

Ethical behaviour of firms and corruption – a cluster analysis

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Corporate ethics and low corruption in the public sector are crucial to business development in an increasingly global world. Business organisations cannot disregard business ethics in order to increase performance in a society where clients are more demanding of the reputation and transparency of organisations. But business ethical behaviour is also very related with the political structures. Countries with better governance, where authority is exercised for the common good, the agents have confidence and respect the rules of the society, the government implement sound policies and regulations that allows the development of the private sector, that have high levels of public services' quality, that are politically stable, promote political, civil and human rights, and are less corrupt create a sound business environment propitiator of higher standards of corporate ethics. When the public sector is corrupt there is little incentive to maintain high standards of business ethics.

In this context the purpose of this paper is to analyse the ethical behaviour of firms and corruption in the public sector, to group countries according to these indicators and to investigate the characteristics of these clusters. A hierarchical followed by a K-means cluster analysis were performed to group 127 countries according to the levels of corporate ethics and the perceptions of corruption in the public sector. The results led to three significantly different clusters. The first one is formed by countries with high levels of corporate ethics and low corruption and is composed only by countries with high-income. Another one includes countries with medium levels of corruption and corporate ethics, and finally a group of countries with low levels of ethics in enterprises and high levels of corruption in the public sector.

Through non-parametric and post-hoc tests the results also suggest significant differences between the clusters in several economic, political, institutional, and development indicators. Countries with high levels of corporate ethics and low corruption have more economic freedom, wealth, high levels of human capital and human development. They also have better public governance, higher e-government development, e-government participation and higher corporate accountability, resulting from the strength of auditing and reporting standards, the efficacy of corporate boards, the protection of minority shareholders' interests and the strength of investor protection. When the internet penetration rate is high the easiness of disclosure of corruption cases and non-ethical behaviours is much higher, since it provides speedy means of sharing information with low costs and increases the risk of detection, and in the sample higher levels of corporate ethics and lower perception of corruption are observed in countries with high percentage of individuals using internet. Nevertheless, it was found no statistically significant differences between the three clusters according to the percentage of firms that have female top managers.

The results of this investigation imply that business organisations behave more ethically and there is less corruption in the public sector in economically free societies, where individuals control their own labour and property; in economies that invest in education, experience and abilities of individuals, improving the worker productivity and the wealth of societies; in economies that ensure human development for everyone; in high-digitalization countries; and with better governance. Improving these indicators potentially lead to high standards of ethics which could improve also competitiveness.

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