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VSM Lectures
San Giobbe Economic Campus, Venice

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Also online: https://meet.google.com/qha-iqkt-qqj

Corruption and Enterprise Risk Management: International Evidence

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For 50 years, since the passage of the Foreign Corrupt Practices Act to the start of the European Sustainability Reporting Standards, governments have been attempting to reduce corruption. This is due to the negative consequences corruption has on economic growth, resource allocation and economic instability. Governments have passed laws to increase penalties for corruption, to increase documentation and transparency and created audit functions to combat corruption. Organizations may also implement governance processes to reduce corruption by strengthening board oversight and internal controls, creating codes of conduct and implementing enterprise risk management (ERM) practices to reduce corruption activities. We build on the work of Beasley, et al (2022) and hypothesize that as corruption increases there will be increased external pressure for ERM. However,-uncertainty in the economic environment due to corruption results in managers' risk attitudes becoming more risky and reducing the demand for ERM. We use results from a survey of 845 managers and find that the type of corruption, formal vs. informal, affects the ultimate demand for risk governance. We find that as the formal corruption environment increases managers' risk attitudes become more risk seeking which negatively mediates the level of risk governance. On the other hand, we find that as the informal corruption environment increases, institutions notice and call for more risk governance and best practices which ultimately positively mediates the level of risk governance.

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