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BRIBERY: HINDERING OR FACILITATING NEW PRODUCT INTRODUCTION? (INTERACTIVE PAPER)

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ENVIRONMENT

INTERACTIVE PAPER

BRIBERY: HINDERING OR FACILITATING NEW PRODUCT INTRODUCTION?

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Principal Topic

Environmental influences on the introduction of new products are a central theme in entrepreneurship and organizational theory. However, because emerging economies can breed corruption, the conventional assumptions and consequences of how and when entrepreneurs introduce new products to the market may not hold in these environments. For example, the strength of legal and regulatory institutions may determine the cost of doing business, and resultant action by entrepreneurs. Using variance by city, we examine bribery in emerging economies, suggesting that bribery has a significant multilevel relationship with entrepreneurial firms’ propensity to introduce new products (Martin et al., 2007). Central to our inquiry is the investigation of why, given varying levels of corruption between cities, does bribery pay off for firms in some institutional environments but not in others? Hence, this study takes an important step in identifying causal explanations about how bribery may facilitate or hinder new product introductions amid varying levels of institutional environments.

Method

The empirical part of the paper utilizes panel data from the World Bank Enterprise Surveys drawn from a stratified survey of entrepreneurial firms in China. The database covers 25 cities across China and contains 982 usable surveys. Analysis was conducted using a combination of logistic, moderating, and multilevel logistic models. Further, we control for a number of new product introduction predictors in order to isolate our variables of interest. The data analysis includes direct tests between bribery and new product introductions, as well as models that test the moderating and mixed multilevel effects of varying levels of corruption across focal cities in the study.

Results and Implications

Using a logistic regression model, we find that bribery has an overall direct curvilinear relationship (inverted-U shape) with new product introduction. Moderating this relationship, we also find that corruption negatively moderates the bribery to new product introduction relationship. Lastly, we employed a multi-level logistic model and found that the bribery to new product introduction relationship varies across cities, depending on corruption levels in a given city where the entrepreneurial firm is conducting business.

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