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The influence of civil society organizations on the extent of corruption in the private sector

Case of Transparency International

São Paulo, 2017

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ABSTRACT

Corruption is widespread in developed countries and emerging countries alike, both in the public and private sector, and corrupt activities have become embedded within daily routines for too many companies and government branches worldwide.

Over the past few decades, corruption has stopped being considered as a taboo and most of people on earth now agree with the founder of the well-known organization Transparency International (TI), Peter Eigen, on the fact that corruption is "undermining everything" (Eigen, 2010) and urgently needs to be fought back. The challenge faced by civil society organizations or any actor fighting corruption today is new: finding a way to rectify an already corrupt system where corruption has become normative. It is about inducing organizational change, working towards a context where change is more likely to occur.

The objective of this paper is to examine civil society organizations' actions to understand whether and how it is possible to bring about change within organizations to get them rid of corruption. It focuses on TI, which leads the fight against corruption worldwide and calls itself a body that strives to "stir the world's collective conscience and bring about change" (TI, 2016).

Key words: corruption, Transparency International, transparency, corporate reporting, civil society, institutional order, organizational change

RESUMO

A corrupção está presente tão em países desenvolvidos como em países emergentes e difundida tão no setor público como no setor privado. Atividades corruptas já estão enraizadas na vida cotidiana para demasiadas empresas e órgãos do governo.

Nas últimas décadas, o mundo parou de considerar a corrupção como um tabu e a maioria das pessoas concordariam agora com Peter Eigen, o fundador de Transparency International (TI), para dizer que a corrupção "prejudica tudo" (Eigen, 2010) e que precisamos combatê-la. Organizações da sociedade civil que lutam contra a corrupção enfrentam agora um novo desafio: identificar uma maneira de corrigir um sistema que já está corrupto e no qual a corrupção representa a nova norma. Consiste em induzir uma mudança nas organizações, estabelecer um contexto onde alterações podem mais facilmente ocorrer.

O objetivo desse trabalho acadêmico consiste em examinar as ações das organizações de sociedade civil para entender se é possível e como suscitar mudanças nas organizações para libertá-las da corrupção. Foca a atenção na famosa instituição TI, que indica o caminho para combater a corrupção e se identifica como uma organização que se empenha em "agitar a consciência coletiva do mundo e fomentar mudança" (TI, 2016).

Palavras chave: corrupção, Transparency International, transparência, reporte corporativo, sociedade civil, ordem institucional, mudança organizacional

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1. Introduction

According to David Cameron, the former UK prime minister, corruption is "one of the greatest enemies of progress in our time. Corruption is the cancer at the heart of so many of the world's problems. It destroys jobs, traps the poorest in poverty, weakens security and even undermines the sports we love" (Cameron, 2016). Accordingly, Jim Yong Kim, President of the World Bank, appoints it as the "Public enemy number one" (Kim, 2013).

Broadly speaking, corruption is defined as a dishonest behavior (accept or give bribes, double dealing, under the table transaction, manipulating elections, diverting funds, laundering money and defrauding investors) by those in positions of power, such as government officials or managers (Investopedia, 2017).

In the eyes of most experts in the literature so far, widespread corruption is considered as undermining everything in a country and remaining a major obstacle on the way to development from economic growth to social progress (Nauro F. Campos, 2010). It affects the business sphere, deterring competition, innovation and foreign investments, together with increasing the cost of doing business. It undercuts and distorts public expenditures, therefore limiting the efficiency of the state and social progress at large, while undermining state credibility, questioning the legitimacy of the government, putting democracy at risk.

Therefore, as it is widely agreed that we must definitely curb corruption, the real question is not whether corruption should be fight, but how we can win the fight against corruption.

Many papers address the problem of corruption within administrations and governments, that is the "demand-side of corruption", underestimating the role and responsibility of the private sector, that is the "supply-side of corruption". They depict private sector's key stakeholders as victims of greedy politicians instead on holding them responsible for their acts (Kolstad, 2008).

This is why this research paper focuses on corruption within the private sector. Many third parties around the world, mainly NGOs (e.g.: Transparency International, Corruption Watch), tried and are still trying to fight corrupt practices within firms. This paper intends to examine the role of external intervention and particularly of Transparency International in combating corruption in the private sector.

Transparency International, whose job is to shed light on the issue of corruption and support its victims, works mainly by sharing data about transparency on the battle companies lead against bribery and corruption conduct. Yet, the straightforwardness of the link between transparency and corruption has to be questioned and the impact of this type of tools on the level of corruption within firms has not been established yet.

This paper intends to examine the influence of external intervention on the amount and extent of corruption practices in the private sector, to better understand how third parties can induce change in organizations. By doing so, this paper aims at enforcing the relevancy of TI’s role in the fight against corruption and helping the anti-corruption community worldwide to better identify the factors responsible for substantial organizational change. Therefore, it aims at helping people to better design and implement anti-corruption initiatives, to eventually maximize the scope for change.

This paper (1) conducts a exploratory analysis focusing on TI’s main current assessment tool in the private sector to identify some potential biases and (2) identifies and breaks down TI’s initiatives to understand further the complex factors and mechanisms leading to change in organizations as regards corruption. It uses the institutional theory framework to explore the dynamics of the impact chain and analyze the key drivers of organizational change.

2. Literature review

2.1. Corruption

2.1.1. What is corruption?

Numerous papers and academic articles have been published about corruption over the past few years. Most of them focus on the consequences of corruption on the society as a whole, on growth and development within a country and analyze the assumption presenting corruption as the greatest obstacle to development.

Yet, there have been many discussions around the word corruption and it is essential to define it clearly. How we define the limits around this hazy concept will determine the way we measure it.

Corruption is a multidimensional and complex phenomenon that affects both private and public sector all over the world and it can take various forms in different contexts. In ranges from payment prohibited by the law to a systemic malfunction in a political circle. In the literature, a consensus existed explaining that “corruption refers to acts in which the power of public office is used for personal gain in a manner that contravenes the rule of the game” (Jain, 2001). Defining corruption this way creates a focus on corruption within the public sector, therefore excluding some forms of corruption arising in the private sector, such as fraud, money laundering, black market operations, as public officials are not involved.

The NGO Transparency International, acknowledges and includes corrupt behaviors thriving within companies by defining corruption as “the abuse of entrusted power for private gain” (Transparency International, 2017).

Broadly speaking, corruption is defined as a dishonest behavior (accept or give bribes, double dealing, under the table transaction, manipulating elections, diverting funds, laundering money and defrauding investors) by those in positions of power, such as government officials or managers (Investopedia, 2017).

Usually, authors define three main types of corruption:

- grand corruption: refers to acts of the political elites who design or change policies, laws or regulations to serve their own interests at the expense of general interest.
- bureaucratic or “petty” corruption: refers to corrupted acts of bureaucrats taking advantage of their power to extract bribes (the most common the public being forced to pay bribes to speed up procedures or obtain a service) or embezzle public funds. Bureaucratic corruption also includes bribes paid to judicial officials to lower legal penalties.
- legislative corruption: refers to corrupted acts to link to influence legislators’ vote

It does not affect only isolated individuals or some organizations but has become systemic in our societies. Corruption usually results from an opportunity for gain and an opportunity for someone to appropriate that gain.

2.1.2. Corruption in the private sector

Recently, lots of papers have been published about the importance of and the best ways to engage the private sector in the global fight against corruption (The Center for International Private Enterprise, 2011).

Some authors even bring up a "social responsibility" of firms as regards this issue (Ethos, 2009) (Forgues-Puccio, 2013). Firms can play a significant role in the combat against corruption on a large scale: adopting a set of rules guaranteeing integrity within the relationships with the public sector and the government, with all of the stakeholders. Firms engaged in the fight against corruption can lead this fight and set an example for the whole society. If we want to win the fight against corruption, we need the private sector to be proactive to insert ethics and integrity in business and to totally reject illegal practices (Ethos, 2009).

The discussion revolves around how the private sector could contribute to get rid of public corruption rather than fight corruption in the private sector.

Not much attention has been given to the involvement of the private sector in corruption, often considered as the *victim* of unscrupulous politicians: private companies do not have a choice but have to pay politicians to make business and survive. However, a study led in Nigeria suggests us to challenge this common opinion and to investigate rigorously the role of the private sector in corrupt transaction. This study invites us to stop considering private organizations as passive in corruption transactions with the public sector as some companies "actively engage in it" and even points out existing *private to private* corruption transactions (Nnaoke Ufere, 2012).

Considering and presenting firms as the mere victims of politicians might clear them of their role and responsibilities and divert public attention away from their actions, not holding them responsible for what they consciously do.

Fighting corruption in the private sector started to gain importance when in 2004, the UN Global Compact[1] incorporated the 10th principle related to corruption, into its Chart of Principles, opening the discussion about corruption in the private sector on the international stage.

Corrupt practices affecting companies ranges from bribe payments to obtain more contracts from the government and faster remove business obstacles, to bribing custom officials to pay lower

[1] an initiative from the United Nations to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation

duties or evade more taxes, to using firm resources in his own interests by a company's own employees.

Several corrupt practices within firms are to be highlighted:

- Bribery: according to Transparency International, bribery can be defined as the offering, promising, giving, accepting or soliciting of an advantage as an inducement for an action which is illegal, unethical or a breach of trust. Inducements can take the form of gifts, loans, fees, rewards or other advantages (taxes, services, donations, favors, and so on).
- Embezzlement: according to TI, it occurs when a person holding office in an institution, organization or company dishonestly and illegally appropriates, uses or traffics the funds and goods they have been entrusted with for personal enrichment or other activities.
- Fraud: refers to cheating. The offence of intentionally deceiving someone in order to gain an unfair or illegal advantage (financial, political or otherwise).

2.1.3. Damaging effects of corruption in the private sector

First of all, costs and risks of doing business seem to significantly increase along with corruption. A report by the B team, a group of international CEOs and business leaders, estimates that worldwide corruption "adds up to 10% to the cost of doing business globally, and up to 25% to the cost of procurement contracts in developing countries." (The B Team, 2015). Indeed, the more bribes are paid in an industry, the costlier it becomes, for every company in that sector, to do business and remain honest. Here starts a vicious circle (Forgues-Puccio, 2013). Small and medium size companies are particularly affected by corruption, especially in emerging markets, according to the World Bank in its Manual for Small Businesses. They lack financial and human means to establish mechanisms to avoid falling into corruption (Ethos, 2009).

If remaining honest in a corrupt environment is costly, so it is to fall for the dark side, as corrupt conduct go hand in hand with uncertainty and reputational risks, to be avoided by companies at a highly cost, which ends up making capital more expensive (Koessler & Lambert-Mogiliansky, 2013).

The economists Raymond Fisman and Jakob Svensson used data about bribe payments in companies in Uganda for instance to make explicit the relationship between bribe payments, taxes and firm growth. They presented results demonstrating the adverse effects of bribery on firm growth, which are three time higher than the adverse effects of taxation on firm growth. They came up with the conclusion that "corruption retards development, even more than taxation does" (Fisman, 2001).

Corruption in business also has massive consequences on the ability of a country to attract FDI - Foreign Direct Investments- as well as on its international trade. Corrupt practices disrupt cross border trade and deter investments. International companies cannot do business with corrupted companies as they must comply with international anti-corruption laws. A high number of studies affirm that foreign investments and GDP growth appear to be lower in countries widely perceived to have high levels of corruption (Castro & Nunes, 2013). A negative relationship between several corruption indices and FDI inflows has been highlighted in Brazil for example (Ambrosio, Dias, & Hirata, 2014).

Bribe practices also appear to deter competition (Campos, Dimova, & Saleh, 2010), to have an impact on firm-level productivity (De Rosa et al, 2010) and to undermine product innovation (Mahagaonkar, 2010).

As regards entrepreneurship, empirical studies focusing on the impact of corruption on entrepreneurship have not been able to come up with clear evidence on a correlation between these two factors. However, it appears that corruption distorts the pool of entrepreneurs, favoring those well-connected to the public administration, rather than the most talented ones (Palifka, 2006). As a consequence, we can easily assume that a proliferating corruption in a country is preventing the start-ups sphere to evolve in the optimal way.

Apart from the impact of bribery practices in private companies on the economy and the business environment, corrupt practices within firms result in lifting a huge amount of illicit money out of the real economy (unpaid taxes, bribes...). It deprives governments from precious funds they could invest in public health, education or infrastructure, ending up depriving the society as a whole from the means to step up on the way to human development.

2.1.4. Measuring corruption

As we cannot underestimate the role played by private companies in corruption and as we have highlighted the damaging effects corruption can have on the business environment as well as on the society as a whole, let us turn to options to combat these practices within firms. To convince businesses to become less corrupted, both punishments and rewards can be used: punishing corrupt practices deter it as people fear punishment, and rewards influence managers not to cheat. Before punishing or rewarding companies according to their level of corruption, it is essential to know more about to what extent corrupt practices are widespread in any company. Here comes the importance of measuring corruption. Fighting corruption requires a "diagnostic of the existing state of corruption" (Jain, 2001).

Some people, among them William Thomson, best known under the Lord Kelvin name, are proclaiming that your knowledge about a phenomenon would never be satisfactory if you are not able to measure it, quantify it with numbers. As soon as you can measure a phenomenon, then you can be considered as having some knowledge about it. Here comes the "quantitative imperative".

The underlying objective here is to find a way to come up with valid and reliable knowledge about the extent of corruption, be it in business or government.

Some organizations tackle the issue of assessing quantitatively the amount of corruption of a country, among them Transparency International through the Corruption Perception Index and Global Corruption Barometer. The first one is an index measuring the perceptions of experts on the level of public sector corruption in countries worldwide, scoring them from 0 (highly corrupt) to 100 (very clean). The Global Corruption Barometer also intends to measure corruption based on perceptions but is based on public opinion surveys instead of expert opinion.

The Worldwide Governance Indicators based on a research program from the World Bank, also tackles this issue, and intends to measure corruption based on perceptions. They capture the quality of governance all over the world based on perceptions.

Yet, these are studies based on perceptions and not facts-based studies and they have been often criticized. Jorge Queiroz for example is shedding light on the discrepancies between the perceptions of corruption depending on the sources of the data: the WGI index or the TI index. It uses the case of Brazil to show that there is a large difference between the perceptions of corruption depending on who is interviewed and therefore, that these assessment tools' reliability is questionable (Queiroz, 2015).

An empirical study conducted in Spain sheds light on the methodical inherent problems in measuring corruption. It makes explicit the problems of the perceptions-based studies: perception is influenced by newspapers, by personal experiences, by ongoing anti-corruption policies undertaken by the government, as well as by the pessimism and crisis present in the country at the exact time the survey is performed. This study sheds light on the "efecto retardo", responsible of a time difference between the perception of corruption and the effective presence of it in a country. Perception always arrives with a slight time lag and therefore, assessing the level of corruption *at a specific moment* is viewed as impossible. If the anti-corruption policies generate various political scandals, convictions and incarcerations, the civil society does interpret it as an increase of the corruption level, instead of considering that these anti-corruption campaigns might actually been succeeding in reducing the scale of the problem (Jimenez, 2012).

Pakistanis economists Asad Zaman and Faiz-Ur-Rahim go even further and do not only consider corruption assessment studies as biased and flawed but proclaim that trying to measure and quantify corruption adequately is simply not feasible as "corruption is inherently unmeasurable" (Rahim, 2008). The term corruption is simply too vague and complex. Even if we reduce the meaning of corruption to bribery, focusing on the number of bribery acts or the volume of bribery would give very different results when grading countries. Types of corruption are simply too many. Here comes the importance of clarifying what is being measured. As regard the TI's grading, the corruption measured is not corruption but an "average of perceptions of businessmen regarding corruption". In any case, perceptions differ from reality, and the existing correlation between the CPI and GNP per capita of the country in the GPI of TI suggests that perception is highly influenced by a country's wealth. For Asad Zaman and Faiz-Ur-Rahim, current measures of corruption are not accurate and only serve political purpose. A general measure of overall corruption might be impossible to design, thus specifying what exactly is being measured is of crucial importance (Rahim, 2008).

Regarding measures which are not related to perceptions but based on facts, there are still some challenges remaining. They are usually based on the number of cases and corruption convictions: the higher the number of cases, the higher the corruption is. Yet, convictions and press scandals are more about how much a country actually tackles the problem of corruption and how much transparent a country is and how many cases of corruption are known by newspapers (Lasthuizen, 2006). The recent corruption scandals breaking out the news in Brazil have been analyzed as a first step to fight corruption by a part of the population for example.

2.2. Transparency & Corporate Reporting

2.2.1. Influence of transparency and corporate reporting on transparency

TI, to tackle the corruption issue in business, has developed a tool to assess firms' transparency instead of directly assessing firms' corruption. The underlying assumption is that transparency does have an impact on corruption. Indeed, transparency and accountability are often touted as the most important tools in the fight against corruption (Neu, 2015). Let us deep dive into the relationship between corruption and transparency. Does more transparency in companies effectively induces less corruption in business?

Transparency refers to "the degree to which information flows freely within an organization, among managers and employees, and outward to stakeholders". More precisely, corporate transparency is defined as "the extent to which a corporation's actions are observable by outsiders" (Fung, 2014)

Corporate reporting consists in giving a comprehensive view of a company's financial condition. Yet it is not restricted to financial statements but also refers to adopting a transparent behavior regarding a company's operations, ownership, liabilities, corporate governance issues, structure (Fung, 2014).

The main idea is that more transparency deters corruption by empowering the civil society, providing it with the means and information to monitor firms' behavior. In a nutshell, transparency is expected to lead to accountability, defined as "the process of holding individuals, agencies and organizations responsible for their actions, meaning responsible for executing their powers according to a certain standard" (Tisné, 2010). Accountability in general encompasses two concepts: answerability, which refers to the responsibility of people to justify their actions and enforceability, referring to penalties in case people are enabled to answer accountability claims (John Gaventa, 2013). More transparent companies are more susceptible to be held accountable for their actions and fearing punishment would prevent them from falling into corruption.
Transparency and disclosure are essential and enable investors and stakeholders to monitor companies and take appropriated decision. Lack of financial corporate reporting is precisely one of the main causes of the recent financial crises according to some experts (Fung, 2014).

At a time when multinational companies operate through a complex network of subsidiaries, transparency in corporate reporting makes perfect sense to give everybody access to an exhaustive representation of a group's operations, revenues, profits and taxation in order to bring each entity to public scrutiny (Fung, 2014).

Hence, high levels of transparency put corrupt businesses more at risk, and reduce the extent of corrupt practices as accountable agents are more likely to be caught and held responsible for their

wrongdoing. If transparency does not resolve everything, at least it enables misconduct or misinformation to be easily uncovered.
On a larger scale, not only corporate reporting but also information and communication technology play a significant role in deterring corruption, according to a study using cross-country data from 85 countries presents. They discovered a correlation about the access to information in a country and the corruption level. The greater the access, the lower the amount of corruption. Therefore, arguing about how more access to the internet and digital technologies could induce more awareness about the government and business practices and be a useful tool to lower corruption levels (Cassandra E DiRienzo, 2007).

Furthermore, transparency and openness in business is a win-win as it also directly favors companies, enabling them to achieve trust from investors, stakeholders and the civil society, trust they would have struggled to gain without transparency (Richman, 2016). The more companies engage in disclosure and corporate reporting, the more stakeholders and investors trust them and the easier it becomes to access financing. Beyond facilitating access to capital, engaging in transparency is more and more considered of a way of significantly reducing risk within a company, enabling a better resource allocation and ending up with better overall performances (Fung, 2014).

Nonetheless, transparency in certain contexts can have side effects and unintentionally and indirectly stimulate corruption. Indeed, transparency about structure and hierarchy within organizations or institutions can help potential corrupt people having information to better identify who to target and try to influence with corruption. Some researchers have focused on the impact of transparency on the building and use of *connections* for corruption by individuals (Bac, 2001). Yet, the overall conclusion of the study is favorable to transparency. This paper demonstrates that small-scale improvements in transparency are likely to have questionable consequences on corruption because of this connections-effect but that *fundamental* improvements annihilate incentives to bribe (Bac, 2001).

Yet, the link between transparency and corruption is not as straightforward as most people assume. For transparency to be an effective remedy against corruption and for business or governments to correct their behavior under public pressure, not only the information must be available for the public to use, but it must *reach* this public. Moreover, the civil society must have at their disposal some mechanisms to sanction dishonest organizations. A company or an institution will not adopt an above-reproach behavior unless it believes that the public can build upon their knowledge to bring an action against them (Lindstedt, 2010).

For transparency to lead to accountability, the public needs to access the information, the ability to process it and the power to build upon this information to act (John Gaventa, 2013). The influence of transparency depends on the citizen capacity to process the information and on media competition which translate the information. Therefore, transparency can be considered as a first step, a pre-condition, on the way to curbing corruption.

3. Methodology

3.1. Type of methodology and research setting

3.1.1. Methodology

To pursue its research objectives, this paper conducts a qualitative methodology and an exploratory analysis.

3.1.1.1. An exploratory analysis

This paper focuses on the last version of one of its main accomplished and well-known tools to assess companies' transparency: the Transparency in Corporate Reporting tool (TRAC), assessing emerging markets multinationals (TI, Transparency in Corporate reporting, 2016). This tool gathers public data from top multinationals to assess their transparency regarding their anti-corruption programs, their structure and holdings, and key financial information displayed on a country-by-country basis.

Sources of data:

- The overall corporate reporting indexes come from the Transparency in Corporate Reporting Report issued by Transparency International – Assessing Emerging Market Multinationals report of 2016 (TI, Transparency in Corporate reporting, 2016)
- The headcount of the companies comes mostly from the American data platform Bloomberg (Bloomberg, 2017), except from some, which come from other sources of datas, mostly from the data platform Emerging Markets Information Service (EMIS, 2017)
- The Market Capitalization and Enterprise Value come from Bloomberg, 2016 (Bloomberg, Bloomberg, 2016), when available (mostly for the publicly listed companies) and have been converted in $ to enable comparison
- The Revenues and EBITDA come from Bloomberg, 2016 (Bloomberg, 2016), and have been converted in $ to enable comparison

The Methodology used was a regression analysis using Person's chi-squared test to study the correlation between the TI's indexes and several set of data (size of the companies, represented by the headcount, Market Capitalization, or companies' wealth, represented by Revenues, EBITDA, EBITDA margin, or Enterprise Value).

3.1.1.2. A qualitative methodology

The methodology used here to explore our research questions will be a qualitative study, i.e. a type of research showing the following features:

- *Natural setting*: exploring participant behave and act in their natural context
- *Researcher as key instrument:* the researcher is the one which gathers the information such as observations, interviews, documents;
- *Multiple sources of data:* TRAC report, interview and articles and academic papers can be reviewed
- *Inductive and deductive data analysis:* "working back and forth between the themes and the database, then deductively look back at the data from the themes to determine if more evidence can support each theme" (Creswell, 2013)
- *Participant meaning:* the researcher hears the participant feeling about an issue
- *Emergent design:* there is no predefined initial plan that will be strictly followed, the research process is an iterative one
- *Holistic account:* seeing the big picture of a problem

The methodology used here is through a case study with Transparency International, a case study being "a qualitative design in which the researcher explores in depth a program, event, activity, process, or one or more individuals. The case(s) are bounded by time and activity, and researchers collect detailed information using a variety of data collection procedures over a sustained period of time" (Creswell, 2013).This paper intends to understand the influence of an organization such as TI on corruption in business in a broader way. An interview of Claudia Sanen, consultant for the TI's Business Integrity Program in Brazil (BICA), previously coordinating TI's Brazil's Transparency in Corporate Reporting Report (TRAC) is the masterpiece of the data collected. The interview was conducted through a skype interview on the 3 of April 2017. This paper also relies on articles in newspaper and academic papers to gather information on TI's actions and consequences. This paper aims at diving into the different factors enabling corruption to thrive and uses institutional context frameworks to understand where organizational change comes from. The objective is to examine TI's interventions and actions from a different perspective to better understand how it is possible to alter behavior substantially and bring about radical and long-term change as regards corruption. To do so, this paper breaks down the impact chain and identify the key factors driving organizational change. It focuses on how impacting the regulative, normative, and cognitive elements - considered as the main elements contributing to the institutional order- can induce change in organizations.

3.1.2. The researcher's role and background

As several cases of corruption are showing up every single day in the entire world and especially in Brazil, I have decided to focus on this issue. As a business school student, I have decided to focus on corruption within the business sphere, which also makes sense from an academic point of view as the debate has switched over the past few years from the negative consequences of corruption on the economy and development of countries, to the role played by the private sector in deterring corruption.

Transparency International being the most recognized and active civil society organization fighting corruption worldwide, it is relevant to focus on this organization to analyze how they are influencing the business environment to get it rid of corruption practices.

3.2. Data collection strategies and data analysis procedures

3.2.1. Data collection strategies

For the exploratory analysis, we have used data from TI's last emerging markets TRAC report as well as data from financial online data platforms such as Bloomberg.

For the qualitative analysis, we have used data from a TI's member interview, and data from press and academic articles, verified through a back and forth approach to verify and deepen the data collected thanks to TI's member help.

The TI interviewee is specialized in the private sector and is therefore able to provide some valuable insights on the organization's strategy and approach to fight private-sector corruption. The interview is semi-structured.

3.2.2. Data analysis procedures

The threefold framework of institutional change will be used to analyze TI's interventions. The data analysis will be done manually by aggregating the data into three different categories of influence, related to the cognitive, regulative and normative constitutive elements of the institutional context. The data this paper focus on refers to TI's actions (shaping mindset, promoting a transparency culture, creating new standards, fostering pressure from public opinion, helping companies to fight corruption, enforcing and implementing laws), which have a direct or indirect influence on different categories of population (the whole society, governments, European institutions, companies).

The process of analyzing the data will be done through the following steps:

(1) "Organize and prepare the data for the analysis: transcribing the interview, (…) "sorting and arranging the data into different types depending on the sources of information"
(2) "Read / look at all the data" and get a "general sense on the information"
(3) "Start coding the data: (…) process of organizing the data by bracketing chunks and writing a work representing a category in the margins"
(4) "Use the coding process to generate a description of the setting or people as well as categories / themes for analysis"
(5) "Advance how the description and themes will be represented in the qualitative narrative"
(6) "Making an interpretation in qualitative research of the findings on results" (Creswell, 2014)

3.2.3. Expected results

We expect to find thanks to the qualitative analysis that TI influences companies, governments and the whole society and thus contributes to establishing a more ethical business environment. We aim at gaining a better understanding about how and to what extent TI's actions help curbing corruption in the private sector worldwide, identifying the mechanisms leading to institutional change.

3.3. Validation: how internal validity will be ensured?

In order to check for accuracy and credibility of our findings, we will particularly use the following strategy:

- Member checking: "to determine the accuracy of the qualitative findings through taking the final report on specific description", regularly checking our analysis and data collection from articles and academic papers with Claudia Sanen (Creswell, 2013)

Biases: this work contains various biases, which are the followings:

- Exploratory analysis:
    - All of the data do not come from the same database as some were not found on Bloomberg and come from other database
    - Some data were not accessible on the internet
    - The Enterprise Value and Market Capitalization do not exist for non-listed companies, which introduces a bias when analyzing the correlation between these variables and the transparency index.
- Qualitative analysis:
    - Subjectivity of the interviewee who works for Transparency International
    - Analyzing the influence of a third party includes challenges as the expected outcomes and impacts are hard to see or count as there are sometimes not tangible
    - The amount and quality of information available is limited
    - Demonstrating causality, attributing impact and contribution to one actor in a complex environment with plenty of actors
    - What we want to measure (improvements in ethics in business) may realistically not be measurable
    - Subjectivity and positionality of myself in selecting the data, analyzing the data, and selecting the frameworks
    - The outcomes are hard to link to specific actions as they are not mutually exclusive

4. Analysis

4.1. Transparency International

TI is an international non-governmental organization which presents itself as "a global civil society organization leading the fight against corruption that brings people together in a powerful worldwide coalition" (Transparency International, 2017).

Peter Eigen, who was working at a director in the World Bank, founded the organization in 1993 after years of frustration having seen the damaging impact on corruption in East Africa, most of investments were allocated to damaging projects instead of positively impacting ones because of the potential of kickbacks. At the origin, the organization takes on the taboo, raises awareness about corruption and fights corruption in the private sector and in the public sector alike. To do so, they are advocating for a more effective anti-corruption environment work all around the world with companies, governments and the civil society to promote transparency in elections, business and the public administration, promoting anti-corruption committed behavior within the business and public circles, Locally, through 100 locally established organizations, they work as consultants advising governments on policy reforms and business to define anti-corruption programs. They work on an international level as well, exposing corruption scandals, advocating for the implementation of global convention to get rid of corruption globally, and set up tools to measure corruption's extent and amount in countries or companies, and carry out research on the best practices to fight corruption. They are well known for their Corruption Perception Index, (CPI) which is based on the receptions of experts from the business environments to assess the level of public sector corruption within countries, scoring countries from 0 (highly corrupt) to 100 (very clean). Apart from the CPI, the Global Corruption Barometer stands out. It is also measuring countries' corruption but taking into account the perceptions of the whole civil society. They have developed some tools to measure corruption, such as the Bribe payers index, which ranks countries and industries according to the likelihood of their companies to pay bribes abroad. The Transparency in Corporate Reporting report (TRAC), is one of the most advanced work of TI, ranking the world largest companies accordingly to their position towards the fight against corruption.

TI has also developed a new method recently, the Business Integrity Country Agenda (BICA), a comprehensive analysis framework which assesses efforts by all stakeholders to reduce corruption in and from the business sector at a country level. It has been used only in Mozambique so far, and is currently being performed in Brazil. It goes beyond a rating and index system. It includes working with key stakeholders from the public and business sector, as well as from civil society. The results can help to identity the major challenges of business integrity and be used to provide credible information for advocacy activities and be used as a baseline to measure progress.

4.2. Corporate reporting

The TRAC methodology is one of the most advanced tool to assess companies' transparency worldwide and the masterpiece of TI to deal with corruption within the private sector, as the BICA is still work in progress. It ranks companies according to their level of transparency and disclosure practices. TI has been working on corporate since 2008 and the TRAC tool focused first on the largest multinationals, and then tackled the same issue within the major emerging market multinationals. It is gathering information from the companies' official websites and other publicly available sources of information and it has been designed to assess the transparency of the largest MNEs in their corporate reporting against corruption in order to fight opaque business practices. To fight corruption companies must embrace transparency and comprehensive public reporting which are the basis for integrity.

The TRAC tool encompasses three dimensions: reporting on the anti-corruption programs, transparency of the company's structure and organization, and financial country-by-country reporting.

- The first dimension includes the policies and programs set up by a firm to tackle the issue of corruption in its daily operations, such as the commitment to combating facilitation payment, employees' trainings to eradicate such practices, policies to deal with gifts, hospitality, expenses of political contributions, incentives and protection of denunciations. firms having a public commitment to fight corruption, to compliance with existing laws, leadership's officially supporting anticorruption, anti-corruption training program, clear policies regards gifts, facilitation payments, reporting of misconduct within the company… As public commitment is likely to lead to acts, encouraging reporting on such commitments and programs is considered as a good means to oblige companies to act.
- The second dimension is about transparency of the company's structure. It assesses the information publicly available on where the company operate, where the subsidiaries are and how much the company owes the subsidiaries, to better trace financial flows.
- The third dimension focus on the financial information disclosed by a company on a country-by-country basis and includes five main indicators: revenues, capital expenditure, income before taxation, income tax and community contributions. It provides the civil society with information about the company's operations in a given country and contributes to the fight against fraud on taxes or environmental impact for example.

As the TRAC tool aims at assessing the transparency of companies, it only uses publicly available information from companies' global website and related links. The objective is to monitor that the information is easily accessible and not to verify the accuracy of the information.

Before publishing its report and using the data collected, TI's teams chat with the companies about their scores and information available to give each company the opportunity to review or add lacking information.

Calculation: the TRAC methodology uses 26 questions to rank companies. These questions help to assess the reporting of key elements on the anti-corruption programs of firms (13 questions), the disclosure of the company structures and holdings (8 questions), and the disclosure information on country-by-country basis (5 questions). Each question gives a grade from 0 to 1 and each company ends up with a grade for each dimension, expressed as a percentage. An overall index is available and made up of the average of the score for each category. It gives a grade from 0 to 10, where 0 is the least transparent and 10 the most transparent (TI, Transparency in Corporate reporting, 2016).

4.3. Exploratory analysis

Although TRAC appears as an adequate tool to measure firms' transparency, the link between transparency and the level of corruption lacks investigation and this section tries to analyze whether this tool favor certain types of companies or industries.

4.3.1. Looking for a relationship between a company's wealth and its transparency level.

Hypothesis: In the literature, the link between TI's corruption perception index and the countries' wealth have been highlighted several times, the most known of the work on this correlation being the one of Svensson in 2005 (see appendix 1): the higher the GDA per capita of a country, the lower the corruption registered in the TI's corruption index (Svensson, 2005).

Following the same idea, once can wonder if there is a correlation between a company's wealth and its TRAC overall index.

Methodology:

To have a better idea of a company's wealth, once can focus either on the money or profits made by companies over a given period of time, or on the overall value of a company at an instant T. The **Revenues** indicate how much a company receive per months from the selling of its products or services, independently of the costs incurred to produce such goods. **EBITDA** as for Earnings Before Interest, Taxes, Depreciation and Amortization does take into account the costs incurred by the company and offers a wider image of the company's profits and therefore stands for a better indicator of a company's financial performance. The **EBITDA margin**, which consists in EBITDA as a percentage of total revenue, is a good indicator of a company's profitability and performance as it measures how much cash profit a company is able to generate in one accounting year. Apart from indicators of profits made over a given period of time, the **Enterprise Value** captures a company's total value at a given point in time, and corresponds to the theoretical amount of money needed to take over the company. It is a considered as a very accurate indicator as it takes into account the debt level and cash available in the company.

This report uses the overall transparency's index from the 2016 Corporate Reporting Study (TI, Transparency in Corporate reporting, 2016). It uses the Bloomberg data service to collect data about the companies' revenues and EBITDA of 2016 for all of the companies and the 2016 Enterprise Value for the publicly listed companies (Bloomberg, 2016). All the data were converted from the initial currency to $ to enable comparison. The EBITDA margin data come from own calculation. (see Appendix 2)

The linear regression process had been used to assess a potential existing correlation between a company's wealth and its TRAC score. To do so, I calculated the Pearson Coefficient between the TRAC scores and four different sets of data: revenues, EBITDA, EBITDA margin and

Enterprise Value, using the following standard formula: $$r = \frac{\sum XY - \frac{(\sum X)(\sum Y)}{n}}{\sqrt{\left(\sum X^2 - \frac{(\sum X)^2}{n}\right)\left(\sum Y^2 - \frac{(\sum Y)^2}{n}\right)}}$$
with n = total number of companies (97 for revenues, EBITDA, and EBITDA margin and 78 for Enterprise Value)

Results and interpretations:

Here are the Pearson coefficients obtained:

Set of data used	Pearson coefficient	Correlation
x=TRAC scores y=revenues	-0.31	Weak
x=TRAC scores y=EBITDA	-0.19	Very weak
x=TRAC scores y=EBITDA margin	0.03	Very weak
x=TRAC scores y=entreprise value	-0.22	Weak

R (Pearson coefficient) measures the strength and direction of the correlation between our variables. All of the Pearson coefficient are too weak and not statistically significant to prove any correlation between the set of data used, if we use the standard statistical approach (K.J. Worsley, 1996). Therefore, the TRAC index does not seem to depend on a company's wealth, meaning that the TRAC index does not favor better financially performing companies (be it in terms of revenues, profits or overall value).

4.3.2. Looking for a relationship between a company's size and its transparency level

Hypothesis: The TRAC methodology, relying on the information publicly available for each company, has been designed to assess large companies and especially publicly-listed companies, which must comply with some rules regarding the disclosure of information on their operations and finances and therefore are most likely to publish such information. Some questions and dimensions assessed by the TRAC tool (information on subsidiary, country by country analysis…) cannot apply for small companies. Logically, we can wonder if the size of the company does not influence the TRAC grade, as the bigger a company is, the more it is likely to provide information about transparency. The smaller a company is, the less resources it has at its disposal to invest in publishing information.

Methodology: To assess a company's size, financial indicators and non-financial indicators can be considered. As for the non-financial indicators, the **number of employees** is likely to give us an overview of the size of the business. As for the financial indicators, the **Market Capitalization** is commonly used to assess the size of a company. It refers to the official market value of a publicly traded company's shares outstanding at an instant T and is calculated by multiplying the number of shares by the current market price of one share. It is considered as a public opinion indicator concerning the value of a given company.

To collect data regarding the number of employees, we used as much as possible the Bloomberg data service (Bloomberg, 2017), but had to use other platforms such as the data platform Emerging Markets Information Service (EMIS, 2017) or the companies' official website in case the data could not be found on Bloomberg. As regards the Market Capitalization, we used the 2016 data from Bloomberg, converting each amount to $ (Bloomberg, 2016) (See Appendix 2).

We used the same linear regression process, calculating the Pearson Coefficient.

Results and interpretation:

Here are the Pearson coefficients obtained:

Set of data used	Pearson coefficient	Correlation
x=TRAC scores y=headcount	-0.04	Very weak
x=TRAC scores y=market cap	-0.18	Very weak

Once again, the Pearson coefficients are too weak to be statistically significant and establish a relationship between the sets of data used (K.J. Worsley, 1996). Therefore, the TRAC index does not seem to favor larger companies (be it in terms of market capitalization of number of employees).

4.4. Qualitative analysis: a study of the mechanisms leading to change, applied to TI

4.4.1. Introduction: how civil society organizations can induce organizational change?

The objective here is to evaluate TI's actions and outcomes related to the fight against corruption in the private sector through the lens of the institutional theory framework. The end goal is to gain insight into the implicit logic, assumptions, and mechanisms behind these TI's various interventions and explore whether their stated objective really matches their achievements.

TI views itself as a civil society organization, which refers to "organizations and informal network in which people associate voluntarily to advance common interests", usually the ones who create protests and pressure for reform (Themudo, 2013). Indeed, TI appears as a civil society organization as it played a significant role in focusing attention on corruption, exploring the main causes of corruption and creating pressure for adopting anti-corruption policies.

According to John Gaventa, there have not been edited much articles and papers about the impact and effectiveness of Transparency and Accountability Initiatives. More sound evidence is needed and we must understand better the complex factors contributing to the success or failure of these initiatives if we aim at increasing their impact (John Gaventa, 2013). Beyond specific initiatives regarding transparency, all of the interventions led by civil society organizations to combat corruption are confronted to the same challenge. Understanding the mechanisms bringing about change would contribute to maximizing the scope for change and having a more lasting and transformative impact. Taking for granted the effectiveness and relevancy of specific civil society organizations' initiatives is likely to prevent organizations from enhancing the impact and effectiveness of these specific interventions (Palthe, 2014)**.**

4.4.2. Overview of the situation

It is widely acknowledged that corruption has become embedded in the society. It has become an integral part of the daily processes in a too large number of companies. Even more serious is the indifference, acceptation state of mind from the public or employees confronted to corrupt practices, leading to a general inertia. This acceptation mindset can be seen as a "passiveness vice", represents a real burden for the society and is highly responsible for deterring change in organizations (Poma, 2010)**.** Passive individuals are docile individuals who do not stand up to denounce improper behavior, mostly because they think that it would not make a difference. According to Transparency International, ¾ of people who had to pay bribes do not denounce (Luiz, 2010). A society where corruption thrives is even compared to a society of accomplices and not of citizens (Poma, 2010)**.**

Thus, corruption is not only a problem of corrupt people but a problem of the whole society, which accepts it. Some people justify corruption because it is common, because corruption is everywhere and therefore, one might be silly not to take advantage of corruption as everybody does. “Everybody does it except fool people” (Poma, 2010). Corruption has become the norm in too many places on earth and hence, not falling into corruption places you out of the norm, making you abnormal.

To understand why corruption occurs within a firm, let us take the case of the Italian multinational Parmalat for instance, where a large-scale accounting fraud scandal hit the news a few years ago. According to Gabbioneta, the main causes of corruption in this case are the followings:

Organizational factors:

- self-interest, poor governance and a general lack of ethics within the firm
- firm structure (the more complex a firm is, the easier to hide are illegal activities)
- firm size: “people suppress their own values because of the high status of large companies provides a structural assurance that the companie is acting in a good way”(Wilson, 2008)
- pressure upon performance (a firm evolving in a highly competitive and low profits industry is more likely to engage in corruption to keep profits up)

Institutional factors:

Yet, the institutional context in which a company evolves appears to play a significant role as well. In the case of Parmalat, illegal actions were easy to hide because because of some institutionalized rules, conventions, and practices, which prevented the financial community to uncover the problem:

- the firm kept enforcing some illegal strategies (Parmalat’s strategy of growth via debt, which eventually leaded to fraud) as they appeared to be logical from an institutionalized point of view
- the firm easily hided a significant existing debt with liquidity because financial analysts are used to focusing on net debts [2] and focusing on consolidated accounts, without diving deep into the financial structure of each subsidiary
- the firm’s strategy was not enough questioned as the implicit trust and reliance in the financial community led:
    - lots of analysts to rely on the favourable declarations on Parmalat of the first-to-declare analysts
    - markets and audit firms rely on others audit firm instead of question or double check their work (Gabbioneta, 2013)

[2] financial debt minus liquidity

As a conclusion, not only organizational factors (intrinsically related to one firm) but also institutional factors are contributing to enabling corruption within a firm.

4.4.3. The crucial role of the institutional order in driving organizational change

What is called institutional context or institutional order refers to all the "perceptions and institutional practices that shape social rules, values, and policies" (Gabbioneta, 2013). Institutions are composed of distinctive values, that can be noted in both organizations and their environments, and which contribute to produce common views about what is an appropriate or inappropriate behavior in organizations.

Many authors try to shed light on the essential role played by this so-called institutional context in shaping markets and organizations (Hirsch, 2010) (Gabbioneta, 2013) (Palthe, 2014). Every organization operates in a specific institutional context, to which it has to adapt to maintain its social legitimacy (Hatch, 1997). The supporters of the institutional theory claim that intra-organizational dynamics result from all the beliefs and values arising in a particular institutional environment (Zucker, 1983). The survival of an organization therefore depends on how it conforms to pressures related to the accepted conventions arising in the institutional context. Every individual and organization experience pressures from their institutional environment. Actually, organizations are sometimes referred to as "subsystems of a wider social system", where the wider social system offers values, meanings, and legitimacy to these organizations (Palthe, 2014). Focusing only on organizations as the context for action lead people to neglect the role of the institutional environment, which higlhy influence individual behaviors (Misangyi, 2008).

To sum up, the institutional context, with its specific identities and schemas, appears as a main driver of effective change (Palthe, 2014). One must thus wonder whether and how institutions can be changed. Fortunately, institutions are dynamic. They are "created, maintained, changed, and decline" (Zilber, 2012). An institutional context is not a final product but an ongoing process. Creating new institutions or changing existing ones might require some efforts, but no institution is ever complete and hence, it makes sense to try to change institutions (Zilber, 2012).

As for corruption, a particular institutional logic, with its values and behavioral reasoning, legitimates or condemns corrupt practices. The occurrence of corruption practices in a specific organization therefore depends on the institutional logic in which this organization operates (Gabbioneta, 2013). A new institutional logic needs to emerge to replace the current institutional order if we want to change the way we comprehend corruption and if we want to stop corruption to be embedded in our systems (Misangyi, 2008**.** If corruption has become the norm, the norm needs to be changed.

4.4.4. Mechanisms theoretically leading to organizational change

As the institutional order encompasses both meanings and practices, people willing to impact it must address change both in the substansive and the symbolic domain. In order to generate change in the symbolic domain, they must infuse "new beliefs, norms and values into social structures" and “define new role structure and cognitive schemas guiding behavior” (Misangyi, 2008). Social actors willing to establish a new institutional logic are expected to motivate cooperation from other people, providing schemas, identities and meanings to inspire and justify actions and mobilize resources (Creed, 2002).

According to Misangyi, people intenting to influence an institutional order need to explicit existing problems, identify who is to blame for them, and offer alternatives, using 3 framing processes:

- diagnostic (identify an existing problem and people responsible for it)
- prognostic (come with solutions)
- motivational (highlight why it is so important to fix this problem, identify why it contributes to corruption) (Misangyi, 2008)

As the institutional order plays a significant role in shaping organization behavior, identifying the key components of the institutional order is a prerequisite to identify the key factors bringing organizational change. A gradual reshaping of consciousness within individuals and organizations is needed to erode the legitimacy of improper institutional practices or to establish new ones, to eventually fight corrupt practices within organizations.

Institutional theorists have identified regulative, normative and cognitive elements as the “fundamental building blocks of the institutional context” (Palthe, 2014). People and organizations are subjected to these cognitive, normative and regulative pressures embedded in the institutional context. Actually, institutions can even be defined as the “regulative, normative, and cognitive structures and activities that provide stability and meaning to social behavior” (Misangyi, 2008).

These values, norms and obligations - regulative, normative, and cognitive - rooted in the institutional environment are the ones driving the operation of organizations (Scott, 1995).

Putting it in a different way, there are three main change drivers:

From a *regulative* perspective:

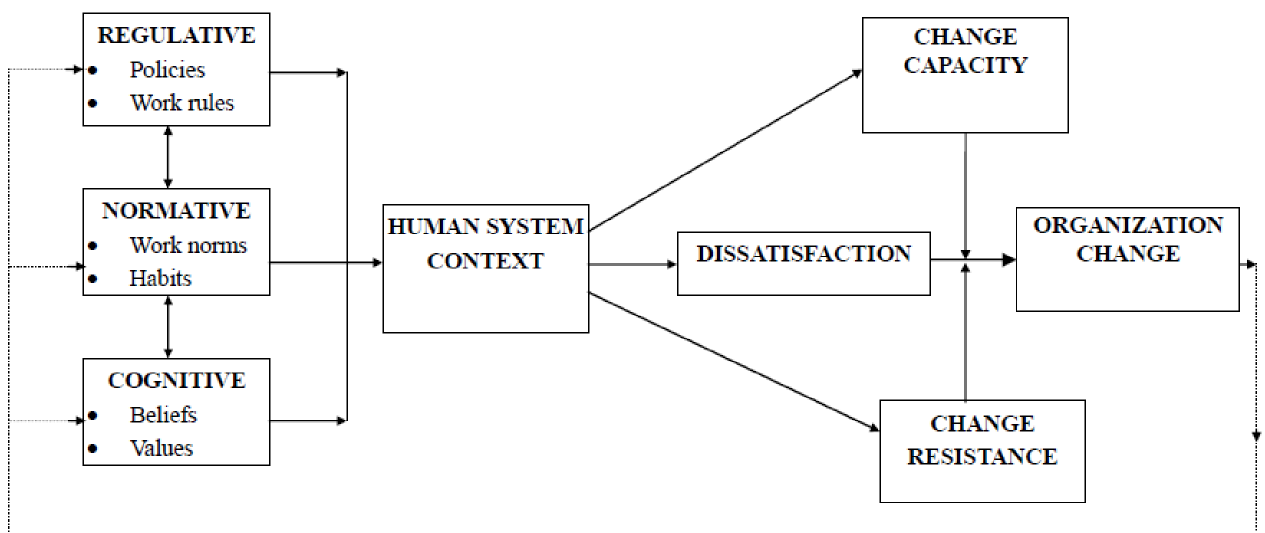
Rules, policies, procedures, enforcement mechanisms, legal obligation act as key factors driving change. Organizational members *have to* change and change as a result of coercion and fear, not necessarily because they want to (Palthe, 2014).

From a *normative* perspective:

Organizational members conform to implicit rules that have become expected norms providing the way forward. These norms are present in the immediate environment of organizations, and differ from more universal cultural rules present in the whole society. People *ought to* change to abide by a sense of duty and moral obligation. They do not necessarily understand the reasons underlying change neither take for granted that change will succeed. Yet they *feel* that they ought to obey these workplace norms (Palthe, 2014).

From a *cognitive* perspective:

Organizational members *want to* change because they value and internalize change, and therefore support and embrace it. They personally identify the rational for change and support it as they are convinced that change will succeed. It happens when people adopt a shared mindset and organizational change here is related to change in common beliefs, meanings, and shared interpretations (Palthe, 2014).



(Palthe, 2014)

The process of change also depends on:

- The change ability of the organization and its resources to conduct change, which will have an impact on the change's scope. The change ability of an organization is related to its ability to adapt, learn and apply new norms, obligations and values (Palthe, 2014)
- The change resistance of the organization: effective change is likely to occur if change recipients adhere and support it. The values, norms, and obligations of the change agents and change recipients, which will guide their response to change. If employees do not consider newly implemented policies appropriate, regulative change is less likely to occur significantly. Similarly, if employees do not believe in the ethical justification of the changes, significant normative change is less likely to occur. Eventually, if employees'

conceptual beliefs do not match the changes, it is likely to restrain cognitive changes (Palthe, 2014)

- The dissatisfaction with the existing system and norms, which represents a significant pressure for change (Palthe, 2014)
- The degree of embeddedness of an organization in the institutional environment (Palthe, 2014)
- Empowering and engaging citizens:
  - Hold citizens accountable for not denouncing corrupt practice, build a society of citizens, an independent voice generating pressure against the corrupt (Poma, 2010)
    - In India for example, where India's democracy was riddled with corruption, an anticorruption movement called MKSS engaged the population in exposing corruption, through a publicly accessible forum called Jan Sunwai. The population got access to government's information, which they could collectively verified (from wages to list of workers, prices of equipment, etc...). Village-level accounts became subjected to scrutiny from all residents to fight fraud (officials billing the government for amounts far in excess of what workers were being paid for public works). Redefining the public's role in holding governments accountable ended up enacting new anti-corruption legislation (Freedom of Information Act, Right to Information Act) and has been essential to make the Indian state more accountable. Empowering people to expose corruption and civic engagement in general is one of the best ways to curb corruption in a country, be it in the public or the private sector (Jenkins, 2007)
    - Tackling the corruption issue in education in Peru also results from an alliance with the civil society, giving people access to spaces to denounce, and collecting these denunciations to make people see reason (Poma, 2010)
  - Actually, too many anti-corruption initiatives focus on implementing policies formulated without citizens' involvement. Citizens who were engaged further in formulating the policies are more likely to engage in monitoring them (John Gaventa, 2013)
- Transparency: (see transparency part above). Companies do not have any incentives to change and adapt to the institutional context surrounding them if their behavior is not likely to be made public at some point. If they are not likely to earn anything out of what is perceived to be good behavior or are not likely to be punished by what is perceived to be an improper behavior in a specific environment, they are much less likely to engage on the path against corruption. Making information about corruption public is a necessary condition for any significant public pressure against corruption (Themudo, 2013). The press here is needed to reach a large audience to convict entities in the eyes of the public:

"the extent of press freedom condition the impact of civil society on corruption" (Themudo, 2013). The first crucial step to achieving such levels of transparency and corporate reporting implies affirming the adherence to transparency and accountability values, adopting a code of ethics (Fung, 2014).

- The "cultural work" going on directly inside organizations to get rid of the institutionalized corruption behavior. Corrupt practices appear to be related to a situation and honest people may end up corrupted while fulfilling their role (Misangyi, 2008). Fighting corrupt practices within several firms ends up changing the normative element of the institutional context.

As a conclusion, individual, organizational and institutional factors are influencing the occurrence of corrupt practices within firms. To drive organizational change to get rid of corruption, Palthe indicates that a "cultural work" inside organizations and an "institutional work" outside them are both needed (Palthe, 2014)**.** Another way of seeing it is to consider that we need to change the institutional context to drive organizational change, and this means changing practices (within organizations) and meanings (outside organizations). Actually, modifying work practices within organization (Palthe's "cultural work") is contributing to changing norms and habits within companies and therefore finally plays a significant role in altering one of the fundamental blocks of the institutional context in which companies evolve (the normative block).

As regards changing meanings and the environment in which companies operate, the three key elements: normative, cognitive and regulative, give us a precise insight about how to bring about change.

As regards changing practices within organizations, or, put another way, as regards the needed "cultural work" inside organizations, no comprehensive framework could help us analyze TI's actions, yet some insights advices can be found. Within organizations, some key measures to promote ethics and deter corrupt practices among employees are the following: implementing a best corporate practices code, develop internal controls, implementing procedures to report internal corrupt, transparency as regards the support and funding of political campaigns. In addition and more essentially, the company must totally prohibit that anyone gives or offers a bribe. These programs have to be preventive measures to avoid the occurence of corrupt practices. They should also provide corrective measures in case of improper behavior (Ethos, 2009).

4.4.5. TI's actions:

TI contributes to changing the institutional environement in which companies operate through different interventions, as regards corruption in the private sector. The TRAC report analyzed in the first part of this paper is an important part of TI's interventions in the private sector and is going to be analyzed here, yet TI is leading many more initiatives to make the corruption level decrease. TI's most important initiatives aim at:

- changing mindsets, raising awareness about corrupt practices and their consequences, increasing the demand for transparency and proper behaviors within firms among the civil society and investors, and increasing social pressure towards companies
- pressurizing policymakers to put in place stricter rules and laws regarding corruption
- favouring a culture of transparency within firms, shaping global standards of transaprency and corporate reporting within firms

Different actors are included in the process: the entire civil society, national or international policymakers, investors, and companies themselves.

To gain a better understanding of how each one of TI's initiatives contributes to establishing a new institutional context for companies to evolve in, and therefore impacts the extent of corruption level within firms, TI's actions have been classified into 3 categories: the ones impacting the regulative, cognitive and normative elements.

4.4.5.1. Influence of TI's actions on the cognitive structure

TI's actions as regards corruption in general:

Over the past few decades, TI has been raising awareness about corruption, focusing on why it matters, focusing on its damaging effects, so that corruption stop being a taboo, stop being accepted or legitimated in the society, and so that the society starts considering corruption as a criminal behavior. The objective was also to embed new norms and values to shape people's mindsets, in order to eliminate the indifference or tolerance people could have towards corruption or the resignation people could feel towards corruption, considering it as inevitable.

Results:

TI' actions have been very visible, and TI is now assimilated to anti-corruption initiatives. Peter Eigen, TI's founder, is internationally known and medias often pass on his ideas and combats (Staffan Andersson, 2008). It is argued that TI has been "the most influential actor in terms of sharpening the focus on corruption" (Staffan Andersson, 2008). They "not only set the standard for corruption measures, but also defined the field" (Staffan Andersson, 2008). TI is often considered to have upgraded corruption from the most taboo topic of economic development to one of the most debated issue worldwide, paving the way for improvements.

TI's actions as regards foreign bribery:

Let us take a more precise example of TI's convencing, soft power, to illustrate how TI changed the rules of the game regarding a certain type of corruption: foreign bribery.

Peter Eigen brought together 20 large companies around the table for 3 successive intense discussion sessions, to tackle the issue of bribery from international companies abroad. Peter Eigen complied with the spirit of *collective action*'s concept, explaining these companies how much it would be in their own interest to stop bribing simultaneously.

Results:

By doing so, TI shed light on international bribery, raising awareness towards its consequences and paving the way for change. As a result, he changed the way companies and the entire society perceived foreign bribery. At the beginning, bribery was seen as cultural adaptation but after the third session, companies had changed their mind, and got convinced that it had to change. TI succeeded in criminalizing foreign bribery (Bruce Currie-Alder, 2014).

TI's actions as regards beneficial ownership opacity:

TI has been drawing attention on the beneficial ownership loophole, and advocating for beneficial ownership public registers, mainly through its "unmask the corrupt" campaign (TI, Unmaskthecorrupt, 2014). Due to opaque corporate structures, it is sometimes impossible to know who really owns or benefits from a company (referred to as the beneficial owner), as the legal owner registered sometimes not really possesses the right to enjoy a company's benefits. Not knowing who really benefits from the company is likely to make it easier and more attractive for people to benefit from corruption and crime: secrecy comes along with impunity for the beneficial owners.

Results:

The beneficial ownership issue is must more known and debated among the public, capable from now on to exert pressure so that things change.

TI's actions as regards transparency and corporate reporting:

For a long time, TI has been trying to build a culture of transparency within firms, advocating for corporate reporting within firms leading to accountable, transparent business. The TRAC report is also a great tool in making companies understand why it matters to make more information public, as in the process of collecting data, the TI's consultants get a chance to communicate a lot with the assessed companies, creating awareness among the employees (see Appendix 3: interview).

TI has been highlighting the absence of strict rules as regards the tax evasion issue, especially as regards the lack of country-by-country reporting (CbCR), which makes tax evasion, money laundering and terrorist financing thrive. The LuxLeaks[3] scandal for instance would never have happened if every company had to comply with high tax transparency and CbCR standards. The objective of fighting tax avoidance is that governements can effectively collect all of the due taxes and take advantage of these critical revenues to fund public services. Apart from raising awareness among the civil society, focusing on the beneficial effects CbCR could have, TI also worked on promoting a change in companies' mindset and the common idea that CbCR could damaged competition. They published a report bringing to light the fact that CbCR had no negative impact on companies (Internationaltaxreview, 2016).

Results:

TI has had an incontestable influence on how tax transparency or corporate reporting are being considered and valued worlwide. Tax avoidance and corruption are now widely assimilated and the debate about corporate reporting has evolved a lot since TI started advocating for it. According to a survey carried out by PwC, 59% of CEOs are now in favor of publishing CbCR information for their firm (Financial Transparency Coalition, 2014).

By raising awareness about many issues such as corruption in general, foreign bribery, beneficial ownership secrecy, tax evasion, their consequences, TI is likely to have been shaping organizational members' mindset worldwide. TI has changed the common considerations they had towards these issues, making them willing to evolve.

4.4.5.2. Influence of TI's actions on the normative structure

TI's actions as regards transparency and corporate reporting

Actions:

One of the more impactful actions of TI affecting the normative element constitutive of the institutional context is the implementation of the TRAC report targeting MNCs and which aims at shaping the business environment to eventually create standards of corporate reporting to which companies must adhere and favouring a culture of transparency and good practices within firms to bring illegal flows and tax evasion under control.

More precisely, the TRAC report aims at:

- measuring international companies's transparency
- helping companies improve corporate transparency practices and provide key information for the public to monitor their business

[3] More than 340 multinational companies did not pay all of their due taxes, setting up subsidiaries at minimal costs in Luxembourg, where the lax laws were particularly favourable.

- convincing companies to devote more time and resources needed to improve transparency, encouraging companies to put in place anti-corruption programs to fight misconduct

This data collection on public disclosure practices has helped raise the level of awareness and point out the importance of such corporate reporting to fight corrupt practices. Given that this TRAC report single out companies regarding their efforts towards corruption, their issuance is very likely to provide companies incentives to better behave. For the first time, it has enabled public monitoring and firms comparison by the civil society at large, rewarding transparency and condemning improper behavior. By doing so, it has finally enabled the whole society to make companies more accountable and put pressure on bad companies so that they improve their transparency level.

Pressure from the press (see power of the press above):

Many newspapers have effectively been using the data from the TRAC report to put pressure on the worst performers based on the report or to praise the well-performing ones:

- An article from the financial times in 2011 highlighted the underperforming companies regarding anti-corruption reporting in the TRAC report ("National oil companies (NOCs) concentrated in emerging markets, including China's Sinopec, Saudi Arabia's Saudi Aramco and Kazakhstan's KazMunaiGaz were among the worst performers when it came to reporting on their anti-corruption programs, according to research by Berlin-based Transparency International") (FinancialTimes, 2011)
- TI has been shedding light for instance on the global lack of transparency of companies regarding their organizational structures and country-by-country operations. Many multinationals do have a lot of economic activities abroad but almost do not publish anything about it, significantly facilitating corruption in their international subsidiaries (Financial Transparency Coalition, 2014).
- The best-performers in all three dimensions of the report have been praised by the press, ("only one company scored 50 percent or more in all three dimensions (Fallabella of Chile), and only two companies scored full points in any of the dimensions (Bharti Airtel and Petronas, both for organizational transparency)") and the worst performance or the areas where more improvements are needed have been mentioned: law transparency standards and weak anti-corruption policies for emerging market companies, poor disclosure about tax payments abroad or facilitation payments ("At the same time, 72 of the 100 companies that were assessed disclose no information about tax payments in foreign countries, and 81 do not disclose an explicit policy prohibiting facilitation payments or bribes") (Furlong, 2016)

- The 2012 TRAC report has been used by Norton Rose Fulbright to praise the best performing companies (Norway's Statoil and Rio Tinto), and shed light on the worst performing ones, all belonging to the banking sector (NortonRoseFulbright, 2012)
- The best performing companies for the CbCR section, among them Statoil, Telefonica in Spain and Vodafone UK-based company were praised online, with respectively 66%, 54 and 51% scores (Financial Transparency Coalition, 2014)

The TRAC report in itself has been driving organizational change shaping the context and introducing new norms directly in the companies themselves. For an organization to experience an effective organizational change, the organization's culture itself has to evolve, meaning that changes both about formal components and informal components (changing leader behavior, commitment towards anti-corruption…) are needed (Misangyi, 2008)**.** Both types of elements are being addressed in the TRAC report as the "reporting on anti-corruption programmes" focuses on the commitment of the firm towards anti-corruption initiatives and the 2 other sections focus on formal elements (organizational transparency, country-by-country reporting).

Results:

Experience has shown that the requirement to report encourages companies to focus on their practices and drives improvement. Through the compiling of datas for the TRAC study and the communications with TI teams, companies are improving their practices (see Appendix 3: interview). Public reporting makes companies to "build strong management systems supporting disclosures, and in the process improve their anti-corruption systems" (NortonRoseFulbright, 2012)

Particularly, the reporting on anti-corruption programs section of the TRAC report plays a significant part in lowering improper behavior within firms. Anti-corruption programs reporting do not give any indication about the level of corruption of a firm but it does raise awareness among the firm's management, which publicly commits to prevent corruption in their daily activities and indicates which actions have been taken to do so. And public commitment is the first step and highly influences action (Steve J. Martin, 2014).

The TRAC report also makes firms undergo reputational pressure as their performances were taken up by international media (see above), and it makes them improve their practices, as they highly value their reputation. Consumer' perception on a firm for instance, can impact their behavior towards that firm and influences their decision of buying or not a product. In a survey led by Indicator Opiniao Publica in Brazil in 2002, 73% of respondents stated that "they would stop buying products from a firm involved in corruption or used bribery towards public agents" (Luiz, 2010). Companies willing to avoid negative publicity would do better to be able to be fully transparent about their revenues and international operations (NortonRoseFulbright, 2012).

Companies not only undergo pressure from their customers but also from their investors, according to the Blanc Patten and Branco's paper published in 2016 (Branco, 2016). This paper focus on the market reaction following the issuance of the 2012 and 2014 TI's TRAC reports, related to American firms. It demonstrates that the better companies scored on their anti-corruption disclosure practices, the less they underwent pressures from investors. The market appears to take into account companies anticorruption efforts for their decisions (Branco, 2016).

One can therefore easily understand The Economist's following statement on TI's influence on firms: "no country can afford to ignore its reputation for corruption. That means no country can ignore Transparency International (TI)" (Economist, 1999).

It explains the positive impact TI's reports had on firms so far:

- Firms score better in the 2012 TRAC report compared to the 2009 TRAC report[4], meaning that they have improved after the first one's publication. More and more companies have been prohibiting facilitation payments[5] for example (21 companies in the 2012 report vs 45 in the 2014 report) (see Appendix 3: interview).
- 2 out of the 20 companies assessed in Denmark for instance updated their websites during the study to provide further information (Alexandra Kemp, 2016)
- Most of the companies updated the data publicly available on their website to make more information public during the TRAC collecting data process (see Appendix 3: interview)

TI has been creating, shaping global standards of corporate reporting to which companies must now abide by. The TRAC report has been putting pressure on companies to adopt these higher transparency standards, to catch with newly expected norms, by singling them out and drawing attention on the bad performers ones. Employees know feel like they must abide by the new workplace norms.

By engaging with companies about these issues and helping them out though one-to-one recommendations, TI has brought changes in many firms, which ended up changing the whole international business context (see Appendix 3: interview).

4.4.5.3. Influence of TI's actions on the regulative structure

TI has been playing a key role in influencing international or national regulators regarding firms' transparency obligations. Actually, regulation do have a significant impact on companies' performance towards transparency. In India for instance, firms must disclose key financial

[4] Comparison based on the 97 companies evaluated in both reports and the section in common in both reports, which is anti-corruption programs

[5]What is called facilitation payment refers to an illegal or unofficial payment made to a government official in order to facilitate some procedure or business activity

information about all of their subsidiaries abroad to abide by the Companies Act, and the Indian firms are the ones scoring best in the organizational transparency section of the TRAC report: all of the 19 Indian companies included by TI in its report achieved scores over 75 percent or more in this section (Furlong, 2016).

TI's actions as regards corporate reporting and transparency

Basically, TI has been emphasizing the existing loopholes in the law, leading the way for project-specific agreements and engaging with national or supranational policymakers for them to enforce higher standards of corporate reporting and transparency. TI has been trying hard to make country-by-country reporting compulsory and public, pushing public entities to pass it into law (Transparency-International, 2016).

Results:

TI's actions resulted in many rules, regulations and procedures being introduced worlwide. They played a significant role in increasing global tax transparency thanks to the implementation of public country-by-country reporting initiatives in particular (Internationaltaxreview, 2016).

TI is considered to have had a significant impact especially on EU policymalers. TI has been paving the way for reform within the European Commission, attending for instance roundtable debates with EU commissioners to discuss public CbCR. This resulted in a proposal release from the EU commission about public CbCR in April 2016 aiming at eradicating corporate and tax opacity and enabling every single citizen around the world to track money and ensure that companies pay their due taxes. TI keeps fighting for a better tax transparency environement, criticizing this newly published proposal to shed light on potential shortcomings or loopholes in the European commision's proposal (Transparency-International, 2016), or pushing for the proposals to be passed into law (Internationaltaxreview, 2016).

Governments all over the world have been adopting transparency standards as a result of TI reports' publications. The UK for instance has introduced stricter anti-corruption laws for companies based or engaged in business activities in the UK. The Bribery Act, introduced in 2010, tackles the bribery issue by instituting penalties for individuals or companies perpetrating a bribery act, and for companies which fail to put in place adequate procedures to prevent bribery from happening. Many companies dealing with the UK have integrated these higher transparency standards to abyde by this newly issued legislation (NortonRoseFulbright, 2012). To avoid penalties, from now on companies must adopt a proactive behavior and update and enhance their internal anti-bribery policies.

TI's actions as regards beneficial ownership opacity:

In addition to globally shedding light on this secret companies' issue, TI has been direclty urging the European Commission and the European Parliament to act about beneficial ownership registers (Internationaltaxreview, 2016). TI has also been conducting research to check if governements and administrations's promises regarding beneficial ownership laws were followed by actions. The organization has notably been checking if the promises about beneficial ownership made during the G8 and G20 reunions were kept, ending up speaking out loud about the 15 G20 countries who had "limited legal frameworks in place to deliver" and the two G20 countries who did "not even have a legal definition of beneficial ownership" (Transparency.international, 2015).

Results:

TI's lobbying for beneficial ownership registers has been taken into account seriously by various government authorities:

- In May 2016, Transparency International has been urged to contribute to the UK anti-corruption Summit where the beneficial owner opacity issue was at the center of discussions
- Companies are now constrained by law to report and update in a public register the real owner of a company in Ukraine, the Netherlands, Norway and the UK (blog.transparency, 2016). TI is now pushing the G20 to set up and enforce laws for company beneficial owners to be publicly disclosed (Internationaltaxreview, 2016).

TI's actions as regards foreign bribery

See above

Results: The OECD[6] countries ended up signing a convention in 1997 to legally criminalize foreign bribery and the companies brought together by Peter Eigen to discuss foreign bribery participated in the OECD convention. This convention included about 160 countries all over the world.

TI has had an impact on rules and regulations in various sectors, driving organizational change. Companies must change to abide by the law.

[6] Organisation for Economic Cooperation and Development, refers to a group of 34 countries which discusses and develops policies to improve the economic and social well-being of people all around the world

5. Conclusion

To achieve a significant reduction of the amount and extent of corrupt practices in the private sector, one must understand the factors that play a role in resisting or inducing change. To alter behavior substantially, civil society organizations have to take an active interest in the complex factors driving organizational change.

TI's end goal has always been very clear as they stand for "stirring the world's collective conscience and bringing change". Given this paper's conclusions, as well as the way they are perceived worldwide and the countless successes they encountered on many issues, they seem to have been able and to keep being able to drive organizational change.

Exploring how regulative, normative, and cognitive institutional elements are intertwined and impact the institutional context and drive organizational change has helped us highlight and understand TI's actions' significant impact on corruption within the private sector. Indeed, TI has been having a high influence on the three main constitutive elements of the institutional context, in which companies evolve on a daily basis. The organization has highly influenced policymakers in passing on rules and regulations. They have brought changes in many firms, established new norms and put pressure on companies to adopt them. By continuously raising awareness towards corruption related issues they have managed to change mindsets worldwide. As a consequence, organizational members have been legally and morally obliged to, as well as willing to, bring change within their companies.

Thanks to TI and other civil society organizations' continuous work, the business environment has improved a lot over the past few years as regards corrupt practices present in the private sector. Nonetheless, a lot still needs to be done for corruption to stop undermining everything. Mindsets, norms, and regulations all three have to keep evolving if we want to win this fight against corruption.

6. Areas for future research

In order to better understand the influence of third parties on corruption within the private sector, interviewing companies which had been under influence of third parties and had adjusted -or not- their behavior could be a very interesting source of data.

Focusing on medias or the behavior change theory and how to change *habits* within firms represents another dimension worth exploring to better understand the mechanisms leading to change.

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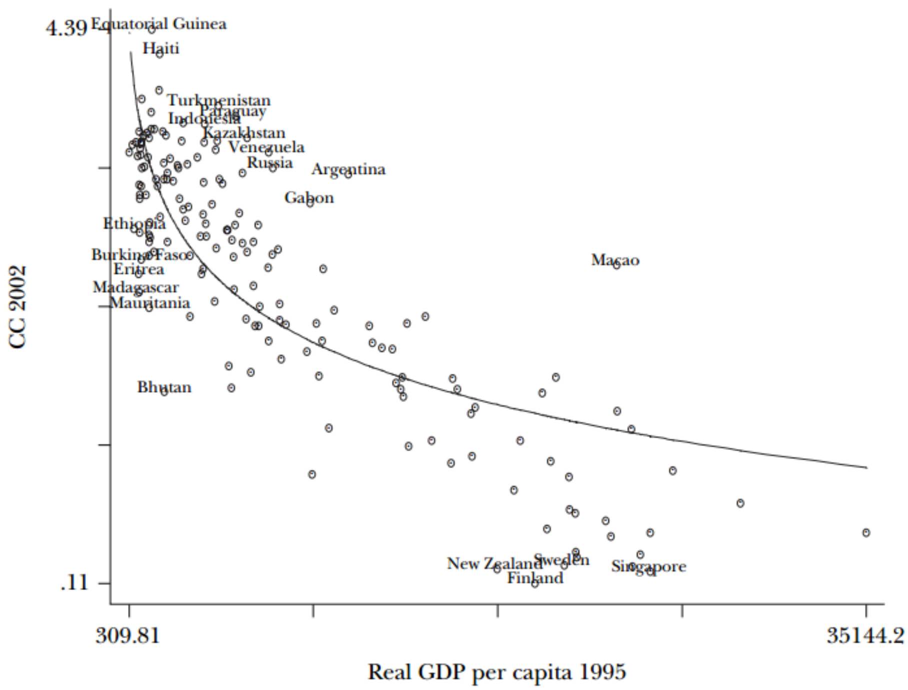
7.1. Appendix

7.1.1. Appendix 1: Regression line of corruption on real GDP per capita (Svensson, 2005)



7.1.2. Appendix 2: Companies' data

Sources:

-The overall index ranges from 0 to 10 and comes from the Transparency in Corporate Reporting Report– Assessing Emerging Market Multinationals report of 2016 (TransparencyInternational, 2016)

-The headcount of the companies comes from the American data platform Bloomberg (Bloomberg, 2016), except from the dark grey cases, which come from other sources of datas, mostly from the data platform Emerging Markets Information Service (EMIS, 2016)

-The Market Capitalization and Enterprise Value come from Bloomberg, 2016 (Bloomberg, 2016), when available (mostly for the publicly listed companies) and have been converted in $ to enable comparison

-The Revenues and EBITDA come from Bloomberg, 2016 (Bloomberg, 2016), and have been converted in $ to enable comparison

-The EBITDA/Revenues ratio comes from own elaboration

-Note:

- the light grey cases deliver numbers from previous years as the 2016 number were not available, mostly from 2015
- all the numbers have been rounded up

#	Company	Country	Industry	Overall index	Headcount	Market cap ($M)	Entreprise Value ($M)	Revenues ($M)	EBITDA ($M)	EBITDA/ revenues
1	Tencent	China	Telecommunication	1.5	38,072	231,858	231,461	22,880	9,717	42%
2	Alibaba	China	Consumer services	2.5	36,446	195,514	187,027	15,911	6,155	39%
3	Sinopec	China	Oil, gas & energy	1.2	351,019	85,878	110,376	283,134	30,655	11%
4	Tata Consultancy	India	Technology	6.5	378,497	75,076	70,809	16,612	4,690	28%
5	Etisalat	UAE	Telecommunication	2.8	10,000	44,514	47,734	14,256	5,560	39%
6	Infosys	India	Technology	5.8	199,763	42,097	37,154	9,547	2,608	27%
7	Lukoil	Russia	Oil, gas & energy	2.2	106,200	40,164	47,139	71,200	10,712	15%
8	CSCEC	China	Industrials	0.3	241,474	37,910	61,669	141,774	9,070	6%
9	Wanxiang	China	Consumer Goods	0	10,507	30,422	32,173	10,727	2,308	22%
10	PTT	Thailand	Oil, gas & energy	5.4	7,989	29,638	47,214	48,722	8,827	18%
11	Femsa	Mexico	Consumer Goods	4.6	266,144	27,330	35,553	21,436	2,771	13%
12	Norilsk Nickel	Russia	Basic Materials	5	98,963	26,163	30,776	8,259	3,882	47%
13	Bharti Airtel	India	Telecommunication	7.3	23,289	21,190	30,970	14,760	5,213	35%
14	Tenaris	Argentina	Industrials	3.9	19,399	21,130	19,815	4,294	677	16%
15	Tata Motors	India	Consumer Goods	6.5	76,598	19,846	23,360	41,323	5,978	14%
16	Wipro	India	Technology	6.4	174,238	19,327	16,244	8,210	1,690	21%
17	Falabella	Chile	Consumer Services	6.2	98,900	19,249	24,953	12,711	1,750	14%
18	CSIC	China	Industrials	0.7	57,948	18,759	19,882	7,790	-304	-4%
19	CCCC	China	Industrials	3.3	127,006	18,607	50,513	64,339	5,513	9%
20	El Sewedy	Egypt	Industrials	5.7	10,000	17,663	20,611	2,444	392	16%
21	Sasol	South Africa	Basic materials	4.1	30,300	17,612	20,034	12,002	3,667	31%
22	CRCC	China	Industrials	2.1	249,624	17,478	29,488	93,543	4,995	5%
23	Larsen & Toubro	India	Industrials	3.7	43,354	17,133	31,395	15,494	1,957	13%
24	MTN	South Africa	Telecommunication	5.9	19,989	16,510	19,637	10,100	3,523	35%
25	DP World	UAE	Industrials	3.4	37,000	14,533	21,574	4,163	2,006	48%
26	Sinohydro	China	Industrials	2.4	135,099	14,390	35,169	32,650	2,850	9%
27	BYD	China	Consumer goods	2.7	210,000	14,373	20,548	15,090	2,424	16%
28	Severstal	Russia	Basic materials	2.6	37,543	12,475	13,144	5,916	1,898	32%
29	Petronas	Malaysia	Oil, gas & energy	6.3	4,659	12,445	11,124	3,350	1,296	39%
30	BRF	Brazil	Consumer goods	4.4	105,000	11,845	15,598	9,737	972	10%
31	Mahindra & Mahindra	India	Consumer goods	6.7	20,122	10,847	17,898	10,670	516	5%
32	Grupo Bimbo	Mexico	Consumer Goods	3.7	130,913	10,710	14,553	13,529	1,537	11%
33	Bajaj Auto	India	Consumer goods	4.7	9,347	10,525	10,209	3,402	739	22%
34	Lupin	India	Health care	5.1	16,351	10,076	11,042	2,095	580	28%
35	Koç	Turkey	Industrials	4.6	97,095	9,928	16,763	23,535	2,125	9%
36	JBS	Brazil	Consumer Goods	3.1	132,641	9,533	24,296	49,182	3,258	7%
37	Lenovo	China	Technology	3.6	52,000	8,651	9,912	44,912	1,709	4%
38	Dr. Reddy's	India	Health care	5.8	21,669	7,828	7,731	2,366	614	26%
39	WEG	Brazil	Industrials	3	25,350	7,683	7,605	2,704	406	15%
40	ZTE	China	Technology	5.9	84,622	7,275	8,390	15,114	328	2%
41	UC Rusal	Russia	Basic Materials	3.3	61,136	6,427	14,861	7,983	1,489	19%
42	Grupo Alfa	Mexico	Basic Materials	2.8	80,903	6,375	13,415	15,763	2,303	15%
43	Chalco	China	Basic materials	1.5	67,482	6,150	21,017	21,565	1,796	8%
44	(Chia ThaiC.P. Group	Thailand	Consumer services	0.6	23,337	6,079	15,336	13,166	1,222	9%
45	Shanghai Electric	China	Industrials	1.8	25,853	6,010	2,818	11,908	1,355	11%
46	Gerdau	Brazil	Basic Materials	3.8	38,161	5,671	10,201	10,869	1,110	10%
47	Gruma	Mexico	Consumer Goods	3.5	19,933	5,515	6,115	3,660	589	16%
48	Sabanci	Turkey	Industrials	4.9	58,251	5,296	11,644	11,522	2,366	21%
49	Indofood	Indonesia	Consumer Goods	2.7	83,310	5,139	6,874	4,789	681	14%
50	LATAM	Chile	Consumer Services	4.5	45,916	5,106	12,313	8,988	1,288	14%

#	Company	Country	Industry	Overall index	Headcount	Market cap ($M)	Entreprise Value ($M)	Revenues ($M)	EBITDA ($M)	EBITDA/ revenues
51	Mexichem	Mexico	Basic Materials	4.6	18,897	4,791	8,133	5,350	926	17%
52	Tata Steel	India	Basic Materials	6.4	76,952	4,688	16,245	17,729	1,159	7%
53	Indorama	Thailand	Basic Materials	5.6	14,000	4,499	7,311	7,217	768	11%
54	Haier	China	Consumer Goods	1.3	15,330	4,393	2,837	9,616	535	6%
55	CIMC	China	Industrials	3	52,332	4,302	13,034	7,621	427	6%
56	Vedanta	India	Basic Materials	5.8	17,378	4,028	13,257	9,775	2,270	23%
57	Gedeon Richter	Hungary	Health Care	4.6	11,897	3,941	3,704	1,385	311	22%
58	Li & Fung	China	Consumer services	3.9	21,982	3,701	5,156	16,761	480	3%
59	Embraer	Brazil	Industrials	5.6	19,373	3,611	4,279	6,188	1,005	16%
60	Zoomlion	China	Industrials	1.3	15,714	3,371	5,531	3,015	33	1%
61	Yanzhou	China	Basic Materials	2.1	64,599	3,351	12,564	15,109	1,217	8%
62	Bidvest	South Africa	Consumer services	3.7	114,185	3,141	3,417	4,736	477	10%
63	Bharat Forge	India	Industrials	4.1	4,709	3,073	3,340	1,154	218	19%
64	Natura	Brazil	Consumer Goods	4.7	6,260	3,044	3,686	2,284	387	17%
65	Thai Union	Thailand	Consumer goods	5.5	25,973	2,795	4,721	3,809	301	8%
66	Hindalco	India	Basic Materials	5	24,118	2,746	11,189	15,193	1,479	10%
67	Sappi	South Africa	Basic materials	3	12,753	2,743	4,151	5,141	807	16%
68	Johnson	China	Industrials	3.1	38,000	2,643	2,914	2,236	269	12%
69	Tata Communications	India	Telecommunication	7	8,500	1,627	3,373	3,143	463	15%
70	Tata Chemicals	India	Basic Materials	6.3	4,566	1,439	2,593	2,681	332	12%
71	Tata Global Beverages	India	Consumer Goods	6.5	2,466	1,157	1,387	1,240	103	8%
72	Suzlon	India	Oil, gas & energy	5.8	7,881	1,078	2,664	1,454	211	15%
73	Shunfeng	China	Oil, gas & energy	1	7,272	1,038	2,903	1,119	299	27%
74	Bumi	Indonesia	Basic materials	4.8	242	742	5,159	23	-3	-13%
75	Marcopolo	Brazil	Industrials	4.4	16,125	608	876	743	94	13%
76	Magnesita	Brazil	Basic materials	2.9	6,897	376	841	979	183	19%
77	LDK	China	Oil, gas & energy	1.3	8,529	24	3,632	680	4	1%
78	Coteminas	Brazil	Consumer goods	1.1	10,377	17	414	786	61	8%
79	Crompton Greaves	India	Industrials	4	1,530			615	76	12%
80	Evraz	Russia	Basic materials	5.2	89,228			8,767	1,412	16%
81	Sinosteel	China	Basic materials	0.8	46,000			163,703	2,822	2%
82	CNOOC	China	Oil, gas & energy	1.1	115,000			63,122	20,645	33%
83	Sinochem	China	Basic materials	1.1	11,791			54,845	2,072	4%
84	CNCC	China	Basic materials	0.7	160,000			41,167	3,089	8%
85	Group Baosteel	China	Basic materials	2	32,598			36,385	1,821	5%
86	Sinomach	China	Industrials	0.6	80,000			35,011	1,099	3%
87	China Minmetals	China	Basic materials	0.8	44,424			31,515	1,411	4%
88	Cosco	China	Industrials	1.2	9,187			28,626	421	1%
89	Emirates	UAE	Consumer services	3.8	34,117			22,734	4,446	20%
90	China Shipping	China	Industrials	1.2	16,000			12,683	834	7%
91	Anshan	China	Basic materials	0.8	110 000			11,499	1,718	15%
92	Chery	China	Consumer goods	0	30,000			4,333	170	4%
93	Votorantim	Brazil	Basic Materials	3.8	5,459			4,281	954	22%
94	Huawei	China	Technology	3.1	170,000			62,867	8,155	13%
95	Geely	China	Consumer Goods	0.4	200			25,934	2,411	9%
96	Chint	China	Utilities	0.4	24,898			4,330	3,491	81%
97	Camargo Correa	Brazil	Industrials	2.1	61,000			-286	-291	102%
98	Galanz	China	Consumer Goods	0						
99	Mabe	Mexico	Consumer goods	2.6						
100	Odebrecht	Brazil	Industrials	3.6						

7.1.3. Appendix 3: Interview

Interview of **Claudia Sanen**, consultant for the TI's Business Integrity Program in Brazil (BICA), previously coordinating TI's Brazil's Transparency in Corporate Reporting Report (TRAC)

Interviewer: Clara Giraldou

Date: 03/04/2017

Type: skype interview

1. Why did Transparency International choose to measure transparency on firms' structure and operations as well as anti-corruption programs, instead of directly assessing corruption's level within firms?

First, it is way too difficult to directly assess corruption, to get companies on board to help us collect data as regards corruption within their entity.

Further, we were aiming at building an international tool usable across boundaries and targeting especially large multinational companies and corruption depends a lot on the national context, on national laws, whereas transparency is universal. It makes it much easier to target multinational companies, whether you have access or not to information on their website.

2. According to you, what is the end goal of TRAC?

The overall objective is to promote and raise awareness as regards anti-bribery practice and transparency among companies, be it within the companies directly involved in the assessment or within the business environment as a whole and within the civil society. It also helps us to identify resistance or acceptance from firms regarding some disclosure practices to adapt our strategy.

More concretely, transparency on anti-corruption programs enhances engagement, commitment on a public level, which are followed by actions. When you commit publicly, you have to keep your promises.

Transparency International also communicates a lot with companies. The objective is to make them more and more transparent by making them *understand* the importance of sharing information online so that they are available for everybody to deep dive into it.

As regards the usual process, once the first research has been conducted, each company is provided with feedbacks, we share with them data collected about them, then they are *given the opportunity* to react to it, make some changes and *adjust the data available* on their website. This is a crucial point. Here comes change. For most of the companies, it turns out to a greater disclosure of public information. Companies usually update some policies or documents, make some documents or policies previously available for a small amount of people available publicly.

Engaging with the company is essential, especially for the country-by-country reporting part as we need to explain firms what it is essential to make more information public.

Throughout the process, companies gain a better understanding of the reasons lying behind transparency requirements and the steps towards it and they often adjust their practices.

Beyond the adjustments made during the process, some improvements come after the publication of the book, as each one of the companies get individual recommendations to help them enhance their corporate reporting.

3. How do companies respond to their ranking? Do they use it?

Companies' reaction and use of their TRAC ranking depends a lot on the country. In Brazil for instance, companies do use it a lot, there is a high interest about this ranking.

Companies ranking well do not hesitate to communicate about it, such as Bharti Airtel did after ranking first in the 2016 emerging markets multinationals report.

Companies which do not get a great ranking are concerned about it. Companies are worried about their reputation and the ranking they get from TI. They are building upon their grade to rank better in the following report. The upwards trend from the 2009 TRAC report to the 2012 TRAC report for example (based on the 97 companies in common and the part in common, which is anti-corruption programs) acknowledges it.

4. Have you conducted some quantitative study to assess the impact of TRAC? Do you think it is effective? Can you prove it quantitatively?

We have not conducted any so far as they are so many different variables, resulting in an impossibility to quantitatively measure the impact of this tool.

Nonetheless, we had raised awareness and enthusiasm about corporate reporting and some companies have asked us to be part of the project, asking why they had not been assessed. Companies are even asking us about how do get prepared and adjusting their practices consequently.

We see the difference from one report to another, companies have been adjusting their practices to better combat corruption to get a better ranking. More and more companies have been prohibiting facilitation payments for example (21 companies in the 2012 report vs 45 in the 2014 report).

Apart from the direct impacts we have within the companies involved in the index, I believe that we are having an impact on the whole community by setting new global standards on corporate reporting. A lot of organizations refer to our report to build upon our assessment tool to better tackle this issue. I believe that we are contributing to the whole debate about transparency and even influencing legislation by coming out with loopholes in the law.

5. Do you think the methodology can be applied to all firms?

Yes, the methodology can definitely been applied to all firms, except really small companies. The main advantage of the TRAC tool is that it is simple, easy to explain and can be applied by everybody.

7.1.4. Appendix: TRAC's questionnaire

I. REPORTING ON ANTI-CORRUPTION PROGRAMMES

1. Does the company have a publicly stated commitment to anti-corruption?
2. Does the company publicly commit to be in compliance with all relevant laws, including anti-corruption laws?
3. Does the company leadership (senior member of management or board) demonstrate support for anti-corruption?
4. Does the company's code of conduct/anti-corruption policy explicitly apply to all employees and directors?
5. Does the company's anti-corruption policy explicitly apply to persons who are not employees but are authorised to act on behalf of the company or represent it (for example: agents, advisors, representatives or intermediaries)?
6. Does the company's anti-corruption programme apply to non-controlled persons or entities that provide goods or services under contract (for example:contractors, subcontractors, suppliers)?
7. Does the company have in place an anti-corruption training programme for its employees and directors?
8. Does the company have a policy on gifts, hospitality and expenses?
9. Is there a policy that explicitly prohibits facilitation payments?
10. Does the programme enable employees and others to raise concerns and report violations (of the programme) without risk of reprisal?
11. Does the company provide a channel through which employees can report suspected breaches of anti-corruption policies, and does the channel allow for confidential and/or anonymous reporting (whistleblowing)?
12. Does the company carry out regular monitoring of its anti-corruption programme to review the programme's suitability, adequacy and effectiveness, and implement improvements as appropriate?
13. Does the company have a policy on political contributions that either prohibits such contributions or, if it does not, requires such contributions to be publicly disclosed?

ORGANISATIONAL TRANSPARENCY

14. Does the company disclose all of its fully consolidated subsidiaries?
15. Does the company disclose percentages owned in each of its fully consolidated subsidiaries?
16. Does the company disclose countries of incorporation for each of its fully consolidated subsidiaries?
17. Does the company disclose countries of operations for each of its fully consolidated subsidiaries?

18. Does the company disclose all of its non-fully consolidated holdings (associates, joint-ventures)?
19. Does the company disclose percentages owned in each of its non-fully consolidated holdings?
20. Does the company disclose countries of incorporation for each of its non-fully consolidated holdings?
21. Does the company disclose countries of operations for each of its non-fully consolidated holdings?

COUNTRY-BY-COUNTRY REPORTING

22. Does the company disclose its revenues/sales in country X?
23. Does the company disclose its capital expenditure in country X?
24. Does the company disclose its pre-tax income in country X?
25. Does the company disclose its income tax in country X?
26. Does the company disclose its community contribution in country X?