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IS CORRUPTION A BARRIER TO FIRM INNOVATIVENESS? A CROSS-NATIONAL COMPARISON OF EMERGING AND MATURE MARKET ECONOMIES (SUMMARY)

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IS CORRUPTION A BARRIER TO FIRM INNOVATIVENESS?  
A CROSS-NATIONAL COMPARISON OF EMERGING AND MATURE MARKET ECONOMIES

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Introduction and Research Questions

With the majority of prior research focusing on the macro-level consequences of corruption, little has been analyzed about the effect of corruption on organizational innovativeness. Our study’s main research questions are as follows: First, does corruption influence an organizational ability to develop and introduce innovations? If so, what are the mechanisms which underlie the relationship between corruption and organizational innovativeness? Second, do different types of corruption have different effects on innovation? For example, do the spread of corruption as well as its predictability have an effect on organizational innovativeness? Third, what is the extent to which international differences in organizational innovativeness can be attributed to differences in the spread and predictability of corruption?

We utilize two theoretical contributions from corruption research - corruption as “grease-the-wheels” mechanism for the economy (e.g. Leff, 1964; Leys, 1965; Huntington, 1968; Lui, 1985; Lien, 1986) and corruption as “sand-the-wheels” mechanism for the economy (e.g. Kurer, 1993; Shleifer & Vishny, 1993; Rose-Ackerman, 1997; Tanzi, 1998; Kaufman & Wei, 1999) for studying effects of corruption on organizational innovation.

Data and Methods

Our main data is the World Bank’s “Productivity and the Investment Climate: Private Enterprise Survey” (2005-2007). Our sample consists of 29,000 firms from 45 developing and developed countries. We employ hierarchical linear models (Raudenbush & Bryk, 1992) to analyze organizational- and country-level determinants of firm innovativeness. Furthermore, we utilize Oaxaca (1973) and Blinder (1973) decomposition technique for explaining the extent to which international differences in organizational innovativeness can be attributed to international differences in the spread and predictability of corruption.

Contributions

The main contribution of this study is that it analyzes international differences in organizational innovativeness, by focusing on the role of corruption and country’s institutional set-up. This will benefit both prior research and also business and policy-makers in helping them better understand what makes an institutional environment conducive for innovation and growth.

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