

# Firm-level theory and evidence of corruption

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# Valorization addendum

*In accordance with article 23 of the "Regulation governing the attainment of doctoral degrees at Maastricht University" decreed by resolution of the Board of Deans dated 3 July 2013, this addendum discusses the valorization opportunities of this doctoral dissertation.*

## Relevance

Corruption is a globally widespread phenomenon that has been detrimental to international trade and investments, local and national governments' resources and capacities, businesses of foreign and domestic firms, and the general public. Far too many attempts have been made to fight corruption by national governments and international organizations without success. Building on a holistic and multidisciplinary perspective, this dissertation provides empirical and theoretical evidence of corruption which addresses three unresolved challenges in the literature on corruption.

This dissertation took, as a starting point, the idea that we cannot control what we cannot measure. Chapter 2 of this dissertation provides empirical evidence on media influence on perception-based measures of corruption. This evidence suggests advantages of using survey-based measures in empirical studies and practices. Chapter 3 contributes to the understanding of corruption at the micro-level. That is, corruption burdens are not homogeneous among firms regarding their growth state. Firm growth leads to higher informal payments paid by firms to facilitate implementation of administrative regulations placed by the state on the firm's activities or to secure government contracts, higher time costs of corruption, as well as more likelihood to hire

outside consultants to deal with public officials. The emerging trend of multilateral anti-corruption efforts to regulate the supply side of corruption in business and corporate liability increasingly demands a comprehensive understanding of corruption at the micro-level. Chapter 4 develops a model of transnational corruption aiming to understand the multiplex interactions between multinationals' subsidiaries and public officials under both host-country and home-country regulations.

## **Innovation**

The innovative aspect of this dissertation comes from the multi-faceted, complex, and borderless nature of corruption which necessitates the advocacy of a holistic and multidisciplinary perspective to address unresolved academic challenges. Departing from the previous studies which routinely relied on correlation and regression analysis, Chapter 2 provides a new empirical protocol deploying media content analysis and the instrumental variable method to validate measures of corruption. Chapter 3 applied the instrumental variable method to provide some of the first robust cross-country firm-level evidence on the role of firm growth in explaining heterogeneous level of corruption burdens faced by firms. The model presented in chapter 4 allows for tackling transnational corruption practices in a simple and tractable framework as well as explaining the bargaining powers of firms in dealing with corrupt officials. The key novelty of this model is the combination of two different literature strands: (i) the incomplete contract theory and (ii) the industrial organization perspective of corruption, which enables us to develop a firm-level theory of corruption under various market and behavioral contexts.