

# Corruption, Performance and Participation\*

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## Abstract

*Fighting corruption is not a goal; it is a mean to reach the real goal that is devolving all public resources to create public value. In Italy, ANAC (the Authority in charge of fighting corruption) define corruption as “maladministration due to private use of public functions”. This is the first reason why counteract corruption means talking about performance. Literature suggests that we should consider two other reasons: many researches show that low levels of performance can incentive corruption and more recently some findings demonstrate that corruption can also be a form of resistance.*

**Keywords:** Corruption; Participation; Performance; Public Value; Transparency; Global Markets

## 1. Performance and Corruption

It is widely known that corruption is positively related with Country poverty and level of welfare (Svensson 2005). It happens because when public resources are not enough to meet everybody's needs, it groves the interest in getting a better level of service. In an interesting research on the regulation of entry of start-up firms in 75 countries, Djankov et al. (2002) demonstrate that countries with heavier regulation of entry have higher corruption and larger unofficial economies, but not better quality of public or private goods. It probably happens for two reasons.

On one side, a heavier regulation means more controls and, supposedly, more public official involved in the process and this rise the chance that at least one of the officer is corrupted. But the other reason open to a deeper comprehension of the phenomenon: a heavier regulation means longer processes. As entrepreneurs immobilize money waiting for start-up authorization, and as money costs, the longer is the time to obtain the license, the higher is the interest in reducing the cost for entrepreneurs, that result in larger convenience in bribing. A part from moral issue, entrepreneurs would have a financial advantage paying a bribe that match this formula:

$$b < c \times d - s \times p(s)$$

b = value of bribe; c = cost of money; d = days of authorization process;  
s = sanction; p(s) = probability that a sanction is inflict

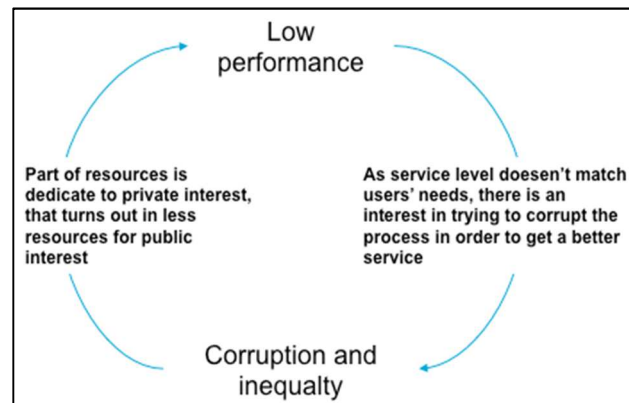
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The point is that if authorization process is too long, it imposes a hidden (meaning not usually considered by bureaucracy) cost that the entrepreneur could be hardly sustain.

**Figure 1:** *Performance, Corruption and Inequality*



This consideration drives us into our daily life: whenever level of service is too far from the needs, potentially corruption can grow. Let's think about waiting list in a hospital: imagine that someone needs to reserve a RMN in order to confirm or exclude a suspected cancer and that the waiting list is 10 months. It takes clearly too long. As he knows a physician who works in the hospital, he activates the relationship in order to shorten the waiting list, and he obtains an appointment 15 days later. Form the individual point of view the problem is solved, and the performance matches needs (or is even better). But at system level, this means that someone who doesn't knows anybody in the hospital will wait 10 months plus the time of one RMN. If many people have access to shortened waiting list, this could results in 11 months or more of waiting list for people who don't have this opportunity.

Therefore: **the lower the level of performance, the higher the interest in corrupting the process.**

If the system reacts accepting corruption proposal, then public resources really available for public interest lower and this in turn come out in a vicious circle that makes performance even lower. Moreover, between the various side effects of corruption at a country level, we have to recall that corruption tends to reduce foreign investments (Doh et al., 2003) and that foreign companies tend to invest more in countries whose level of corruption is similar to home country ones (Rabbiosi & Santangelo, 2014). Hence, a corrupted country will attract few foreign investments and those few will come mainly form corrupted companies, who will further reduce resources available to meet public needs. All the above considerations suggest that, in order to estimate the probability of corruption, we have to match needs and performance: when performance match needs, the risk is low; the risk grows as performance gets far form meeting expectations.

That means that preventing corruption requests those information:

- community needs,
- level of service,

- gap between community needs and level of service.

At first it could appear easy, but when it turns to practice, we have to face some issues because which public performance is relevant and what does it mean to produce public value is strongly community-related.

Moreover community are not monolithic, hence not only different communities express different needs, but also within a single community we can have different needs, sometime conflicting.

How can we find out all those needs?

And if two or more needs are conflicting, or there are not enough resources to fulfill them all, who will decide the priority?

How prioritize preserving equity?

Sometimes people claims are “needs”; in other case they are “desire”: who and how can draw the line?

In answering all those questions it could be useful referring to public value theory.

## **2. Public Value**

The first attempt to measure Public Value was made by Mark Moore in 1994. Moore identifies four possible factors that may coincide with Public Value: the implementation of the political mandates, the achievement of technical standards, the results of customer satisfaction surveys and the results of economic and engineering analyzes.

### **2.1. Public Value as the Achievement of Political Mandates**

The first hypothesis makes Public Value coincide with the implementation of political mandates. The basis of this position is the consideration that the community has elected candidates who have been able to better represent the needs of the community in their political program, giving them a priority order consistent with the system of values of public ethics.

The identification of Public Value with the implementation of the mandate program is undoubtedly very impressive, but also some limitations apply:

1. Often the goals contained in the mandate programs are described in too general and ambiguous way to be used as a benchmark for understanding whether and how much Public Value has been generated.

2. Sometimes the criterion guiding the choice of priorities to be included is not deeply connected to Public Value, but rather with demagogic choices that aim to facilitate easy-to-communicate interventions and produce short-term results.

### **2.2 Public Value as the Achievement of Professional Standards**

The second hypothesis comes from thinking about limitations of the first one: only industry experts can identify effective solutions to the problems identified by politicians; therefore, we produce as much public value as we can match the standards developed by the technicians. For example, in hospitals, what is

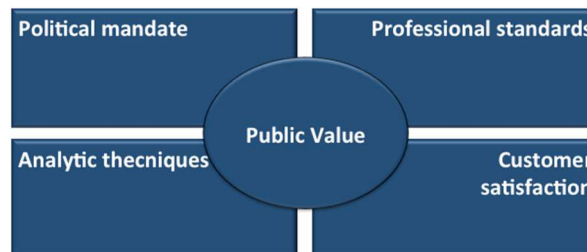
appropriate to do in the presence of a particular pathology is not defined by the Hospital's General Director, but by protocols studied by the best specialists.

Measuring Public Value through indicators and targets chosen by the bureaucracy lead to focus on concrete indicators that can involve long term processes, but risks to be self-referential, since bureaucracies often tend to define what is right or wrong, referring to their knowledge and experience, but rarely involving citizen and final users (“*I’m the expert. I know what is good for you*”).

### 2.3. Public Value as Customer Satisfaction

Consistently with this latter reflection, we could define Public Value as user satisfaction: if it is true that we produce value when we respond to citizens' needs, is there anything better than asking for direct interested what do they think about the services we offered them?

**Figure 2:** *Public Value*



Again, however, the idea, though undoubtedly seductive, has some limitations of application:

1. Customer satisfaction surveys cost.
2. It is not always clear who are the stakeholders to be interviewed: only direct users of the service, or also other people who could be affected by? For example, who should be interviewed with respect to a tourism support policy? Only tourist operators or also people who live in touristic region? And what about environmentalists?
3. There is a further element, perhaps more critical: public administration not only produces ‘public goods’ but also what international literature defines ‘public bads’, that is, all those activities that are essential for the good functioning of the community, but that none would ever want to use: prisons as first, but also hospitals, or simply all sanctioning activity (which, moreover, does not even have the characteristics of ‘service’). It is evident that in these cases customer satisfaction inquiries can provide valuable information related to the quality of the relationship or the ability of the operators to understand the meaning of the action. But cannot be used to understand how Public Value has been generated.

### 2.4. Public Value through Analytic Techniques

The last case, measures Public Value by the cost-effectiveness ratio or the cost-benefit ratio. Undoubtedly, as Moore points out, such calculations are quite complex, also because it is difficult to quantify often the benefit, that can have effects on long time and is not always describable in monetary terms.

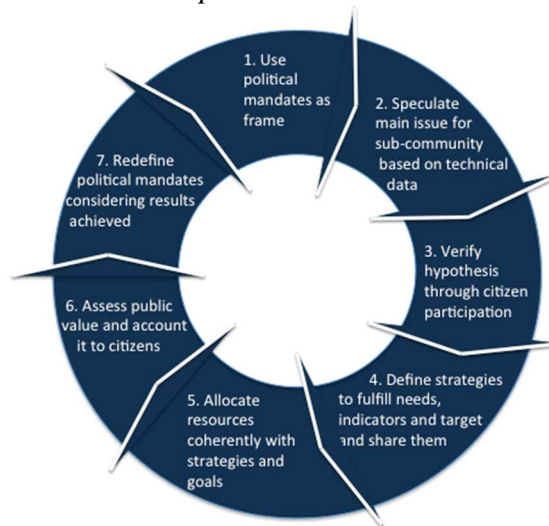
On the other hand, it is intuitive that this is a step that can not be avoided: if I fully realized the mandate program, respected all the technical standards and obtained an excellent rating from the Citizens interviewed, but I generated for the community a benefit of 2 € for a cost of 10 €, can I say I generated value?

## 2.5. Public Value and Corruption

It seems that in order to assess the effective Public Value generated we need to blend all the four ways of measurement proposed.

This process gives also interesting insight on prevention and disclosure of corruption, because helps focusing public interest in attributing resources and gives clear references to assess results and measure costs when services are delivered and solutions implemented.

**Figure 3:** *Public Value and Corruption*



We can thus fight two main shape of corruption:

- The one that uses resources in order to realize products or services that match private interest, more than public interest;
- The one that uses resources to fulfill public concern, but has a poor ratio cost-benefit or cost-effectiveness.

1. The political mandate can give the frame for the definition of main issues and priority of the community as whole.

2. Data collected by technicians and their knowledge on standards, benchmark, problems and solutions can be used to speculate main issues for each sub-community, usually identifiable with homogeneous portion of the region.

3. Those hypotheses can be verified and refined through citizen participation.

4. Once needs are clearly settled, we can define a strategy to fulfill each need, expected results and measurement indicators. Each expected result and measurement indicator will be shared with citizens who will be strongly recommended to monitor them.

5. Resources are allocated coherently with strategies and goals.

6. Public value is assessed and accounted to citizen.

7. Politicians redefine political mandate considering results achieved and the process starts over.

#### **4. Participation and Corruption**

We presented participation as one of the steps of a process that allows focusing on public value counteracting corruption.

But participation has wider and deeper effects in reducing corruption from different and synergic perspective:

As seen, from an organizational point of view, it helps in identifying where to focus resources and in setting indicators and targets, reducing the opportunity of corruption in allocating resources;

Considering the workers' outlook, participation:

- forces more transparency on processes and results, reducing room for opportunistic behavior;
- forces more transparency on the reason why, contributing to the sensemaking process (Weick, 1995).

From the perspective of citizens, participation processes:

- offer a deeper and wider comprehension of others' needs, giving a lens on collectivity that helps grant value to collective needs beside individual ones;
- are an opportunity to share the reason why of the decisions;
- give a better knowledge of what is really happening;
- help framing decision making (Weber et al. 2004);
- rise responsibility through the monitoring of key indicators;
- give voice to people who can thus signal facts that suggest the possibility that a corruption event occurred.

We would like to focus on two considerations emerging from the above list: transparency and voice.

#### **3.1 Effects of Participation through Transparency**

Transparency has a disruptive effect on corruption, because it affects corruption from different sides.

First of all, transparency let people know what they deserve and what they do really get. This not only give the opportunity of pretending what they are entitled to, but also makes more difficult for resource managers to deceive users.

Reinikka and Svensson (2004) conducted a research in Uganda that is really impressive. They examined a public education program that offered a per-student grant to cover nonwage expenditures in primary schools and found out that over the period 1991–1995, schools received only 13 percent of central government spending on the program.

87 % of funds was captured by local government officials and politicians.

As this evidence became known, the central government began to publish newspaper accounts of monthly transfers, so that school staff and parents could monitor local officials.

In 2001, schools received an average of 80 percent of their annual entitlements.

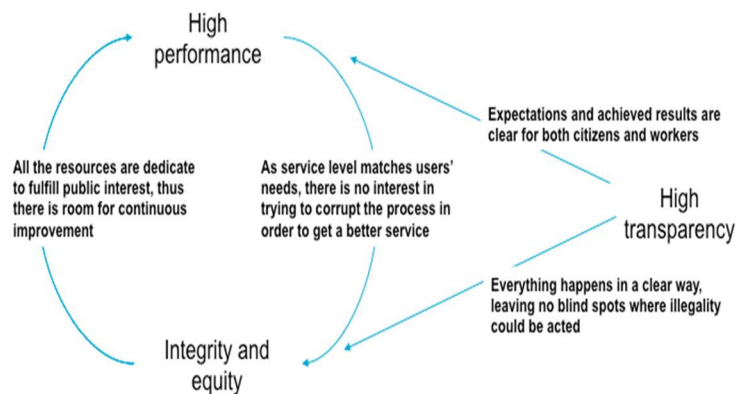
Reinikka and Svensson demonstrated the causal effects of improved access to public information because they found that head teachers in schools closer to a



newspaper outlet, who know more about the rules governing the grant program and the timing of release of funds by the central government experienced a dramatic reduction in the share of funds captured by corruption, while the effect of the campaign decreased related to the distance from the newspaper outlet. Importantly, prior to the newspaper campaign, proximity to a newspaper outlet and changes in capture were uncorrelated.

Transparency has also another important effect, because force consideration about sensemaking (Weick, 1995) for both workers and citizens.

**Figure 4:** *Performance, Transparency, Integrity and Equity*



As a matter of fact, in order to tell people what is done, how and why, organizations are forced to think about the sense of what they do and to transfer it to workers, rising motivation and care, and deepening the comprehension of what and how should be done. Thus, people are more motivated to continuous improvement and have also clearer ideas on how to achieve it.

But transparency has effects on sensemaking also for citizens, enabling a deeper comprehension of the reason of public choice. This turns out in a higher perceived procedural justice (Adams, 1965), which contributes to improve trust and helps bringing citizen decisions to the ethical frame (Weber et al., 2004).

Finally, if, as Mathur (2015) suggests, there is evidence that corruption can be a form of Resistance to perceived inequality, hence transparency, showing the equity at the basis of public decisions fight corruption also from this point of view.

### 3.2 Effects of Participation through Voice

Participation is a tremendous opportunity to increase voice. Facing low services, users have two options: exit and voice (Hirshman, 1970). In competitive sectors, both strategies can lead to a better service. Svensson (2005) shows that in public service delivery, competition may not necessarily lead to lower corruption, because if the richer use the exit strategy, that means that the likelihood of voice as the response to corruption is reduced - and corrupt local officials may be able to extract an even greater share. This is the reason why boosting voice strategy is a primary issue. If public service aims - also - to reduce inequality (let's think at education, health care, but also cultural programs or support to start-up), then we need to facilitate the expression of all the users; mainly of those who have less access to voice and no access to exit strategy.

□ *The world is a dangerous place to live; not because of the people who are evil, but because of the people who don't do anything about it (Albert Einstein).*

Participation process as described above is itself an opportunity of voice, but there are other tools specifically aimed to signal maladministration and corruption that can be really useful. In Italy, Transparency International Italia in October 2014 activated a web portal named ALAC, that is part of the international system “*Advocacy and Legal Advice Centres (ALAC)*” and is aimed to collect and analyze reporting form citizens about maladministration and suspected corruption. In its first 30 months, ALAC received 309 reports from different Italian regions.

**Figure 5: Topics of Reporting**



Most reporting concerns ‘Nepotism or favoritism’, mainly in career advancement and in contracts. This voice, grouped with ‘Abuse of public power’, ‘Corruption’ and ‘Conflict of interest’ accounts for 49% of the reports; if we group ‘Lack of transparency’, ‘Maladministration’ and ‘Inefficiency’ (overall 27%), we find out that ALAC is widely used also to signal when service doesn’t match expectations. ALAC gives therefore voice to claim better services reporting corruption and maladministration, concurring in making public administration more effective and fair.

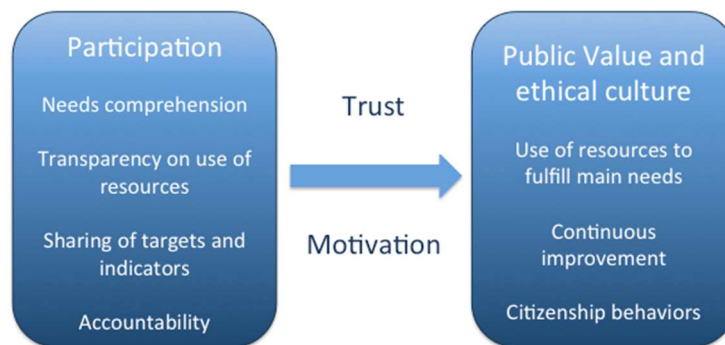
#### 4. Conclusion

Corruption reduces the value created by the public administration moving to private interests resourced aimed to fulfill public needs.

In order to effectively counteract corruption, we need to focus on public value, identifying community needs, sharing target and indicators, allocating resources on more relevant needs in a transparent way and accounting for results.



**Figure 6:** *Participation, Public Value and Ethical Culture*



Participation and transparency will contribute to rise citizens' trust and workers' motivation, and it will result in a more ethical culture, focused on Public Value generated, where workers aim to continuous improvement and citizen are (at least a bit) able to think at others' needs and at consequences of their decision at a system level and report events of maladministration an suspects of corruption in order to contribute to generate a higher value for the collectivity.

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