Seizing the Ethical High Ground: Ethical Reputation Building in Corrupt Environments

ABSTRACT

We study how ethical behavior by firms leads to ethical reputation building. Based on our in-depth studies of two firms in India and Zimbabwe that resisted corruption and survived for extended time periods, we propose that in addition to behaving ethically, firms need to elicit favorable responses from a critical mass of stakeholders from both strong and weak tie networks in order for their ethical reputations to diffuse quickly and widely. We find that the strength of stakeholder responses to ethical behavior is moderated by firm level and contextual factors: high status affiliations, industry characteristics, the nature of corruption resisted, the presence of a plural press, the potential for collective action, and the presence of an independent judiciary. These antecedents also influence the pattern of stakeholder resource commitments that firms are able to enjoy as a result of having built ethical reputations.

INTRODUCTION

Scholars have acknowledged that reputation is a valuable organizational resource (Miles and Covin, 2000; Fombrun, 2001) and have studied how it is created and how it influences the organization's ability to attract stakeholder commitments. Studies have been conducted both in the context of established companies (Fombrun 1996, Fombrun and Shanley 1990, Roberts and Dowling 2002, Wartick 2002) and more recently, new ventures (Pollock et al. 2004, Rindova et al. 2007, Williamson 2000; Petkova et al., 2014). Prior research has been consistent in highlighting the positive effects of organizational reputation; based on a comprehensive review of forty three studies, Lange et al. (2011) report that all but one found that it leads to positive firm outcomes.

In this paper, we study one specific form of organizational reputation, ethical reputation, in environments with widespread corruption. We believe that understanding the feasibility of ethical reputation building in corrupt environments is of great societal importance, and at the same time of immense practical benefit to founders of young firms and managers of established companies. This is particularly true of firms from emerging economies such as China, India, Brazil, South Africa, and Nigeria, where weak institutional regimes and growing business opportunities combine to create opportunities for corruption (Svensson, 2005). Founders and managers of firms from developed economies also face corruption in their internationalization to emerging economies (Wei, 2000; Cuervo-Cazurra, 2006). As globalization gathers steam, more and more companies will come across the challenge of dealing effectively with corruption (Elliott, 1997). These companies can benefit from research on resistance to corruption and how it contributes to ethical reputation building.

Studies that take macro-level perspectives on corruption and that explore policy initiatives to mitigate it have a long history (Pellegrini, 2011; World Bank 2001). However, studies on micro-level approaches to dealing with corruption are relatively scarce (see Doh, Rodriguez, Uhlenbruck, Collins and Eden, 2003; Galang, 2012, and Arvis and Berenbeim, 2003, for exceptions). A deeper knowledge of the micro aspects of corruption is important because it is not clear from the literature how an entrepreneur or manager should respond to a demand from a government official for a bribe. What consequences should s/he prepare for if s/he chooses not to give in to the demand? What are the costs and benefits of resisting corruption? Might the costs of resisting corruption in the short term translate into ethical reputation returns over the medium to long term? Our study seeks to address such micro-level questions.

Of course, dealing effectively with corruption needs to be understood within the larger endeavor of survival (in the case of early stage firms) and of achieving sustained performance (in the case of established companies). A pre-condition for an organization's survival and long term success is its ability to obtain critical resources from stakeholders (Birley 1985, Aldrich and Zimmer 1986, Jarrillo 1989, Starr and MacMillan 1990), both internal (employees) and external (customers, suppliers, investors, and the community, among others). Organizations can facilitate resource acquisition from stakeholders through the building of reputations that signal characteristics considered valuable and desirable by them (Benjamin and Podolny 1999, Standifird 2001, Saxton and Dollinger 2004, Turban and Cable 2003, Boyd, Berg and Ketchen, 2010, Rindova et al. 2005).

In environments characterized by widespread corruption, some organizations may see an opportunity in making an investment to develop an organizational resource (ethical reputation) that would be perceived as valuable by stakeholders because, by definition, it is scarce in such contexts (Harrison, Bosse, Philips, 2010). They may thus consider taking an ethical stance and signaling their ethical values, as a way of building trust with and reducing uncertainty for stakeholders.

However, the issue of why stakeholders would commit resources to ethical firms *in corrupt environments* is not straightforward from a theoretical perspective. On the one hand, one could argue that unethical behaviors (such as bribery) impose financial and ethical costs on businesses. Therefore, stakeholders might be drawn to organizations that resist corruption to save these costs. On the other hand, resisting such behaviors in environments with widespread corruption might impose even higher costs, in the form of permissions and licenses delayed or denied, and orders lost. Highly corrupt environments also typically have weak law enforcement (Nwabuzor, 2005), which increases the salience to stakeholders of the costs of ethical behavior relative to the benefits. In contrast to Western contexts, where scholars and practitioners argue that perceptions of poor ethical behavior have a negative impact on organizational reputation (Alsop, 2004; Sims, 2009), we suggest that ethical behavior in corrupt environments may create a higher degree of uncertainty for stakeholders.

One alternative for firms is to cooperate with other firms in the same industry, referred to as 'Teaming up with the Jones's' (Barnett and Hoffman, 2008), but this assumes contexts in which organizations are working together to protect the reputation and legitimacy of an entire industry, particularly when faced with significant negative scrutiny. However, defection in corrupt environments is common, as Kochan and Goodyear (2011) point out – "When competing for a contract with a company that has a reputation for bribery (or in a country that is synonymous with corruption) a business may be more tempted to offer bribes" (p. 14). Moreover, if ethical reputation is what a firm seeks to build in a corrupt environment, it may not have the incentive to cooperate with firms in the same industry as it would need to share the credit for resisting corruption with them.

Thus, while many firms may dislike unethical behaviors, they may see it as a necessary evil to do business in corrupt environments, whose negative effects are outweighed by the benefits of helping customers gain access to products and services that they value, employees with jobs that remunerate them well and give them professional satisfaction, suppliers with business opportunities, investors with dividends and capital gains, and the broader community with tax proceeds. They may be of the view that individual economic agents can do little to tackle widespread corruption, which must be tackled at the macro level through appropriate policy interventions and through the law and order apparatus of the state. What is more, many entrepreneurs and managers in corrupt environments who succumb to the culture of corruption around them may actually see themselves as victims of the corrupt system, rather than as its perpetrators.

This raises the question of whether stakeholders themselves are a homogeneous group (Neville et al., 2005; Walker, 2010). Just as we posit a variation in ethical behaviors among firms, we may also expect a variation among stakeholders in their disposition to back ethical ventures in corrupt environments. Clearly, there is a large number of stakeholders in corrupt environments who choose to support corrupt companies. At the same time, there might be other stakeholders who either see benefits in doing business with ethical firms or are willing to incur a penalty to support such firms (Rousseau, Sitkin, Burt and Camerer, 1998). In other words, stakeholders vary in the factors which they prioritize, and their attitudes towards ethical conduct may not be uniform (Reuber and Fischer, 2010). Arguably, the signaling of ethical reputation through ethical behavior could be one way for a firm to attract and retain like-minded stakeholders to the organization (Ferris et al., 2007; Bhattacharya et al., 2008; Harvey and Morris, 2012).

In this study, we examine if and how, in environments with widespread corruption, resistance to corruption can lead to ethical reputation building, which in turn can contribute to mutually beneficial economic transactions with stakeholders and to the creation of economic value for all parties. Its contribution to the literature in management and to managerial practice is that, as far as we know, it is the first empirical study that explicitly explores the costs and benefits for private firms of ethical reputation building in corrupt environments.

CORPORATE AND ETHICAL REPUTATION

Lange et al. (2011), in their comprehensive review of organizational reputation, categorize conceptualizations of organizational reputation in the extant literature into three dimensions that they argue are theoretically orthogonal to each other: *being known, being known for something,* and *generalized favorability*.

Being known refers to the prominence or salience of an organization, which could be the result of positive, neutral or negative factors. Stemming from an institutional perspective, it is understood as a cognitive phenomenon, with stakeholders being aware of or familiar with the existence of an organization without necessarily demonstrating any affect towards it, and applies to the organization overall rather than to any of its particular characteristics (Rindova et al., 2005). Ten out of forty-three studies reviewed by Lange et al. (2011) incorporated this conceptualization, either as the sole dimension or along with one or both of the others. Being known for something refers to awareness of a particular characteristic of an organization that is of interest to the concerned stakeholder group. Also referred to as quality or perceived quality, it involves an evaluative element on the part of stakeholders that some favorable output can be expected by them as a result of the organization possessing that particular characteristic (for example, safety in the case of Volvo automobiles). Twenty four out of forty three studies reviewed by Lange et al. (2011) conceptualized organizational reputation in a way that was wholly or partially consistent with this view. Finally, generalized favorability (nineteen out of forty three studies) refers to an overall favorable assessment based on multiple aggregated attributes and is socially constructed by large numbers of stakeholders, belonging to multiple stakeholder groups, and is comparative in nature with other similar organizations. Lange *et al.* (2011) argue that an organization’s reputation can be mapped by situating it within the boundaries of these three dimensions.

The definition of Fombrun (1996) forms the basis for subsequent work that builds on this third conceptualization of organizational reputation: “a perceptual representation of a company’s past actions and future prospects that describes the firm’s overall appeal to its key constituents when compared to other leading rivals” (p.72). Barnett et al. (2006: 32) argue that stakeholders will vary in their level of engagement with reputation, which they refer to as: a state of awareness, an assessment and an asset. Awareness exists when stakeholders have some knowledge of an organization, but are not in a position to make a judgment about its activities. Assessment exists when stakeholders have greater knowledge of an organization’s activities and will make judgments about it. Reputation becomes an asset when stakeholders have knowledge of an organization’s activities that hold a particular value for them, for example as customers or shareholders.

Notwithstanding the proliferation of research on reputation, there has been a dearth of studies exploring how ethical reputation is built through ethical conduct in corrupt environments. We have limited understanding of the costs and benefits of ethical behavior, and how these may vary given the nature of corruption resisted. Political scientists have long distinguished between political (or grand) and bureaucratic (or petty) corruption. Amundsen (1999) provides an account of the differences, which we seek to explore in this study:

> "Political or grand corruption takes place at the high levels of the political system. It is when the politicians and state agents, who are entitled to make and enforce the laws in the name of the people, are themselves corrupt. Political corruption is when political decision-makers use the political power they are armed with, to sustain their power, status and wealth. Thus, political corruption can be distinguished from bureaucratic or petty corruption, which is corruption in the public administration, at the implementation end of politics" (p.3).

These two forms of corruption have also been referred to as formal and informal corruption (Keig, Brouthers and Marshall, 2015).

We situate our current study of ethical reputation building within the being known for something conceptualization of organizational reputation, and explore two specific questions, which focus, respectively, on the antecedents and consequences of reputation:

i) What factors influence the speed and extent of the diffusion of ethical reputations in corrupt environments?

ii) What impact does ethical reputation have on the willingness of stakeholders to support firms in corrupt environments?

METHODS

The study of corruption is challenging from an empirical perspective, as has been noted by Banerjee, Mullainathan and Hanna (2013: 1109):

> "Corruption, by its very nature, is illicit and secretive. How does one study something that is defined in part by the fact that individuals go to great lengths to hide it? How does one deal with the fact that attempts to measure corruption may cause the actors involved to either reduce their illicit behaviors during the periods of measurement or find new ways to obscure their behavior? If we cannot accurately measure corruption, how can we test among different theories, measure its impacts, or even produce suggestive correlations?"

In order to understand the phenomenon in-depth, we identified companies that had been independently certified by media outlets and other credible external sources as having resisted corruption in corrupt environments, and had been successful over extended time periods – 24 years since inception in the case of one firm and 8 years since inception in the case of the other, as of 2002 when we conducted our fieldwork. Therefore, by virtue of having survived such long periods these companies had by definition been successful in mobilizing stakeholder support. We attempted to understand why their stakeholders had transferred resources to these two firms and to what extent these resource transfers had been motivated by the firms' reputation for resistance to corruption.

The method chosen for this research was in-depth case studies (Yin 1989, Stake 1995). We chose in-depth case studies of unusual firms to understand the phenomenon - resistance to corruption in corrupt environments. The two cases we report in this paper are unusual (Siggelkow, 2007) in that they involve private enterprises in India and Zimbabwe that chose to resist corruption since the time they were founded. The selection of the Econet and Alacrity cases, more details of which are provided below, followed a purposeful sampling strategy, in which cases are chosen because they are information rich in the phenomenon of interest (Patton 1990, p.169). Specifically, the cases met the criterion sampling requirement, in that they were firms that: 1) had survived over extended periods of time; 2) were operating in corrupt environments; and 3) had acquired positive reputations from third parties for having resisted corruption (as was certified by a number of independent media sources). We chose examples from these two countries because they are both perceived to be highly corrupt, reflected in the fact that they were both ranked 71st out of 102 countries in Transparency International's 2002 Corruption Perception Index based on an identical low score of 2.7 out of 10. Therefore, exemplars of private companies resisting corruption from their inception and surviving for such long periods are rare and difficult to access in these two countries. Our cases are unusual and revelatory, much akin to the "talking pigs" that Siggelkow (2007) wrote about. We make this claim because in addition to the fact that such organizations are rare to come across, we were able to acquire high quality data through unconstrained access to them and were able to triangulate their claims of ethical behavior through multiple sources, both internal and external.

We had four main sources of information. First, semi-structured interviews were conducted with the founders of both companies, and with managers, former managers, employees, customers, suppliers, members of the press, and other informed external sources. In total, 82 interviews were conducted for the two cases, averaging approximately one hour each, although the longest interview lasted more than eight hours in multiple sittings. Eighty percent of these interviews (66 out of 82) were recorded and transcribed (see Table 1 for an overview of our subject companies and Table 2 for the interviewee list). The interview transcripts and notes totaled approximately 2,000 pages. Second, we had access to company documents such as annual reports, internal circulars, and market reports. Third, there was a large amount of data from press reports. Fourth, we studied contextual data from multilateral organizations such as the World Bank and affiliates and other organizations such as Transparency International.

Once the data from the transcripts, press reports, and other archival sources were analyzed, several interviewees were approached by telephone and e-mail for further clarifications. This diversity of sources of information allowed us to achieve methodological triangulation (Stake 1995, p.114) and also informed our coding procedure. We then followed a member checking process (Lincoln and Guba, 1985), wherein the case study drafts were submitted to the companies for feedback on chronological accuracy, inferential accuracy, and comprehensiveness in covering the most important events and themes. The member checking process was also carried out in compliance with our university's Institutional Review Board guidelines on human subjects research. The data analysis, reduction (i.e., condensing the vast amount of primary and secondary data into two research case studies), and member checking procedures took a total of five months for both cases. The final research case studies were of 86 double spaced pages for Alacrity and 66 double spaced pages for Econet. We also developed timelines for the two cases.

For our data analysis, the transcript data were broken up into major themes with the research questions as guide. In particular, we were looking for factors that influenced the building of ethical reputations, i.e., being known for something (research question i) and the impact of acquiring an ethical reputation among stakeholders (research question ii). We generated 82 data chunks from the interview transcripts, which provided details about who, when and why had committed resources to the ventures. Each data chunk was coded along five categories, as explained in Table 3. In total, 410 codes were given, five each for the 82 data chunks derived from the interview transcripts. One of the co-authors (first coder), who had collected the data, coded the chunks along the five dimensions. A second coder, who had no prior exposure to this research, was requested to code the 82 chunks independently with the coding categories as guide. We then analyzed the degree to which the second coder's codes were in agreement with those of the first coder. We found 94.02% agreement between the two sets of codes. One reason for the high inter-coder validity was that the five dimensions of the coding were quite factual, and most interviews explicitly elicited this information from the interviewees, leaving little need for the coders to exercise their judgment. We followed a conservative approach and dropped the nearly 6% of codes on which there was no agreement between the first and second coder. We report our results in the Findings section.

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TABLES 1, 2 and 3 about here

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Reputation and stakeholder support

We operationalized ethical behavior as resistance to corruption, and more specifically, resistance to bribery. In order to measure reputation, we follow Barnett, Jermier and Lafferty (2006) in defining organizational reputation as the judgments and assessments of stakeholders about a focal firm (see also Money and Hillenbrand, 2006). When stakeholders perceive an organization to be ethical, then the organization can be said to have acquired an ethical reputation. The greater the number of stakeholders that view the organization as ethical, the stronger its claims around holding an ethical reputation. In our view, there are two critical tests of the strength of an organization's reputation: first, whether stakeholders beyond the strong tie family and friends network of the organization's founders are willing to support the firm with their resources, and second, whether stakeholders place an economic value on the reputation, in other words, whether they are willing to pay a premium or incur a penalty to transact business with the organization.

Entrepreneurs typically obtain resources in the initial stages from family and close friends (Hite and Hesterly, 2001). As the circle of stakeholders committing resources to the firm widens, the firm is able to grow and diminish its liability of newness and smallness (Freeman, Carroll and Hannan, 1983; Singh, Tucker and House, 1986; Bruderl and Schussler, 1990). Consistent with the above discussion, we conceptualize the strength of a firm's ethical reputation to be a function of the extent of stakeholder relationships (beyond family and friends) it is able to build in a given amount of time and the willingness of the stakeholders to support the ethical firm at a cost to themselves.

Subject companies

Econet

Econet was founded by Strive Masiyiwa in Zimbabwe, and its history can be traced to 1993, when he first approached the Zimbabwean Post and Telecommunications Corporation (PTC) for a mobile telecommunications license. After his request was rejected, Masiyiwa fought a five year legal battle, first against the PTC and then against the Zimbabwean government, for a license that was issued to his company only in July 1998, five years after his first request and nearly two years after PTC launched its own mobile service and cornered the corporate market. In spite of this two year disadvantage, it took Econet only a few months to achieve market leadership, and to achieve the remarkable feat for a telecommunications company of turning a profit in its first year of operations (this was in part because it did not have to pay any license fees).

There were a number of occasions during Masiyiwa's five year battle in which he could have obtained the license if only he had "accommodated" a few individuals in positions of power, but he steadfastly refused to do so and preferred to get the license the proper way. One press article[i] reported that a middleman for three government ministers had stated outright to Masiyiwa - "The price for a license is $400,000 US." He then reportedly consulted with the ministers, who were in an adjoining room, and returned to say - "OK. You can pay in installments."

Masiyiwa's story was covered extensively in the Zimbabwean and international media, including The Economist, Newsweek, Christian Science Monitor, The Vancouver Sun, and others. In 2002, he was selected by CNN/Time as one of the most globally influential leaders.

Alacrity

Alacrity was set up by Amol Karnad in 1978 as a consultancy firm. It entered the business of constructing residential apartments in 1981 in the southern Indian city of Chennai. Over a 20 year period, Alacrity established a reputation for ethical behavior in the construction industry, which is notorious for its high incidence of corruption that results from the very high degree of governmental intervention.

In the 1981-2002 period, companies in the construction business in Chennai had to deal with many governmental departments for each project: the Revenue Authority for the registration of documents; the Chennai Metropolitan Development Authority (CMDA), which formulates and implements building regulations; the Chennai Corporation, which issues the building permits; the Chennai Metropolitan Water Supply and Sewerage Board (CMWSSB), which provides water and sewerage connections; the Tamilnadu Electricity Board (TNEB), which provides the electricity connection; and the

Income Tax Department, which intervenes to ensure that land and construction prices are not being falsified to evade taxes.

There were several instances in which Alacrity's management refused to bribe public officials even though this refusal imposed huge costs on the company. In one instance that was reported in a national business publication, the company's refusal to pay a bribe of US$ 10 to an official in the state's electricity department led to an eight month delay in the completion of the project, for which it had to pay customers a penalty of more than US$ 26,000[ii].

Alacrity quickly achieved market leadership, with an estimated 25% market share of the Chennai residential construction market, as was confirmed in 1991 by the Chairman of the Alsa Group, a Chennai based construction company, who remarked, "Alacrity is undoubtedly the market leader in the residential flats segment with a reputation for being fine builders[iii]."

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TABLES 4 and 5 about here

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FINDINGS

Speed and extent of ethical reputation

The first finding we report is that Econet established an ethical reputation more quickly than Alacrity. Econet's reputation as an ethical organization was established soon after it began its five year battle for a telecoms license, and long before it started operating its business in 1998. Of the interview chunks that referred to resource commitments to

Econet, 66.67% were at the pre-operational stage, before Econet was granted a license to operate the network (see last column of Table 4). The media coverage received by Econet was much greater and wider: we found 83 reports in the domestic Zimbabwean media between 1993 and 2002, and 69 reports in the international media during the same period, including Newsweek, The Economist, Wall Street Journal Europe, the Vancouver Sun and the Christian Science Monitor. In total, 29 different media outlets, national and international, covered the story. In comparison, only 32.26% of the resource commitment chunks in the case of Alacrity were at the pre-operational stage (see last column of Table 5). We could find less than 10 media reports on Alacrity, all in the domestic media, between 1978 and 2002. This more frequent and much wider media coverage brought news of Econet and its ethical actions more quickly to potential stakeholders, which had implications on the speed of diffusion of its ethical reputation (being known for something).

The second finding we report is that Econet received resource commitments from a much wider cross section of stakeholders, including friends, bankers, a section of the press, Church groups, some members of government, governmental employees, the company's own employees, civil rights organizations, the public, and a law firm (see second column of Table 4). Nine different stakeholder groups committed resources to Econet, versus six for Alacrity (see second column of Table 5), over the course of their existence. Petkova et al (2008) refer to this as "generalized", as opposed to "localized", reputation. Of the total number of chunks that referred to Econet's resource commitments, 74.51% referred to commitments made by "weak ties", i.e., stakeholders who were beyond the second order in terms of network distance from Masiyiwa (see third column of Table 4).

Several employees, creditors and the law firm that supported Masiyiwa believed so strongly in his ethical stance that they went for several months without being paid. Two noteworthy features of Econet's resource acquisition pattern are that it received considerable *unsolicited support* from individuals and organizations who were neither personally known to Masiyiwa nor to his first order network members at the time the support was given and that it received much of this support before it was clear that it could satisfy the quid pro quo that the support entailed (in the form of provision of telecoms services). Much of this support was given for non-pecuniary reasons. For example, the founder of a financial services company who supported Econet from the beginning was asked why he did so and replied: "The Lord spoke to me that I had to help him." Masiyiwa also mentioned this individual and the importance of their shared Christian faith and its influence on "how to run a business properly" (column 5 of Tables 4 and 5 shows a much higher incidence of Econet receiving resources from moderate and weak ties due to "Shared Values" perceived by stakeholders).

In contrast, Alacrity's resource acquisition patterns were consistent with what is described in the entrepreneurship literature for seed and early-stage firms. It initially received support from strong ties - family members and friends of the founder Amol Karnad (see column 3 of Table 5). Of the total number of interview chunks referring to Alacrity's resource commitments, only 29.03% referred to commitments from weak ties, i.e., stakeholders beyond Amol's second order network. The first twenty four apartments the company constructed were all sold to strong ties, including family members, friends and friends' family members. These apartments were priced approximately 40% below the market price, which raised the suspicion in the Income Tax Department that Alacrity and the apartment owners were reporting a much lower price than the market price in order to evade taxes. Instrumental reasons (coded as quid pro quo in Table 5) played a much greater role in the resource transfers to Alacrity, even in those instances where the stakeholders perceived value congruence between themselves and the firm.

Factors impacting speed and extent of ethical reputation building

Stakeholder response

From our data, it is clear that stakeholder responses to ethical behavior – both in terms of which stakeholders respond and why they do so – are key determinants of the speed and extent of ethical reputation building. We conceptualize stakeholder responses as playing a mediating role between the firm's ethical behaviors on the one hand and the speed and extent of its reputation building on the other. The wider the circle of stakeholders (i.e. weak ties), beyond the immediate network of the founding team, who are drawn to the focal firm, and the greater the diversity in their motivations for transferring resources to it, beyond just a quid pro quo, the easier it is for the firm to survive and grow.

Our analysis of the data points to six broad factors which act as moderators for how stakeholders respond to ethical behavior (high status affiliations; industry characteristics; nature of corruption resisted; polarized media and society; the potential for collective action; and the presence of independent judiciary), which in turn impacts the speed and extent of ethical reputation building (see Figure 1).

High-status affiliations

Masiyiwa was a nationally prominent figure before he set up Econet, having founded an electrical engineering company called Retrofit in 1987. Retrofit received contracts from the Zimbabwe armed forces and had even done work at President Robert Mugabe's home. He was named Businessman of the Year by the Chamber of Commerce in 1990.

He was also the first Secretary General of the Indigenous Business Development Council (IBDC). In contrast, Amol Karnad was a 28 year old first time entrepreneur in 1978 when he set up Alacrity Consultants, which changed its business and name to Alacrity Housing in 1981. He was not known beyond his circle of family and friends.

Firms seek affiliations with high-status individuals or organizations as a way of acquiring legitimacy and building reputation among a broad group of stakeholders (Hayward et al., 2004; Pfarrer et al., 2010), especially when they are at the start-up stage (Benjamin and Podolny 1999; Rindova et al., 2006, 2007). This is also consistent with Petkova's (2012) notion of 'reputation by endowment', when the individual reputation of a founder is used by stakeholders as an underlying indicator of the quality and potential of the organization, which in turn helps it to gain prominence.

Industry characteristics

Econet was trying to enter a sunrise industry in 1993, mobile telecommunications, that had captured the imagination of consumers, investors and the media all over the world. In 1993, the Post and Telegraph Corporation of Zimbabwe (PTC) was the monopoly provider of fixed-line telephone services. The quality of the service provided was also poor; it took five attempts on average to complete a call. This combination of an exciting new technology, a universal need and a very low-quality incumbent service provider played in Econet's favor and garnered it the attention of all the key stakeholders (e.g. investors, partners, employees and customers). In contrast, Alacrity was operating in the construction industry, which was mature, fragmented and local (in the 1980s and 1990s competition in the construction business in India was city-based). Because of the fragmented nature of the industry, knowledge of Alacrity tended to be passed through the strong tie networks of Karnad, who did not receive the same degree of prominent media coverage as Masiyiwa. This also restricted the awareness of the business proposition to a narrow group of stakeholders (e.g. strong ties such as family and friends) in comparison to the case of Econet, which was attractive to a broad group of stakeholders (e.g. strong and weak ties such as family members, friends, community members, investors, partners, employees and customers).

Shamsie (2003) proposed specific industry characteristics as antecedents of organizational reputation, and we observe this relationship manifesting itself in these two cases. He also found that industries where the products/services have relatively lower prices and are purchased more frequently make it easier for firms to create and exploit reputations. The intuition here is that organizational reputation allows customers to overcome the problem of information asymmetry by avoiding information search costs. The lower the transaction value, the lower the stakes for customers and the more it pays for them to rely on the reputation of the organization providing the product or service as a substitute for incurring search costs to learn about the organization. We find that industry characteristics matter in other ways too. Sunrise industries, those that cater to a universal need and monopoly industries with a large base of dissatisfied and potential customers, are those in which the actions of firms become more salient to stakeholders.

Nature of corruption resisted

In 1993, Masiyiwa first proposed to the PTC that it operate a mobile telecoms network in a joint venture with his company, to which the latter responded that there was no demand for mobile telephony in Zimbabwe. Masiyiwa then proposed that he would operate a network under license from the PTC, and was again turned down. He then challenged PTC's monopoly in the High Court, arguing that it could license a private company under the Radio Communications Act. The High Court ruled in his favor, but the PTC appealed the decision in the Supreme Court and got it overturned. Masiyiwa then decided to challenge the monopoly on constitutional grounds, arguing that the poor service provided by the PTC impinged on the constitutional right of Zimbabweans as it violated Section 20, which stated that "every Zimbabwean has a right to receive and impart information without hindrance". Before he filed the constitutional appeal, he was warned by his lawyers against doing so, as it would be seen as a challenge to President Mugabe himself and the consequences would be dire. He nevertheless proceeded with the constitutional challenge. As he had been warned, the government retaliated with force – his governmental contracts were cancelled, he was not paid the monies he was due for the work his company had carried out, his telephones were tapped, his family and friends received physical threats and even death threats and he was arrested and questioned by the police.

At different points during his five year battle, he was assured a license if he "accommodated" certain interests and limited his own shareholding in the telecoms company to 25%. He refused to entertain these proposals (this was reported in international media such as Newsweek[iv]). Both his challenges and the government's retaliation were widely covered in the media, which at that time was polarized between pro and anti-governments groups. Thus, the battle that Masiyiwa started to fight against the PTC quickly turned into one against the Zimbabwean government, personified in its powerful President, Robert Mugabe. The Zimbabwean public saw the battle as one between David and Goliath. As the CEO of Econet Zimbabwe (the successor of Masiyiwa) pointed out,

> "You know, the four years of legal process, the legal battle if I may call it that way, created a lot of goodwill, incredible. Hardly a week would pass by without an article being flashed in the newspapers concerning Econet fighting the Government over the licence, to the extent that even people in the rural areas knew who Strive was. He became a household name."

In contrast, Alacrity's resistance to corruption was directed mainly at low level administrative officers, many of whom worked in state or municipal governmental departments, such as the Chennai Metropolitan Development Authority and the Tamil Nadu Electricity Board. Furthermore, Alacrity dealt with seven different governmental agencies for every construction project, which meant that the key stakeholders were less clearly defined. It also meant that there were a greater volume of bribery requests, but the amounts that were demanded and paid as bribes to governmental officers by construction companies were usually quite small. For example, Alacrity was once asked for a bribe of INR 150 (roughly US$ 10 at the prevailing exchange rate) by the electricity department in return for being given power supply to a new block of apartments[v].

Following Amundsen (1999), we find that the distinction between political and bureaucratic corruption is important for our understanding of how ethical reputations are built. Due to its high profile, political corruption, when resisted, attracts much greater attention than bureaucratic corruption. At the same time, resisting political corruption, especially that of authoritarian regimes, can be dangerous and even life-threatening for the individuals involved. Hence, we would suggest that both the costs and benefits of resisting political corruption are likely to be higher than those of bureaucratic corruption.

Polarized media and society

An observer team from the Commonwealth Press Union (CPU) that visited Zimbabwe to observe the 2002 presidential election had the following to say about the country's media:

> "We are talking about a country whose newspapers, across the whole spectrum of political affiliations and loyalties, unhesitatingly refer to people's alleged

> and unproven criminal practices, to people's health and mental ability, even to people's looks or expected natural death. We are talking about a country where the media are devoid of any definable policy standards for screening inflammatory political advertorials during a delicate election period. We are talking about a country where the media, in their misguided enthusiasm to trumpet the political ideals of their adopted election torch-bearers, have elevated news reporting to blatant editorializing, thereby breaching the cardinal journalistic principle of separating news from comment. We are also talking about a country where a vibrant and inspiring civil society admits that political and societal polarization is such that neutrality appears to be an unaffordable luxury" (Ahnee et al. 2002, p.3).

The CPU report identified *The Herald*, *The Chronicle* and *The Sunday Mail* to be pro-Zanu-PF (the ruling party of Robert Mugabe), *The Zimbabwe Mirror* to be pro-Zanu-PF with nuance, and the *The Daily News*, *The Zimbabwe Independent*, *The Financial Gazette* and *The Standard* to be pro-MDC (the opposition party). The polarization of the domestic media and of Zimbabwean society played a key role in the speedy diffusion of Econet's actions. Econet became a focal rallying point, akin to a Schelling point (Schelling 1960, p.57), around which opposition to Mugabe coalesced. The vehicle that carried information of Econet's actions and behaviors and presented the merits of its case to stakeholders was the media, especially the section that was opposed to Mugabe's party.

Alacrity's relationship with the media was very different. Fourteen years after it was founded, Alacrity made an initial public offering (IPO) of shares on the Indian stock market. The IPO prospectus contained information about the company's accumulated losses of INR 31.9 million since 1982. In an attempt to be inclusive, Alacrity took out paid full-page advertisements in the national media appreciating the support it had received from governmental officials, land owners and apartment buyers in its quest to be a values-driven organization. However, the financial media's response was consistently negative.

> “(The) promoter of Alacrity Housing Limited says that he set up the business to fulfill some of his social responsibilities. Or is (he) trying to hide his business failure on the pretensions of social service[vi]?”

> “But, the company’s accumulated loss stands at Rs. 31.9 million against a capital of Rs. 3.3 million in March 1992... Yet, the value-based management could not prevent the company from going deep into the red. …. Another AHL’s issue slogan reads: “You share our values. Come, share our growth.” But, the track record of the promoter-company reveals that there is no value or growth left to share[vii].”

> “... Welcome to Scam Two. Welcome to the just-manufactured industrialists selling us a too-good-to-be-true story[viii].”

> “A disappointing past performance has not deterred the company from presenting a rosy picture in the projections… should you apply for the issue? If you believe in miracles, go right ahead[ix].”

In-groups and the potential for collective action

Masiyiwa framed his resistance to corruption as arising out of his Christian faith (Born Again Christian). It is estimated that 40% of Zimbabwe’s 11.5 million citizens profess the Christian faith. His ethical stance resonated with this very large section of Zimbabwe’s population. One interviewee, who had been with Econet from the beginning, said:

> “You know, when you have such a prayer meeting, and Mr. Masiyiwa being a Christian, he has a lot of other contact people, I mean in the Christian circles, they may be pastors, they may be brothers in Christ, they just come and share. If somebody feels that he has a word for Econet, they’ll just come and share, especially in those early days, one would just have a word, a word of encouragement you know, because it wasn’t easy. … So, those people who were there sometimes needed encouragement, you know. So Christian brothers would come, share a word of encouragement here and there.”

In contrast, Amol Karnad, the founder of Alacrity, was a staunch atheist and did not frame his resistance to corruption in ways that would appeal to large sections of the population of Chennai.

The relationship between religion and trust has long been discussed by scholars, and signaling theory has been applied to religious behavior (see Sosis 2005, for a recent discussion of this topic). Sosis (2005) submits that:

> "These groups gainfully facilitate collective action by offering a circumscribed social arena in which reputations can be built, evaluated, rewarded, and efficiently punished. While face to face reciprocal relations obviate the need for trusting behavior within closed religious communities, when social groups are fluid religious practices and symbolic markers are successful at promoting trust among in-group members and anonymous coreligionists who reside in different communities" (p.1).

Sosis (2005) argues that rather than trust, it is the institutional framework of religion that encourages adherents to behave in ways that are expected of them in order to build, protect and enhance their reputations. This reputation with members of an "in-group" can evolve into collective action (Olson 1965), which means that the support of a wider community can be harnessed.

Presence of independent judiciary

The battle between Econet and the Zimbabwean government was fought in the courts of law. One of the most important contributory factors in the successful resistance to corruption of Econet was the existence of an independent judiciary in Zimbabwe. According to Saller (2004):

> "Zimbabwe has a recognized tradition of judicial independence and concern for human rights that spans not only the years since independence but dates back to colonial times. In particular, both before and after independence judicial interpretation of draconian legislation and orders for arrested and detained persons to be produced in court have provided some measure of judicial control over government abuses of human rights" (p. 1-2).

A senior manager of Econet, of Kenyan nationality, had the following to say about Econet's experience with the courts:

> "Now, having come from Kenya, the first thing that really shocked me was that Strive was able to go to court and sustain a legal campaign to get his licence,

> and not get jailed, not get bumped off or something like that. That to me was - we're not even looking at what he had created, that in turn told me something about Zimbabwe... And I think what has happened now has happened, but at that time there was respect for the rule of law, because he got his license through the court, and the Government listened to that, unlike what they're doing now, and he got his license and ran his company."

Both the High Court and the Supreme Court repeatedly ruled against the government (and in favor of Econet). While the independence of the judiciary did not directly contribute to Econet's reputation, it did so indirectly by allowing it to sustain its battle and keep it in the public spotlight for five years.

India also had an independent judiciary during the 1981-2002 period. However, given the administrative (petty) and local nature of corruption resisted by Alacrity, there were fewer opportunities for the company to escalate its resistance in the courts to garner public support. This was because each individual bribe amount was too small and Alacrity's adversaries (the governmental officials who demanded bribes) were too diffused in multiple governmental organizations.

To summarize, the six factors discussed above – high status affiliations, industry characteristics, the nature of corruption resisted, the polarized media and society, in-groups and collective action, and the judicial system as the locus of resistance to corruption – made Econet more salient to a potentially wider pool of stakeholders and influenced how they responded to its ethical behavior. This salience allowed Econet to build its ethical reputation (being known for something) much more quickly and with a broader and more influential group of stakeholders than Alacrity. These factors also acted as important moderators that explain how stakeholders made different decisions around resource commitments in the two cases.

Although Econet's success was remarkable, there were some unique contextual factors that came together to help it succeed. These structural factors changed significantly such that in 2000, barely two years after Econet received the license, Masiyiwa had to leave the country when he was warned that his life was under threat. As of February 2016, he had not returned even once. Saller (2004) also notes that since 2000, the independence of the judiciary has been steadily eroded as the Zimbabwean state has become increasingly repressive. As of 2003, only one newspaper that was pro-opposition (Daily News) was still operating[x]. If an organization like Econet were to have initiated another battle against the Mugabe regime even two years after the first one concluded (in 1998), it would have had no hope of prevailing, notwithstanding the support from the Christian community. This serves to show the foundational importance of an independent judiciary and an independent media to enable organizations to build ethical reputations in corrupt environments.

The above drivers of ethical reputation had important consequences for how stakeholders responded to the ethical endeavors of both firms and consequently for the speed and extent of their ethical reputation building. It is clear that Alacrity was also remarkably successful over a much longer period (21 years compared to 8 years for Econet in 2002, when we conducted our fieldwork) in resisting corruption. It also succeeded in building a strong reputation among stakeholders as an ethical builder of homes in the city of Chennai. This suggests that resisting bureaucratic corruption may be less contingent on contextual factors than resisting political corruption.

DISCUSSION AND CONTRIBUTIONS

Even with two rich case studies of successful resistance to corruption, we cannot claim that our findings are generalizable to all contexts. However, our ability to engage in depth with two extreme cases suggests patterns that provide important theoretical and empirical insights into building ethical reputation (being known for something) in corrupt environments, which warrant further investigation. As Siggelkow (2007) avers –

"The theory should stand on its own feet. One needs to convince the reader that the conceptual argument is plausible and use the case as additional (but not sole) justification for one's argument" (p. 23).

First, and at a very basic level, our study provides extensive evidence that corruption – both political and administrative – can be resisted over long periods in environments with widespread corruption. Based partly on our study and partly on theoretical reasoning (Siggelkow, 2007), we also surmise that ethical behavior should be much more salient to stakeholders in environments where such behavior is scarce, such as in India and Zimbabwe. In contrast, in countries with highly ethical business cultures such as Denmark, Finland and Sweden, normal ethical behaviors (such as refusing to bribe) would simply not be salient; firms would need to expand the frontiers of ethical behavior to stand out. This means that practicing ethical behaviors in a corrupt environment presents an opportunity to build ethical reputation, notwithstanding the significant risks to individuals and organizations. Rode, Hogarth and Le Menestrel (2008) demonstrated, in an experimental setting, that there is a demand function for ethics. Our study confirms their findings in two real-life contexts, and provides the added insight that, consistent with economic theory, the willingness of organizations and their stakeholders to pay for ethical behavior would be greater in contexts where it is scarce.

Second, in environments with widespread corruption, there exist a sufficient number of disaffected stakeholders (cutting across traditional stakeholder groupings) who respond positively to a demonstration of ethical leadership by an organization. Their passivity in voicing their displeasure at corrupt practices does not imply that they will not rally around an organization that takes the lead in making a commitment to ethical values. Indeed, a key insight from our study is that the universe of potential stakeholders is heterogeneous in its sensitivity to ethical behaviors, arising from stakeholder specific and contextual characteristics. Therefore, not all stakeholders are equal in their influence on reputation building (Harvey and Morris, 2012) and the importance they will place on particular qualities (Lange et al., 2011; Barnett and Pollock, 2012). While extant literature makes a valuable contribution to the heterogeneous impact on and importance placed by stakeholders on reputation building, we disaggregate further how stakeholders differ in their responses to ethical behavior in corrupt environments. We also provide rich and unique empirical evidence of how this variation in stakeholder response is underpinned by different moderating factors at both the firm and societal level.

We outline below different stakeholder responses to ethical behavior based on four types of stakeholders: indifferent, pragmatic, absent and ethical. These categories are conceptually important because they cut across traditional stakeholder boundaries (e.g. employees, customers, investors, etc.). We derive them both from the literature and from our data. There is one set of stakeholders that places minimal importance on the ethical behaviors of firms, which we refer to as *indifferent* stakeholders. These actors are only concerned about the focal firm satisfying their expectations, and not about the means employed by the firm to satisfy them. As is apparent from the large volume of evidence of firms who do not make a commitment to ethical behavior in corrupt environments and still receive support from stakeholders, indifferent actors abound in corrupt environments and provide sustenance to corrupt firms. There is a second set, derived from our data, that we term *pragmatic* stakeholders, which would support ethical firms as long as the benefit to them from doing so is higher than the cost. For example, most of Alacrity’s customers were middle-class salaried professionals. Not only were their apartments cheaper, but the uncertainty they faced was lower due to the transaction being completely above board. However, when Alacrity refused to give the electricity department official a bribe of US$10, they could not move into their new apartments for eight months. Some of them put pressure on the company to be more flexible, stating - “Damn your values. We want to move in”[xi]. These stakeholders, while benefiting from the lower uncertainty resulting from Alacrity’s strong commitment to ethical values, clearly felt that an eight month delay was too big a price to pay for supporting these values. Similarly, there were many customers, employees and suppliers who supported Econet after it received the license and started operating its network and these pragmatic stakeholders are coded “quid pro quo” in column 5 of Tables 4 and 5. Third, the literature suggests that there exist *absent* stakeholders, who choose not to participate in markets, particularly for high stakes transactions such as property purchases, due to the high uncertainty they would be exposed to. This leads to the market not being as large as it could be. Thus, the institutionalization of ethical behavior can significantly expand the market by facilitating transactions that would otherwise not have taken place (see Klitgaard, 1991). Klitgaard (1991) studied a number of markets in developing countries, such as the milk markets in Pakistan and India, and agricultural markets in Bolivia and noted – “It is safe to conclude, however, that a market with asymmetric information about quality will have lower levels of both quality and quantity than are socially optimal” (p. 45). An organization committing to ethical behavior in corrupt environments can send a signal of quality to stakeholders, which if credible, will go a long way towards addressing the uncertainty arising from the asymmetry of information. Finally, there exist *ethical* stakeholders, who decide to support the ethical organization even though this entails a cost for them, at least in the short term, as we clearly show from our data in the Econet and Alacrity cases.

Organizations seeking to build ethical reputations in corrupt environments need to rally the pragmatic, absent and ethical stakeholders to their cause. This is important theoretically because it implies that the specific stakeholder categories that we have identified have greater salience than traditional stakeholder boundaries when understanding how individuals, groups and organizations respond to attempts to build ethical reputation (see McVea and Freeman, 2005, for a detailed discussion on the need for a granular understanding of stakeholders, beyond the superficial grouping based on roles). Stakeholder groups are not homogeneous in terms of sharing the same values with organizations just because they hold a similar relationship to them (e.g. as investors, customers or employees). Instead, what is more significant is the degree of importance that the different stakeholders place on building ethical reputation, which may have little bearing on their stakeholder grouping, but will nevertheless impact how they respond to ethical behavior in corrupt environments.

The key challenge for an ethical organization is to connect with the last three categories of stakeholders, and in particular to those that are beyond the strong tie networks of the organization to weak tie networks that can broaden the prominence and appeal of that organization. This would enable the firm to build the generalized networks as opposed to the purely localized ones (Petkova et al, 2008) and facilitate growth. The more distant the stakeholders are in terms of network connections, the costlier it is to communicate with them and to persuade them to provide their support. By showing a commitment to being ethical in an environment where such commitment is conspicuous by its absence, an organization initiates the process towards *becoming known for something* (Lange et al, 2011) outside its immediate sphere of influence (Petkova et al, 2008). Over time, this being known for something can translate into just being known, if the ethical behavior that the organization is known for fades away in the eyes of its stakeholders but it continues to be salient for historical reasons, or into generalized favorability, if the organization becomes good at things other than just ethical behavior (Lange et al, 2011). This initial step of showing a commitment to ethical behavior is necessary but not sufficient to connect to and rally the support of a wider group of like-minded stakeholders.

Two further conditions need to be met to build ethical reputation among key actors beyond strong tie networks. First, there is a need for the organization to frame its ethical commitment in ways that resonate with a large enough group of stakeholders. Econet was able to do this successfully by framing its ethical behavior as emanating from its deep commitment to Christian values. In contrast, Alacrity was unable to do so to the same extent because of its unwillingness to engage with groups such as local business associations. As a last ditch effort, it advertised itself in major national newspapers at considerable expense to itself, but this was perceived as an attempt at impression management (Carter and Dukerich, 1998; Rindova and Fombrun, 1999), and was undermined by opinion leaders such as financial analysts because it was what Rhee and Kim (2012) refer to as a 'superficial response'. Indeed, even the officials in the government departments that were praised by Alacrity for having supported its value-driven mission without expecting bribes expressed their displeasure to the company. In their eyes, the advertisements implied that they were honest only with Alacrity and dishonest with the other builders. The theoretical implication is that organizations are better able to build ethical reputations when they engage with strong and weak ties who are committed to supporting ethical behavior even if they personally endure an initial cost.

Second, third-party endorsers such as the media need to reify the ethical message to a broader group of stakeholders. This is based on the premise that reputation claims are more credible when they are made by third parties (Dawkins, 2005) or legitimized in a credible way (Harvey et al., 2016). According to media system dependency theory (Ball-Rokeach and Fleur, 1976), organizations rely on the media to communicate information about themselves to their stakeholders. At the same time, the media relies on organizations for content that they believe their readers will find interesting (Einwiller and Carroll, 2010). Previous studies (for example, Einwiller and Carroll, 2010) have found that media effects on corporate reputations are not uniform. This is because different stakeholders have different needs for information about a firm's attributes (Helm, 2005). Further, stakeholders' dependence on the media for information is greater for those attributes of the firm that are difficult to observe (Demers, Craff, Choi and Pessin, 1989). Finally, our findings also show that there are contextual conditions that make certain kinds of resistance to corruption more newsworthy than others. This newsworthiness allows an organization to connect more easily to like-minded stakeholders from a wide range of contexts to support its ethical stance, which in turn further helps its cause to build an ethical reputation.

In summary, we propose that the relationship between ethical behaviors and the speed and extent of ethical reputation building is mediated by stakeholder responses (in particular, representing both strong and weak ties), which are moderated by firm-level and contextual variables, such as the high status affiliations, industry characteristics, the nature of corruption resisted, the polarity of media and society, and the potential for collective action and the presence of an independent judiciary (see Figure 1 for a representation of our theoretical framework).

…..

Figure 1 about here

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CONCLUSIONS

Our research has made a number of contributions to the rich literature that has emerged in recent times on organizational reputation. To our knowledge, ours is one of the few studies to take the perspective of private sector organizations in the fight against corruption in emerging economies. We study the building of one particular type of organizational reputation, ethical reputation, in one particular setting, environments in which corruption is widespread.

We show first that it is possible to build and sustain an ethical reputation in corrupt environments. The two cases we discuss in this paper provide extensive empirical support that ethical reputations can be built by resisting corrupt practices (in this case, bribery). Second, we show that for a firm's ethical behavior to translate into ethical reputation, it is crucial for it to elicit favorable responses from like-minded stakeholders, which we argue play a central mediating role. The strength of stakeholder responses is moderated by firm level and contextual factors. Third, we show that these mediator and moderators also shape in important ways the pattern of commitments stakeholders make to the focal firm.

Our study also has limitations, one of which is its limited generalizability due to the study of only two extreme cases. Ideally, we would also have liked to study a larger number of ethical organizations in corrupt environments as well as those that resisted corruption but did not survive, but we could not do so because of the difficulty of identifying such organizations and subsequently gaining access to them. A second limitation is the fact that we have analyzed one firm each in two different industries. On the one hand, having subject organizations from different industries allowed us to theorize about how ethical behavior may be viewed by stakeholders in two very different product-markets. On the other hand, it gave us only single cases per industry to work with. Once again, we see no easy solutions to the problems involved in identifying organizations similar to Econet and Alacrity and then obtaining unfettered access to their internal and external stakeholders. We believe that complementing such in-depth studies with carefully designed experiments might be a fruitful approach to solving the problem of generalizability and advancing our knowledge in this important area.

We hope that this research will catalyze others to collect more data and provide further theoretical and practical insights into organizations building and sustaining ethical reputations in corrupt environments.

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Table 1 – Main characteristics of two firms researched

Company name	**Econet Wireless**	**Alacrity Housing***
Location	Harare, Zimbabwe	Chennai, India
Founder	Strive Masiyiwa	Amol Karnad**
Date founded	August 1994	July 1978
Period researched	1993-2002	1978-2002
Industry	Telecommunications	Residential construction
Revenues (fiscal 2002)	Zimbabwean $ 6.08 billion	Indian rupees 260 million
Number of employees 2002	Approximately 450	197
Country corruption rank in 2002***	71	71
Country corruption perception score	2.7	2.7

* Alacrity Housing was called Alacrity Consultants when it was founded.

** There were two other founders of the company. Amol Karnad was considered the leader of the team.

*** Both Zimbabwe and India were ranked 71st out of 102 countries, with perception scores of 2.7 in the 2002 Corruption Perception Index of Transparency International.

Table 2 – Interview information for Alacrity Housing and Econet Wireless

Stakeholder	**Alacrity**	**Econet**
Founder	1	1
Employees	18	18
Former employees	5 *	2
Board Members (former or current)	2 *	3 **
Customers	4	2
Suppliers	2	4
Government / regulatory officials	4	1
Retired governmental officials	2	-
Industry experts	2	1
Former community member	1	-
Press		2
Transparency International official		1
Financial analyst		1
Former lawyers		3 **
Former banker		1
Founder's wife		1
Founder's pastor		1
Zimbabwean graduate students		2 ***
Total	**40**	**42**

* One former employee of Alacrity who was interviewed was also a member of the Board and has been included in both categories. The total of the Alacrity interviewees is one less than the sum of the column.

** One former lawyer of Econet was also a Board Member, and another former lawyer was also an employee. Each of them has been included in two categories. The total of the Econet interviewees is two less than the sum of the column.

*** One of the students, based in the US, had done research on Econet. The other student, based in Norway, had written his Master's thesis on the liberalization of the media and telecommunications in Zimbabwe.

Table 3 – Coding categories

1. Type of stakeholder
    a. Customer
    b. Employee, manager or co-founder
    c. Investor
    d. Supplier of finance
        i. Bank
        ii. Supplier
    e. Supplier (of land, equipment, technology, raw material)
    f. Court
    g. Media (newspapers, magazines)
    h. Community
    i. Government official

2. Strength of ties with stakeholders
    a. Strong ties (known to entrepreneurs – Strive Masiyiwa or Amol Karnad – before resource transfer)
    b. Moderate ties (known to entrepreneurs through somebody else)
    c. Weak ties (not part of entrepreneurs' 1st or 2nd order network)

3. Types of resource transferred (for each chunk, in some cases more than one type of resource can be transferred)
    a. Custom (business, by customers)
    b. Expertise (by employee, manager, or co-founder)
    c. Equity capital
    d. Debt (by bank or supplier)
    e. Land, equipment, technology or raw material (by supplier)
    f. Judgments in favor (by court)
    g. Publicity (by media or analysts)
    h. Emotional support (by community)
    i. Permission to do business (licenses, approvals etc.) by government officials

4. Reasons for resource transfer (multiple reasons can be given)
    a. Personal relationship
    b. Shared values
    c. Quid pro quo (getting something in return for resource transferred)
    d. Justice (or merits of the case)

5. Stage of resource transfer
    a. Pre-operational (Alacrity Housing, before 1981; Econet, before 1998, when the license was given)
    b. Post-operational (Alacrity Housing, after 1981; Econet, after 1998)

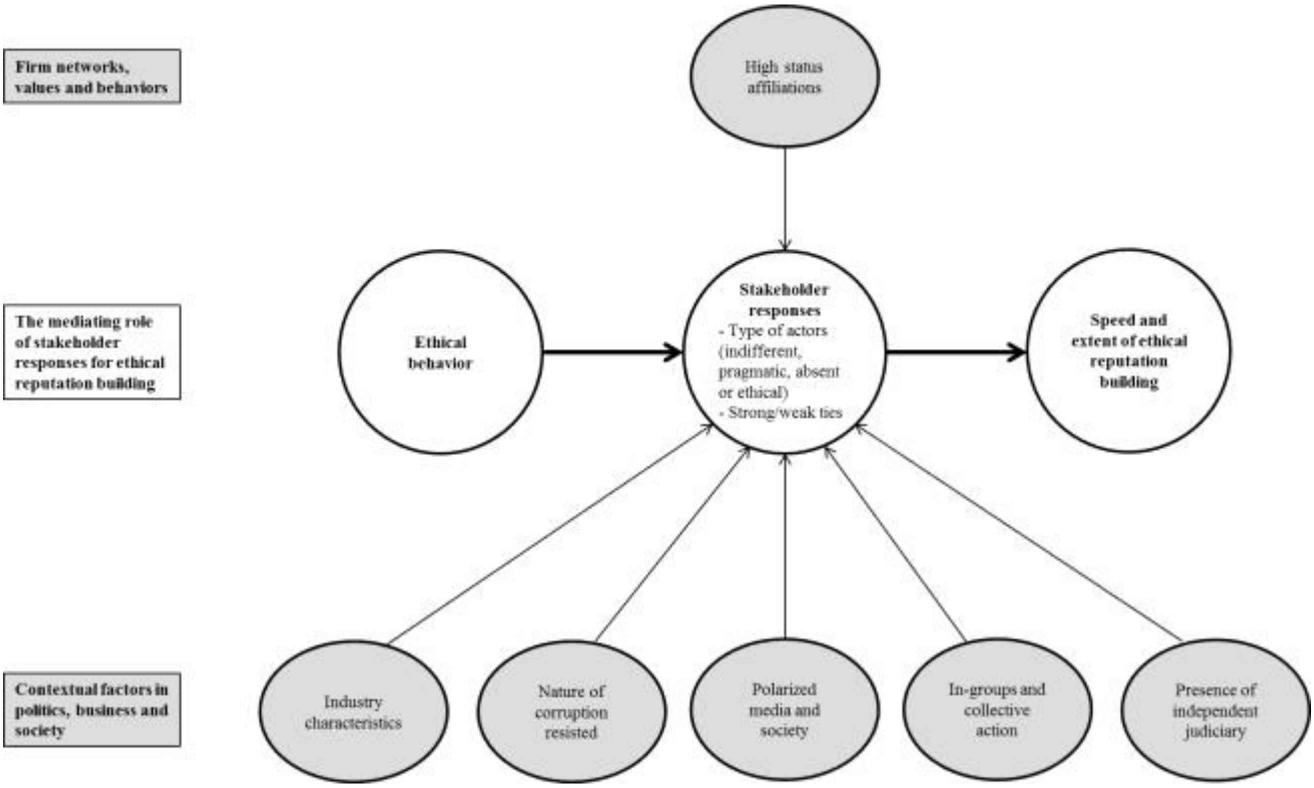
Table 4 – Examples of coding: Econet

Chunk	Stakeholder group	Network ties	Type of resource transferred	Reasons for resource transfer	Stage of resource transfer
CEO of Econet Wireless Zimbabwe: "I know a lot of people who basically said to us: We will not take lines from existing operators, we will wait for Econet, no matter how long it takes. … I remember the first day we actually got over 30,000 people, just wanting to be activated and connected…"	Customers	Weak ties	Custom	Shared values	Pre-operational
New York based lawyer, expert in telecommunications law. Strive Masiyiwa explained how he contacted her: "I said what I really need is a specialist, and I knew that only Americans are that specialized. So I got in touch with a friend of mine who worked for the American Embassy, USAID, and I said to him I was looking for some assistance to find an American lawyer who is a telecom specialist. He says: There's only one who is mad about Africa, totally excited, if anyone can do it she can. He said: But she's expensive, but let me get hold of her. … she's based in New York. So I got hold of (name withheld) and I talked to her on the 'phone, and her immediate response was: Look, Strive, I've looked at all the African Telecom laws, I know most of them like the back of my hand. That monopoly is watertight, you can't build a mobile. I said: I have gone through it, and I think there is something there. She said: Okay, send me a cheque for $20,000 deposit, and I'll look at it."	Supplier	Moderate ties	Expertise (legal)	Quid pro quo	Pre-operational
Former CFO of Econet Wireless: And in that we found ourselves going along, the church was praying for us, the Christian community, countrywide. Each time we're thrown out of court the Christians will say: We are setting some time to pray and fast. This is too much. You know, the whole nation was praying for us, so it was difficult for anybody out there to say I want to fix these guys. Well, they just felt sympathy. There was so much support that was poured out from the nation as a result of that, because they felt, no, no, no, it appeared like a major injustice to this little Masiyiwa boy.	Community	Weak ties	Emotional Support	Shared values	Pre-operational
General Manager in Sales and Marketing of Econet Wireless, joined in May 1999: "Z was the Marketing Director at that time, and Z knew me from his days with Lintas, … the integrity and the charisma of the leadership in Econet, particularly Strive himself, is what attracted me to Econet. …I felt that I was going to make a contribution to Zimbabwe … show the world that Zimbabweans themselves are capable of creating and managing an entity in an honest and professional way."	Employee	Moderate ties	Expertise	Shared values, Quid pro quo	Post-operational
Lawyer, formerly of law firm that advised Econet, joined as an employee in July 1998: "there was a great sense of feeling amongst the team that this was principle case, it was a case for justice, it was case against corruption…"	Lawyers	Weak ties	Expertise	Shared values, Justice	Pre-operational
Finance Director 1995-2000, joined to help with fundraising: "I'd known Strive many years before …. So when I came back (from Kenya) he asked me to assist him in putting together the financial funding for the company. … I wanted to set up a financial services institution. He said: Help me a little bit and then after that you can go and proceed." Strive Masiyiwa: "Him (founder of financial services company) and I are both Christians, as is (Finance Director), and a lot of our conviction about how to run a business properly was debated between the three of us …"	Employee	Strong ties	Expertise	Personal relationship, Shared values	Pre-operational
CFO of Econet Wireless joined in February 2001: "It was incredible that the Stock Exchange allowed it to go for an IPO. … There was huge and massive support. I guess what drew people to Econet at that time was the battle, it went to get its license as an operator."	Investors	Weak ties	Equity capital	Shared values	Pre-operational

Table 5 – Examples of coding: Alacrity

Chunk	Stakeholder group	Network distance	Type of resource transferred	Reasons for resource transfer	Stage of resource transfer – pre or post-operational
Co-founder and later CEO of Alacrity: "…myself and Amol were the two people who started this business, it was not to prove to the world, listen there is something called value-based management, something that we will demonstrate to the human kind that we are different. It was not our intention of starting the business at all. We started it (Alacrity) because we were not very happy with the manner in which we were being treated in our past employment, we believed there was something called human dignity, which for ourselves we could experience it in a new business of our own."	Employee	Strong ties	Expertise	Personal Relationship, Shared values, Quid pro quo	Post-operational
Customer: "I said I do not want a damn thing in black (money), I do not like this comment of black and… I just want it all clean, all above board, no issues."	Customer	Weak ties	Custom	Shared values, Quid pro quo	Post-operational
Amol Karnad's uncle, who handed over ancestral property for development: "It appeared very attractive to me simply because he is a person whom I knew, had an inner strength, which was there, and an integrity, and therefore you could trust. … I wanted a clean transaction."	Supplier	Strong ties	Land	Personal relationship, Shared values, Quid pro quo	Pre-operational
Cofounder of Alacrity: "I came to know him at that time. We were very good friends even at that time. In fact the friendship was so good that I used to go every evening after my office, I used to meet him. … We used to go there, sit and chat. …Then the idea slowly developed that he would like to do business on his own. … I was technically one of the founders of Alacrity, it was Memorandum of Association… That way he was very different. He was very intelligent. He was a person, who even at that time he did have strong ideas about right and wrong."	Employee	Strong ties	Expertise	Personal relationship, Shared values	Pre-operational
Amol Karnad: "We had a capital of 35,000 rupees. Seven contributions of five thousand. Seven individuals -- myself, Anil (Amol's brother), Venkat, Ramakrishna, my father, my uncle, and Ulhas (cousin's husband)."	Investors, Employees	Strong ties	Equity Capital	Personal relationship, shared values	Pre-operational
General Manager of Government Relations Dept: "so I found it very difficult to work with him (previous employer). At that time I contacted (co-founder of Alacrity) and told him that his is the problem I am facing and if they have any vacancy, I can join. So in January 1989 I joined Alacrity."	Employee	Moderate ties	Expertise	Quid pro quo	Post-operational
Amol Karnad: "and then I got an (consultancy) assignment with the Karnataka Fisheries Corporation. Another uncle of mine, …, had retired from there as Director and they had some outstanding problems they had not been able to come to terms with, so he asked me whether I would get in …"	Customers	Strong ties	Custom	Quid pro quo, Personal relationship	Pre-operational

Figure 1 – Ethical Reputation Building



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i *The Christian Science Monitor*, March 1, 2000: "How one entrepreneur beat corruption".
ii *The Economic Times*, December 20, 1992: "An upright builder needs honest clients to be successful".
iii *Business India*, August 5-18, 1991: "Alacrity Group: Concrete Foundation"
iv *Newsweek*, July 29, 1996: "Wrong number - Paying the penalty for challenging the state"
v See endnote ii)
vi *Investment Week, November 16-22, 1992*.
vii *V. S. Fernando, The Times of India, November 23, 1992*.
viii *Mudar Pathreya, The Economic Times, November 29, 1992*.
ix *Capital Market, December 6, 1992*.
x *Freedom House*: Freedom of the Press Report, 2003.
xi See endnote ii)