



## Culture and Corruption: An Explanation of the differences between Scandinavia and Africa

Erin McLaughlin, PhD  
Business Department  
Cabrini College  
610 King of Prussia Road  
Radnor, PA 19087

**Abstract:** *Corruption has been the cause of the failure of many countries. Part of any international business strategy is understanding the levels of corruption that exist within a country. This paper examines the issues of corruption in some of the least corrupt countries in the world and in some of the most corrupt countries in the world. The paper looks at the role of culture in determining how much corruption a country is expected to have. This paper will show that cultural variables like power distance and masculinity play a role in determining the level of corruption and how these cultural variables can help shape a country.*

**Keywords:** *Culture, Corruption, Scandinavia, Africa, Hofstede*

### I. Introduction

Part of any international business strategy is having an understanding of the corruption levels that exist within a country. Scandinavia (Denmark, Iceland, Finland, Sweden, and Norway) have some of the lowest perceived corruption levels in the world while East, West, and Southern Africa have the highest. Why is this? What is it that makes these two regions so different? This paper will address some of the cultural issues (masculinity and power distance) that could contribute to the corruption levels in these two regions to be so diametrically opposed. This paper will show that as the masculinity index within a country increases so does the corruption index. In addition, the paper will also show that as the power distance increases, corruption will also increase. Finally, the paper will look at the moderating effect that power distance has on the relationship between masculinity and corruption. These are important issues to address so that businesses will have a better understanding of the timing to enter and invest in countries that traditionally have had poor scores on corruption but may change based on the changing cultural variables.

### II. Defining Corruption

Corruption is a problem that exists all over the world. No country is immune from its consequences. Corruption occurs in all countries, regardless of whether they are rich or poor, dictatorships or democracies, socialist or capitalists [9]. Governments have fallen because of accusations of corruption [14]. Prominent politicians have lost their official positions due to corruption. For example, current Italian Prime Minister, Silvio Berlusconi, is on trial at the minute for allegations that he paid to have sex with a minor. And former Egyptian President, Hosni Mubarek, has been charged with conspiring to kill unarmed protesters during Egypt's antigovernment protests this year and for receiving kickbacks from a deal to sell natural gas to Israel (Economist, 2011). Reference [1] shows that corruption breeds corruption and the longer it persists the more endemic it becomes. When we think about corruption, we must be sure to think about areas of our government structure that operate inefficiently. This means that corporations that are able to circumvent the law by legal means would be considered corrupt by way of bureaucratic inefficiency. Reference [12] defined corruption as an all-inclusive variable comprising of bribes, bureaucratic inefficiency, extortion, and embezzlement. Therefore, in this paper, corruption will be defined in the same way.

### III. Defining the Cultural Dimensions

#### A. Masculinity

Geert Hofstede's Masculinity cultural dimension refers to the distribution of roles between the genders [8]. Hofstede discovered in his IBM study that men's values contain a dimension from very assertive and competitive while women's values were found to be modest and caring [8]. The assertive role has been called "masculine" and the modest, caring role, 'feminine'. The women in feminine countries have the same modest,

caring values as the men; in the masculine countries, the women have somewhat assertive and competitive values [8]. Reference [11] argues that in masculine cultures, the dominant values are achievement and success. The dominant values, he says, in feminine cultures are caring for others and quality of life.

#### **B. Power Distance**

Geert Hofstede's Power Distance cultural dimension refers to the extent to which the less powerful members of organizations and institutions accept and expect that power is distributed unequally [8]. Hofstede states that this suggests that a society's level of inequality is endorsed by the followers as much as by the leaders [8]. Power Distance reflects the relationship between those who have the power and those who do not [13]. Reference [6] argues that high power distance cultures emphasize paternalistic behavior while low power distance cultures favor the use of legitimate rather than coercive power.

#### **C. Cultural Dimensions in Scandinavia**

Scandinavia represents the richest countries in the world not by natural resource standards but by gross domestic product per capita (GDP). Why is this? What do they have in common that can explain their wealth? Just as Scandinavia tops the list as being the most prosperous in the world, they also top the list in being the least corrupt. Again, the question one must ask is why is this? It is my contention that Scandinavia's feminine culture can explain a lot about why it is so prosperous and the least corrupt region in the world. Reference [6] says that countries with a very low masculinity index score put relationships with people before money, "minding the quality of life and the preservation of the environment". This type of thinking is not conducive to corruption where there is a high level of importance placed on wealth and the accumulation of wealth. The Scandinavian region exhibits both a low masculinity and power distance index score. This is referenced in throughout their society where there is a significant egalitarian emphasis throughout. Women hold 50% of the power in government. Women are respected as equals within society. Men and women share the responsibility of the household and children in a more equal way. These are just a few of the examples that would describe a very egalitarian society. Corruption breeds in society where the emphasis is on power, assertiveness, competitiveness and status. In the Scandinavian region, society is more focused on quality of life and caring for the individual and the individual's surroundings. Corruption cannot grow in a society that focuses on these characteristics.

#### **D. Cultural Dimensions in Africa**

Just as it was my contention that Scandinavia's prosperity can be explained by their feminine culture, it is also my contention that Africa's lack of prosperity can also be explained by their culture, their masculine culture that is. Just as Scandinavia tops the list in terms of the richest countries in the world, Africa (or countries in Africa) makes the bottom of the list. Just as Scandinavia tops the list as the least corrupt, Africa makes the bottom of the list. The data in this paper refers to Africa as the countries that make up the East, West and Southern parts of Africa as noted in Table 1. The cultural elements within these countries are marked by high power distance and masculinity levels. The cultural impunity of Africa can be traced to its colonial roots. Reference [11] argues that colonial powers imposed unfavorable terms of trade and strongly skewed economic activities towards extractive industries and exportation of primary goods. He says that these conditions stimulated little demand to improve skills and educational levels of the work force. Though colonial rule was relatively short (60 years) in most African countries, it was very brutal and disruptive of the indigenous institutions [11]. For example, rival ethnic groups were lumped together in the name of the colonial state, which privileged urban over rural areas [11]. Reference [11] argues that the traditional political systems of Africa were most frequently founded on the concept of the family, and their destruction added to the destruction of the whole indigenous system of values. Reference [11] states that parliament is a good example of how this has happened. He says that in Britain, parliament is an important tool for governance, where elected officials decide on important issues without intimidation. The colonial legislature, however, did not represent the people. It was a tool for colonial leaders to manipulate to achieve their objectives. He says that in Africa, the legislature was never designed, neither has it been allowed to play, the kind of role that similar institutions have and still play in other political systems. The postcolonial state inherited the mistrust, fear, and hate that the majority of the people felt toward the colonial state except for those who benefited directly from the new state [11]. Citizens were further marginalized from the institutions of power. The state became the major source of wealth and therefore the most sought after office [11]. Reference [11] says that in some rural areas, the villagers could not tell the difference between the new African leaders and colonial ones. In terms of the masculinity index in Africa, particularly in sub-Saharan Africa, the oppression and marginalization of women lead not only to tragic human suffering but also to lost economic potential and greater instability and violence [2]. Across Africa, the use of mass rape as an instrument of war has jumped from one conflict to another [2]. In Rwanda, the 1994 genocide killed off a disproportionate number of men, leaving the population 70% percent female [2]. Rwanda's president, Paul Kagame, understood how important the role of women would be in getting the country back on its feet [2]. He appointed 30% of the parliamentary seats to women as well as appointing them

to many high-level posts [2]. Reference [2] says that today, Rwanda is one of the least corrupt, fastest growing, and best governed countries in Africa. Several studies have shown that as the proportion of female representatives in a country's parliament rises, corruption falls [2]. Much of the credit for Rwanda's success lies with Kagame's own role as a benevolent dictator, which allows him to tightly manage much of the country's economic and political life [2]. If Rwanda is able to maintain its upward movement after Kagame's rule, then Rwanda's political and economic dynamic could serve as a model for the many countries across the continent that are struggling with chronic corruption [2].

**Table 1 – Listing of Scandinavian and African Countries**

<u>Scandinavian Countries</u>			
Denmark		Norway	
Sweden		Finland	
Iceland			
<u>African Countries</u>			
Algeria	Egypt	Madagascar (1)	Senegal (3)
Angola (1)	Equatorial Guinea	Malawi (1)	Seychelles (1)
Benin (3)	Eritrea (2)	Mali (3)	Sierra Leone (3)
Botswana (1)	Ethiopia (2)	Mauritania (3)	Somalia (2)
Burkina Faso (3)	Gabon	Mauritius (1)	South Africa (1)
Burundi (2)	Gambia (3)	Morocco	Sudan (2)
Cameroon	Ghana (3)	Mozambique (1)	Swaziland (1)
Cape Verde (3)	Guinea (3)	Namibia (1)	Tanzania (2)
Central African Republic	Guinea-Bissau (3)	Niger (3)	Togo (3)
Comoros (1)	Kenya (2)	Nigeria (3)	Tunisia
Ivory Coast (3)	Lesotho (1)	Republic of the Congo	Uganda (2)
Democratic Republic of Congo (1)	Liberia (3)	Rwanda (2)	Zambia (1)
Djibouti (2)	Libya	Sao Tome	Zimbabwe (1)
1. Southern Africa			
2. East Africa			
3. West Africa			

#### IV. Research on Corruption

##### A. *Masculinity and Corruption*

There have been a number of studies that have looked at the issue of masculinity on culture. Reference [4] found a positive relationship between masculinity and corruption using Hofstede's framework. In addition, Reference [13] also found a positive relationship between masculinity and corruption. However, instead of using Hofstede's framework, they chose the GLOBE project as their source for data acquisition. The idea behind the positive relationship between masculinity and corruption is clear; the masculine values of assertiveness, aggressiveness, and materialism tend to associate with a higher degree of corruption than do feminine values of caring [12]. In masculine cultures, performance and achievement are important [11]. Status is important to show success [11]. If individuals are less concerned about status and more concerned about quality of life and working only to enjoy a better quality of life, then corruption is not going to play a significant role within society. Feminine cultures emphasize people. Status is not important [11]. Again, corruption stems from greed, power, and privilege. Individuals engaged in corrupt acts are seeking power and/or wealth. In feminine cultures where this is not important, corruption levels will be smaller.

##### B. *Power Distance and Corruption*

Reference [3] found that in a low power distance society, superiors and subordinates regard themselves as equal in power and titles and status are less important which leads to harmony and cooperation [3]. In addition, they

found a positive and significant correlation between Hofstede's power distance and corruption. Because subordinates can dispute the leader's actions, it is argued that there is potentially less corruption. Reference [13] argue that countries with a high power distance are more likely to accept a lack of equality regarding power and authority; therefore, they say, their individuals are more likely to have corrupt values and to accept corrupt practices. In addition, because of the lack of equality, superiors are better able to conceal their transactions as they are not required to make their transactions transparent.

## V. Methodology

### A. Measurement of Corruption

The data for the measurement of dependent variable, corruption, was taken from Transparency International [15] which publishes the Corruption Perception Index (CPI) scores for 178 countries. The CPI ranks countries according to the perception of corruption in the public sector [15]. Transparency International ranks each country on a scale from 0 to 10 with 0 being the most corrupt and 10 being the least corrupt. In order to make these values more intuitive, the scores were inverted by subtracting each country's score from 10. This made 10 the most corrupt country and a score of 0 the least corrupt [12]. The 2010 CPI draws on different assessments and business opinion surveys carried out by independent and reputable institutions [15]. The 2010 results are drawn from 13 surveys and assessments published between January 2009 and September 2010. These surveys differ with respect to respondents and items used, but are strongly correlated [12].

### B. Measurement of Cultural Dimensions

The independent variable is Masculinity and the moderating variable is Power Distance. Both the Masculinity and the Power Distance cultural dimensions were based on [6] cultural dimensions scores from earlier studies that he performed beginning in 1967 [8]. Hofstede analyzed a large database of employee values scores collected by IBM employees covering more than 70 countries [8]. Hofstede created an index score for each of the dimensions that ranged from 0 to 100 and scored high for high power distance and high masculinity [5]. Hofstede's measures have been widely criticized [17] while other studies [12] have upheld the value of his measures. In addition, Hofstede himself claims that commercial airline pilots and students in 23 countries, civil service managers in 14 countries, and up-market consumers in 15 countries have all validated his results [8].

### C. Hypotheses

A positive relationship between masculinity and corruption has been established [12]. The focus of this relationship is that the masculine values of assertiveness and aggressiveness will increase the amount of corruption in the country. The idea here is to show that women and men within a country share similar values whether there is a high or low masculinity index. So, if the masculinity index within a country is high, both the men and women will have similar aggressive, assertive, and materialistic values. In masculine cultures, actions tend to be biased toward acquisition, even when the actions involve corruption [12]. Therefore, hypothesis 1 states:

*Hypothesis 1: An increase in the masculinity index increases corruption.*

A positive relationship between power distance and corruption has been established by [3]. The focus of this relationship is that in a low power distance country, individuals work together in a more cooperative fashion. They listen to one another and work together in a more harmonious way. Individuals are not concerned with status; both superiors and subordinates consider themselves to be equal in power. Subordinates feel like they can dispute their leader's actions without any retribution. This atmosphere allows for lower corruption because they are less likely to have corrupt values. Therefore, hypothesis 2 states:

*Hypothesis 2: An increase in the power distance index, increases corruption.*

The relationship between masculinity and corruption strengthens when power distance is low. This is because individuals in a society that are more caring and considerate of others, foster an environment where they seek a more equal power sharing structure. All voices in society matter in this type of structure. Therefore, hypothesis 3 states:

*Hypothesis 3: The level of the power distance index of a country positively moderates the impact between masculinity and corruption.*

## VI. Results

### A. Descriptive Statistics

Descriptive statistics for all variables are presented in Table 2. These statistics show the average and variation in each variable. Corruption is seen to have much more variation, as measured by the coefficient of variation than power distance or masculinity. All three variables in this study represent ordinal level variables using a scale from 0 to 10 for corruption and 0 to 100 for both power distance and masculinity.

**Table 2 – Descriptive Statistics Summary**

Variable	Obs	Mean	Std. Dev.	Coef Var.	Min	Max
CPI	45	3.50889	2.027854	.57	1.1	9.3
PDI	45	60.4444	15.64166	.25	18	77
MAS	45	47.68889	14.20759	.30	5	63

**B. Analysis of Correlations**

Tests of correlation below in Table 3 for all variables show that there is a high degree of correlation between corruption and power distance and masculinity. In addition, the test reveals that there a low degree of correlation between power distance and masculinity which supports the proposition that multicollinearity does not exist in the data.

**Table 3 – Correlation Matrix**

	CPI	PDI	MAS
CPI	1.0000		
PDI	.6604	1.0000	
MAS	.5335	.1076	1.0000

**C. Test of Hypothesis**

**Hypothesis 1:**

Formal testing of hypothesis 1 was performed using standard t-tests on the respective slopes of the regression model estimated for equation 1.

**Equation 1**

$$CPI = \alpha + \beta_1 MAS + \beta_2 PDI$$

CPI= Corruption Index

MAS = Masculinity Index

PDI = Power Distance Index

Results from the analysis of Equation 1 are shown in Table 4. The coefficient on Masculinity is also significant and has the correct sign. This indicates that a 10% increase in the masculinity index is equal to a 7% increase in the corruption index. This indicates that an increase in the masculinity index increase corruption which supports the first hypothesis of this paper.

**Table 4 – Estimates of Equation 1**

From Equation 1: Dependent Variable = CPI			
Independent Variables	Coefficient		Sample Size = 45 Adj R- Squared = .63 F Statistic= 39.42***
Masculinity Index (MAS)	.06677	***	
	(.0000)		
Power Distance (PDI)	.0790	***	
	(.0000)		
*90 % Significance **95% Significance ***99% Significance			

**Hypothesis 2**

Formal testing of hypothesis 2 was performed using standard t-tests on the respective slopes of the regression model estimated for equation 1. Results from the analysis of Equation 1 are shown in Table 4. The coefficient of power distance is significant and shows that for each additional 10% increase in the index associated with power distance, one can expect an 8% increase in the corruption index. This indicates that an increase in the power distance index increase corruption which supports the second hypothesis of this paper.

**Hypothesis 3**

Hypothesis 3 predicts that the relationship between the masculinity index and corruption is strengthened when power distance is strong. Effectively, this hypothesis is testing the moderating effect of power distance against the relationship between masculinity and corruption. This hypothesis will be tested using the following Equation 2:

**Equation 2**

$$CPI = \alpha + \beta_1MAS + \beta_2PDI + \beta_3MAS*PDI$$

Table 5 shows the results of the moderating effects of power distance for masculinity and corruption. The significance of the coefficient of the interaction between masculinity and power distance in Table 5 leads to a rejection of Hypothesis 3. However, the sign of the coefficient is negative which suggests that as power distance increases, the relationship between masculinity and corruption decreases. The Adjusted R<sup>2</sup> of .70 represents a strong relationship among the variables represented in Hypothesis 3. However, since the direction of the sign differs from the stated hypothesis, Hypothesis 3 cannot be supported.

**Table 5 – Estimates of Equation 2**

From Equation 2: Dependent Variable = CPI			
			Sample Size = 45 Adj R- Squared = .70 F Statistic= 36.43***
Independent Variables	Coefficient		
Masculinity Index (MAS)	.2960 (.0000)	***	
Power Distance (PDI)	.2997 (.0000)	***	
Moderating Relationship			
Masculinity and Power Distance	-.0057 (.002)	***	

**VII. Discussion**

The purpose of this study was to investigate the relationship between masculinity and corruption particularly when the moderating effect of power distance was present. In particular, this study looked at three research questions with the first being: What is the relationship between masculinity and corruption? This study found empirical support for a relationship between masculinity and corruption. This means that as the masculinity index increases, corruption also increases. This hypothesis leads to the conclusion that the more a country's cultural values surround the idea of assertiveness, competitiveness, etc. (traditional masculine values), the more corrupt the country will be. In addition, this study found a relationship between power distance and corruption. This leads us to believe that as the power distance within a country increases, the corruption will also increase. This means that countries experiencing egalitarian views will be less corrupt than countries that have a significant gap between superiors and subordinates. The third research question addressed in this study was: What impact does power distance have on the relationship between masculinity and corruption? The empirical research shows support for an impact of power distance on the relationship between masculinity and corruption. However, the data revealed that the relationship between masculinity and corruption weakened when power distance was high. Because the coefficient signified the wrong direction, support for the hypothesis was not possible.

**A. Practical Implications of Research for Practitioners**

A number of practical implications for practitioners are plausible based on the findings in this research. As corruption begins to be referenced in daily media sources from around the world, individuals become more accustomed to the issues surrounding corruption and how to combat it. Cases like Enron and Worldcom will

continue to attract attention from scholars and practitioners alike; however, less widespread are the cases that hit the newswire everyday that affect business and practices for the future like the recent conspiracy and securities charges of Raj Rajaratnam or the Bernie Madoffponzi scheme. However, the cases of corruption appear to be occurring more frequently and on a larger scale. If a manager from a multinational firm is considering investment in a particular country, it would be wise for that manager to be aware that increases in the masculinity index and the power distance index increase corruption so that procedures can be put in place to deal with the issues that arise. At the same time, as nations begin to change culturally and experience less power distance and masculinity, it may be a good time to enter with investment into a particular country. For example, as a country like Rwanda begins to experience reduced power distance and become more egalitarian, this may signal to international businesses that the entry point into the country is appropriate and businesses may have a first mover advantage to entering a country that is on the cusp of cultural change.

### **B. Practical Implications of Research for Governments**

With an understanding that increases in masculinity and power distance indices increase corruption, both institutions as well as governments can be more aware of potential changes in corruption levels based on the changing cultural variables within a particular country. Governments that are interested in combating corruption can use this research to better understand the relationship between culture and corruption. They will be better able to issue policy to create more transparency within the framework of investment to reduce potential abuses. If governments have an understanding that higher power distance increases corruption, they could create policy that ensures that any investment made in that particular country is more transparent. By doing this, they country will benefit as a whole and the issues concerning wealth, inequality, and poverty will be diminished [10]. Reducing the power distance and masculinity indices within a country will not only lessen corruption, but could also raise incomes of the individuals living in those countries. This is important because if the reduced power distance and masculinity is able to increase the transparency of the investment, everyone would have the same opportunity to partake in the benefit of the investment. This does not mean that everyone would be successful with that opportunity, but it does mean that everyone would have the same opportunity available to them [10]. With this increase in transparency and thus opportunity, countries would see a decrease in the gap between the rich and the poor.

## **VIII. References**

- [1] Ali, a. &Isse, H. S. (2003). Determinants of economic corruption: a cross-country comparison [Electronic Version], *Cato Journal*, 22, (3), 449-467.
- [2] Coleman, I. (2010). The better Half [Electronic version], *Foreign Affairs*, 89, (1), 126-131.
- [3] Davis, J. &Rhue, J. (2003). Perceptions of country corruption: Antecedents and outcomes [Electronic version]. *Journal of Business Ethics*, 43, (4), 275-288
- [4] Getz, K. A. &Volkema, R. J. (2001). Culture, perceived corruption, and economics [Electronic version].*Business and Society*, 40, (1), 7-31.
- [5] Hill, C. (2009). International Business: Competing in the global marketplace. 7<sup>th</sup> edition, The McGraw-Hill companies, New York.
- [6] Hofstede, G. (1997). Cultures and Organizations: Software of the Mind. McGraw-Hill, New York.
- [7] Hofstede, G. (2001). Cultures and Organizations: Software of the Mind. McGraw-Hill, New York.
- [8] ITIM International retrieved on May 24, 2011 from <http://www.geert-hofstede.com/>
- [9] Lui, F. T. (1996). Three aspects of corruption [Electronic version].*Contemporary Economic Policy*, 14, (3), 26-29.
- [10] McLaughlin, E. (2009). The impact of FDI on Corruption: A cross-sectional, time series analysis. Dissertation, Touro University.
- [11] Mooij, M. (2000). The future is predictable for international marketers converging incomes lead to diverging consumer behavior. *International Marketing Review*, 17, (2), 103.
- [12] Robertson, C. J. & Watson, A. (2004). Corruption and change: The impact of foreign direct investment [Electronic version]. *Strategic Management Journal*, 25, (4) 385-401.
- [13] Seleim, A. &Bontis, N. (2009). The relationship between culture and corruption: a cross-national study. *Journal of Intellectual Capital*, 10, (1), 166-184.
- [14] Tanzi, V. (1998). Corruption around the world: Causes, consequences, scope, and cures [Electronic version]. International Monetary Fund Staff Papers – International Monetary Fund, 45, (4), 559-595.
- [15] Transparency International – the coalition against corruption retrieved on May 20, 2011 from <http://transparency.org>.
- [16] The Economist (2011) “Egypt’s revolution: Do not pass go”. Retrieved on May 26, 2011 from [http://www.economist.com/blogs/newsbook/2011/05/egypts\\_revolution](http://www.economist.com/blogs/newsbook/2011/05/egypts_revolution)
- [17] Venaik, S. & Brewer, P. (2008). Contradictions in national culture: Hofstede versus GLOBE [Electronic version]. Paper presented at the 2008 Academy of International Business Conference, Track 8.