business strategy. […] When a well-run business applies its vast resources, expertise, and management talent to problems that it understands and in which it has a stake, it can have a greater impact on social good than any other institution or philanthropic organization."

– Michael Porter (2008)

Upon defining this thesis' framework, objectives, and methodology, this fifth chapter turns to presenting and discussing its main research findings. These originate from three primary sources: a survey of 120 Romanian business people with leadership positions in their companies; four focus groups with 35 middle managers in Bucharest, Iași, and Brașov; and case-study questionnaires administered to 75 graduate students concerning their choices when faced with complicated business and ethical choices. Whenever possible, this thesis draws comparisons with existing studies of B2B corruption, making baseline inferences regarding the prevalence, causes, consequences, and potential solutions for this phenomenon in Romania versus other countries where data are available. The next sections go through each of the three pillars of the current research, while the last part brings together common themes and findings across all instruments deployed (survey, focus groups, case-study questionnaires), synthesizing their important implications.

5.1. SURVEY OF ROMANIAN BUSINESS LEADERS

Of the 120 Romanian business leaders surveyed, a significant majority view corruption as a major challenge in their professional pursuits. 47.5% of respondents qualify corruption as a "very serious" problem, and another 20.8% as "a serious" problem in doing business in Romania. The question was formulated to be identical to a question in the *Flash Eurobarometer 470* (European Commission, 2017a), which includes the following data for Romania: 55% of businesses surveyed see corruption as "very serious" and 30% as "quite serious." Assuming that perceptions of corruption in Romania did not change substantially between October 2017 and the Spring of 2019, it would be safe to conclude that the current study's sample views corruption as slightly less serious compared to the randomized sample of the Eurobarometer. The implication is that the results presented below with respect to B2B corruption may be conservative, i.e., in reality a randomized sample of business people

may have even worse opinions of how corruption affects their activities. Whatever the case may be, the first hypothesis of this study is confirmed, as expected: the vast majority surveyed Romanian business leaders perceive corruption as a major challenge in their professional careers.

Figure 5.1. Main challenges faced by sampled businesses in Romania
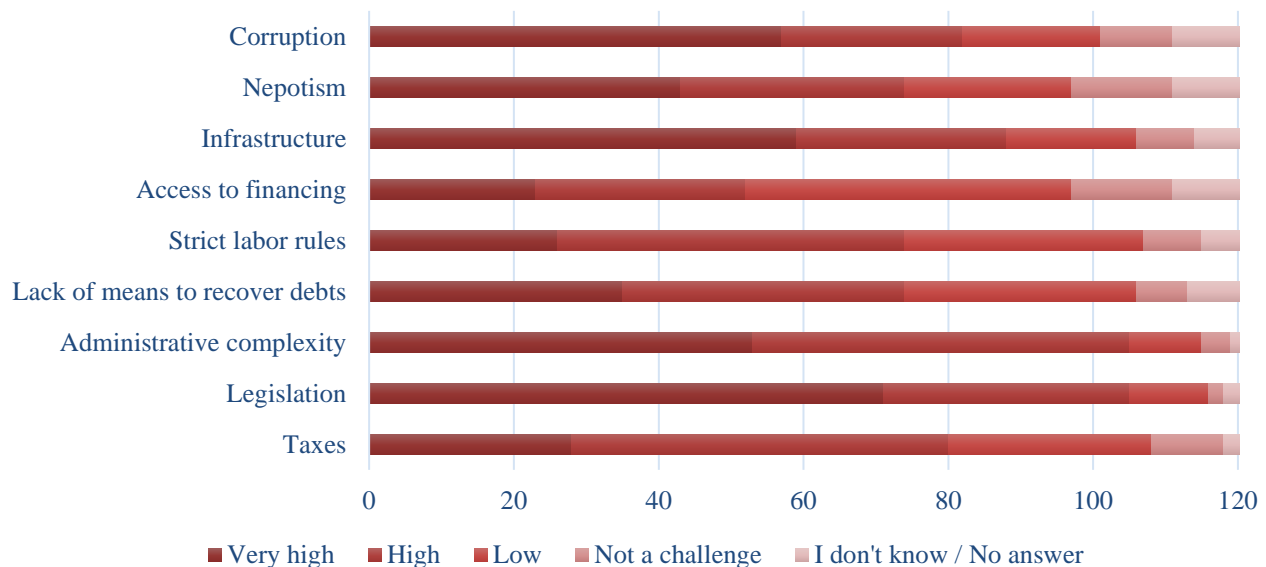
5.1.1. Business people's perceptions of and experiences with B2B corruption

The survey proceeds to narrow in on B2B corruption, asking first about general issues encountered in respondents' professional careers. Importantly, the questions ask about experiences ("have you encountered…"), not just overall perceptions. Again, this is to show that results may be conservative, as respondents are usually more inclined to admit perceptions than experiences. As expected, the more serious the offense, the smaller its prevalence. Presents, nepotism, and kickbacks are most frequently cited, while extortion and money laundering are at the bottom of the list.

When asked specifically about B2B transactions, the numbers are typically lower, sometimes significantly so, particularly in the case of very serious offenses: conflicts of interest (80% generally vs. 55% in B2B), bribing (67.5% generally vs. 39.1% in B2B), fraud (62% vs. 43.3%), kickbacks (85% vs. 71.6%). This suggests that respondents encounter B2B corruption a subset of overall affecting their professional lives in Romania. One respondent noted: "I have seen corruption happening in transactions between private companies and the Romanian state, not between businesses." The General Director of a small service provider concurred: "B2B corruption, compared

to public corruption, is insignificant." Of course, the data show that they are only partially right: while B2B corruption is lower than overall corruption, there are still significant proportions of business people who experience it, even in its more egregious forms (money laundering, extortion, bribing, etc.). This confirms that it is a phenomenon that must be prevented and controlled.

Figure 5.2. Main issues encountered in respondent's professional career in Romania
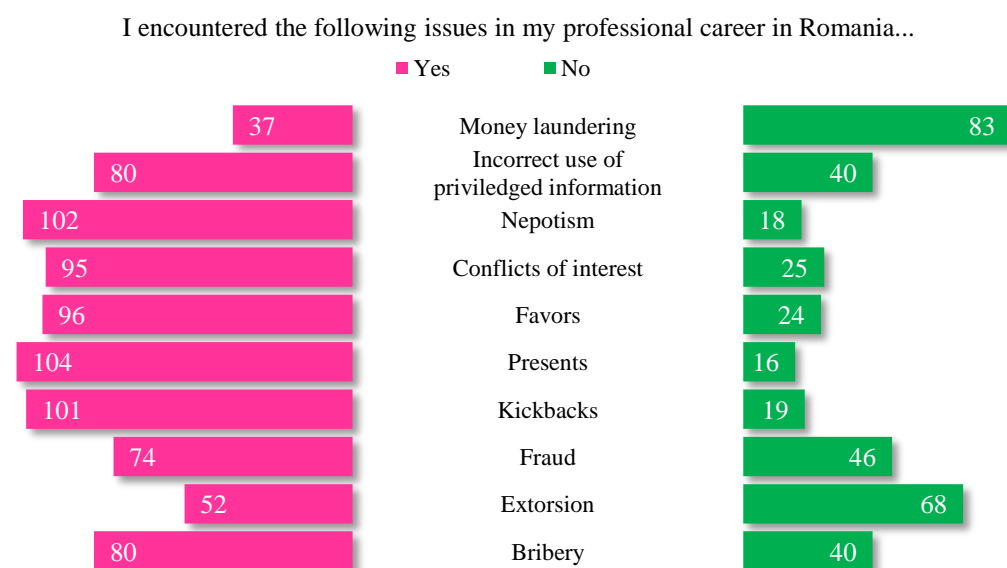
I encountered the following issues in my professional career in Romania...

■ Yes   ■ No

Yes	Issue	No
37	Money laundering	83
80	Incorrect use of priviledged information	40
102	Nepotism	18
95	Conflicts of interest	25
96	Favors	24
104	Presents	16
101	Kickbacks	19
74	Fraud	46
52	Extorsion	68
80	Bribery	40

Figure 5.3. Main issues encountered by respondents in transactions between private firms in Romania

I encountered the following issues occuring in transactions between businessess (B2B)...

■ Yes   ■ No

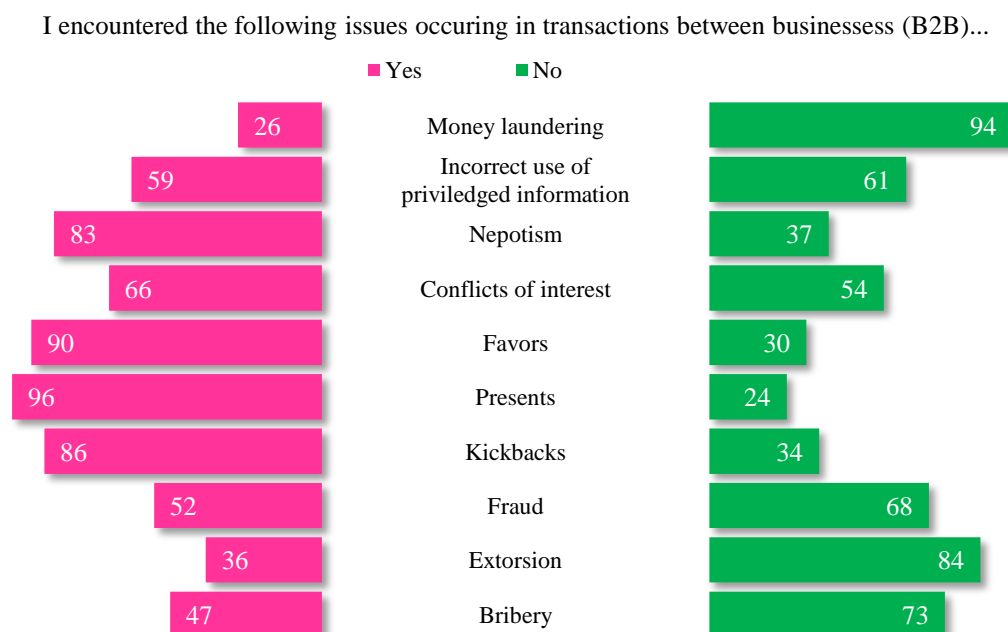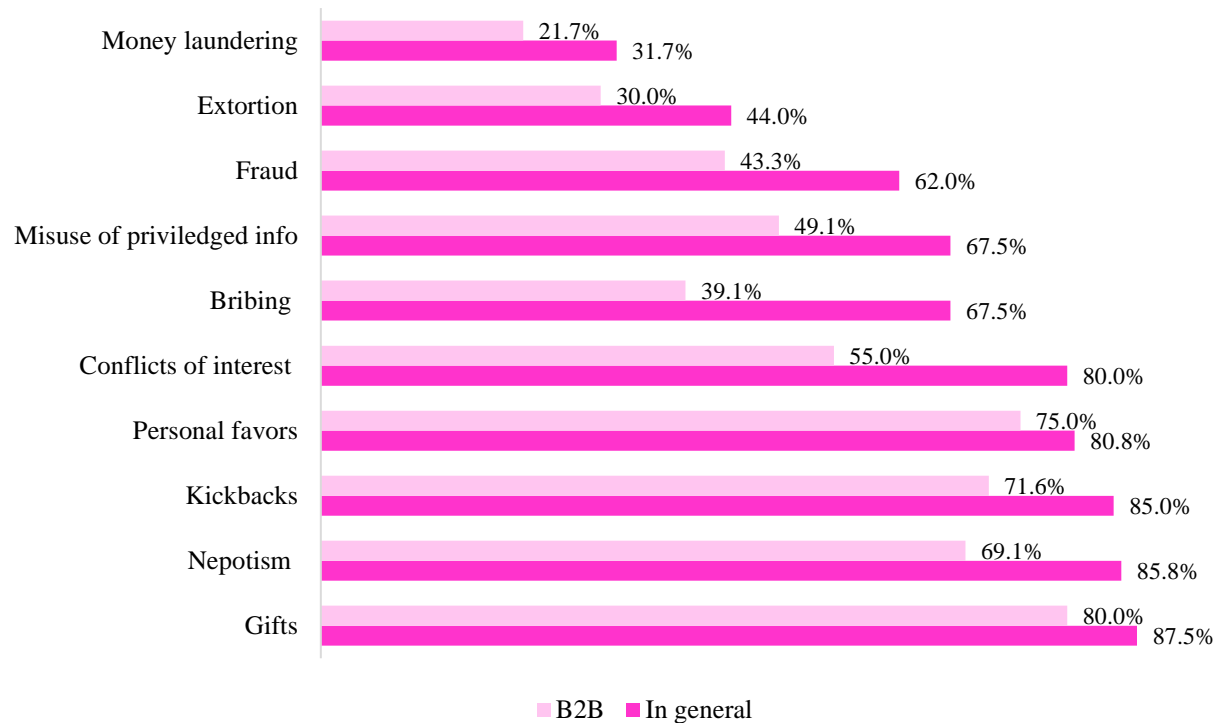| Yes	Issue	No
26	Money laundering	94
59	Incorrect use of priviledged information	61
83	Nepotism	37
66	Conflicts of interest	54
90	Favors	30
96	Presents	24
86	Kickbacks	34
52	Fraud	68
36	Extorsion	84
47	Bribery	73

Figure 5.4. Comparison of general challenges and challenges in B2B relations in Romania, as experienced by respondents to the survey

These answers from Romania allow for comparisons with other datasets, specifically for Denmark and Estonia, from the PrivaCor study (Johannsen et al., 2016). These comparisons are just exploratory at this point, as the two studies have distinct samples in terms of size and representation. It would be worth testing these findings at the entire EU level. In any case, Romanian managers overall tend to be more exposed to the different forms of B2B corruption: kickbacks (72% in Romania vs. 46% in Estonia and 34% in Denmark), conflicts of interest (55% in Romania vs. 49% in Estonia and 38% in Denmark), fraud (43% in Romania vs. 22% in Estonia and 15% in Denmark), and bribery (39% in Romania vs. 29% in Estonia and 21% in Denmark). If there is any correlation between overall corruption perceptions and B2B corruption encounters, as it would be reasonable to assume, these relative rankings make sense. Transparency International's 2018 CPI shows that Denmark scores 88 and is thus the least corrupt country globally, while Estonia scores 73 and is ranked 18th, compared to Romania, which ranks 61st with only 47 points (Transparency International, 2018b).

Respondents to the Romanian survey were also asked for their perceptions of B2B corruption in Romania. They had the option of selecting between "high," "average," "low," and "other answer." Three respondents gave "other answers": one said "super high", another mentioned that "in

relations with retail stores it is average," and the third one noted that "online businesses are typically sheltered from corruption." In any case, the vast majority of responses confirm that B2B corruption is perceived as widely prevalent in Romania's business environment, reconfirming the first hypothesis of this study: 37% of respondents qualify B2B corruption as "high," while an additional 49.6% describing it as "average." It is also noteworthy that only 1.7% of respondents note that anticorruption institutions currently function "very well" in Romania. 31.2% describe their performance as "relatively poor," while 16.5% believe these institutions function "very poorly."[18] These data should be treated with caution. A reasonable speculation is that such results reflect the business environment's overall dissatisfaction with how anticorruption institutions in Romania combat B2B corruption in particular, not necessarily all crimes in society that they have to deal with (i.e., primarily public corruption).

Figure 5.5. Respondents' perceptions regarding the level of B2B corruption in Romania (left) and the functioning of anticorruption institutions (right)


The survey deployed another key question from the PrivaCor study (Johannsen et al., 2016) in the Romanian context, asking subjects to identify the impact of B2B corruption. Again, this allows for some baseline comparisons across the three countries. Interestingly, Romanian managers appear very concerned about loss of business network, which refers to diminished access to suppliers and clients (75.2% vs. only 38.7% in Denmark and 34.5% in Estonia). Romanians also seem comparatively more concerned about financial loss than Danish and Estonian counterparts (61.2% vs. 53.3% and 47.4% respectively), but less worried about the consequences on their own careers

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[18] One respondent did not provide any answer to this question.

compared to Danes and more worried compared to Estonians (53.7% versus 63.8% in Denmark and 38.5% in Estonia). Beyond these rough comparisons, it is important to note that a vast majority of Romanian business leaders surveyed are aware of B2B corruption's damaging consequences and corresponding risks to themselves and their companies. This is a good foundation for expanding awareness of B2B corruption, along with designing and implementing company-level mechanisms to combat it.

Figure 5.6. Perceptions of corruption consequences for Romania (n=120) versus Denmark and Estonia (PrivaCor study, n=500 for each country)[19]
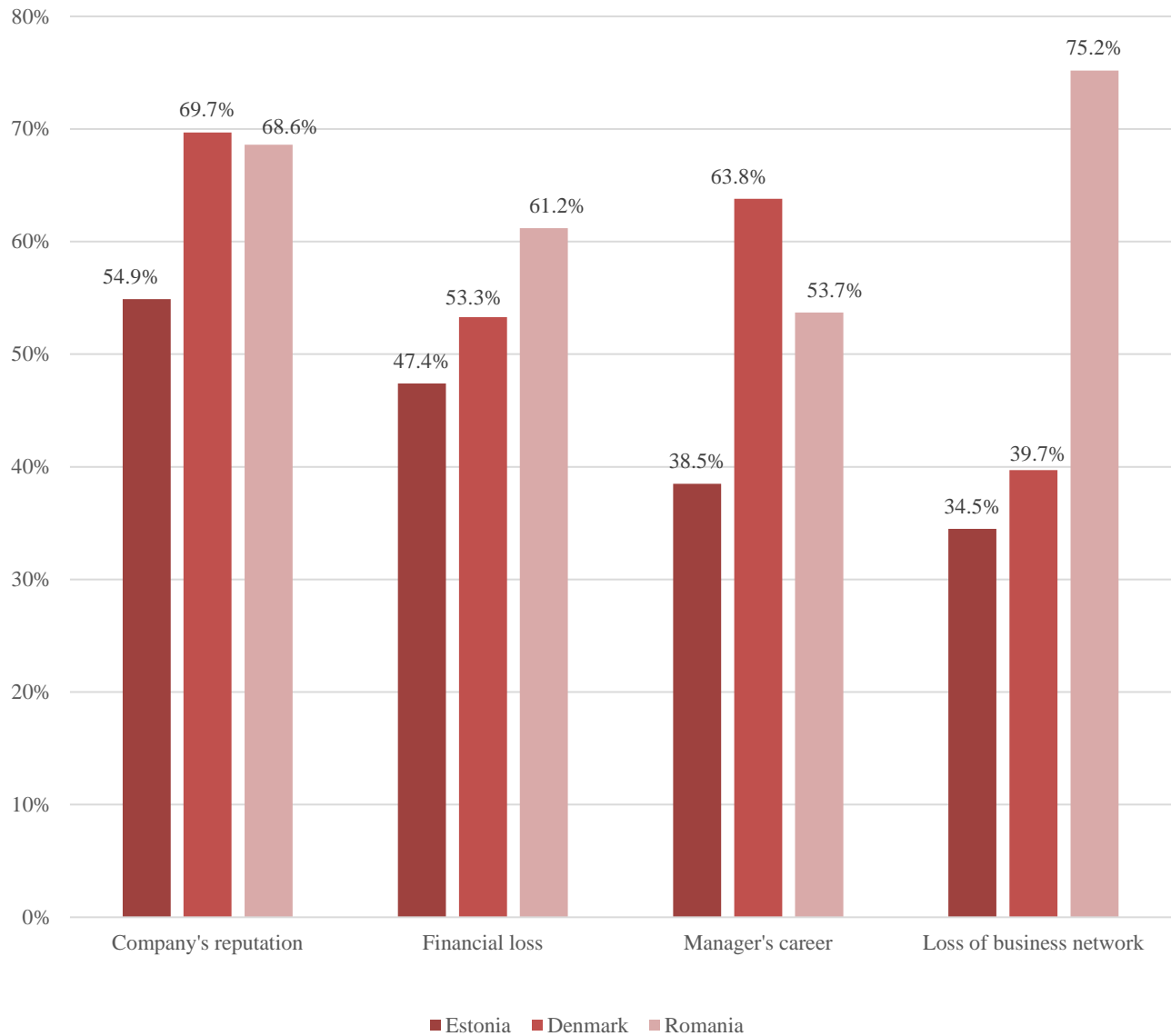
5.1.2. Recognizing B2B corruption

The survey designed as part of this thesis research further asked Romanian business leaders who participated to note whether certain transactions are indeed forms of corruption in private-to-private relations. The results prove that views are very mixed, particularly around certain "gray-area" forms of the phenomenon: kickbacks (42.5% believe it is a form of B2B corruption), gifts (43.3%),

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[19] As mentioned earlier, there are differences in the samples and sampling methods between this thesis research and the 2016 PrivaCor study. Comparisons are meant as exploratory, and should be verified by further research.

and personal favors (53.3%). The consensus is much stronger when it comes to more serious forms of B2B corruption, such as bribing (95% identify it as corruption), extortion (95%), money laundering (92.5%), and fraud (90.8%).

Figure 5.7. Respondents' answers on forms of B2B corruption
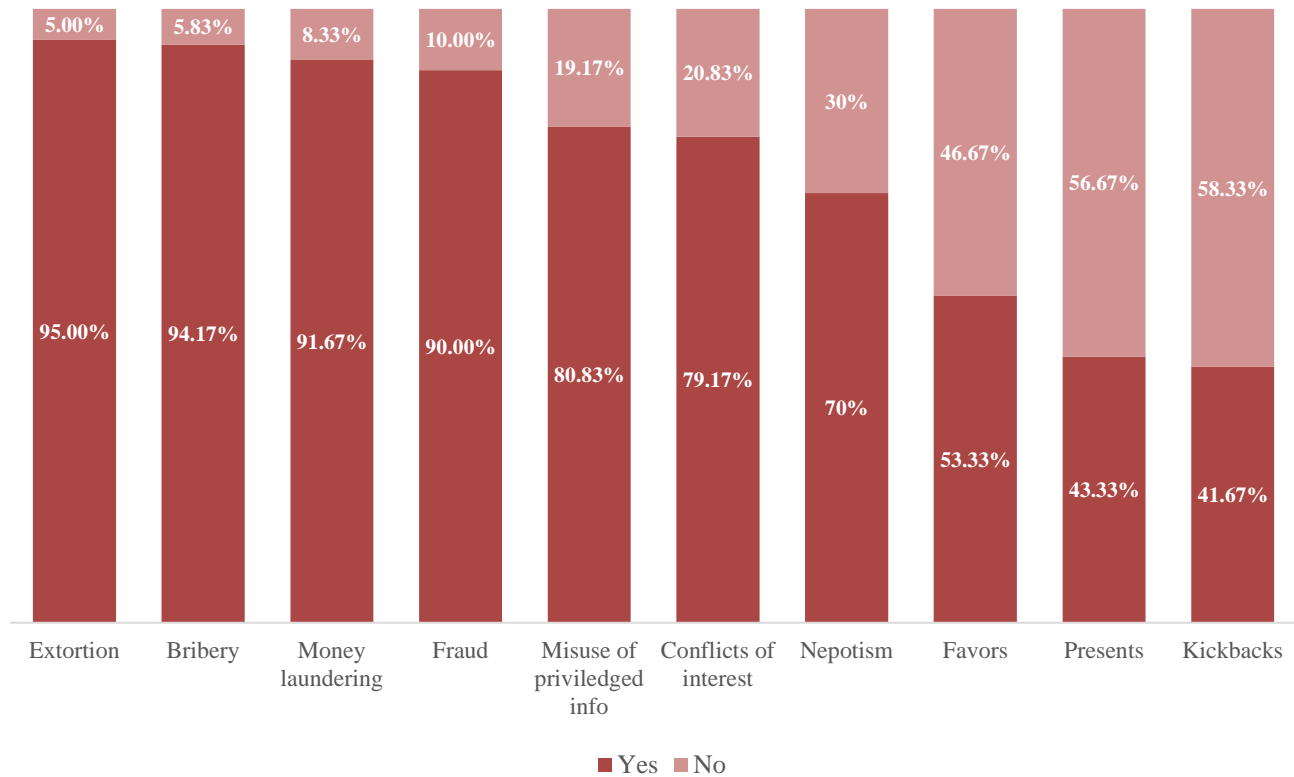
To shed light on these discrepancies in awareness and interpretations of different B2B corruption forms, it is useful to assess some of the qualitative answers provided to survey's last question, which was also the only open-ended one: "Do you have any other comment related to private corruption in Romania, particularly B2B corruption?" From one perspective, some respondents rejected classifying particular transactions between private companies as corruption. One banker asked rhetorically: "Why should nepotism be corruption? Are family businesses by definition corrupt?" She continued: "Gifts should not count as corruption if they are purely symbolical. They are part of our culture as atenții – some flowers, a diary, a box of chocolates, a small corporate basket etc." Another subject, small business owner, put it even more frankly: "Nobody is going to tell me how to run my business. In my company I can hire my mother if I so please, accept whatever gifts or commissions I am offered." The country manager of a multinational company showed that "there are clear rules and caps on gifts of EUR 25-30, and kickbacks are generally stipulated in contracts and

have nothing to do with bribery." Also, the president of a medium-sized company in the health sector argued as follows: "Corruption may breach norms, but it is not a crime. Honesty is not a moral duty, but a choice, for most companies."

By contrast, there are respondents who believe the opposite. As the owner of a small local manufacturing company put it, "private companies are as corrupt as state institutions." He went on noting: "If you are lucky enough to deal directly with a company's owner, there is no way that corruption is allowed. If you deal with managers, however, with some rare exceptions, you can kiss your sales goodbye [unless you bribe them]." Another entrepreneur complained that "corruption is deeply engrained in the mentality of business people in Romania." Other views strengthened the perspective that corruption is widespread, such respondents selecting all the options provided by the survey's question as corresponding to B2B corruption practices. For their part, representatives of multinational institutions were in general agreement with this stricter interpretation of B2B corruption. This is probably a consequence of more mature internal accountability mechanisms, though this assumption requires further testing. Indeed, a Romanian business owner countered that in his experience "multinationals pay the biggest bribes and ruin [the market] for everyone else."

These data confirm this study's second hypothesis: "business people do not recognize ethical issues in private transactions, responding differently when faced with problematic ethical situations." This will be further validated through the qualitative case-study questionnaires. The fact is that there are no standard interpretations of what constitutes corruption versus business as usual. Survey responses show that, in general, business owners tend to be more flexible in their views on B2B corruption acts, while employees – particularly of large, foreign-owned companies – are more cautious including even grey-zone practices like favors, gifts, and kickbacks in their definition of what constitutes B2B corruption. Essentially, in the absence of common standards and training, subjective interpretations are unavoidable: much like beauty, corruption is in the eye of the beholder.

5.1.3. Private companies' role in addressing B2B corruption

Survey respondents were asked to identify the primary barriers against fighting corruption in the private sector. Almost half of all subjects (47%) blamed the fact that "unethical behavior is widespread society." Almost a quarter (22%) argued that the main barrier is that B2B corruption and bribery are not punished. Others, however, were more ready to take some of the blame onto the private sector itself: 19.8% noted that "corruption is generally accepted" in B2B transactions, while and 9.1%

said that "companies do not treat this problem seriously." Again, these data, although from a relatively small sample, confirm that B2B corruption is widespread in Romania, and, what is worse, a relatively large number of business people have come to accept it as something unavoidable.

Figure 5.8. Main barriers in fighting private corruption, as perceived by survey respondents

26 Corruption and bribery are not punished

11 Companies don't treat this problem seriously

57 Unethical behaviour is widespread in society

24 Corruption is generally accepted in B2B practices

3 Other issues

To further test respondent's attitudes vis-à-vis B2B corruption, the survey asked if their company had a moral duty to fight against corruption. As noted in the literature review, this is an old debate among both business people and scholars, and one that has tilted substantially in recent years toward the view that indeed businesses have to contribute to the social good or at least avoid harming others in the pursuit of profitable transactions. Romanian respondents generally embrace this view: 74% said that their business does have a moral duty to fight against corruption, while only 7% rejected this perspective, with close to 20% selecting "Don't know / No answer."

The survey also asked respondents how business leaders in their network would act: whether they would get actively involved in combating corruption (60% said yes); whether they would report an incident that involved corruption (60%% said yes); and whether they would support their colleagues if they fought against corruption (71% said yes). While a majority of respondents are willing to act, particularly in support of colleagues battling corruption, it remains worrisome that over a third would neither report corruption incidents, nor get involved in the fight against corruption themselves.

Figure 5.9. Romanian business leaders' attitude toward their potential moral duty to fight B2B corruption
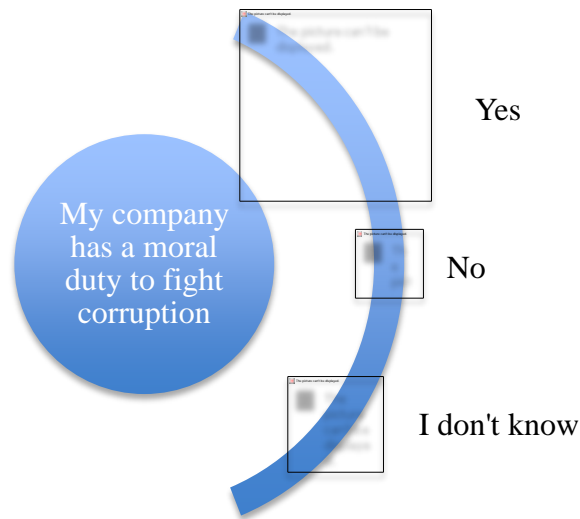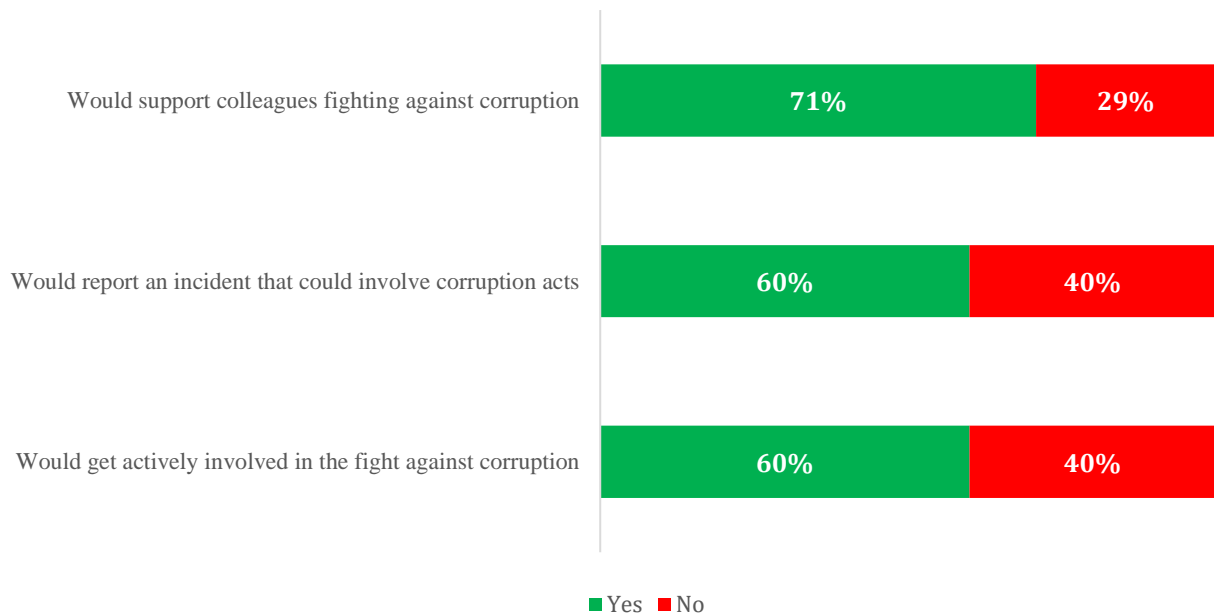
Figure 5.10. How business leaders in respondents' networks act with respect to B2B corruption

The survey also asked Romanian business leaders how they would proceed if they witnessed corruption acts within their own company. Again, this question was also used in the PrivaCor study of B2B corruption in Estonia and Denmark, which allows for some preliminary comparisons. The most preferred option in all three countries is to tell management or other board members. The rest of the hierarchy of choices differs widely.

As shown in the table below, more Romanians would rather call an anonymous hotline compared to their counterparts (31.7% highly agreed with this option vs. only 8.3% in Estonia and 26.4% in Denmark). This may reflect higher fears of reprisals and weaker trust in protections for whistleblowers. With respect to going to the police, responses are similar between Romania and Estonia, and a lot lower than in Denmark, possibly reflecting a lower level of trust in the police. By contrast, 12.5% of Romanian managers would go to the press versus much smaller proportions in Estonia (1.5%) and Denmark (4.9%), suggesting that Romanians are more comfortable with media scrutiny; indeed, in recent years, journalists have covered a large number of corruption cases in Romania (Hotnews, 2019), and public shaming is anecdotally seen as part of a rightful punishment. Somewhat surprisingly, virtually no respondents in Romania would "do nothing," while almost 11% of Danes would ignore the situation.

Table 5.1. Romanian vs. Estonian vs. Danish managers' responses to corruption acts

If you witnessed a corruption act within your company, what would you do…?	Romania* Current study n=120		Estonia* PrivaCor Study n=500		Denmark* PrivaCor Study n=500	
	rank	% highly agree	rank	% highly agree	rank	% highly agree
…report it to management or other board members	1	78.3	1	92.3	1	89.4
… talk with involved colleague(s)	2	45.8	2	48.1	4	42.7
… contact an anonymous hotline	3	31.7	5	8.3	5	26.4
… talk at home/with friends	4	25	3	19.4	2	55.2
… go to the police	5	16.7	4	15.8	3	49.6
… go to the press	6	12.5	7	1.5	7	4.9
... do nothing	7	0.08	6	3.0	6	10.9

If you witnessed a corruption act within your company, what would you do…?	Romania* Current study n=120		Estonia* PrivaCor Study n=500		Denmark* PrivaCor Study n=500	
	rank	% highly agree	rank	% highly agree	rank	% highly agree

Note: Samples and sampling methodologies are different, as is the timing of the measurements. Moreover, the option of "talk with other colleagues" was excluded from the analysis, as it was not featured in the Romanian survey. This should not change the other data, however, as respondents responded to each option separately. The data are shown side by side to provide rough reference points, not as a basis for regressions or other types of statistical comparisons.

Source for the PrivaCor study data on Estonia and Denmark: Johannsen et al., 2016

Overall, these results are very encouraging and provide evidence in support of this thesis' fourth hypothesis: businesses generally seek to play a positive role in combating B2B corruption. Again, almost three quarters of surveyed business leaders believe they have a moral duty to fight against corruption, and many of them recognize corruption's risks and negative consequences. Still, many would choose to handle corruption cases discreetly and internally within the company, as opposed to going to the press or the police, which is aligned generally with how businesses handle B2B corruption cases.

5.1.4. Internal and External Solutions for B2B Corruption

In the last part of the survey, Romanian managers were asked to focus on a range of internal and external solutions for B2B corruption. First, the survey sought to establish the kind of internal mechanisms currently available within the companies represented in the survey. As expected, the more basic the measure, the higher its prevalence among businesses in Romania. Over three quarters have an ethical code (code of conduct), while nearly half have explicit policies for forbidding kickbacks and their own anticorruption policies. Less than one third have measures for protecting whistleblowers of specific programs for training their employees on corruption-related issues. This implies that there is plenty of room to fill in terms of potential internal mechanisms for raising awareness regarding ethical issues, B2B corruption, and how to recognize a challenging situation and know how to proceed in the best interest of the company and of each individual business leader.

Figure 5.11. Available mechanisms to address B2B corruption in respondents' companies
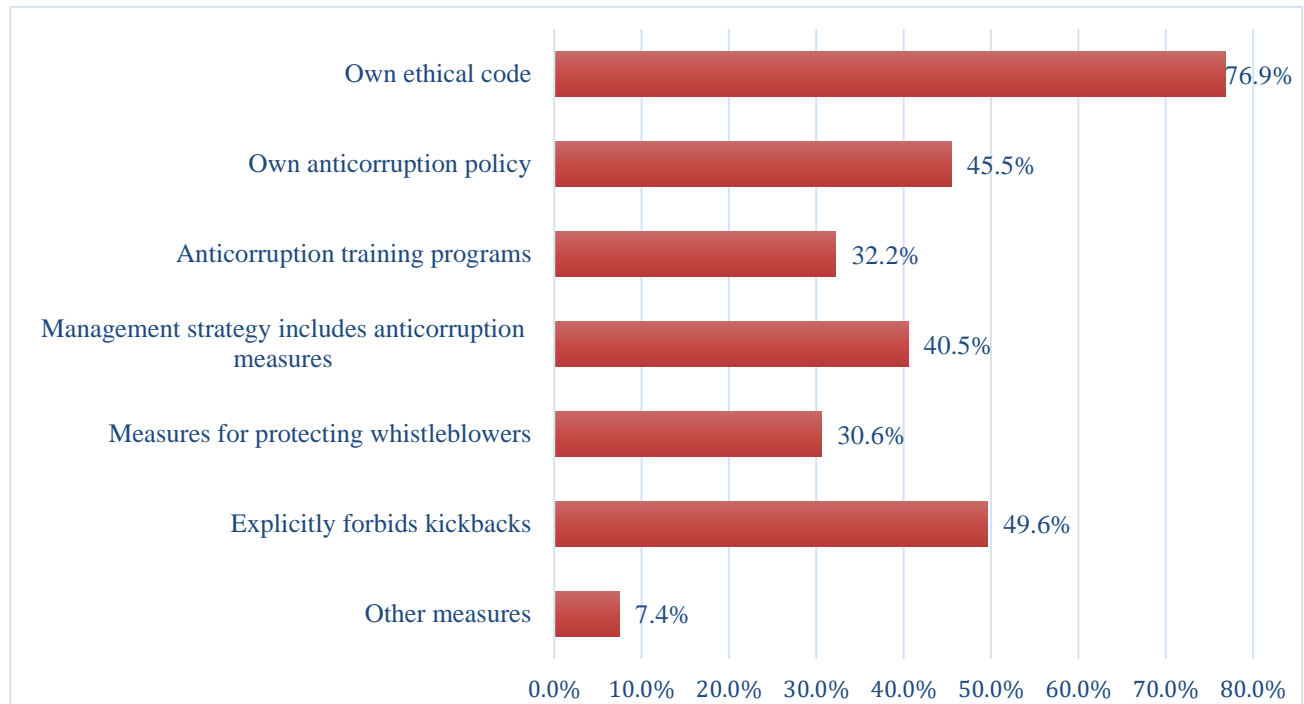
With respect to different internal and external measures that could work against B2B corruption, respondents were asked to qualify various options based on their perceived effectiveness. Based on the percentage of "high agreement" with each measure, the following hierarchy of choices emerged: anti-corruption standards in each company (70% highly agreed); collective business initiatives against corruption (66.7%); corporate social responsibility (CSR) agenda including anticorruption measures (62.5%); internal auditing programs (59.1%); and due diligence on partners in the supply chain (55.8%). As for external measures, the preferred order was as follows: national anticorruption legislation (73.3% highly agreed); multistakeholder initiatives across business, public, and nonprofit sectors (70%); supporting investigative journalism (61.7%); and international treaties and conventions (56.7%).

Figure 5.12. Respondents' level of agreement with various possible <u>internal</u> mechanisms to address B2B corruption
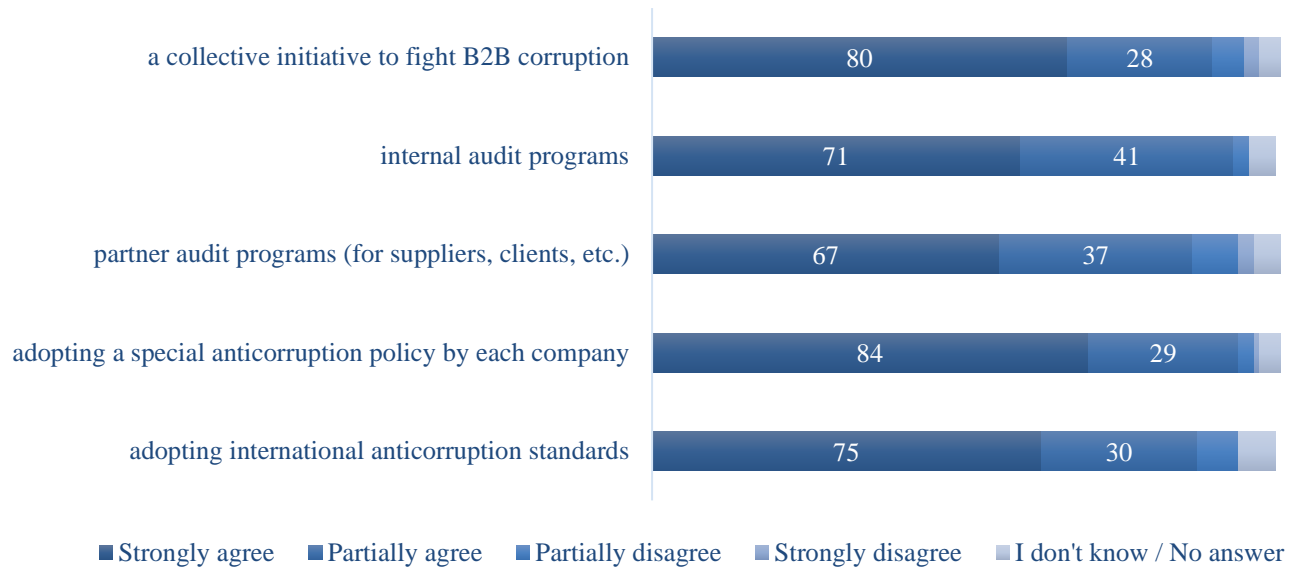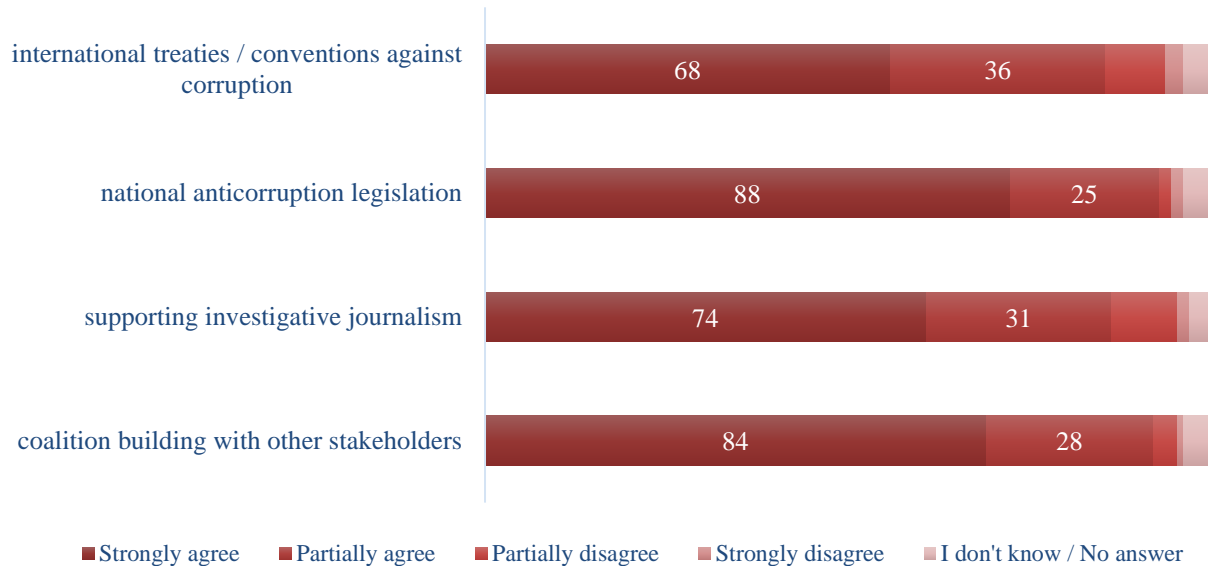
Figure 5.13. Respondents' level of agreement with various possible <u>external</u> mechanisms to address B2B corruption

The very high proportions of subjects who manifest their support for solutions against B2B corruption provides reasons for optimism, as well as supportive evidence for this thesis' fifth hypothesis regarding business people's support for internal and external remedies to this phenomenon. All proportions are relatively high, perhaps with the exception of programs for auditing partners and international treaties and conventions, though still over half of the sample would strongly support

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them. Correspondingly, the level of disagreement with proposed measures is extremely low – under 9% – for each of the options. The implication is that the business community would largely support the Romanian government's efforts to strengthen B2B anticorruption legislation and multistakeholder initiatives, while individual companies have their own tools to develop and strengthen.

5.2. FOCUS GROUPS WITH MID-LEVEL MANAGERS

As mentioned earlier, 35 mid-level managers participated in four focus groups. Discussions included two phases: a general discussion of corruption as a phenomenon in Romanian society and in business, including in B2B transactions; and a debate of four mini-case studies involving ethical, business, and legal challenges. The next two sub-sections review the main insights emerging from each phase.

5.2.1. Overall attitudes toward corruption and B2B corruption

The first insight from the first stage of all focus groups, dedicated to overall perceptions of B2B corruption, was that corruption is indeed present in B2B transactions, not just in relations with public parties: "Corruption is everywhere, in different forms, at different levels, and takes different shapes. Business are no different" (F, 32, male; G, 35, male; E, 31, female). This renders more evidence to the first hypothesis of this research, further strengthened by other arguments brought forth in the discussions, as referenced below.

There was unanimous agreement that B2B corruption is much less visible in public and policy debates than B2G forms, as people seem to pay less attention to what is going on between private entities. In the words of one respondent: "when we discuss about private money it is not as interesting as when we discuss about public money, how they are spent, who benefits versus who should benefit" (A, 30, male). Three fourths of participants considered that it is "normal" to be less interested in B2B corruption as a "private matter," with a more limited effect on society "due to the cathartic effect of the competition" (V, 32, male). There were other views in favor of this "invisible-hand" argument, whereby the market itself should resolve inefficiencies: "As long as private money is involved, and consumers are not affected, B2B corruption is the owners', shareholders' concern" (H, 30, male); and "If you can afford to pay a bribe to another business and your company is still doing well, then so be it…" (C, 31, male).

Public corruption, by contrast, impacts all members of society and has consequences at multiple levels: "When you pay your taxes, as an individual or as a company, and the state promises you certain services in exchange for these taxes, such as health, for example, or infrastructure, it is normal that everybody and everyone be concerned about corruption. Public money means our money; private money means somebody else's money. Public money is our responsibility, private money is their owner's responsibility" (J, 30, female). Such opinions typically generated strong approvals among focus groups' participants, suggesting that managers are not aware of B2B consequences on broader society, and, hence, may not take it as seriously.

Many participants, while recognizing that B2B practices are not ethically acceptable, suggested that companies are to address them on their own. This runs somewhat contrary to the fifth hypothesis of this research, which notes that business people support both internal and external solutions to addressing B2B corruption. "If we consider an example of B2B corruption when an employee tries to use his position in the company for certain personal benefits, it is not a clear-cut situation. It is not the company's fault and these kinds of people are fired, if and when they are caught. No company tolerates this kind of behavior. If there are many employees who behave like this, then we talk about a general mentality and about a social problem" (Ra, 28, male).

At least a third of all participants made some reference to the cultural context of the country, noting a long history of gift-making and tipping, from Ottoman times through the communist era, where "everything was up for grabs from the state, if you could get away with it, and much of what people needed on a daily basis they could obtain *la mica înțelegere* (through informal exchanges)" (N, 58, male). Another manager noted: "This is the case of Romania. Bribery is in our nature. We have been taught that stealing from the company is not a bad thing. The owner is richer than you, therefore stealing from the company is a sort of social justice" (Rb, 30, female). This underscores the importance of social context (Granovetter, 2001) in terms of how people think about decisions, particularly when it comes to B2B corruption, which requires some level of trust among participants to ensure that transactions are safe from legal, business, and social consequences.

A related topic of discussions within the four focus groups concerned the impact of overall corruption in society on B2B relations. Participants unanimously complained that high levels of corruption affect the private sector in Romania by influencing people's mentalities and attitudes. "If everything is touched by corruption, [people] will perpetuate this attitude wherever [they] will go: for a better job, for a wage raise, for a better deal" (L, 34, female). "In school, children are taught that a

gift offered to the teacher can lead to a better grade, and, therefore, they will perpetuate this attitude for their entire life" (E, 31, female). "You are hopeless when you hear that everything is corrupt in the public sector. The private sector is connected with the public sector. Therefore, I understand those who believe that the entire country [Romania] is corrupt, even if there are areas where corruption is much more limited, as the B2B sector" (Ia, 28, female). Such views confirm the third research hypothesis of this thesis, showing that there is a link between B2B corruption perceptions and overall corruption perceptions.

This is similar to a justification encountered in the survey data discussed earlier, whereby business people put the blame for corruption beyond their control, i.e., on society in general and on politicians and the public sector. "The business sector in Romania is much less corrupt than the public sector, and B2B relations are fair compared to B2G relations. In our country, when you deal with the state, you have to pay a bribe. It is impossible to do business with the government without paying bribes or engaging in other forms of corruption. It is just impossible… I know what I am talking about" (L, 34, female; D, 33, male; G, 35, male; A, 30, male).

Moderators also asked participants to the four focus groups to provide a definition of B2B corruption practices in Romania, along with a few real-world examples, if known. Private bribery was the first example provided in all four focus groups. The most common definitions were along these lines: "practices used by some companies in order to strike deals with other companies" and "understandings between companies in order to avoid competition and control the market." Intuitively, Romanian managers admitted two things: (i) that private corruption distorts competition and creates inefficient economic outcomes; and (ii) that some companies condition entering into transactions with other private entities in the absence of something to "sweeten the deal."

That said, in the latter case, participants also made the key distinction between private corruption sanctioned by company owners (anti-competitive behavior) versus initiated at the level of individual employees (principal-agent problem). Some of the focus groups' members offered more details: "Sometimes it is about employees' corrupt behavior – they ask money for something they should do anyway. In this case, you cannot blame the company. Companies, usually, fire this kind of employees. In other cases, the owner himself asks for bribes. I have an example. I had a small company on exclusive beverages and when I tried to sign a contract for distribution within a private hotel in a resort in the mountains, the owner of the hotel asked me for a 'cash commission' if I want to sell my beverages in his hotel" (F, 32, male). Other participants mentioned similar corrupt practices used by

some retailers, for example, to sell more expensive products or, sometimes, products that are very close to their best-before dates: "they [retailers] offer employees some bonuses if they recommend some products with slow sales or with a higher price. The consumer does not know about the bonus the employee receives if he/she purchase this product" (R, 28, male). This is apparently a common practice in pharmacies and other retail stores.

Focus group discussions also generated two other important insights. Eight participants mixed up B2B corruption with selling techniques using commissions, as evident in the example above. The reasons are likely related to the general context of Romanian society, which in recent years has gone through a vast anticorruption campaign similar to the Italian *mani pulite* in the 1990s. This may determine some managers to avoid anything that could be interpreted as corruption, even business practices that are otherwise common under normal circumstances. At the same time, another group of seven participants, of almost equal size to the previous one, argued that anything that stipulated in a contract is legal and, therefore, no corruption occur: "If I have a contract with you and I mention a price for a specific product, why is this incorrect? If you want this product in this part of the store, I tell you that you have to pay a specific price. Therefore, take it or leave it" (C, 31, male). This is obviously wrong, as there are plenty of examples of contracts sanctioning illegal corruption practices (e.g., kickbacks). A contract, for example, between firm A and a corrupt employee of firm B, maybe through another firm C, is not the same as a contract between firms A and B.

These widely different understandings of what constitutes B2B corruption confirm the research findings from survey data (as mentioned earlier) and case-study interviews (as explained in the next section). Therefore, the second hypothesis is further strengthened: business people who took part in the focus groups do not recognize ethical situations, have distinct standards regarding what is and is not B2B corruption, and therefore react differently when faced with complex situations in practice (e.g., someone asks them for a commission, they offer a kickback, they hire a friend, etc.).

5.2.2. Responses to ethical challenges (mini-case studies)

The second stage of the focus group discussions included the presentation of four mini-case studies that were opened up for debate, one by one, to the entire group. Participants were asked to read them and begin responding to the open questions of how they evaluate the situation and what they would do as the protagonist, justifying their answers. All participants identified some corrupt practices in the mini-case studies, even those who had demonstrated the most flexibility in the first-

phase discussions. This suggests that it is indeed helpful to provide specific examples of real-world situations to create awareness about potential B2B corruption cases. In all four focus groups, some people identified with the protagonist – or with other stakeholders – from their real-life experiences (A, 28, male: "have you taken this story from our company's records? *Laughing).*

The first mini-case study relaunched the discussion about the behavior of "rogue" employees that pursue their personal interests at the expense of the company they work for. Again, most participants emphasized that companies develop ethical codes and, if such acts are detected, they punish those who try to extract illicit benefits from their position. Therefore, some participants argued, these practices should not be considered B2B corruption because they are the result of an individual's actions. B2B, however, does not refer simply to formal transactions between business entities; after all, all companies are made up of people.

Even if private bribery is not approved by one party's shareholders (or by either party's shareholders, for that matter), it still fits this thesis' definition of B2B corruption as the misuse of authority in transactions between private parties to extract undue benefits. Indeed, it also falls under current international and national legal provisions. The points raised by participants underscore again, indeed, that there is no common understanding among Romanian managers of what B2B corruption is.

The second mini-case study confirmed this finding in all four groups. Some participants condemned Mr. Georgescu's requirement to work through another company as extortion, while a few others expressed confusion as to why this practice is illegal: "I think it is fine as long as my company's profitability does not suffer. Everyone does this. If I want to make the deal, who cares if Georgescu makes some money on the side? He deserves it" (O, 42, male). This underscores a dangerous idea among some Romanian managers: Mr. Georgescu is simply benefiting from his position of authority, and there is nothing wrong in this. The fact that he is the head of procurement means that he is entitled to place certain conditions on clients. As one entrepreneur put it, "if you don't let them steal a little bit, you'll either lose them or they'll end up stealing a lot more…you have to let them dip their fingers into the pie" (D, 34, male).

Other focus group participants strongly criticized this view, noting that honest business should have nothing to do with such practices. One business owner promised to fire and even do everything in her power to legally prosecute any employee that would ever behave like this, as a major breach of trust and "to set an example for all the rest and have them understand that they simply cannot

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do this" (E, 31, female). Another focus group member openly dismissed the idea that managers who hold certain positions may be entitled to benefits beyond their contractual rights. He argued that "this is how business used to be done, we are in a new era of openness and trust, and proper, professional relations, and we want to look to the future, not to the past…pretty soon we will have robots doing all these negotiations for us, and that will take care of the corruption issue between businesses" (Ib, male, 39). Other managers also echoed this idea that business practices are becoming more infused with integrity in the era of the Fourth Industrial Revolution (Schwab, 2017).

The third mini-case study sparked equally interesting debates. A majority of participants considered that trust is an important element in business. Therefore, it is reasonable to expect managers to prefer to employ or do business with people they trust and know well. As long as the offers from the two competitors are identical, as noted in the case study, there is no issue with choosing to work with a childhood friend. In fact, some noted, the fact that a manager has a personal relationship with a client brings even more accountability to the transaction, and everybody benefits from it: "do you remember, M, a few years ago, when you worked for the X company, how many times I called you to ask you to give me one or two more days to pay a check? I've always payed you when I promised. And our companies never had any difficulties thanks to us" (Y, 32, female). "Yes, it is all about the trust you have in a person you know" (M, 32, male).

Other participants also agreed with this approach, but cautioned that fiduciary duties should require full disclosure of any potential conflicts of interests resulting from close personal relations. In other words, the protagonist can only choose to go with his childhood friend's firm if he discloses this preexisting relationship to the company's owners, asking for their approval. "As long as there's nothing to hide and the offer is just as good as the alternative, I don't understand what the problem would be with disclosing everything…after all, this should build even more trust between the company owner and the manager" (P, 41, female). About a quarter of focus group participants embraced this view, noting that in the absence of disclosure this is likely a case of B2B corruption, since the manager is clearly buying a favor with his childhood friend, who will repay him in one form or another in the future. Again, in the absence of clear rules of engagement, even what appears to be a straight business case will put managers into delicate positions.

The fourth and last mini-case study is a typical example of a company paying a legal sales commission to a facilitator of a transaction. The question here was whether any participants would see this as corruption, despite the fact that it is a relatively common and perfectly valid business

transaction. Around a third of the focus group participants fell for this trick. Among them were some of the same people who raised similar points in the first part of the discussions and were now quick to dismiss this example as yet another form of B2B corruption. When asked to motivate their reaction, it became clear that they did not know where to draw the line between legitimate sales or merchandising techniques and illicit acts. Some of them resorted to the "conspiracy theory" argument: "any time you have to go through an intermediary, because there is no other choice, there are at least some unethical practices there" (T, 31, male).

To conclude, focus groups allowed this research effort to delve more deeply into how Romanian business leaders think about B2B corruption. Importantly, the greatest value of this second research pillar came from the interactions between focus group participants. While some knew each other from before, others quickly became accepted into the group, as a safe environment where everyone was encouraged to share their genuine thoughts and reactions. In every single focus group, the discussions took place in a very relaxed, casual atmosphere, even when people disagreed.

Several key insights emerged, and these can be verified against the research hypotheses and the two other pillars – the survey and the case-study interviews. What is certain is that corruption, particularly B2B corruption, remains a deeply misunderstood and even divisive concept. Insufficient attention and resources are dedicated to building a common definition and a higher degree of awareness among the business community regarding this phenomenon. The disclosure of B2B corrupt practices is also highly problematic and heated debates continue regarding the consequences of B2B corruption.

5.3. CASE-STUDY INTERVIEWS WITH ROMANIAN STUDENTS

From the exampled provided by Gopinath (2008), the current research designed and administered qualitative questionnaires with five different case studies to 75 graduate-level students in Romania, all with some full-time professional experience. Four of the case studies were similar to the ones debated as part of the focus groups, as discussed in the previous section; one of them was essentially the same as the case study used by Gopinath in his research on 100 business-school students in Northeastern USA, which allows for exploratory comparisons of results, with the caveat that, evidently, the two sampling methodologies are different, as is the timing of the observations, with about a decade in between. The next sections present and discuss the results of each case study, noting important findings and their limitations.

5.3.1. Case study #1: Solicitation

The first case study presents a typical situation of solicitation. Mr. Ionescu, as the head of the commercial department of the ABC retail chain, is asking for a cash commission to guarantee the acceptance of NetgenRo's products for sale. Over two thirds (68%) of respondents in the sample noted that paying this commission would be "illegal," while one third (32%) considered this "legal." Note that results are far from unanimous, despite the fact that Mr. Ionescu is bluntly asking for a bribe in the case study. When asked if they would pay cash, 26.7% confirmed, while 73.3% refused. As such, there are some respondents who believe that the payment is legal, but who also refuse to make it.

The case study also asked whether respondents would make the payment if it was done through a bank transfer instead of cash. The expectation was that students would be more comfortable with a traceable bank transfer as opposed to cash "under the table." Indeed, 41.3% of the subjects would agree to the bank transfer to Mr. Ionescu, an increase of nearly 15% compared to the cash scenario, while 58.7% would still refuse the payment, even if Mr. Ionescu accepted it through a bank transfer.

Following Gopinath, this thesis tests the consistency between (i) students' assessment of the payment as legal or illegal; and (ii) students' decision to make or not make the payment, whether in cash or through bank transfer. The two tables below summarize the findings.

Table 5.2. Crosstabs between legality and cash payment

Is payment illegal?	Will make cash payment?		Total
	Yes	No	
Yes	4	47	51
No	16	8	24
Total	20	55	75

Note: Pearson Chi-square, 25.9473, p<.00

Table 5.3. Crosstabs between legality and payment through bank transfer

Is payment illegal?	Will make bank transfer?		Total
	Yes	No	
Yes	16	35	51
No	15	9	24
Total	31	44	75

Note: Pearson Chi-square, 6.521, p<.011

The results show, with a high degree of confidence, that the null hypothesis – no relationship exists between the two variables – can be rejected in both cases. This means that indeed there is a relationship between the assessment of the legality of the payment and the decision to make or refuse the payment to Mr. Ionescu. The implication is that if more students understood that the request was illegal, chances are that fewer of them would have accepted to give in to Mr. Ionescu's solicitation and engage in this form of B2B corruption.

The qualitative assessment of the justifications for each respondent's decision reveals several important themes. Among students who accept to make the payment, the following categories of motivations are provided:

- *Own business interests* ("no choice but to accept," "my mandate is to increase sales," etc.): These respondents recognize that there are ethical/legal issues with the request, but they invoke business reasons to agree to the transaction. Some note they feel "forced to accept," others claim it is their responsibility to do everything in their power to boost the sale of company products. Another one would make the deal only through bank transfer and only if the stores have a large network ("The payment to Ionescu is illegal and lacks any contractual basis…I chose to pay him because my mission is to increase sales…but I would not do this if it was a single, small store" – female, 33 years old, Romanian-owned firm). In other words, the perceived risk would be worth taking only if there were substantial potential benefits.

- *Other business interests* ("payment is for a service provided"): These respondents value Mr. Ionescu's assistance in selling the goods, considering the payment as a reasonable reward for this effort. One noted that this payment is like a safety net for Mr. Ionescu, in case the products do not sell well; another respondent speculated that it is like a tax or warranty in the context of a new business relationship. There is some confusion between contractual payments due to the store for the actual sale of the goods (e.g., cost of shelf space, set-up costs, promotion, etc.) versus an informal payment to the commercial director personally.

- *Legal motives* ("nothing illegal"): These respondents argue that the transaction is perfectly legal because it "involves two private entities," "bribes cannot exist in the private sector," "this is a common practice, and there is nothing illegal or abnormal." Particularly if the

payment was stipulated in a contract with Mr. Ionescu, some respondents would be perfectly comfortable with the arrangement.

Among students who refuse to make the payment, the following categories of reasons are most widely cited:

- *Legal motives* ("this is a bribe," "this is illegal"): Respondents recognize that Mr. Ionescu is asking for a bribe and the money will go into his own pockets, not into his company's accounts. Because there is no formal contract and this money is not to pay for a specific business service, some respondents argued that the request is illegal. One respondent who rejected both cash and bank transfer payment cited concerns about breaching the rules of free competition. Others note that cash transfers in particular are not subject to taxation, risking legal problems and tax fines.

- *Moral motives* ("agreement should be voluntary," "this is completely immoral and unethical"): A few respondents noted that it is not fair to condition the sale of the products on the payment of this commission. A particularly interesting response was the following: "I know of no legal requirement forbidding kickbacks in the private sector, as bribery only applies in relations with the state […]. Still, it is not ethical for him to impose this condition on a contractual relationship.

- *Business motives* ("payment is legal, but there is no guarantee that the products will sell"): These respondents do not have legal concerns with the request, but do not want to make the payment up front, fearing that Mr. Ionescu will not deliver on his word or, for some other reasons, the products will not sell through this channel. They note that they would agree to pay the money requested if this was done at the time of the products' delivery. Some note that cash payments are difficult to take out of the company's accounts.

In the case of respondents who would only make the payment through a bank transfer, explanations invariably use the same set of reasons. These include: "feeling safer," "justifying the payment," "having proof of the transaction," and "there is a paper trail." At the other end of the spectrum, four subjects would only agree to make the payment in cash, but not through a bank transfer. The explanations offered boil down to this: "the commission is illegal, but I would do everything in my power to manage the situation" (male, 36 years old, Romanian-owned firm). From this

perspective, recognizing that the transaction is illicit, these subjects have every interest to not leave any traces.

5.3.2. Case study #2: Facilitation payment

The second case-study is basically identical to the scenario deployed by Gopinath in his 2008 research. An employee of an Indian company is asking for a facilitation payment, motivating that he needs to work overtime to get the file in order for faster customs processing of the import. Even the location of the transaction was kept – India. The key things to be tested included whether respondents would assess the request as legal or illegal, and if they would agree to the payment of the private employee and/or of the customs official. As in Gopinath (2008), some of the questionnaires were "primed," meaning that the question included was "You feel you are being asked for an illegal payment. Would you make the payment?" instead of simply "Would you make this payment?" (non-primed version). Randomly, the sample of respondents received 19 non-primed and 56 primed questionnaires. Despite the small sample size, it is interesting to assess if this priming made any difference.

In terms of overall percentages, the situation appears to be more in the gray zone than the previous scenario. Specifically, only 56% consider the payment to be illegal, while 44% believe it would be legal to pay the Indian company's employee for working overtime. Still, only 37.3% of respondents would pay the employee (62.7% would refuse the payment), and even fewer, as expected, would pay the customs official (24% acceptance vs. 76% refusal rate). More students are skeptical of paying a customs official compared to a clerk of another private company; this suggests that B2G corruption is easier to identify and entails higher perceived risks than B2B forms.

The three cross-tabulation tables below test whether there is a link between a subject's assessment of legality and decisions to make or refuse the payment. As in the previous case study scenario, the null hypotheses can be rejected with very high confidence levels. This suggests that there is a link between viewing this request as legal and agreeing to it and, respectively, seeing it as illegal and rejecting it. At the same time, there is also a link between subject's perception of B2B and B2G corruption, which also makes sense. Particularly if they consider that the payment to the private clerk is illegal, it is highly likely that their assessment of the payment to the public clerk will be even stricter. The only exception to this is a respondent who argued that she understands that the private employee is asking her for a bribe, which she rejects (she had the primed version of the questionnaire), but that

she would be willing to work with the public official to ensure that the import goods are not stuck in customs.

Table 5.5. Crosstabs between legality and payment to private company employee

Is payment illegal?	Will make payment to private clerk?		Total
	Yes	No	
Yes	9	33	42
No	20	13	33
Total	29	46	75

Note: Pearson Chi-square, 11.96, p<.0006

Table 5.6. Crosstabs between legality and payment to customs official

Is payment illegal?	Will make payment to customs official?		Total
	Yes	No	
Yes	5	37	42
No	13	20	33
Total	18	57	75

Note: Pearson Chi-square, 7.656, p<.006

Table 5.7. Comparison of private clerk versus public official payment

Will make payment to private clerk (B2B)?	Will make payment to customs official (B2G)?		Total
	Yes	No	
Yes	17	12	29
No	1	45	46
Total	18	57	75

Note: Pearson Chi-square, 31.07, p<.0001

Regarding the effect of priming, the Mann-Whitney test on the two independent samples shows – confirming the finding in Gopinath (2008) – that those who were primed were marginally more inclined to refuse to make the payment to the private clerk. This makes sense intuitively: when the prompt includes the indication that the subject "feels like" the private clerk is asking for a bribe the response is likely to be even more cautious. If there were any doubts regarding the legality of the

transaction, priming the question to suggest the possibility of a bribe may likely be enough to cause the respond to refuse the transaction. If the subject had not thought there were any legality issues, seeing the word "bribe" may be sufficient to cause serious concern. This is validated by several qualitative answers, which noted that they agreed with the interpretation that the clerk was asking for a bribe. At the same time, in a limited number of cases, priming did not work, and respondents proceeded with the payment despite the warning that they may be asked for a bribe. One of them even noted: "I do believe that the payment request is illegal and I am asked for a bribe, but [in the scenario] I am responsible for my company's sales [so I need to work it out]. I would make sure the situation does not repeat itself in the future" (female, 23, employed in a foreign-owned firm).

Table 5.8. Impact of priming (% of responses)

Will make payment to private clerk (B2B)?	Priming?		Total
	Yes (%)	No (%)	
Yes	41.07%	31.58%	29
No	58.93%	68.42%	46

Note: Mann-Whitney test, p<.05

The qualitative assessment of the explanations provided confirms many of the observations from the previous case study, as well as from Gopinath (2008). Respondents argued in favor of making the payment based on: *legal grounds* (the payment is not illegal because it does not go against any contractual provisions, it is legal to pay for overtime, etc.); *business grounds* (as a payment for overtime, as a reward for performance and incentive to speed things up, because it is the protagonist's mandate and the business' need to unblock the import and avoid further delays, because the cost of the employee's services would be much lower than further delays in customs, etc.); *moral grounds* ("it is only fair to pay him for his work," "it is not his fault that the documents are not in order," "the clerk is spending his personal time to help my company, so it is fair to compensate him," etc.); and *social grounds*, with one respondent noting that the request from the private clerk is actually a sign of a trust-based relation, which he would not share with the customs official, so in that case he would not make the payment). One answer also mentioned *cultural grounds* for making the payment, arguing that wages are very low in India, and any service must be properly compensated: "taking into account the situation in India regarding labor conditions, if the clerk guarantees to finish up the documentation in time, I would be fine with the arrangement" (female, 25, Romanian-owned firm in Iași).

By contrast, respondents who refused to make the payment often appealed to opposite arguments. On the *business side*, many noted that it is the Indian company's fault that the documents were not in order before, and hence that company should take care of the problem, including by paying the clerk overtime or whatever is needed to deliver on the agreed contract. This was by far the most common reason provided. Other business reasons cited were: the payment sends the wrong signal and can compromise the entire business partnership; negotiations should take place among decision-makers of the two companies; the clerk's offer is an additional sign of lack of professionalism, after the documentation was improperly prepared, which should lead to ending the collaboration with that particular Indian company.

Many legal justifications were also provided: the payment is illegal; as long as there is no contract, the company cannot make the payment to the clerk; the payment is equivalent to a bribe (even a few subjects with non-primed questionnaires used the term "bribe" in their responses); the payment likely requires money paid under the table; rules have to be followed, even at the cost of delaying the import. *Moral arguments* included: "it is not ethical to pay for the same service twice;" the fact that the clerk is not employed by the protagonist's company, and hence cannot be compensated without breaching his duties toward his company; there is no "justification for offering the requested compensation."

Finally, before moving on to the next case study, it is worth comparing the results between students in Romania and the United States, through the data provided by the Gopinath research (2008). As cautioned repeatedly throughout this thesis, such comparisons have some inherent limitations (primarily due to different sampling methodologies) and should be treated as exploratory. The chart below presents the two datasets side by side. Somewhat surprisingly, Romanian students tend to be more cautious compared to American students in Gopinath's sample: on every category, a smaller percentage of Romanians considers the payment to be legal and even fewer would make it. The largest differences are recorded in the proportions willing to pay the private clerk (32% of Romanians versus 57% of Americans in the non-primed samples, and 23% versus 42% in the primed samples, respectively).

Figure 5.14. Romanian vs. American* students' responses to ethical challenges
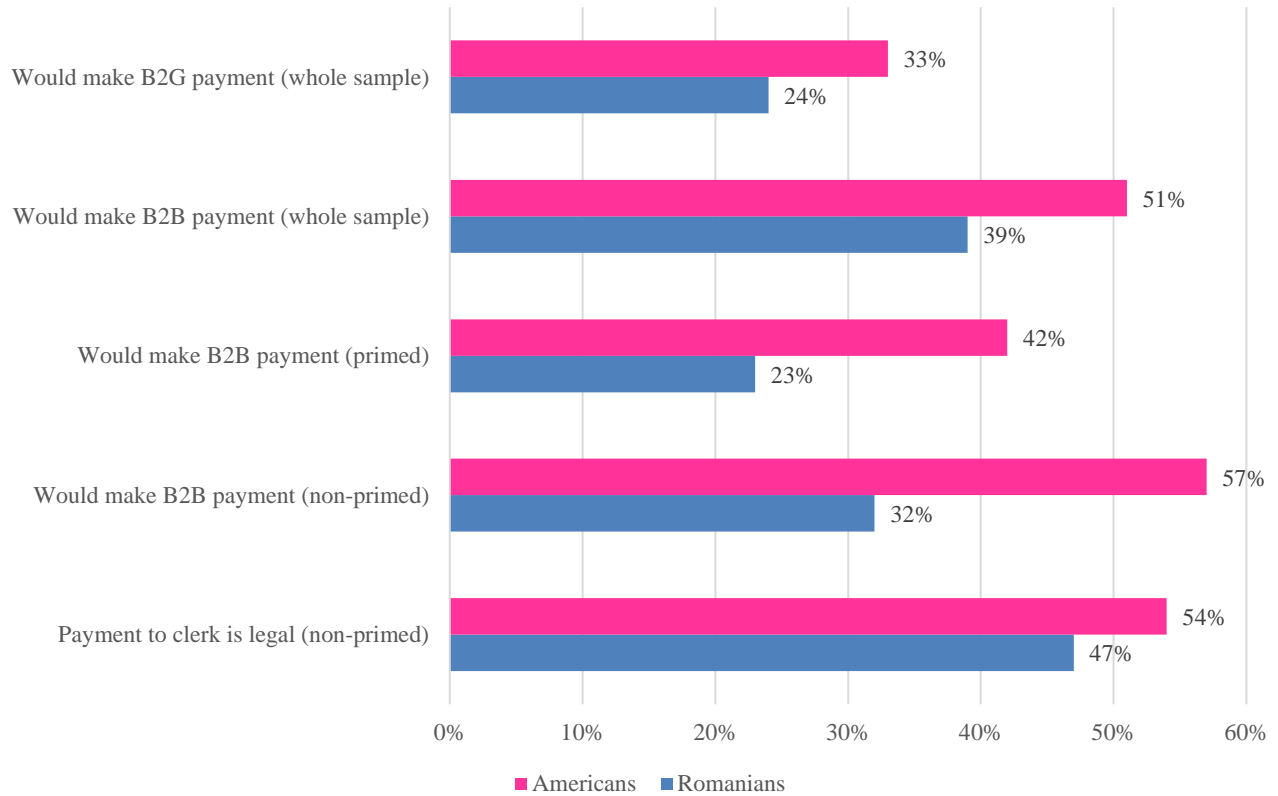
*Note: Data for American students is from Gopinath (2008). Both studies are qualitative, testing students' reactions to the same – or a very similar – case-study scenario. Comparisons should be further validated, as they rely on qualitative data only, with non-random sampling methodologies.

5.3.3. Case study #3: Kickback

The third case study is a typical kickback situation, whereby the head of procurement of a potential client, Mr. Georgescu, requests the provider of the products to work through a third party, which would retain 10% of the total sum of the contract. Mr. Georgescu encourages the company to up its prices by 10%, which would maintain its profitability level. The overall statistics are represented in the figures below: in short, over three fourths of respondents (76%) recognize the fact that the transaction is illegal, and almost two thirds (65%) would refuse to sign the contract with the third party recommended by Mr. Georgescu. As before, cross-tabulated responses to the two questions reveal with a high degree of confidence that the two decisions – on legality and on signing the contract – are indeed related.

Figure 5.15. Summary of case-study responses based on assessment of legality and decision to sign or refuse contract with intermediary agent

Table 5.9. Crosstabs between legality and signing contract with third party

Is the imposed condition illegal?	Will sign the contract with the third party?		Total
	Yes	No	
Yes	13	44	57
No	13	5	18
Total	26	49	75

Note: Pearson Chi-square, 14.75, p<.00015

Through data reduction, the qualitative answers provided as justifications for the decisions made can be placed in multiple categories, as with the previous case studies. On the *legal side*, most respondents who would sign the contract with the intermediary firm use different variants of "there is nothing illegal in using third parties," while those who would not sign argue precisely the opposite ("this is an illegal request," "this breaches fiduciary duties," "it is a dubious, illegal contract," "Georgescu is after illegal, unwarranted material benefits," "I do not condone crimes against other companies, I would immediately tell [Georgescu's] superiors and report it to the authorities"). One respondent even expressed concern about disloyal competition practices (female, 23, state employee).

The vast majority of arguments on both sides are, however, *business reasons*. Those willing to sign the contract make claims along these lines: "it's a win-win situation," "it's a profitable solution, and there are no losses [to my company]," "as in the first case, the transaction is among two private parties," "it's all about selling, nothing illegal if it's a profitable transaction," "if everything is put down in writing, it's all good, at least with my company […], [Georgescu] is the other company's

problem because he is taking advantage of them," "I would definitely sign the contract as it is a profitable deal," "every company has to survive somehow." One of the most intriguing comments was that "based on what we know, the meeting with Mr. Georgescu was really hard to get, so [it follows that] he has what we need, so I would definitely meet his condition" (female, 21, Brașov).

At the same time, a majority of those who would reject Mr. Georgescu's condition also cite *business reasons*. These vary from concerns regarding the company's reputation if it worked with an unknown third party "it is not right for the third party to make a profit without doing anything" (female, 41, Iași), "Mr. Georgescu is complicating my business deals" (male, 23, Iași), "I don't understand why I can't just make the payment directly," and "I refuse to work through a company that does not guarantee my products." Finally, a few respondents who would not sign the contract mentioned *social reasons*. They noted that Mr. Georgescu's request "does not inspire trust," "it is dubious," and "requires working with unknown parties."

5.3.4. Case study #4: Favoritism

The fourth case study involved a potential situation of favoritism, with the procurement manager receiving an offer from a childhood friend (from company FireXYZ), along with another offer from FireABC. In the main prompt, the two offers are considered identical, and the manager decides to recommend FireXYZ to the general manager. Subjects have to decide if this is a legal or illegal decision. In the second question, the friend's offer is markedly inferior, and subjects have to decide which of the companies they would recommend further. As expected, when the two offers are identical, a very large majority of respondents (81%) consider the transaction to be legal. The situation changes drastically when the friend's offer is inferior to the competition, with only 12% still choosing the friend's company.

Much of the qualitative motivations provided here are similar to those provided in the other case studies. What is interesting is the reference to "trust" as a key element for making good business deals, in reference to the friendship relationship. In the words of one respondent, "when the offers are identical, it is reasonable to go with the more trusted party" (female, 20, Iași). By contrast, multiple others argued that business decisions should not take into account "emotions" or "personal relations." Several subjects noted that they would just be making a recommendation, so they are no directly responsible for the business decision.

A few others (three respondents) noted in their qualitative responses that they would recommend both options, disclosing a potential conflict of interest with FireXYZ, and one even hope to be able to negotiate further with the childhood friend to match the competition's offer. At the other end of the spectrum, one respondent would choose the friend's company no matter what, noting that "there is no conflict of interest in the private sector." Finally, at least 10% of respondents noted that price should not be the only consideration, and that the quality of the products also matters, which would be an argument to consider the friend's offer; this suggested that respondents associated "an inferior offer" by FireXYZ with a more expensive offer, which is not what the prompt said.

Figure 5.16. Summary of case-study responses based on assessment of legality and decision to recommend friend's company or its competitor

5.3.5. Case study #5: Legal practice

The final case study is an example of a perfectly legal practice, and a relatively common sales instrument – the use of commissions for agents who are able to get a particular product needed by the company. The second part of the question introduces the idea of a kickback, a form of B2B corruption, testing the responses of subjects: whether they would accept or reject it, and whether they would continue the business relation. 85% of respondents identify the sales practice as legal, but there are still 15% – 11 respondents – who incorrectly qualify the sales commission as illegal. This is significant, and suggests once more that there are no clear standards for what is and is not B2B corruption, with some subjects displaying excessive caution. In the real world, the 15%, even with the best intentions, would miss out on a great business opportunity for their company.

*Figure 5.17. Respondents' assessment of a legal and common sales transaction*
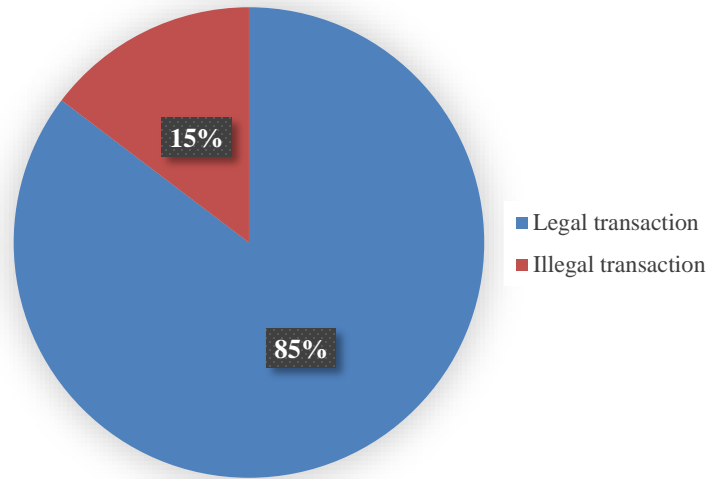
The responses to the second part of the case study are more mixed. Over 53% of respondents would accept the gift and continue the commercial relationship with the intermediary. Put differently, over half of the subjects fail to recognize an ethical challenge and an illicit offer – a kickback, which is a form of active bribery. Many of them expressed gratitude for the fact that the other company thought about thanking them in this form. This suggests a strong bias determined by the fact that the commission is not received by the subject (by the protagonist of the case study), not by some other party in the story. Put bluntly, when the benefits accrue at a personal level, subjects appear much less likely to call the transaction illegal and reject it.

At the same time, 19 respondents (a quarter of the sample) chose the third response option – reject the gift, inform their company's management, and stop the contract with the intermediary. Legally, this is the right decision, but only 25% of respondents chose it. Their reasons referenced, in large part, legal reasons: "this could be considered a bribe," "the kickback is not justified," "both illegal and immoral." In fact, in comparison to other case studies, significantly more respondents cited ethical reasons, possibly because they identified with the potential receiver of the kickback. The exception to this rule was one respondent who noted that "it depends on the amount [of the kickback], because if it was something like EUR 1 million, anyone would have a hard time refusing…" (male, 36, Brașov, Romanian company).

The rest of the subjects provided other answers. Interestingly, none chose the second provided (closed) option, which was to accept the gift but terminate the business relationship. Four would accept, provided management agrees and/or the transaction is written in a contract. 10

respondents would refuse the proposed kickback, proposing various alternative arrangements, from getting that kickback for the company they represent to informing the owner. In fact, over 10% of the whole sample explicitly note that they would inform management of this situation.

Figure 5.18. Respondents' reactions to receiving a gift (kickback) during the course of a business relationship with a provider
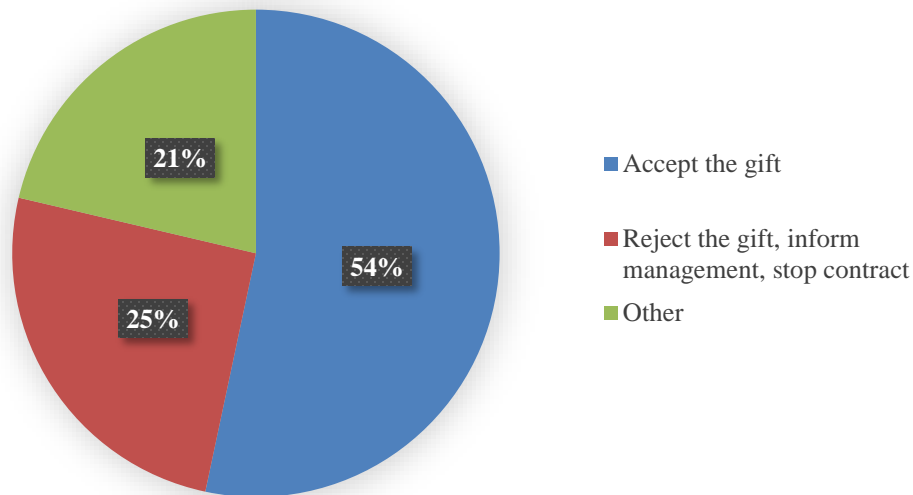
5.3.6. Comparative discussion

This final section of compares the findings across the five case studies, reviewing the main insights emerging from this third pillar of the research effort. First, the data confirm Gopinath's finding regarding the consistency of respondents in their decision-making: "a majority who believed that the payment was illegal also did not want to pay and those who believed that the payment was not illegal would pay" (2008: 751). Through Pearson Chi-square tests, as in Gopinath (2008), this insight could be verified with a very high degree of accuracy (over 99.9% in most cases). This is good news for combating B2B corruption: if the business community knows and understands what is legal and what is illegal, as long as private corruption forms are criminalized, a majority of businesses are likely to refuse to engage in illicit transactions.

Second, this study concurs with both Gopinath (2008) and Brand and Slater (2003) in noting that there are widely varied interpretations of what counts as ethical versus unethical in business, particularly in B2B transactions. As a matter of fact, very few respondents to the case-study questionnaires cited moral or ethical reasons for their decision. Note that these are current graduate

students in business and other related fields; in other words, these are the future business leaders of Romania. The results indicate that they either participated in ethics courses or trainings that were ineffective, or that they did not even take part in such activities.

Third, evaluating subject's qualitative answers reveals the main reasons that lie at the foundation of their choices. The data was coded across several key categories, based on the most important justifications offered for expressed decisions: business, legal, moral, social, and cultural. Two other categories were added: "no response," where no qualitative justification was provided; and "other," where the reasons mentioned could not fit into any of the other categories. The two charts below show a comparison of the qualitative justifications provided by respondents to the case-study questionnaire, split by case study (first figure) and by category of response (second figure). Importantly, for the coding of the data, it did not matter which decision the respondent took, but the type of reasons cited. The data thus provide a fascinating perspective on subjects' decisions and what kind of justifications they are most likely to resort to when explaining their actions.

Figure 5.20. Comparison of qualitative justifications by respondents (split by case studies)
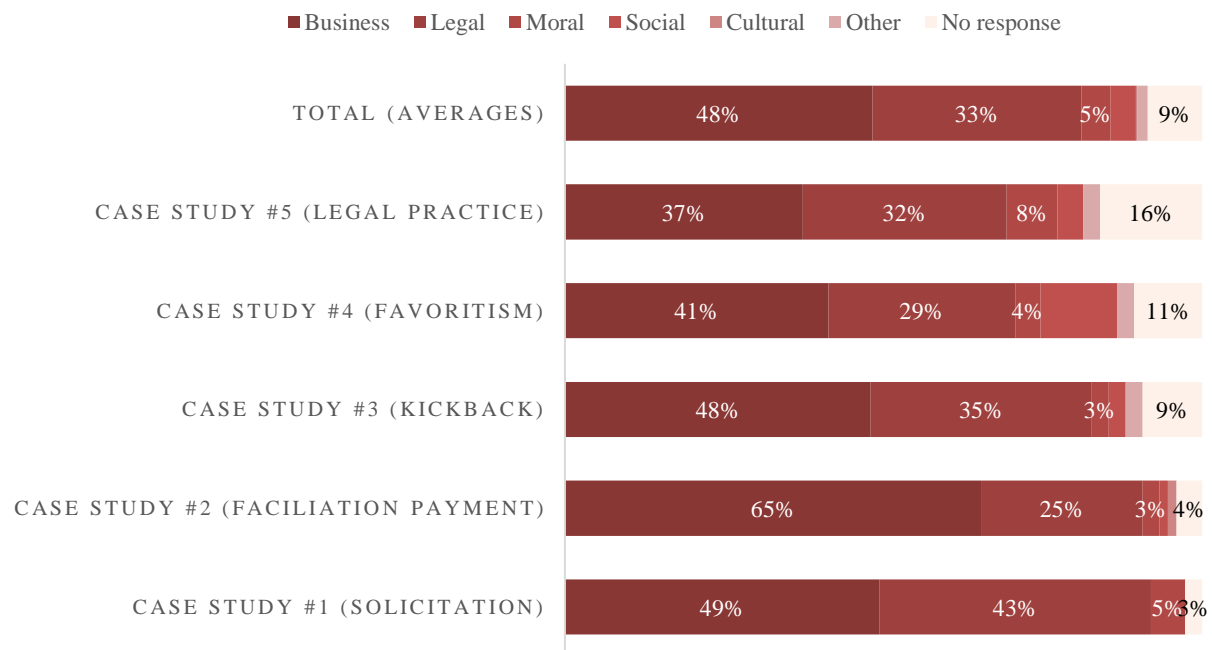
Figure 5.21. Comparison of qualitative justifications provided by respondents (split by category of reasons provided)
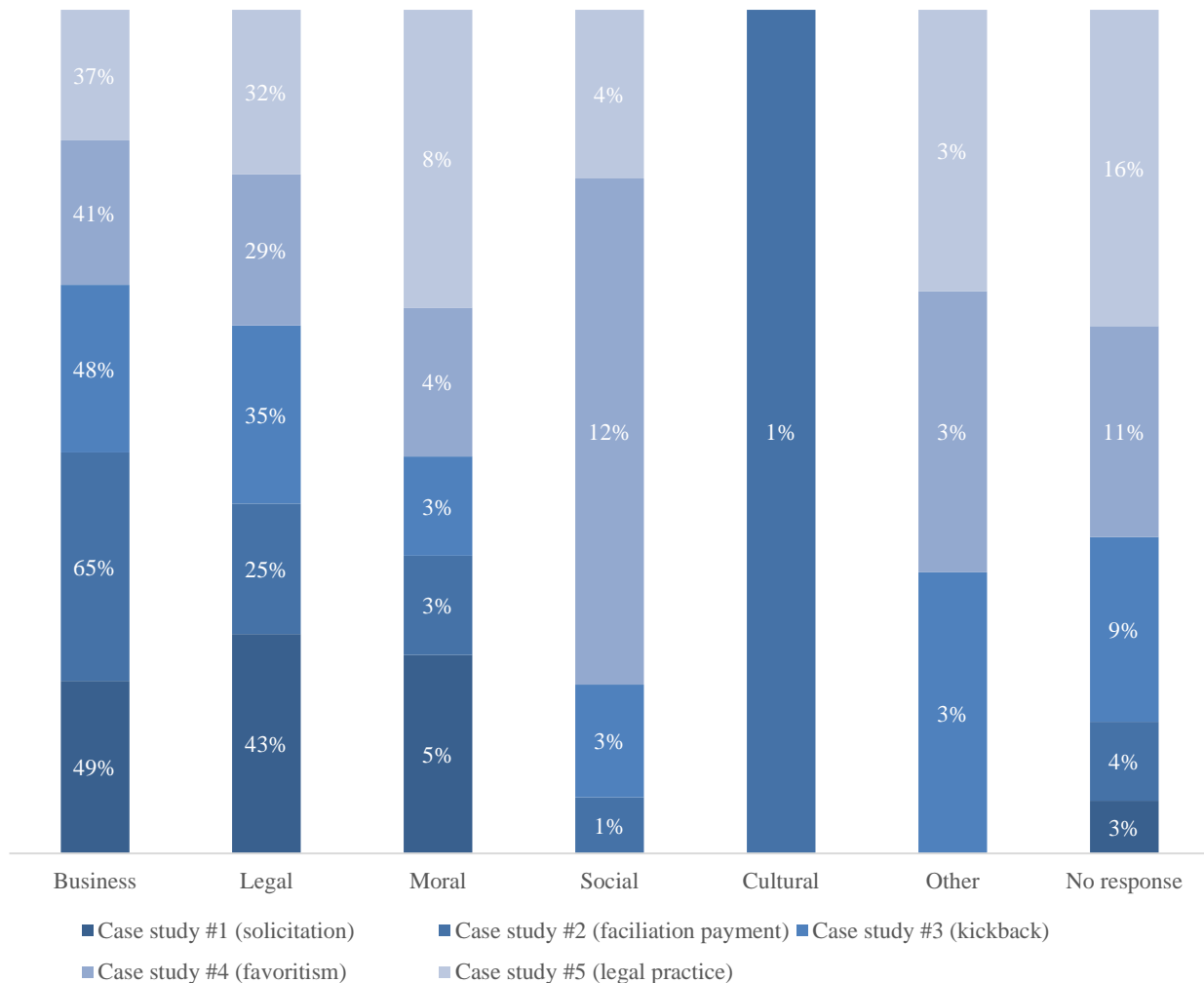
Arguably the most important insight of the figures above is that respondents surveyed rarely cite moral reasons when faced with complicated ethical decisions. In every single case study, less than 10% of respondents mentioned anything related to morality, with most cases recording scores of under 5% for this category. Instead, the vast majority of subjects deploy business justifications, especially when they agree to take part in B2B corruption – whether they see it as such or not. But even when they refuse a particular deal, they often note business reasons for this choice, as opposed to moral grounds. This confirms Gopinath's previous finding, eloquently stated follows: "In the absence of any suggestion that there may be an ethical issue involved, there appears to be a lack of clarity in the minds of the respondents as to recognizing and dealing with a potential ethical issue […] The justification that they advanced is based mostly on business expediency. That business transactions are also

subjected to ethical standards seems to have eluded them as they do not use any ethical arguments to justify their response but at best refer to the legality that is prompted in the question. Thus, the respondents generally revealed difficulty in recognizing an ethical issue in the scenario presented to them" (2008: 751-752).

Interestingly, business reasons supersede legal reasons in every single case study, even though the questions asked were often explicitly probing whether a particular transaction was legal or illegal, which should have inevitably directed respondents to a more legalistic view. The problem is that some of the legal motives, when explored in greater depth, are plain wrong. Some subjects mistakenly claim, for instance, that there are no laws against corruption in the private sector, or that bribes cannot happen between private entities. Other respondents mix up different legal provisions, erroneously classifying commissions as money laundering or fraud, though clearly there can be kickbacks as a form of B2B corruption separate from other criminal offenses. There is also a relatively widespread myth among respondents that whatever is in a written contract must be legal, which is both incorrect and dangerous for their future careers as business decision-makers.

Some subjects also mentioned social relationships as part of their decision-making process. This is particularly true in responses to the third case-study prompts, where trust was identified as a key element in business-to-business transactions, particularly in the case of working with a friend's company. Because the scenarios provided were inevitably perceived as something invented and distant, it is likely that the effect of social relations on individual decisions is substantially understated. In other words, it is hard to imagine social networks influencing hypothetical decisions.

At the same time, there were virtually no mentions of cultural reasons. The exception is the second case study, where – as in Gopinath (2008) – the action happens in the context of India, a country typically perceived as more corrupt; still, only one respondent mentioned cultural reasons for their decision. Because the entire research happened in the Romanian context and because the case studies did not place an emphasis on cultural context, it is likely that these effects are also underestimated. One alternative to this was to ask specifically about how respondents would make these decisions in the context of Romania, but the decision was to keep the questionnaire manageable in terms of the time required to fill it out.

Before concluding this section and chapter, it is worth making some comparisons between the American (Gopinath, 2008) and Romanian sample of respondents, for the second case study deployed as part of the current research effort. The figure below summarizes the differences, noting

also the limitations of the data as they currently stand. Essentially, Romanian subjects of this research are substantially more inclined to use business reasons to justify their choices (65% vs. 46% among Americans interviewed by Gopinath, 2008). Relatively more Romanians also appeal to legal arguments (25% vs. 20% of Americans), while significantly fewer cite moral grounds (1% vs. 20% of Americans).

Figure 5.22. Comparison of Romanian vs. American* students' justifications for their decisions
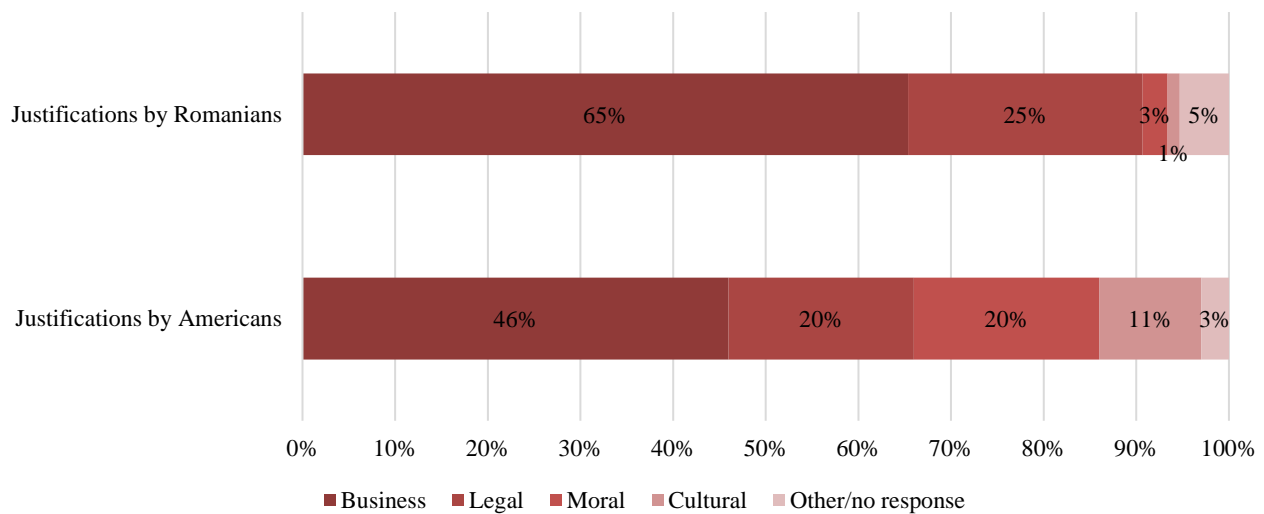
Note: Data for Americans from Gopinath (2008). Samples are non-random and results are based on coding qualitative data. As such, they are not generalizable. Further research is recommended before drawing conclusions about the entire population of American vs. Romanian graduate/business-school students.

In practice, these results are reason for concern, particularly for the Romanian business community and society in general. For one, the lack of mentions of moral reasons for particular decisions in the private sector, among private entities, is worrisome. It may point to the fact that emerging business leaders, as current graduate students may well be in Romania and beyond, lack proper training on how to recognize and respond to an ethical challenge. In a country that has been recognized as one of the most corrupt in the region, at least for the past two decades and likely for longer (Burduja, 2016), this is a very troubling signal regarding the role that the private sector may play in the future in aggravating or, by contrast, reducing this deeply harmful phenomenon.

Indeed, some of the subjects who identified a particular transaction as illegal and yet proceeded with it argued along the lines of "anything goes in business, as long as it brings money." This is not just morally wrong, but socially dangerous and unsound from a business perspective; as argued throughout this thesis, engaging in B2B corruption and corruption generally decreases competitiveness and productivity, limiting growth and innovation, not just for individual companies but also, by implication, for Romania as a whole. Some of the qualitative responses point to a "normalization" of corruption, whereby it has become socially acceptable in some circles, in a vicious circle based on the following logic: if most members of a social network are corrupt that it is likely that in time everyone will become corrupt, given broken competitive dynamics and social bonds based on "honor among thieves" (Granovetter, 2001). Such dynamics require quick solutions, as the conclusions chapter notes.

6. CONCLUSIONS

"We are all blind until we see
That in the human plan
Nothing is worth the making if
It does not make the man.

Why build these cities glorious
If man unbuilded goes?
In vain we build the world, unless
The builder also grows"
– Edwin Markham (1950)

Through a variety of research instruments and their complex assessment, this thesis has demonstrated that B2B corruption is a real and alarming phenomenon that requires significant attention from scholars, policymakers, civic activists, and the business community. To address it, the precondition is to understand it, and this remains the main aim of this research, particularly as reflected in the context of former communist countries, with Romania as the case in point. This work successfully accomplishes the following: (i) explores the theoretical foundations of corruption and particularly B2B corruption; (ii) reviews the existing literature on B2B corruption, noting that it is very limited and would greatly benefit from additional data, particularly at the level of individual private actors; (iii) evaluates perceptions and experiences of B2B corruption through a mix of focus groups, surveys, and in-depth questionnaires; (iv) compares findings on Romania with results from existing studies of other former communist states and advanced market economies; and (v) identifies potential solutions to address B2B corruption.

This research proposes for the first time an integrated theoretical model for assessing B2B corruption. This includes four levels of analysis: individual (economic calculations, legal aspects, moral arguments); business (profit-making, legal risks for entire company, and social role of enterprises); institutional (within each firm and beyond); and social (embedded networks, trust mechanisms, critical contextual factors). At the same time, this work acknowledges its limitations, primarily stemming from two unavoidable aspects: the first derives from the nature of the topic itself, B2B corruption, which does not allow for direct observations and has to be assessed instead through subjective perceptions; the second is related to the case-study method, which provides a rich picture of B2B corruption but does not allow for unqualified comparisons and generalizations of results. This remains, therefore, an exploratory effort and starting point for much needed future work on the topic of private-to-private corruption.

With these caveats in mind, several key findings are worth highlighting. The first is that context plays a most important role in interactions between businesses: whether these turn into corruption depends, indeed, on individual decision-makers, companies, and institutions, as well as on the embedded social and historical context. In the case of Romania, the current vicious cycle of B2B corruption has its origins in the communist era and the transition years. Breaking it will not be an easy task. Indeed, it will require designing, testing, and deploying a range of tactics, both at the level of each private actor (corporate codes of conduct, standards like ISO 37001, ethical trainings, etc.) and at the level of the entire society (better and clearer laws, collective initiatives against corruption, investigative journalism, etc.).

The good news is that business people do recognize corruption as a critical challenge in their professional careers. In the Romanian context, they note that it is rampant, though B2B corruption is less frequent but still reflects overall corruption perceptions. Many of those surveyed as part of this research noted that they had encountered various forms of B2B corruption, including more serious ones like money laundering, extorsion, and fraud. They also believe, in large numbers, that the private sector has a moral duty to fight against B2B corruption. What is more, they are very positive about the entire range of instruments needed to combat B2B corruption, from adopting special anticorruption policies to internal audit programs and international and national anticorruption legislation. In other words, there is plenty of willingness, at least as reflected in the vast majority of responses received to the survey, to become educated on the topic and bring a positive contribution to efforts addressing B2B corruption.

At the same time, however, when tested against different ethical scenarios, participants to this research suggest that the battle against B2B corruption will be long and complicated. They demonstrate markedly different levels of understanding of what B2B corruption is, how it affects their enterprise, and what they can do about it. Specialized programs appear to be badly needed to inform and educate current and future business leaders in Romania on B2B corruption specifically. It is worrisome that a vast majority of graduate students who took part in the case-study research appealed to business arguments for their choices, with very few of them citing ethical concerns. This finding holds also in relation with data gathered previously on American students' attitudes vis-à-vis a very similar scenario.

Trainings and other programs to prepare business people for ethical challenges have to be part of the solution, but they do not have to be the only one. For example, if the ISO 37001 certification

focuses on antibribery, similar standards and certifications may require to be developed to counter other forms of B2B bribery, particularly those that more into a gray area – e.g., favors, gifts, kickbacks, and nepotism. In fact, a whole set of recommended preventative measures, particularly those garnering high levels of support among surveyed business leaders, should be piloted, tested, improved, and replicated, along with continuous monitoring and evaluation systems to understand what is working best.

Given the current research results, albeit based on non-representative samples, there appear to be opportunities for sharing knowledge and best practices across businesses. Generally, larger companies, publicly listed ones, those with primarily foreign capital, and those present on the Romanian market for longer seem to be better equipped to understand and act against B2B corruption. Cross-pollination efforts could focus on finding and adopting the best auditing systems, procurement mechanisms, partner auditing programs, anticorruption regulations and whistleblower protections within each company, etc. Equally important, to support some of the needed external policy and legal reforms, interested businesses could join forces to speak with one voice against B2B corruption in a clean business coalition, integrity pact, or similar collective initiatives.

Potential future research questions worth answering include: Are emerging leaders, such as economics and business school students, equipped to recognize and address B2B corruption? What types of educational programs would be most efficient in explaining the phenomenon? How can the business community, together with other interested stakeholders, raise awareness regarding B2B corruption? What are some of the globally proven techniques to combat it? What is the role of technology in the era of the Fourth Industrial Revolution in the fight against B2B corruption? Why are some business leaders more likely than others to see fighting against B2B corruption as a moral duty? Does the proposed theoretical model hold in other cases, i.e., does it cover all the factors that influence B2B corruption outcomes? To respond to these questions accurately, a mix of research techniques could be deployed, including – given sufficient resources – fully randomized representative sampling of the entire universe of businesses operating in Romania and beyond. In particular, EU-level studies on B2B corruption should continue, including the Private Corruption Barometer, which can be expanded to cover all Member States.

Ultimately, business leaders bear the responsibility for their decisions. One of the senior financial experts interviewed during the research process for this thesis put everything in the following terms: "business-to-business corruption is in effect corruption between two individuals, one in each

business, both guilty for what is happening; one for offering, the other for accepting" (I, 58, female). Beyond norms, procedures, codes of ethics, and clean business coalitions, B2B corruption is all about individuals engaging in an immoral, illegal exchange. This is why this type of research is of vital importance: it uncovers individual perceptions, biases, and motivations, focusing on the critical links in the chain – i.e., the business people who decide whether to add to or reduce B2B corruption. They can choose to ignore or even contribute to B2B corruption, at significant personal, company-wide, and societal cost, at least in the long run, or they choose to fight against it. With the growing importance of the private sector globally, the future is truly in their hands.

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ANNEX A: SURVEY ON B2B CORRUPTION ASSESSMENT[20]

I. Introduction

Thank you for agreeing to take part in this important assessment. This research project aims to evaluate corporate social responsibility (CSR) practices in Romania, particularly as reflected in business-to-business relations.

I am graduate of Stanford University (BA) and Harvard University (MPP-MBA) and currently a PhD student at the Bucharest Academy of Economic Sciences (ASE), working with Professor Rodica Zaharia on this significant research effort. Given the sensitive topics addressed, we pledge to respect the full confidentiality of your answers to this survey.

The time required for filling out this survey is approximately 7-10 minutes. By sending your answers, you confirm that you agree with us collecting and interpreting these data, under the conditions specified above.

II. Basic Data
Respondent
- Current position
- Previous experience (years)
- Age (under 30, 30-50, 51-65, 65+)
- Gender

Company
- Sector (banking and finance; real estate, business, and legal services; heavy manufacturing; arms, defense, and military; civilian aerospace; public works contracts and construction; information technology; consumer services; light manufacturing; mining; agriculture; fisheries; forestry; pharmaceuticals and healthcare; oil and gas; utilities; power generation and transmission; telecommunications and equipment; transportation and storage)
- Size – number of employees (5-49, 50-99, 100+)
- % foreign ownership
- Public listing on stock exchange (yes/no)
- HQ location
- Age of company on Romanian market (0-5, 6-10, 11-20, 20+)
- Type of clients (B2B, B2C, B2G)

III. Questions
1) Do you consider the following to be a problem or not for your company when doing business in Romania?
   - Tax rates

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[20] Translation into English by author. Original version in Romanian only.

- Fast-changing legislation and policies
- Complexity of administrative procedures
- Lack of means or procedures to recover debt from others
- Restrictive labor regulations
- Access to financing, including credits
- Inadequate infrastructure
- Patronage and nepotism
- Corruption

[For each, the respondent will choose between: a very serious problem, a quite serious problem, not a very serious problem, not a problem at all, don't know]

2) In your professional career in Romania, which of the following have you encountered <u>in general</u>?
- Bribe
- Extortion or solicitation
- Fraud
- Kickbacks
- Gifts
- Hospitality or other favor
- Conflict of interest
- Nepotism
- Incorrect use of privileged information
- Money laundering

[For each, the respondent will choose between: YES or NO]

3) In your professional career in Romania, which of the following have you encountered specifically in <u>business-to-business relationships</u>?
- Bribe
- Extortion or solicitation
- Fraud
- Kickbacks
- Gifts
- Hospitality or other favor
- Conflict of interest
- Nepotism
- Incorrect use of privileged information
- Money laundering

[For each, the respondent will choose between: YES or NO]

4) Which of the following do you think counts as corruption in <u>business-to-business relationships</u>?
- Bribe
- Extortion or solicitation
- Fraud

- Kickbacks
- Gifts
- Hospitality or other favor
- Conflict of interest
- Nepotism
- Incorrect use of privileged information
- Money laundering

[For each, the respondent will choose between: YES or NO]

5) How would you characterize corruption in business-to-business relationships?
   - High
   - Average
   - Low
   - Other

6) How well do you think Romania's anti-corruption laws and institutions function today?
   - Very well
   - Somewhat well
   - Neither well, nor poorly
   - Not well
   - Very poorly

7) Which of the following is the main barrier to stopping bribery and corruption in the private sector in this country?
   - Corruption and bribery related crimes are not prosecuted
   - Businesses do not take the issue seriously enough
   - Unethical behavior is widespread
   - Corruption is widely accepted as a fact of life
   - Other

8) My company has an ethical duty to fight corruption
   - Yes
   - No
   - Don't know/don't answer

9) As far as the managers you know, would they…:
   - Get involved in the fight against corruption
   - Would report an incident
   - Would support their colleagues if they fought against corruption

[For each, the respondent will choose between: YES or NO]

10) Does your company have in place the following anti-corruption measures?
   - a code of ethics;
   - an anti-corruption policy;
   - regular staff training on anti-corruption;
   - inclusion of corruption prevention in risk management strategy;
   - measures in place to support potential whistleblowers;
   - a prohibition on commissions or other types of facilitation payments

11) What are the main consequences of corruption in Romania's private sector?
   - Company reputation
   - Financial loss
   - Staff careers
   - Loss of business network
   - Other

12) If you witness behavior that may be corrupt in your company, you would:
   - Tell management or other members of the board
   - Talk with that colleague
   - Talk at home/with friends
   - Go to the police
   - Contact an anonymous hotline
   - Do nothing
   - Go to the press

[Respondents will be able to select for each option: strongly agree, agree, disagree, strongly disagree, don't know]

13) Do you feel the following underline internal measures your company can take are effective in addressing corruption in the private sector?
   - Collective business initiatives against corruption
   - Auditing
   - Due diligence on partners in the supply chain
   - Company anti-corruption policies
   - Anti-corruption standards in the company's corporate social responsibility agenda

[Respondents will be able to select for each option: strongly agree, agree, disagree, strongly disagree, don't know]

14) Do you feel the following external measures are effective in addressing corruption in the private sector?
   - International conventions on bribery and corruption
   - National anti-bribery laws
   - Investigative journalism

- Multi-stakeholder initiatives involving business, government and civil society
    [Respondents will be able to select for each option: strongly agree, agree, disagree, strongly disagree, don't know]
[Respondents will be able to select for each option: strongly agree, agree, disagree, strongly disagree, don't know]

15) Any other suggestions/thoughts on business-to-business corruption / anticorruption in Romania? [open-ended question]

Chestionar cercetare management[21]

Notă: Acest chestionar vă solicită exprimarea opiniilor personale despre situațiile ipotetice prezentate. Orice asemănare cu entități sau persoane reale este pur întâmplătoare. Pentru fiecare studiu de caz, bifați variantele de răspuns alese și justificați pe scurt opțiunile. Toate răspunsurile sunt anonime. Timpul de completare al întregului chestionar este de aproximativ 30 de minute.

Vă rugăm să parcurgeți unul câte unul studiile de caz prezentate mai jos și să răspundeți, pe rând, la fiecare întrebare. Singurele date disponibile sunt cele furnizate în descrierile de mai jos.

Date generale

Sunteți angajat(ă) în prezent:

Bifați varianta aleasă.

DA, la o companie privată ____

DA, la stat ____

NU ____

Dacă sunteți angajat(ă) la o companie privată, compania este:

Bifați varianta aleasă.

Cu capital majoritar românesc ____

Cu capital majoritar străin ____

Nu sunt angajat(ă) la o companie privată ____

Date demografice

Vârsta ____

Ani experiență profesională ____

Femeie ____ Bărbat ____

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[21] Original version, as administered to sample of 75 students (Romanian only).

Studiu de caz #1

Compania NetgenRo SRL este un producător local de componente auto, disponibile prin rețelele unor magazine de profil. Sunteți principalul responsabil de vânzarea acestor produse și plasarea lor în rețelele de distribuție, având ca obiectiv creșterea vânzărilor. În această calitate, interacționați cu domnul Ionescu, director al departamentului comercial al lanțului de magazine ABC, care nu a mai distribuit până în prezent produsele NetgenRo. Pentru a aproba vânzarea produselor NetgenRo rețeaua ABC, domnul Ionescu vă solicită un comision pentru a garanta acceptarea produselor pentru comercializare. Plata se va face în numerar către domnul Ionescu, cu cel puțin 5 zile înainte de acceptarea livrării produselor NetgenRo către rețeaua de magazine reprezentată.

Întrebare 1.1: Considerați că plata acestui comision ar fi legală sau ilegală?
Bifați varianta aleasă.

LEGALĂ ＿＿＿

ILEGALĂ ＿＿＿

Întrebare 1.2: Ați face această plată către domnul Ionescu?
Bifați varianta aleasă.

DA ＿＿＿

NU ＿＿＿

Întrebare 1.3: Dacă plata către domnul Ionescu s-ar face prin transfer bancar în loc de numerar, ați fi de acord cu această plată?

Bifați varianta aleasă.

DA ＿＿＿

NU ＿＿＿

Justificați pe scurt răspunsurile de mai sus:

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Studiu de caz #2 (versiunea 1)

Compania Roindtrade SRL produce echipamente industriale în România. De curând, compania a ajuns la un acord cu o companie indiană privată, Inimportindia. Aceasta a agreat să fie reprezentant al Roindtrade SRL pentru importul și vânzarea produselor companiei pe piața din India. Sunteți în India în calitate de vicepreședinte vânzări al Roindtrade SRL și pentru a vă asigura că noua colaborare este un succes. Sunteți surprins(ă) să descoperiți că primul transport a fost blocat în vamă la intrarea în India pentru că documentația necesară importurilor nu era completă. Sunteți abordat de un angajat al Inimportindia, care vă explică că predecesorul lui era dezorganizat și că documentația nu a fost bine pregătită. Angajatul vă sugerează că dacă ar lucra peste program ar putea întocmi dosarul complet, dar compania indiană nu plătește orele suplimentare de lucru, iar angajatul Inimportindia dorește să fie recompensat.

Întrebare 2.1: Considerați că această plată solicitată de către angajatul Inimportindia ar fi ilegală? *Bifați varianta aleasă.*

DA ____

NU ____

Întrebare 2.2: Ați face această plată către respectivul angajat? *Bifați varianta aleasă.*

DA ____

NU ____

Justificați pe scurt răspunsurile de mai sus:

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Întrebare 2.3: Dacă cel care v-a solicitat comisionul ar fi de fapt un agent vamal și nu angajatul companiei private Inimportindia, ați (mai) face plata?

DA ____

NU ____

Studiu de caz #2 (versiunea 2)[22]

Compania Roindtrade SRL produce echipamente industriale în România. De curând, compania a ajuns la un acord cu o companie indiană privată, Inimportindia. Aceasta a agreat să fie reprezentant al Roindtrade SRL pentru importul și vânzarea produselor companiei pe piața din India. Sunteți în India în calitate de vicepreședinte vânzări al Roindtrade SRL și pentru a vă asigura că noua colaborare este un succes. Sunteți surprins(ă) să descoperiți că primul transport a fost blocat în vamă la intrarea în India pentru că documentația necesară importurilor nu era completă. Sunteți abordat de un angajat al Inimportindia, care vă explică că predecesorul lui era dezorganizat și că documentația nu a fost bine pregătită. Angajatul vă sugerează că dacă ar lucra peste program ar putea întocmi dosarul complet, dar compania indiană nu plătește orele suplimentare de lucru, iar angajatul Inimportindia dorește să fie recompensat.

Întrebare 2.1: Considerați că această plată solicitată de către angajatul Inimportindia ar fi ilegală? *Bifați varianta aleasă.*

DA ____

NU ____

Întrebare 2.2: Aveți senzația că vi se solicită o șpagă. Ați face această plată către respectivul angajat? *Bifați varianta aleasă.*

DA ____

NU ____

Justificați pe scurt răspunsurile de mai sus:

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Întrebare 2.3: Dacă cel care v-a solicitat comisionul ar fi de fapt un agent vamal și nu angajatul companiei private Inimportindia, ați (mai) face plata?

DA ____

NU ____

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[22] This "primed" version was administered to some of the students in the sample, following Gopinath (2008). The only difference is that in the second question it includes this sentence: "You feel like you are asked for a bribe."

Studiu de caz #3

Compania SolionetIT SRL este un distribuitor de echipamente IT pe piața românească: calculatoare, imprimante etc. În mod tradițional, stocul era vândut prin canale de distribuție directe (prin website-ul companiei) și către companii mici. Din cauza profitabilității scăzute, patronul a decis să caute clienți în rândul companiilor mari de pe piața românească. Sunteți directorul de marketing al companiei SolionetIT și ați obținut cu greu o întâlnire cu directorul departamentului de achiziții de la o importantă societate de asigurări, domnul Georgescu. În cadrul întâlnirii, domnul Georgescu vă sugerează că ar fi interesat de produsele vândute de SolionetIT, dar numai în anumite condiții. Una dintre acestea este să derulați tranzacția printr-o altă companie, Intermedallio SRL, care va reține 10% din suma totală a contractului și va vinde apoi produsele către clientul final, compania de asigurări. Primiți asigurări că puteți adăuga 10% peste prețurile de listă, astfel încât profitabilitatea SolionetIT să nu aibă cu nimic de suferit.

<u>Întrebare 3.1</u>: Considerați că această condiție impusă de potențialul client este legală sau ilegală? *Bifați varianta aleasă.*

LEGALĂ _____

ILEGALĂ _____

<u>Întrebare 3.2</u>: Ați semna contractul cu Intermedallio SRL, compania recomandată de dl. Georgescu? *Bifați varianta aleasă.*

DA _____

NU _____

<u>Justificați pe scurt răspunsurile de mai sus:</u>

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Studiu de caz #4

Compania Haine4everyro SRL este un producător de haine în România. Pentru produsele sale, are nevoie de fire sintetice, pe care le poate comanda de la mai mulți furnizori. La început de an, primește două oferte care satisfac specificațiile tehnice și standardele de calitate, de la companiile FireABC și FireXYZ. Sunteți directorul departamentului achiziții al Haine4everyro și trebuie să faceți o recomandare către directorul general. Ofertele sunt practic identice din toate punctele de vedere, dar patronul companiei FireXYZ vă este prieten din copilărie. Decideți să recomandați compania FireXYZ ca furnizor de fire pentru compania la care lucrați.

Întrebare 4.1: Considerați că această decizie este legală sau ilegală?
Bifați varianta aleasă.

LEGALĂ _____

ILEGALĂ _____

Întrebare 4.2: Presupunând că oferta FireXYZ ar fi net inferioară celei primite de la FireABC, pe care dintre acești furnizori i-ați recomanda șefului?
Bifați varianta aleasă.

FireABC _____

FireXYZ _____

Justificați pe scurt răspunsurile de mai sus:

_____

_____

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Studiu de caz #5

Compania Cabluromall SRL este un producător de cabluri electrice, pentru care are nevoie de materii prime, inclusiv cupru. Compania vrea să reducă semnificativ costurile de producție, astfel încât caută activ un furnizor de cupru la un preț mai bun. În acest sens, contactează compania Specialintermedro SRL, care se oferă să facă introducerea către compania CupruUZB dintr-o altă țară, în schimbul unui comision de intermediere, stabilit prin contract. Prețurile CupruUZB sunt mult mai atractive decât orice altă variantă de pe piață, iar legături directe cu respectiva companie nu pot fi stabilite. În calitate de director general al Cabluromall, decideți încheierea unui contract cu Specialintermedro SRL și vă angajați să-i plătiți un comision de intermediere prin transfer bancar, odată cu livrarea fiecărui transport de marfă de la CupruUZB.

Întrebare 5.1: Considerați că această decizie este legală sau ilegală?
Bifați varianta aleasă.

LEGALĂ _____

ILEGALĂ _____

Întrebare 5.2: Presupunând că Specialintermedro SRL decide să vă întoarcă 10% din comisionul de intermediere drept mulțumire pentru stabilirea relației comerciale descrisă mai sus, cum ați proceda?
Bifați varianta aleasă.

Aș accepta cadoul și aș continua relația comercială cu Specialintermedro _____

Aș accepta cadoul dar aș întrerupe relația comercială cu Specialintermedro _____

Nu aș accepta cadoul, aș informa patronul firmei Cabluromall și aș întrerupe contractul cu Specialintermedro _____

Altă variantă (descrieți decizia pe care ați lua-o)
_____

Justificați pe scurt răspunsurile de mai sus:

_____
_____
_____
_____
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_____

LIST OF ACRONYMS

B2B	Business to business
B2G	Business to government
CBC	Certifying Business Coalition
CPI	Corruption Perception Index
CVM	Cooperation and Verification Mechanism
FCPA	Foreign Corrupt Practices Act
ICC	International Chamber of Commerce
ISO	International Organization for Standardization
M&E	Monitoring and evaluation
OECD	Organization for Economic Co-operation and Development
PCB	Private Corruption Barometer
SEC	Securities and Exchange Commission
SMEs	Small and medium-sized enterprises
TI	Transparency International
UNCA C	United Nations Convention against Corruption
UNOD C	United Nations Office on Drugs and Crime
WGI	Worldwide Governance Indicators

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