Policing the world?
Effect of U.S. Anti-Corruption Enforcement Actions on Non-Targeted Firms

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Abstract

Firms regularly encounter pressure to engage in corrupt practices in their operations around the world. To deter such behavior, some countries adopted international anti-bribery conventions that monitor and penalize actions of home country firms in foreign markets. Focusing on the U.S. Foreign Corrupt Practices Act, we examine how U.S. enforcement actions against multinational firms operating in a given developing country influences how non-targeted (domestic) firms in that country assess their own bribing behavior. We contend non-targeted firms face negative spillover effects. To buffer against potential adverse consequences, they present more socially desirable responses following the enforcement action. We compare non-targeted firms' assessment of bribe prevalence shortly before versus after a U.S. anti-bribery enforcement action to obtain quasi-random variation in the extent to which non-targeted firms were exposed to the enforcement action. Our analysis of up to 9262 firms across 20 countries indicate non-targeted firms' responses are shaped by U.S. enforcement actions even when domestic firms are outside the jurisdiction of the regulation.

Introduction

Many corruption scandals involving large multinational corporations paying bribes in developing countries have been reported in recent years. In one case, for example, the French engineering company Alstom bribed officials in the Bahamas, Egypt, Indonesia, Saudi Arabia, and Taiwan. To deter such behavior, some governments have adopted international anti-bribery conventions – such as the U.S. Foreign Corrupt Practices Act (FCPA), or the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Such laws and regulations aim to monitor the actions of multinational firms and punish them in their home countries for actions they take in foreign markets. A growing literature in strategic management and international business finds them to be generally effective in that multinational firms subject to international anti-corruption regulations change their foreign bribing and investment behavior (e.g.: Cuervo-Cazzura, 2008; Jeong & Weiner, 2012; Spencer & Gomez, 2011; Zeume, 2017; Christensen, Maffett & Rauter, 2022; Sanseverino, 2021; Jia, Li & Zhao, 2022). Yet, we know less about how these international efforts influence the bribing behavior of domestic firms which are not directly covered by these regulations (see also Jandhyala & Oliveira, 2021). In other words, while Alstom may have changed its bribing behavior, it is less clear how U.S. enforcement actions against Alstom influences the bribing behavior of domestic firms in the Bahamas, Egypt, Indonesia, Saudi Arabia, or Taiwan.

In this paper, we ask: how does foreign enforcement action against multinational firms for bribes in corruption prone developing countries influence non-targeted domestic firms' reporting of bribes? Focusing on the U.S. FCPA, we argue that U.S. anti-bribery enforcement action against multinational firms will change how non-targeted firms communicate to external audiences about bribery. In particular, non-targeted firms will underreport the

prevalence of bribery among similar firms following the enforcement action. This is because of a negative spillover effect, where misconduct of one firm is assumed to be common among other firms of the same form (e.g.: Jonsson et al., 2009; Naumovska & Lavie, 2021). Firms worry that they may come under greater scrutiny or face increased monitoring and sanction by their own governments. To buffer against such negative consequences – perceived or real – they will present more socially desirable responses and project information on bribing in a more favorable fashion.

However, this analysis is difficult to undertake empirically. A significant challenge lies in identifying a counterfactual, i.e. a control group of firms that assess the prevalence of bribery had they not been aware of U.S. enforcement actions against a foreign multinational firm. To overcome this challenge, we use firm-level responses from surveys conducted by the World Bank in developing countries and exploit the exogenous nature of U.S. government enforcement action. In particular, we relied on country surveys that happened to be in progress at the time of U.S. enforcement action. Assuming that the timing of U.S. enforcement action against a foreign multinational firm is likely to be independent of the survey, we compare firm-level responses in a given country just before and just after the enforcement action. This results in a quasi-experimental approach that allows us to estimate causal effects of U.S. enforcement action as long as *when* a given firm is surveyed is essentially as good as random.

Our sample consists of 21 rounds of the World Bank Enterprise Survey, spanning 20 countries, wherein U.S. enforcement anti-bribery actions occurred when the survey was being undertaken. Using up to 9262 firm-level survey responses, we find firms report between 27.1-43.2% lower levels of bribing following U.S. enforcement actions. These effects are larger among firms that do not regularly engage with governments and among firms in the same

industry as the targeted firm. Consistent with our proposed social desirability mechanism, firm responses after U.S. enforcement actions are rated as being less truthful.

Our paper offers two contributions to the literature. First, we highlight a role for international institutions and extra-territorial judicial reach, which goes beyond the traditional conceptualization of home and host countries most common in strategy and international business research. Countries are embedded in a wider international system, and institutional and power relationships among them influence firm strategies (see also Witt, 2019; Meyer & Li, 2022; Albino-Pimentel et al., 2018; Jandhyala & Weiner, 2014). In particular, we show a different pathway by which international anti-bribery efforts can have consequences beyond the direct effect on targeted firms. Second, our findings speak to the growing literature on how firms navigate institutional environments characterized by high levels of corruption (Spencer & Gomez, 2011; Jeong & Weiner, 2012; Birhanu, Gambardella & Valentini, 2016). All firms, including domestic firms, need to understand the institutional environments they operate in. In addition to traditional cues about their institutional environment such as own or peer experience (Jandhyala, 2013; Malesky & Taussig, 2017) or structural factors in domestic policymaking (Garcia-Canal & Guillen, 2008; Henisz & Macher, 2004; Holburn & Zelner, 2010), international conventions – which have been relatively understudied – can shape firms' assessments.

Theory

Corruption and international anti-bribery efforts

Firms around the world regularly encounter pressure to engage in corrupt practices in the course of their operations. Corruption is typically defined as the abuse of public office for private gain (Sandholtz and Gray 2003; Treisman 2000). Although corruption (and bribe paying) was historically seen as a legitimate means to gain contracts and conduct business,

mounting evidence suggests that it poses a severe obstacle to growth, investment, entrepreneurship, and innovation (Mauro 1995; Rose-Ackerman 1999; Wei 2000; Cuervo-Cazzura, 2016; Li & Reuer, 2022).

While anti-corruption efforts were traditionally viewed as national issues with domestic laws targeting bribe payers and/or bribe takers within the country, more recent efforts have focused on tackling corruption as a globally coordinated effort. International anti-corruption regulations monitor the actions of multinational firms and punish them in their home countries for actions they take in foreign markets. The U.S. Foreign Corrupt Practices Act (FCPA), for example, makes it a federal crime for any U.S. entity to bribe foreign government officials (Corr & Lawler, 1999). Other advanced countries have followed suit either through domestic laws (e.g., the U.K. Bribery Act) or coordinated multilateral actions (e.g.: the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions).

Prior research has generally focused on the deterrence effect of anti-corruption regulations on multinational firms. In a study of U.S. multinational firms, Jia et al. (2022) found FCPA enforcement actions against a firm in a target country to lower its subsequent investment in the country. Similarly, U.S. actions targeting firms from other OECD countries results in lower foreign investment by those firms in highly corrupt destinations (Christensen et al., 2021). Shareholders react negatively when U.K. firms are charged for their corrupt behaviors overseas by their home government (Zeume, 2017). At the same time, firms subject to international anti-bribery regulations at home are less likely to bribe in other countries (Jeong & Weiner, 2012; Spencer & Gomez, 2011).

While these studies suggest international anti-bribery conventions are effective in lowering bribery among multinational firms that are subject to greater monitoring and sanction, they do

not address how non-targeted firms are impacted. This is an important and surprising gap. For if international anti-bribery efforts are a "major breakthrough in the fight against corruption" (OECD, 2013: 2), they should have some influence on the bribing behavior of domestic firms as well. In the absence of such an effect, domestic and foreign firms face an unequal playing field such that competitive domestic firms sometimes even have incentives to increase their bribing as multinational firms withdraw from the market (Jandhyala & Oliveira, 2021; Jensen & Malesky, 2018; Zeume, 2017). Yet, it remains unclear how anti-corruption regulations can influence the behavior of non-targeted firms, with no jurisdiction over them.

Hypotheses

Coercive actors – in our case U.S. enforcement agencies – can directly monitor and sanction the corrupt behavior of actors who are directly within their regulatory or jurisdictional realm (foreign firms). At the same, actions of these foreign coercive agents can influence attitudes toward non-targeted (domestic) firms. Prior research on corporate misconduct has demonstrated that violations by one firm can generate negative spillover effects to innocent firms that are considered to be of the same form as the offending firm (e.g.: Jonsson et al., 2009; Yue et al., 2013; Durand & Vergne, 2015; Naumovska & Lavie, 2021). Just as firms in the same industry face negative spillover effects (Paruchuri & Misangyi, 2015; Naumovska & Zajac, 2022; Jonsson et al., 2009), we contend that firms in the same country face potential negative spillover effects because of stigma by association. In other words, firms in a given country resemble each other, face similar types of business environments, or have shared reputations that trigger generalized evaluations by investors, government agencies, the public, or other stakeholders. When new information about corruption is revealed about a (foreign) firm in a given country, it is assumed to reflect, to some degree, that other non-targeted (domestic) firms in the country have also engaged in similar misconduct.

Faced with such a scenario, we argue that non-targeted firms will change how they communicate to external audiences about their own actions towards misconduct. In particular, they are likely to underreport the prevalence of bribes in peer firms following enforcement actions against other firms. They do so to present themselves in a more legitimate and favorable manner; the social desirability effect. As prior research on social desirability shows, it operates as an editing process where participants retrieve the requested information and evaluate it before responding or presenting it (Holtgraves, 2004). Offering information in a favorable fashion buffers firms against potential negative consequences. For instance, they may worry about the increased monitoring and sanction of domestic bribery by their own governments. Jurisdictions experiencing extraterritorial cases are more likely to increase monitoring and implementation of their own national legislation; countries that experience U.S. FCPA enforcement actions are twenty times more likely to enforce their own national rules (Kaczmarek & Newman, 2011). This increases the likelihood of sanction for domestic firms, and a corresponding increase in socially desirable actions towards bribery.

It is important to note that while there must be some potential for negative consequences, it need not be perfectly credible for socially desirable actions. In other words, as long as foreign enforcement actions against bribery increase firms own sensitivity to the issue such that they worry about greater monitoring by their own government, they are likely to underreport the prevalence of bribes regardless of whether monitoring and sanction of domestic firms has actually increased.

> ***Hypothesis 1:*** *Following an FCPA enforcement action, non-targeted firms in a given country will report a lower prevalence of bribery.*

Heterogeneity in non-targeted firms' reaction

We argued above that non-targeted firms are impacted by FCPA enforcement actions. However, non-targeted firms vary in their interaction with and dependence on the external institutional environment. Some firms successfully navigate and overcome institutional voids through firm-level mechanisms while others fail to do so (e.g.: Doh et al., 2017; Gao et al., 2017; Govindarajan & Ramamurti, 2011; Khanna & Palepu, 2000). We explore how firm heterogeneity moderates the extent to which non-targeted firms respond to FCPA enforcement actions.

Experience with governments

Firms vary in their level of exposure to and experience with government actors. Some firms have high engagement, for example, firms with political connections or those in regulated industries. Through repeated interactions, these firms are able to exploit personal and organizational ties to government officials to extract private benefits and preferential treatment (e.g.: Peng & Luo, 2000; Leuz & Oberholzer-Gee, 2006; Hillman, 2005). They are less likely to face enforcement actions and receive lower penalties even when they do (Correia, 2014; Lin, Mills, Zhang & Li, 2018). As a result, they are less worried about presenting themselves legitimately and consequently will be less likely to respond to US enforcement actions in a socially desirable manner. Thus, we hypothesize:

> ***Hypothesis 2:*** *The negative effect of FCPA enforcement action on firms' reporting of bribery will be lower for firms with greater experience with governments.*

Same industry peers

Prior research has shown that corporate misconduct has a large negative spillover to innocent firms in the same industry (Paruchuri & Misangyi, 2015; Naumovska & Zajac, 2021). This is because firms in the same industry resemble each other and have a shared reputation by

virtue of their industry membership (Jonsson et al., 2009). As a result, when "new information is revealed about the characteristics of one firm, it reflects to some degree on all the firms within its industry" (Barnett & King, 2008: 1152), which in turn generates similar evaluations of corporate misconduct among non-accused firms. Consequently, firms in the same industry as the targeted firm have a greater incentive to respond to US enforcement actions in a socially desirable manner.

> ***Hypothesis 3:*** *The negative effect of FCPA enforcement action on firms' reporting of bribery will be higher for firms in the same industry as the targeted firm.*

Empirical analysis

Research design and data

To empirically examine our hypotheses, we rely on a quasi-natural experiment, drawing data from two publicly available datasets: the U.S. Foreign Corrupt Practices Act Clearinghouse (FCPAC) to identify U.S. enforcement actions and the World Bank's Enterprise Survey data to identify firms' reporting of bribery.

We first collate all FCPA enforcement actions from the Foreign Corrupt Practices Act Clearinghouse (FCPAC), which provides detailed information including date of enforcement, charged companies, targeted countries, bribe information, as well as the size of penalties. As of November 2022, there were 707 enforcement actions in total, although the vast majority of cases occurred after 2004 (Jia et al., 2022). In general, enforcement actions result from coordination across different government agencies such as the Securities and Exchange Commission (SEC) and the Department of Justice (DOJ), and are influenced by detailed investigations, targeted firms' cooperativeness, and other legal, logistical, and administrative

factors. Given these interdependencies, the exact timing of the enforcement action is difficult to predict ahead of time.

We rely on the second database, the World Bank Enterprise Surveys (WBES), to capture our outcome variable. The World Bank has undertaken firm-level surveys across a number of emerging and developing countries where they interviewed business owners and top managers about a range of business environment factors (including corruption) using standardized questionnaires. Drawing from the universe of eligible firms,[1] the survey captures a representative sample of country's private sector in manufacturing and service sectors. Very small firms, informal firms, and state-owned firms are excluded from the survey. Between 2006-2021, 301 surveys were conducted in 151 countries, capturing responses from over 174,000 firms. The vast majority of firms are domestic (generally over 90%), with the remainder being local subsidiaries of foreign firms.

This type of large data collection effort is time consuming, and an individual survey round typically lasts several months, and sometimes over a year. However, there doesn't appear to be any systematic rule determining which firms are surveyed before others in a given country. Importantly, every firm-level response includes the date on which the firm was interviewed – information we exploit in our analysis. Particularly, we compare firm-level responses on bribery in a given country before and after a U.S. FCPA enforcement action.

For each survey round, we carefully examined whether an FCPA enforcement action occurred within the survey interval. From this set, excluded surveys where less than 10% of observations occurred either before or after an FCPA enforcement. This yields 21 FCPA enforcement actions corresponding to 21 Enterprise Surveys in 20 countries, with 15,533

[1] As determined by a country's statistical office, tax or business license authorities, and business associations. The sample is generated using stratified random sampling, using firm size, business sector, and geographic area of the country as the strata.

observations. After accounting for missing variables, our final sample consists of 9262 observations. Our sample is summarized in Table 1.

--- Table 1 ---

Variables

To measure firms' self-reported prevalence of bribery, construct the dependent variable *Bribe/sales* based on the survey question "*On average, what percentage of total annual sales, or estimated total annual value, do establishments like this one pay in informal payments or gifts to public officials for this purpose?".*

Our main independent variable is whether a firm response was recorded after the event. *After FCPA Enforcement* takes the value 1 if the firm was interviewed after an FCPA enforcement action, and 0 if it was interviewed before. Responses recorded on the date of the ruling were excluded. Roughly 49% of firm response were recorded after an FCPA enforcement action.

We measure experience with governments using the survey question on the percentage of senior management's time spent in dealing with government regulations in a typical week over the past year (*Mgmt time on govt regulations*). The mean value is approximately 11%, although the distribution is highly skewed: about 45% of respondents report 0%, and up to 75% of respondents report spending 10% or less. We code whether a respondent firm is in the same industry as the targeted firm (*Same industry* dummy). Roughly 2.4% of respondent firms are in the same industry as the targeted firm.

Additional control variables: We include additional variables that may influence firm's reporting of bribery: firm size, management experience, domestic sales, reliance on government contracts, and the firm's perception of political instability as an obstacle. We

also include survey and industry fixed effects. The variables are summarized in Table 2 and correlations among them presented in Table 3.

--- Tables 2 & 3 ---

Model

Our empirical approach is to compare the difference in firm's *bribe/sales before* and *after* an FCPA enforcement action in a given country. The treatment is whether the respondent was interviewed after the action (*After FCPA enforcement* = 1) or before it (*After FCPA enforcement* = 0). To calculate the average treatment effect, we run a linear probability model with the treatment variable and survey- and industry-specific fixed effects. In our context, it is important to include the survey fixed effects as we want to compare firm responses in a *given* country. It is possible that there are some idiosyncratic events may be related, by chance, to an enforcement action. However, by aggregating FCPA enforcement actions across multiple countries and estimating the average effect, we lower the likelihood that our results are influenced by such idiosyncratic events.

Our key identifying assumption is the as-if random assignment of respondents to the treatment and control groups (see also Goldsmith et al., 2021). In other words, the choice of firms surveyed early vs late in a specific survey round should not be correlated with the outcome. We argue that this a reasonable assumption for two reasons. First, because the WBES survey includes several questions examining different aspects of the firm and institutional environment, it is unlikely that responses to a particular question determine the sequence of interviews. Second, as noted above, the timing of the enforcement action depends on several factors, and is likely to be unknown to the survey designers ex-ante.

We estimate firms' responses to the treatment by estimating the following regression:

$$y_i = \alpha_j + \delta_k + \beta * treatment_i + \gamma' X_i + \varepsilon_i \qquad (1)$$

Where i, j, and k index the firm, industry, and survey respectively; α_j are industry fixed effects; δ_k are survey fixed effects; y_i is the outcome variable of interest (*bribe/sales*); $treatment_i$ is the treatment dummy that is equal to 1 if firm i is in the treatment group (*After FCPA enforcement = 1*) and 0 if in the control group; X_i is the vector of control variables; and ε_i is the error term. The coefficient of interest for hypothesis 1 is β, which captures the difference in outcome between the treated and control groups. Hypotheses 2 and 3 predict that the treatment effects vary with experience with government and being in the same industry as the targeted firm respectively. To assess if this is the case, we include an interaction term of treatment and corresponding firm characteristic and estimate the following equation:

$$y_i = \alpha_j + \delta_k + \beta * treatment_i + \eta * treatment_i * Mgmt\ time\ on\ govt\ regulations/ same\ industry_i + \gamma' X_i + \varepsilon_i \ (2)$$

We use linear probability models for analysis.

Results

The results of the main effects are presented in Table 4. Model 1 represents a baseline model with only control variables, Model 2 has only the treatment variable, and Model 3 include all variables. We argued that an FCPA enforcement action decreases firms' bribe/sales (Hypothesis 1). Therefore, we expect the coefficients of *After FCPA enforcement* to be negative across the models. Controlling for survey and industry fixed effects, the coefficient of *After FCPA enforcement* in Model 3 is 0.271 (p = 0.090). This implies FCPA enforcement in a target country results in a 27.1% decrease in bribe/sales for non-targeted domestic firms. Thus, we find support for Hypothesis 1.

--- Table 4 ---

Hypothesis 2 predicted the negative effect of FCPA on firms' bribe/sales declines with firms' engagement with government which we test in Table 5. Model l (Table 5) tests the interaction between *After FCPA enforcement* and *Mgmt time on govt regulation*. Models 2 and 3 report results from subsamples corresponding to low (*Mgmt time on govt regulation* <= 10%) and high (*Mgmt time on govt regulations* > 10%) values. Model 1 suggests that the greater the time that a firm's manager spent on government regulation, the less likely it is going to reduce disclosure of bribe payments ($\beta = 3.560$, $p = 0.015$). In combination with Models 2 and 3, we find the negative effect of FCPA enforcement is mostly driven by firms that are less engaged with their governments.

Hypothesis 3 predicted the negative effect of FCPA on firms' bribe/sales increases among firms in the same industry as the targeted firm, which we test in Table 6. Model l of Table 6 tests the interaction between *After FCPA enforcement* and *Same industry*. In Model 1, the coefficient of the interaction term is negative ($\beta = -2.232$, $p = 0.05$), suggesting support for our hypothesis. Models 2 and 3 report results from subsamples corresponding to same and different industries. We find the negative effect of FCPA enforcement is mostly driven by firms in the same industry as the targeted firm. However, we interpret these results with caution given the small number of firms in the same industry as the targeted firm.

--- Tables 5 and 6 ---

Additional robustness tests

Testing the mechanism: We argued that non-targeted firms report lower prevalence of bribery because of a social desirability effect. In other words, they worry about potential adverse consequences of being viewed as engaged in bribery and will moderate their message to

external audiences correspondingly. To test for this mechanism, we use information on how reliable a firm's responses are. For each firm, the survey enumerator provides a rating of confidence in the responses. We use the response of the survey enumerator to the question "It is my perception that the responses to the questions regarding opinions and perceptions are: Truthful, Somewhat truthful, Not truthful" to create two new dependent variables: a three point scale of the response (with higher values indicating more truthful response), and a dummy variable (=1 if very truthful, 0 otherwise). We then examine whether a respondent's truthfulness is influenced by the treatment (see Table 7). Consistent with our expectation, survey enumerators consistently rate responses as being less truthful after FCPA enforcement actions. Nonetheless we interpret these results with caution as the enumerator's confidence rating is associated with all the subjective responses, not just those relating to bribery.

--- Table 7 ---

Shorter time window: We re-estimate our main model using a shorter pre- and post-event window of observation. Since each survey was conducted over several months, there may be other changes in the country associated with the treatment. Given that we aggregate across several surveys, we minimize the likelihood of idiosyncratic events driving our results. However, we also report results using firms' responses in a shorter window of time (90 days before and after), although this reduces the sample size significantly. Results in Model 1 of Table A1 in the Appendix indicates that our main results are robust to this alternate specification.

Time trend: We include an alternate time variable, a survey specific time trend, in Model 2 of Table A1. This captures the difference in the number of days to/from the date of the enforcement action, with positive values indicating post enforcement. This variable is highly

correlated with the *After FCPA enforcement* measure (0.76), and its coefficient in the regression model is negative, as expected.

FCPA case fixed effects: In our data, a single FCPA cases can be associated with enforcement actions against the same firm in multiple countries. To account for this we include FCPA case fixed effects in Model 3 of Table A1, while dropping survey fixed effects. Our results are robust to this inclusion.

Discussion

Corruption is an endemic challenge for firms operating in many emerging markets around the world. Recent policy innovations have focused on monitoring foreign actions of multinational firms and sanctioning corporate misconduct in the home country with stronger rule of law. While prior research indicates the effectiveness of international anti-bribery conventions in altering the behavior of targeted multinational firms (e.g.: Jia et al., 2022; Jeong & Weiner, 2012), we examine how non-targeted domestic firms respond to enforcement actions. Our results, using a quasi-experimental method, indicate that non-targeted firms are less likely to report the prevalence of bribery as they worry about potential adverse consequences. Furthermore, not all firms perceive these enforcement actions equally. Firms with limited exposure to government regulations and those from the same industry as the targeted firms are more sensitive to the enforcement action.

Our analysis focuses on the enforcement of the FCPA in generating a deterrence effect. This is consistent with prior research which has demonstrated the crucial role of enforcement in deterring crimes (Jia et al., 2022; Bhattacharya & Daouk, 2002), even more so than simply adopting the regulation (Jeong & Weiner, 2012; Spencer & Gomez, 2011).

We leverage data from the World Bank Enterprise Surveys for our analysis. This data source has been widely used in management research to examine questions of corruption (e.g.: Birhanu, Gambardella & Valentini, 2016), firms' political influence (Macher & Mayo, 2015), and firm internationalization (Lee & Weng, 2013). However, we exploit an underutilized aspect of the survey in our analysis: *when* the survey was conducted. This offers a novel empirical approach to explore causal effects.

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Table 1. Sample

Survey	Freq.	Percent	before FCPA Enforcement	after FCPA Enforcement	Total
Bosnia and Herzegovina2019	362	2.39	170	189	359
Colombia2017	993	6.54	378	606	984
Costarica2010	538	3.55	253	285	538
DRC2013	529	3.49	341	187	528
Egypt2016	1,814	11.96	980	821	1,801
Guinea2016	150	0.99	49	97	146
Honduras2010	360	2.37	244	116	360
Hungary2019	805	5.31	486	319	805
Indonesia2015	1,320	8.7	370	946	1,316
Mauritania2014	150	0.99	24	123	147
Montenegro2019	150	0.99	51	95	146
Nicaragua2010	336	2.21	204	132	336
Pakistan2013	1,247	8.22	760	487	1,247
Philippines2015	1,335	8.8	294	1,039	1,333
Russia2009	1,004	6.62	552	442	994
Serbia2019	361	2.32	165	192	357
Turkey2019	1,663	10.96	1,274	386	1,660
Venezuela2006	500	3.3	250	249	499
Venezuela2010	320	2.11	241	73	314
Vietnam2015	996	6.56	542	452	994
Zimbabwe2016	600	3.95	237	363	600
Total	15,533	100	7,865	7,599	15,464

Table 2. Summary

Variable	Definition	Obs	Mean	Std. Dev.	Min	Max
Bribe/sales	On average, what percentage of total annual sales, or estimated total annual value, do establishments like this one pay in informal payments or gifts to public officials for this purpose?	9303	1.268	6.531	0	100
After FCPA enforcement	Binary variable, 1 if the firm was interviewed after an FCPA enforcement, 0 if the firm was interviewed before.	15464	0.491	0.500	0	1
Mgmt time on govt regulations	Percentage of senior management's time was spent in dealing with government regulations in a typical week over the last year.	14452	0.110	0.207	0	1
Same industry	Binary variable, 1 if the respondent firm is in the same industry as the targeted firm	15533	0.028	0.167	0	1
Employees (log)	The number of permanent, full-time employees at end of last fiscal year.	15441	3.436	1.466	0	10.539
Management experience (years)	The number of years of experience the top manager has worked in this sector.	14629	19.738	11.482	1	70
% of Domestic sales	Percentage of domestic sales of total sales.	15335	88.670	26.557	0	100
Govt contract attempt	Binary variable, 1 if a government contract was secured (or attempted) in the last 12 months, 0 otherwise.	14791	0.157	0.364	0	1
Political instability obstacle	To what degree is political instability an obstacle to the current operations of this establishment? The variable lies on a 5-point scale from 'No obstacle' to 'Very severe obstacle'.	14666	1.870	1.517	0	4

Table 3. Correlation table

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1) Bribe/sales	1							
(2) After FCPA enforcement	-0.005	1						
(3) Mgmt time on govt regulations	0.075	-0.075	1					
(4) Employees (log)	0.014	0.035	0.063	1				
(5) Management experience (years)	-0.077	-0.045	0.057	0.102	1			
(6) % of Domestic sales	0.009	0.019	-0.005	-0.290	-0.045	1		
(7) Govt contract attempt	0.029	-0.032	0.059	0.116	0.032	0.043	1	
(8) Political instability obstacle	-0.006	-0.080	0.080	0.014	0.065	0.052	0.051	1

Table 4. Main results

	-1-	-2-	-3-
After FCPA enforcement		-0.432**	-0.271+
		(0.157)	(0.160)
Mgmt time on govt regulations	3.124**		3.108**
	(0.703)		(0.712)
Employees (log)	0.013		0.009
	(0.060)		(0.059)
Management experience (years)	-0.020**		-0.020**
	(0.006)		(0.006)
% of Domestic sales	-0.001		-0.001
	(0.004)		(0.004)
Govt contract attempt	0.406*		0.390*
	(0.185)		(0.185)
Political instability obstacle	0.033		0.038
	(0.061)		(0.061)
Constant	0.154	0.131	0.331
	(0.528)	(0.220)	(0.547)
Survey fixed effects	Yes	Yes	Yes
Industry fixed effects	Yes	Yes	Yes
# observations	8076	9262	8040
R-square	0.05	0.04	0.05

Notes: Standard errors in parentheses. + p<0.1, * p<0.05, ** p<0.01. The dependent variable is *Bribe/sales*. All models use Linear Regression.

Table 5. Interaction with Management time on government regulations

	-1- Full sample	-2- Mgmt time on govt regulations<0.1	-3- Mgmt time on govt regulations>=0.1
After FCPA enforcement	-0.648**	-0.468*	0.284
	(0.198)	(0.197)	(0.271)
Mgmt time on govt regulations	1.753**		
	(0.650)		
After FCPA enforcement # Mgmt time on govt regulations	3.560*		
	(1.456)		
Employees (log)	0.017	-0.032	-0.089
	(0.059)	(0.079)	(0.100)
Management experience (years)	-0.019**	-0.028**	-0.003
	(0.006)	(0.007)	(0.011)
% of Domestic sales	-0.001	-0.002	-0.000
	(0.004)	(0.005)	(0.007)
Govt contract attempt	0.386*	0.257	0.701*
	(0.185)	(0.194)	(0.340)
Political instability obstacle	0.036	0.020	0.145
	(0.061)	(0.074)	(0.104)
Constant	0.415	1.308+	-0.512
	(0.545)	(0.730)	(0.917)
Survey fixed effects	Yes	Yes	Yes
Industry fixed effects	Yes	Yes	Yes
# observations	8040	5413	3005
R-square	0.05	0.03	0.11

Notes: Standard errors in parentheses. + p<0.1, * p<0.05, ** p<0.01. The dependent variable is *Bribe/sales*. All models use Linear Regression.

Table 6: Interaction with Same industry

	-1- Full sample	-2- Same industry = 1	-3- Same industry = 0
After FCPA enforcement	-0.218	-2.014*	-0.203
	(0.159)	(0.882)	(0.160)
Same industry	0.288		
	(0.608)		
After FCPA enforcement # Same industry	-2.233*		
	(1.138)		
Mgmt time on govt regulations	3.086**	14.002	2.805**
	(0.706)	(10.992)	(0.652)
Employees (log)	0.011	0.215	0.000
	(0.059)	(0.291)	(0.060)
Management experience (years)	-0.020**	-0.012	-0.020**
	(0.006)	(0.039)	(0.006)
% of Domestic sales	-0.001	-0.017	-0.001
	(0.004)	(0.017)	(0.004)
Govt contract attempt	0.380*	0.443	0.388*
	(0.185)	(1.890)	(0.185)
Political instability obstacle	0.041	-0.323	0.049
	(0.061)	(0.400)	(0.062)
Constant	0.291	-0.471	0.331
	(0.549)	(3.108)	(0.555)
# observations	8040.00	196.00	7844.00
R-square	0.05	0.24	0.04

Notes: Standard errors in parentheses. + p<0.1, * p<0.05, ** p<0.01. The dependent variable is *Bribe/sales*. All models use Linear Regression.

Table 7. The level of confidence in survey responses

	-1- DV = Truthful response	-2- DV = Very truthful response
After FCPA enforcement	-0.021**	-0.044**
	(0.005)	(0.009)
Mgmt time on govt regulations	0.046**	0.098**
	(0.013)	(0.024)
Employees (log)	0.005**	0.008*
	(0.002)	(0.003)
Management experience (years)	0.001**	0.002**
	(0.000)	(0.000)
% of Domestic sales	-0.000*	-0.000*
	(0.000)	(0.000)
Govt contract attempt	0.042**	0.083**
	(0.006)	(0.012)
Political instability obstacle	-0.006**	-0.012**
	(0.002)	(0.004)
Constant	0.799**	0.604**
	(0.020)	(0.039)
Survey fixed effects	Yes	Yes
Industry fixed effects	Yes	Yes
# observations	11142	11142
R-square	0.13	0.13

Notes: Standard errors in parentheses. + p<0.1, * p<0.05, ** p<0.01. The dependents variables are coded from the same survey question addressing the **survey enumerator's** confidence in responses – "It is my perception that the responses to the questions regarding opinions and perceptions: Truthful, Somewhat truthful, Not truthful?" The dependent variables are *Truthful response* (a 3-point scale from "Not truthful", "Somewhat truthful" to "Truthful"; the more truthful the higher *Truthful response*) and *Very truthful response* (1 if the answer was "Truthful", 0 otherwise). All models use Linear Regression.

Appendix

Table A1. Alternative model specifications

	-1- Truncated window	-2- Alt time trend	-3- FCPA case fixed effects
After FCPA enforcement	-0.529*	-0.030	-0.272+
	(0.208)	(0.256)	(0.155)
Mgmt time on govt regulations	3.289**	2.897**	3.105**
	(0.887)	(0.718)	(0.710)
Employees (log)	-0.041	-0.025	0.007
	(0.078)	(0.059)	(0.059)
Management experience (years)	-0.013	-0.014*	-0.020**
	(0.008)	(0.006)	(0.006)
% of Domestic sales	-0.007	-0.002	-0.001
	(0.006)	(0.004)	(0.004)
Govt contract attempt	0.507*	0.463*	0.401*
	(0.234)	(0.181)	(0.184)
Political instability obstacle	0.031	0.053	0.033
	(0.084)	(0.061)	(0.057)
Time trend		-0.003**	
		(0.001)	
Constant	0.973	0.378	0.326
	(0.760)	(0.572)	(0.597)
Survey fixed effects	Yes	Yes	No
Industry fixed effects	Yes	Yes	Yes
FCPA case fixed effects	No	No	Yes
# observations	5763	7875	8040
R-square	0.05	0.05	0.05

Notes: Standard errors in parentheses. + p<0.1, * p<0.05, ** p<0.01. The dependent variable is Bribe/sales. All models use Linear Regression. Model 1 truncates the time window based on the shorter window (90 days) before or after the FCPA enforcement, making the either side of duration before or after FCPA enforcement an equal length. Model 2 adds a variable of time trend. Model 3 replaces FCPA case fixed effects with Survey fixed effects.