REVISTA DE DIREITO E ANÁLISE DA CORRUPÇÃO
JOURNAL OF LAW AND CORRUPTION REVIEW
Alumni.in
e-ISSN: 2965-3630
16 PEACE, JUSTICE AND STRONG INSTITUTIONS

FIGHTING CORRUPTION: A THEORETICAL ARTICULATION OF THE THEMES OF SOCIAL RESPONSIBILITY, CORPORATE GOVERNANCE AND AGENCY THEORY

Mônica Cristina Rovaris Machado [A1],Ruan Carlos dos Santos *[B1]

[A] Departamento de Administração, Universidade Federal do Sergie - UFS, Sergie/SE, Brazil
1. https://orcid.org/0000-0001-6661-2657
[B] Departamento de Administração, Universidade do Estado de Santa Catarina (UDESC), Florianopólis/SC, Brazil
1. https://orcid.org/0000-0001-7396-8774

ABSTRACT

Objective: Corruption, seen as the abuse or misuse of power or trust for one's benefit instead of the purpose for which that power or trust was granted, has caused problems for many countries and the principles of Social Responsibility through the models of Carroll and Schwartz and Corporate Governance (have been pointed out in the literature as a mitigating agent of this problem. On the other hand, other research indicates the need to be cautious when guided by the mentality of the Agency Theory, which defends it as a neutral and sufficient instrument to mitigate corruption problems.

Method: This study consists of a theoretical essay based on a bibliographical survey that exposes the themes of Corruption, Social Responsibility, Corporate Governance, and Agency Theory. It surveys the different definitions, lines of research, lines of thought, supporting theories, dualities, and conflicts around the mainstream.

Results: The study's justification is centered on the perception that while studies have empirically tested the relationship between corruption and countries' accounting environments, only some have dedicated themselves to critically reflecting on the knowledge produced about this relationship.

Originality/Relevance: In the context presented, a good governance structure is recommended for effective administration and management in anti-corruption bodies. The principles of Corporate Governance and Social Responsibility, which are Transparency (disclosure), Accountability, and Fairness, align with the principles of Agency Theory, which are mainly related to ethics and morality in interpersonal relationships in organizations.

Theoretical/methodological contributions: This contribution is intended to reflect on the need for organizations to contribute to the fight against corruption in their relations and to the realization of a socially responsible administration through Corporate Governance and Agency Theory, with consonance between the objectives of shareholders and agents in an intermittent fight against corruption.

Keywords: Corruption. Social Responsibility. Corporate Governance. Agency Theory.

Received on: March/06/2024
Approved on: May/17/2024
DOI: https://doi.org/10.37497/CorruptionReview.6.2024.78

1. INTRODUCTION

The growing awareness of society is gradually changing the business model, which is based on making a profit without considering the surrounding community. The pressure generated by society manifests itself in two distinct areas: one of an ecological nature to protect the natural environment and the other linked to the rights and protection of society. What was once purely economic, such as the standard of living, is now strongly modified by values linked to the quality of life for a more significant number of individuals (ARCIONI; MESQUITA, 2007).

Much has been discussed about the role of organizations in this context as a citizen company does not shy away from its commitment to improving society's quality of life and has social objectives and social instruments to do so. Its actions add a facet to its role as an economic agent: that of a social agent (PONCHIROLLI, 2009). With the necessary adaptations, it makes its resources available for transforming and improving society and developing the common good. Through its actions and practices, the citizen company acts in a way that contributes to social responsibility and corporate governance by acting transparently with its stakeholders (REIS, 2007). *Corporate governance* can be defined as a system in which companies and related organizations are managed and monitored together with stakeholders, management boards, and other supervisory bodies (IBCG, 2013). The practice aims to monitor and subsequently disclose the actions promoted by the company, as well as the means used for control and publication, thus ensuring that those interested in the information received it coherently and transparently. Due to the diversity of stakeholders, governance responds to the interests of shareholders and agents directly involved in corporate operations. In a broad sense, it can encompass a more extensive set of relationships between a business corporation and all agents directly or indirectly affected by its actions (ANDRADE; ROSSETI, 2004).

In this sense, the agency theory, through the agents' actions, prevents corruption by not accepting that they are corrupt or that they corrupt themselves, maximizing the value of the enterprise, the wealth of the shareholders, and the return on their investments, fulfilling their role in society. It can be defined as a contract in which one or more people, called the principal, engage another person, called the agent, who performs tasks on their behalf, thus delegating decision-making authority to the agent (IBGC, 2013)

The Agency Theory seeks to minimize the conflicts and costs of this relationship between the owner/shareholder and the agents to use the resources employed better and generate a return, to minimize costs and to share the same purpose (JENSEN and MECKLING, 1976). Administrators who act professionally in organizations are considered agents of the owners, who in turn hire them and give them the authority to manage and make decisions on their behalf (CHENG; SERAFEIM, 2014). In a more recent context, organizations vary in how they define their actions and strategies, whether through adopting management standards and procedures, which consequently reflect on governance (CAMARGO et al., 2014).

Corruption can be defined as using a public institution for private gain or an agency problem (BARDHAN, 1997). Many scholars used to define corruption as a strictly internal problem of each nation or society. However, today, with its exacerbated increase, action against corruption is the work of the international community, which joins forces to contribute to the fight by national governments and their interconnections (SILVA et al., 2009). Corruption is a complex phenomenon and increasingly permeates organizations directly or indirectly (BREI, 1996). However, due to its complexity, the discovery of facts and situations in which agents seek undue income, whether in public or private companies, means that organizations are often coerced into experiencing this situation in the business environment. (BORINI and GRISI, 2009)

In corrupt systems, developing solid and well-designed institutions that enable applying laws and guarantee a transparent and inclusive policy-making procedure becomes painstaking work. A corrupt environment is corroded. For the most part, in such an environment, government authorities and agents are not held firmly accountable for their actions. As a result, laws and regulations need to be more effectively enforced. The issue is of such relevance that scandals involving various organizations have made headlines in the media, the most recent being in Brazil's state-owned public companies. This type of operation can generate billions in losses for stakeholders and, as a result, lead organizations to disappear, undermine the confidence of clients, shareholders, and investors, reduce employment, and generate negative impacts on the community (BAUCUS; NEAR, 1991; BAUCUS, 1994; MACLEAN, 2008).

Based on the above, the main objective of this essay is to establish a relationship between the principles of anti-corruption (HUNTINGTON, 1970; HOPE, 1987; BRANDOLINO; LUNA, 2006), Social Responsibility - CSR (SCHWARTZ; CARROLL, 2003; 2007), Corporate Governance - CG (BRENNAN; SOLOMON, 2008) and Agency Theory - AT (JENSEN; MECKLING, 1976). The question of this essay cuts across the proposed themes, and we hope to answer it: How can organizations combat corruption by using the principles of CSR, CG, and AT?

In order to answer this question, the aim is to make a theoretical link between the themes of Corporate Social Responsibility, Corporate Governance, Agency Theory, and Corruption. As a contribution, it is intended to provide reflections on the need for organizations to contribute to combating corruption in their relations and to carry out socially responsible management. This essay is justified by the nature of the topic, which involves financial, institutional, cultural, and behavioral aspects in a wide range of areas within the organizational sphere, such as Finance, Organizational Studies, and Social Responsibility, among others. Due to the diversity of views on the subject, the literature is heterogeneous, with different perspectives and levels of analysis. In the field of social responsibility, attempts have been made to answer questions related to "why corruption occurs" and "what the role of organizations is in combating it" (HILL et al., 1992; SCHNATTERLY, 2003).

This essay is structured as follows: aspects of the fight against corruption, social responsibility, corporate governance, and agency theory. The theoretical articulation between the themes is then made to answer this study's propositions. It ends with considerations of the themes and the references used.

2. THEORETICAL FRAMEWORK

The following topics will be discussed: corruption, Social Responsibility, Corporate Governance, and Agency Theory. The presentation will highlight concepts, characteristics, applications, and recent studies involving the subjects.

2.1 CORRUPTION

The word corruption comes from the agglutination of the particle "co" (at the same time) and "*ruptus*" (to break), generating the word derived from the Latin *corruptus*, indicating an antagonism between an established order and conduct that violates, breaks, or denatures it. According to Tanzi (1998, p. 564), *According to Tanzi (1998, p. 564),* the most widely used and straightforward definition of corruption is that the World Bank uses "corruption is the use of public power to obtain private benefits." The definition of corruption also has various aspects such as a corrupt transaction takes place when the agent disregards the rules through the intervention of a third party that leads them to share resources linked to their interests through discretionary power, privileged information or the possibility of protecting their interests, receives the retribution offered to the public agent in the form of a bribe which, in a broad sense, can be translated into financial, material or symbolic resources (KLITGAARD, 1994; RAUSCH; SOARES, 2010).

Corruption is defined by the Brazilian Penal Code (1940 and updates), according to which the concept is associated with any illegal act to benefit a private or public body. It is considered an old problem, and most cases usually refer to using public office for private gain, where an official (the agent) entrusted with carrying out a task by the public (the principal) engages in some malfeasance for private enrichment that is difficult for the principal to control (BARDHAN, 1997; CASTILHO, 2021). Since the 1990s, it has become a phenomenon of great interest and attention worldwide, mainly due to increased news about illicit practices in both the public and private sectors. There are various definitions of corruption, each of which aims to highlight a relevant aspect of it. As it is a complex phenomenon, it is essential to verify the strands of thought using a more detailed analysis of the various positions and subsequent analysis of the issue, which is differentiated in terms of the causes, consequences, and functions of corruption in the context of societies (BREI, 1996; SILVA, BRAGA; LAURENCEL, 2009).

Corruption is a controversial subject and has been one of the main impediments to surveys. However, recent surveys in documents by Transparency International Bangladesh, CIET, 1998, Coalition, 1998, Abramo, 2004 and 2005, have shown that businesspeople are willing to report on their perceptions and experiences with the subject, thus providing a sense of the frequency of corruption in business. Given the lack of studies on corruption in the business environment, the economic theories on corruption in the corporate sphere are presented below (SILVA, 2000).

According to Hope (1987), corruption in various spheres such as politics and, consequently, management, leads to the use of positions and functions for so-called “private gain”, i.e. the position held by an individual contributes to the occurrence of corruption. The author also highlights reasons for the proliferation of corruption, especially in developing countries, such as: a) problems with the practice of work ethics in the public service and in private environments, b) poverty and inequality, causing citizens to tolerate or practice acts of corruption; c) weak leadership by politicians; d) growth of the role of employees through the dysfunctions of the bureaucracy, facilitating abuses; e) patterns of behavior that allow orientations considered traditional rather than modern attitudes, according to the new stance required by new standards; f) weak and apathetic public opinion, which does not take a stand against corruption and illegal acts.

Corruption is used in different senses, such as when public assets are used for private interests or as a synonym for bribery, extortion, influence peddling, nepotism, fraud, bribery, and embezzlement of public funds. Despite being more related to the public sector, the same author states that corruption "also contaminates the private sector and non-governmental institutions." Corruption is a symptom of something being wrong in the administration of the state. Institutions designed to govern relations between citizens and the state are being used to seek personal enrichment through the benefits of bribery. (CARRARO; FOCHEZATTO; HILLBRECHT, 2006, p. 2; TEIXEIRA, 2006, p. 39)

Corruption in Brazil has peculiar characteristics that manifest in all segments of society and are linked to cultural factors. Corruption is part of a broad context; combating it requires long-term measures. It happens when there is a tacit acceptance on both the side of the corrupt and the corruptor, with naturalness; society does not abide by the laws, and the leaders do not. Corruption in the private sphere is the process of private enrichment by circumventing public or private rules without the participation of the party affected. Corruption in the public sphere is the process in which a public administrator, in their relationship with a private agent, gains undue advantages or income, taking advantage of their position (SILVA, 2001; ABRAMO, 2004).

In the context of corruption, the agents will always seek to obtain the maximum possible income, whether or not it is by the rules established by the managers or shareholders. In order to obtain this income, agents can use various artifices, such as the transfer of money in the form of a monopoly or various forms of privileges. (FERRARI, 2011) The search for this income through illicit activities is known as the Rent Hunters Theory, developed by Tullock (1967) and Krueger (1974). It is important to note that this type of activity generated by the agent is unproductive and adds nothing to the national product or the organization's value. Buchanan (1980, p. 3) defines *rent* as "the part of the payment to a holder of resources above the value that would be paid for the same resources in an alternative use. Rent is income that exceeds opportunity cost".

The rent-seeker theory shows that agents hunt for rent within the rules of the game, and according to this view, economic agents have a primary motivation, which is to seek private gain at any price in a given instant of time when it is opportune, which is the central point of the argument of this theory. (FERRARI, 2011) Corruption in organizations and among high-ranking public officials has reached a large scale, the so-called kleptocracy - a particular threat to democracy in developing countries. Corruption adversely affects accountability, discourages foreign investment, undermines economic performance, and reduces confidence in the legal and judicial systems. Based on the above, regardless of the economic or accounting approach, corruption causes much harm to a nation, compromises government transparency, hinders a country's progress, and generates political and economic instability (NASCIMENTO et al., 2018).

For Huntington (1970), the fight against corruption is urgent to reduce it. The author argues that organizing citizen participation through political parties and institutions contributing to society's performance is the way out. Corruption stems from social disorganization, the lack of stability in relationships between individuals and groups, or, on the other hand, the corrupt pattern of behavior accepted by society. He recommends the development of organizations that allow citizens greater authority and the consolidation of their participation through these organizations that promote the common interest and good. While corruption consults individual, private, and secret interests, participation favors articulations based on explicit public obligations. The efforts to combat this pernicious phenomenon through establishing anti-corruption agreements and treaties are becoming increasingly significant. These agreements operate on one or more action fronts against corruption, including law enforcement, public sector prevention, private sector prevention, and monitoring mechanisms (MAGERAKIS; TZELEPIS, 2023).

In the context of some multilateral anti-corruption instruments, review and evaluation mechanisms help to facilitate international cooperation and technical assistance and fill possible gaps, and principles of social responsibility can help to curb harmful attitudes towards organizations (BRANDOLINO; LUNA, 2006; LIMA; RIBEIRO, 2024).

2.2 CORPORATE SOCIAL RESPONSIBILITY

Social responsibility in business was first mentioned in the 1930s and 1940s, but by the mid-1950s and 1960s, ethical and social business issues permeated discussions in academia and corporations. Bowen assumes that organizations, through their business, affect people in many different ways, thus seeking to develop practices against business immorality. Society's expectations of business ethics have grown so much that business has been increasingly scrutinized in recent decades. Bowen (1953, p.6) defines SR as " the obligations of businessmen to pursue certain policies, to make certain decisions, or to follow courses of action desirable in terms of the goals and values of our society." (BOWEN, 1953; CARROLL, 1979; MIRANDA AND AMARAL, 2011). At the end of the 1970s, Carroll presented a definition of Corporate Social Responsibility (CSR) using a conceptual model based on four dimensions of responsibility: economic, legal, ethical, and discretionary. In order to engage with this proposal, organizations and their managers needed to have a basic definition of CSR, with whom the company has links of responsibilities, relationships, or dependence, and finally, a specification of the philosophy of these "responsibilities" to the issues pertinent to the topic. In this study, the author assumed that the central role of companies was to produce goods and services for society, thus emphasizing their economic role above all else, prioritizing profits. (CARROLL, 1979).

Concerns about values, the environment, ethics, job and income generation, and sustainable development have led companies to work in a way that systematically addresses social issues in line with the planning and strategies adopted for the sustainability of business and society. From this new stance adopted by organizations, Corporate Social Responsibility has emerged as a solution to issues related to business and the community, which, in addition to raising social awareness, drives business strategies, including the tangibility and strengthening of the brand. Carroll's (1991) CSR Pyramid was improved by Schwartz and Carroll (2003), who replaced it with a Veen Diagram, eliminating the hierarchical order of the previous model. In this way, the authors simplified the understanding of the relationships between the components, called the economic, ethical, and legal 'dimensions' of CSR, while emphasizing their interrelationship. In this sense, a significant contribution established by Carroll (1979, 1991) is that CSR can be fragmented into responsibilities that can be economic, legal, ethical, and philanthropic.

In the economic sphere, it refers to the belief that corporations must be profitable in producing goods and services demanded by consumers. In the legal sphere, organizations focus on making a profit but are expected to do so within the laws and regulations established by governments in their various spheres. About the ethical component, the corporation's conduct is expected to be consistent with what society approves of, even if it is not specified in laws, whether they are explicit, like the previous component, or implicit, even if they are not codified in laws, but are part of this society's conduct. Moreover, philanthropic conduct, which corresponds to corporate citizenship practices, promotes social welfare. To establish the four elements hierarchically, Carroll (1991) proposes a pyramid structure in which the economic responsibilities are the basis of the other components, and the other components are linked to their basis but depend to some extent on the responsibilities of the economic component. Carroll also states that the components linked to the ethical and philanthropic components, albeit with different emphases, have gained prominence in recent years (CARROLL, 1979, 1991; SCHWARTZ AND CARROLL, 2003). Taking social responsibility is, first and foremost, the awakening of the collective conscience of individuals who assume a posture of commitment to the destinies of the future generation. This may mean little to an inattentive observer. However, it translates the very meaning of human solidarity and the ability of organizations to assume a role beyond a simple emergency aid action or social marketing tactic to maximize profits at the expense of exploiting the ignorance of a specific section of society (GUERREIRO; PEREIRA, 2006).

CSR is ethical and responsible behavior in the pursuit of quality in the relationships the organization establishes with all its partners, directly and indirectly, associated with the company's business, incorporated into the company's strategic orientation, and reflecting ethical challenges for the economic, environmental, and social dimensions. It also represents a new paradigm for thinking about strategy, processes, and organizational policies that directly interfere with those the partners relate to (employees, shareholders, consumers, service providers, suppliers, the community, the government, and the environment (FERREIRA, 2004). Corporate social responsibility is closely linked to corporate governance because one depends on the other (GONZALEZ, 2002).

2.3 CORPORATE GOVERNANCE

Corporate Governance (CG) can be defined as how controlling shareholders establish monitoring and control mechanisms about managers and ensure that they act in the interests of the controlling shareholders. CG also states that "the relationship between ownership and management takes place through the supervisory board, which are fundamental instruments for exercising control" (SIFFERT, 1998; LODI, 2000, p.24).

Corporate governance practices recognize that establishing rules and measures so that companies' actions are not only in line with their interests but also enable maximum gains for shareholders is essential to examining CSR principles more closely. *Corporate governance* can also be defined as how controlling shareholders establish monitoring and control mechanisms about managers and ensure that they act in the interests of the controlling shareholders.

Good governance ensures fairness, Transparency, accountability, and compliance with the country's laws". The author (ibid) says these practices can be developed through global reports that monitor indicators, supervise processes to achieve financial and financial targets and monitor non-financial companies' performance. Risk management allows for a connection between the actions of the board of directors and the risks assumed in the long term, as well as transparency and responsible accountability in social, environmental, and ethical matters to enable a better link with economic interests. Regardless of how they are analyzed, governance practices increasingly incorporate CSR principles. (SIFFERT,1998).

Regarding values, the ethical considerations of CSR are perceived as essential for good governance. In this group, corporate governance is understood more as an expression of the institution's values than as rules, and CSR would be an external expression of these values. For firms adhering to this vision, the governance process determines what kind of corporate citizen the company wants to be (STRANDBERG, 2005). The concept of Corporate Governance presented by the Brazilian Institute of Corporate Governance is a system that aims to determine how organizations are run and controlled, involving stakeholders, senior boards, and shareholders, seeking to increase the company's value and longevity (IBGC, 2007).

The IBGC (ibid) states that Corporate Governance is designated to cover matters relating to a company's power of control and direction, as well as the different forms and spheres of its exercise and the various interests linked to the life of commercial companies. The study of CG is guided by principles, including Transparency, fairness, accountability, compliance with the law, and, above all, ethics in the conduct of companies and the activities carried out by governments and non-governmental entities. Corporate governance is a tool to support the management of companies and institutions in harmonizing their activities. Through it, interested parties seek information about the organization's achievements. (IBGC, 2007) "Good governance ensures fairness, transparency, accountability, and obedience to the laws of the country." The benefits of good corporate governance are recognized by participating companies, especially in improving Transparency, company management, improving the company's image, enabling alignment between shareholders and executives, and facilitating access to capital (IBGC, 2009, p. 01).

CG arises in systems where companies are managed and monitored, involving essential relationships through agents, such as shareholders, the board of directors, and management. In this sense, CG aims to overcome the so-called agency problem caused by the separation of the owner, now called a shareholder, and the agent, who is empowered to make decisions, separating ownership from corporate control. In this situation, the well-being of one party (shareholders) depends on the decisions made by another (managers). Although the manager must make decisions for the benefit of the shareholder, there are often situations in which the interests of the two conflicts induce opportunistic behavior on the part of the manager (CAMARGO et al., 2014).

In corporate governance research, Brennan and Solomon (2008) presented new research dynamic and the possibility of counteracting the inertial state to which this area of knowledge is subject. The frontiers of Corporate Governance research are based on the model proposed by Brennan and Solomon (2008). The frontiers they presented have undergone some adaptations while maintaining the essence of the proposal. Thus, the scope and content of the frontiers were defined as follows: 1st Frontier - Theoretical structure of Corporate Governance; 2nd Frontier - Accountability mechanisms; 3rd Frontier - Methodology and applied technique; 4th Frontier - Sectors and context; 5th Frontier - Globalization and the 6th Frontier, the application of the proposed model.

The six frontiers they presented have undergone some adaptations. However, the intention here is to analyze the frontiers without altering the essence of the proposal, focusing only on the 2nd Frontier - Accountability Mechanisms: the main governance mechanisms are broad governance regulations, board of directors, Transparency (financial reporting, disclosure); audit committees; external auditing; and the role of institutional investors. Based on the proposed suggestion, governance mechanisms would have expanded their use to governance regulations (at the individual level), social and environmental reporting, socially responsible investment, accountability mechanisms in different sectors and different economies, internal auditing, information technology governance, and risk management (BRENNAN; SOLOMON, 2008). For corporate governance and agency theory to integrate well, there must be good coordination between the organization's management (agents), shareholders, and stakeholders to ensure continuity and seek equal rights, including for minority groups (ARRUDA et al., 2008).

1.4 AGENCY THEORY

The authors Jensen and Meckling (1976) define agency theory as a contract in which one or more people (the principal or principals) engage another person (the agent) to perform some service on their behalf, which involves delegating some decisions to the agent. If both parties to the relationship are utility maximizers, there is good reason to believe that the agent will not always act in the principal's best interests. Many works have been developed in corporate governance; however, Berle and Means (1932) developed a theoretical framework that distinguishes between the attributes of ownership and control in the corporate system.

Concerning the nature of the firm, Coase (1937) highlights transactions and their costs, uncertainty, and limited rationality as critical points for analyzing transaction costs. This separation occurred due to the complexity of the operations that take place in companies, resulting in the emergence of specialists to manage the company's operational sectors. In this context, Agency Theory aims to analyze the conflicts and costs resulting from the separation of ownership and control of capital, which gives rise to informational asymmetries, risks, and other problems pertinent to the principal-agent relationship (BERLE; MEANS, 1932; COASE, 1937; JENSEN; MECKLING, 1976).

Shareholders or owners can delegate some or all of the directives to one or more managers who will take charge of decisions. When companies were primarily family-run and privately owned, the shareholders or owners were the managers, confusing ownership, and management. With the advent of new organizational approaches such as professionalization, privatization, globalization, and the removal of families from the direct management of organizations, corporate governance has placed the Board between Ownership and Management. It is necessary to understand the changes in the modern world to understand the friction between the owner and his agents. There has been a significant change in the corporate structure of companies. Before, the structure was concentrated in one person or a small group, and today, it comprises several shareholders. The management of companies has also changed since previously, the owner was the manager and chief executive, and today, there is a separation between the shareholders, who hold the capital, and the administrators, who manage the capital invested by the shareholders (MARTIN et al., 2004).

The Agency Theory seeks to analyze internal and external relationships within the company, as well as to serve as a model for decision-making involving more than one individual since, according to its fundamental hypothesis, there will always be an incongruity between the behavior desired by the principal and the behavior presented by the agent. In this way, it acts to delimit the set of feasible adjustments between the principal and the agent. Also, it tries to minimize informational asymmetry, in which case the principal and agent do not have all the information needed to analyze the contracts. The raison d'être of corporate governance is to solve the agency problem, and, therefore, its theoretical conception is modeled in terms of the so-called Principal-Agent problems. The theory assumes that the principle is well-defined, and its objectives are clear. The specific nature of state-owned companies makes it impossible to delimit agency costs since the principal is not necessarily identifiable. The result is that it is almost impossible to monitor the performance of state-owned company managers. Understanding control and ownership structures is essential for corporate governance since these variables influence the efficiency of the market controlled by corporations, showing the degree of diversification of shareholder risk, and indicating a potential agency problem (ARRUDA, 2008; MIRANDA; AMARAL, 2014).

According to Hatch (1997), the agency problem arises when the agent decides to act according to its interests or will rather than the principal's interests. The divergence can be resolved in specific contracts, aligning the parties' interests. Another problem in this relationship is the so-called "agency conflict," where there is a pulverization of capital and separation between ownership and management, as well as in the relationship between majority and minority shareholders.

2. THEORETICAL ARTICULATION BETWEEN SOCIAL RESPONSIBILITY, CORPORATE GOVERNANCE, AGENCY THEORY AND CORRUPTION

The theory of Corporate Social Responsibility presented by Carroll (1991) and refined by Schwartz and Carroll (2003) presents the economic, ethical, and legal 'dimensions' of CSR while emphasizing the interrelationship between them. The authors set out the four elements hierarchically, using a Carroll (1991) pyramid structure, in which economic responsibilities form the basis of the other proposed components (CARROLL, 1979,1991; SCHWARTZ AND CARROLL, 2003). By taking social responsibility, organizations, through their agents, seek to awaken the collective conscience of individuals committed to future generations' destinies (GUERREIRO, 2005).

Corporate Governance (CG) can be defined as how controlling shareholders establish monitoring and control mechanisms about managers and ensure that they act in the interests of the controlling shareholders. CG also states that "the relationship between ownership and management takes place through the supervisory board, which are fundamental instruments for exercising control." (Arruda et al., 2008). Corporate governance practices recognize that establishing rules and measures so that companies' actions are not only in line with their interests but also enable maximum gains for shareholders is essential to take a closer look at the principles of CSR CG also states that "the relationship between ownership and management occurs through the supervisory board, a fundamental instrument for exercising control (BUCHERONI et al., 2011; ALMEIDA; SANTOS; MESQUITA; LIMA, 2020). Transparency and responsible accountability on social, environmental, and ethical issues are essential to enable a better connection with economic interests. Regardless of the mode of analysis, governance practices are increasingly incorporating CSR principles. (SIFFERT,1998).

Based on the above, we can suggest the following proposition:

Proposition 1: In Corporate Social Responsibility, it is not enough for the shareholder to make a profit, but rather for all the interested parties, the so-called stakeholders. What factors guide and contribute to addressing the agency problem and combating corruption among the organizational agents?

For Strandberg (2005), corporate governance practices recognize that establishing rules and measures so that companies' actions are not only in line with their interests but also enable maximum gains for shareholders makes it essential to take a closer look at CSR principles. Regarding values, the ethical considerations of CSR are seen as essential for good governance. In this group, corporate governance is understood more as an expression of the institution's values than as rules, and CSR would be an external expression of these values. For firms adhering to this vision, the governance process consists of determining what kind of corporate citizen the company wants to be. To understand the relationship between CSR and CG, it reflects on the development of company policies, particularly on the bottom line, and is a management weapon.

The goal of corporate governance is to solve the agency problem, and, therefore, its theoretical conception is modeled in terms of so-called Principal-Agent problems. The theory assumes that the principle is well-defined, and its objectives are clear. The specific nature of state-owned companies makes it impossible to define agency costs since the principal is not necessarily identifiable. There is no single model of corporate governance. There are alternative models resulting from values molded under the influence of the cultural and institutional traits of nations, their economic formation, and their stages of business development, implying corporate purposes of different amplitudes, processes of greater or lesser scope in terms of the agents involved and different compositions of corporate control forces (ANDRADE; ROSSETI, 2004). When dealing with agency costs, Jensen, and Meckling (1976) stated that the literature dealing with the theory of agency relations and property rights was complementary. These authors defined an agency relationship as [...] a contract under which one or more persons (the principal(s)) engage another person (the agent) to provide a service. On their behalf, which involves delegating decision-making authority to the agent (JENSEN; MECKLING, 1976, p. 308).

Although several empirical studies have investigated the effects of institutional corruption on financing policies and organizational performance in different countries and institutional contexts (XU et al., 2019), there is no concrete evidence to identify which corruption mechanism affects business performance (MAGERAKIS; TZELEPIS, 2023). Existing results show that increased corruption is likely to harm business innovation (HUANG; YUAN, 2021), business risk-taking (TRAN, 2022), and the value of money (TRAN, 2020).

With the advent of new organizational approaches such as professionalization, privatization, and the removal of families from the direct management of organizations, corporate governance has placed the board between ownership and management. It is necessary to understand the changes in the modern world to understand the friction between the owner and his agents. There has been a significant change in the corporate structure of companies. Before, the structure was concentrated in one person or a small group, and today, it comprises several shareholders. The management of companies has also changed since previously, the owner was the manager and chief executive, and today, there is a separation between the shareholders, who hold the capital, and the administrators, who manage the capital invested by the shareholders (MARTIN et al., 2004).

The reason for corporate governance is to solve the agency problem; therefore, its theoretical conception is modeled in terms of so-called Principal-Agent problems. The theory assumes that the principle is well-defined, and its objectives are clear. The specific nature of state-owned companies makes it impossible to delimit agency costs since the principal is not necessarily identifiable. The result is that it is almost impossible to monitor the performance of state-owned company managers. Understanding control and ownership structures is essential for corporate governance since these variables influence the efficiency of the market controlled by corporations by showing the diversification of shareholder risk and indicating a potential agency problem (ARRUDA, 2008; MIRANDA; AMARAL, 2014).

Proposition 2: What strategies and mechanisms should management adopt so that corporate governance contributes to reducing levels of corruption in organizations?

The authors Brennan and Solomon (2008) propose frontiers on corporate governance based on the model proposed and adapted for this essay, but they try to maintain the essence of the proposal. The 2nd Frontier, which establishes accountability mechanisms, will be used. The model proposes that the CG mechanisms that seek to control agents in acts of corruption are broad governance regulations, board of directors, Transparency (financial reports, disclosure), audit committees, external audit, and the role of institutional investors. The model proposes that controls go from the individual level through governance regulations to the organizational level through social and environmental reporting, socially responsible investment, accountability mechanisms in different sectors and different economies, internal auditing, information technology governance, and risk management (ORSO; SANTOS; RAUPP; SOUSA, 2023).

The increase in social control and accountability of public managers and the constant search for Transparency in public acts and accounts, imperative factors for maintaining democracy in Brazil, is a constant movement to combat corruption in the public sector (SANTOS et al., 2019). The forms of control are hierarchical or administrative control, which is exercised within public or private organizations; democratic or social control, which is exercised in political terms over organizations and individuals; and economic control via the market (RAUSCH; SOARES, 2010; SANTOS; SOARES, 2021).

In this context, democratic control can be achieved through participatory, representative, and direct democracy, in other words, social control. According to Teixeira (2001, p. 38), "[...] participation is an instrument of control of the state by society, and therefore of social and political control". Considering the most superficial sense of what it means to participate (to take part), it can be said that public managers participate in public administration because they take part in the actions defined by the administrative functions, such as planning, organizing, directing, and executing.

For Huntington (1970), when it becomes necessary to reduce corruption, the way out is to organize the participation of individuals and social groups. Changes over the years can generate long-term results when focusing on social and economic development. This is the best guarantee against corruption (VU, VAN, NGUYEN; LIM, 2018; TRAN, 2022). Hope (1987) proposes administrative reforms that induce structural and procedural changes in public bureaucracy. In addition to training civil servants, he recommends the decentralization of administrative functions and the deep commitment of political leadership to efficient and effective administration (WADA, 2019). On the other hand, Brandolino and Luna (2006) argue that establishing anti-corruption agreements and treaties reduces corruption and penalizes the corrupt.

These agreements operate on one or more fronts of action against corruption, including law enforcement, public sector prevention, private sector prevention, and follow-up mechanisms. In the context of some multilateral anti-corruption instruments, review and evaluation mechanisms help to facilitate international cooperation and technical assistance and fill any gaps (ABILIO MARTINS; JEREMIAS JUNIOR; FERNANDO ENCISO, 2021).

4. FINAL CONSIDERATIONS

This theoretical essay aims to articulate the main themes and make a relationship between organizations through the principles of Social Responsibility by the models of Carroll (1979; 1991) and Schwartz and Carroll (2003, 2007) through Corporate Governance (BRENNAN; SOLOMON, 2008), Agency Theory (JENSEN; MECKLING, 1976) and Corruption. The question to be answered is: How can organizations combat corruption by using the principles of CSR, CG, and Agency Theory?

Through the discussion of the proposed themes about the first question, it is possible to consider that CSR is in line with establishing mechanisms to combat corruption through controlling agents at an individual and organizational level. Furthermore, by establishing mechanisms, organizations can act socially responsibly (CARROL, 1991) and produce actions that comply with the principles of Corporate Governance. As the principal (society) and the agent (public managers) may have different interests (JENSEN; MECKING, 1976), the actions taken by the agent may often not be within the guidelines established by the principal's interests and generate opportunistic behavior on the part of the agent. Building governance structures to deal with uncertainty and variability, reduce opportunistic behavior, and lower transaction costs is necessary.

Corporate governance is an excellent management tool because it is the tool that all the company's users will rely on to reduce the effects of informational asymmetry, attributing identical importance to the interests of all parties in the organization (FACCIN; BARCELLOS; NEUBAUER, 2013). Good corporate governance practices convert principles into objective recommendations, aligning interests to preserve and optimize the organization's value, facilitating access to capital, and contributing to its longevity (IBGC, 2013). In conclusion, organizations' ethical practices aim to maximize the financial return on their investments and socially responsible conduct of their agents' actions to improve relations with stakeholders.

Considering the above and based on the propositions mentioned in the theoretical framework, this study suggests that future research should empirically verify a) The extent to which managers can contribute to improving transparency relations with stakeholders in order to reduce levels of corruption in organizations; and b) The adoption of anti-corruption policies contribute positively to improving economic and social indicators in developing countries. More in-depth studies are needed to explore the topic of corruption in association with social responsibility and corporate governance practices to reduce conflicts between organizations and society.

REFERENCES

ABILIO MARTINS, V.; JEREMIAS JUNIOR, J.; FERNANDO ENCISO, L. Conflitos de agência, Governança Corporativa e o serviço público brasileiro: um ensaio teórico. **Revista de Governança Corporativa**, v. 5, n. 1, 2021. DOI: 10.21434/IberoamericanJCG.v5i1.25.

ABRAMO, C. W. **Corrupção no Brasil:** A perspectiva do setor privado, 2003. Relatório Transparência Brasil, 2004. http://www.transparencia.org.br/docs/perspec-privado-2003.pdf, Acesso em 01/08/2015.

ALMEIDA, K., SANTOS, R. C. dos; MESQUITA, M.; LIMA, R. Conflitos de Agência e Assimetria de Informações Contábeis: Entre a Tomada de Decisão e a Gestão Corporativa. **International Journal of Professional Business Review (JPBReview)**, 5(2), 234-255, 2020.

ARCIONI, J. M.; MESQUITA, W. A. C. de. A Responsabilidade Social nas Organizações: Percepções e Realidade. **Revista Gestão & Tecnologia**, v. 7, n. 2, p. 1-17, 2007

ARRUDA, G.S.; MADRUGA S. R.; FREITAS JUNIOR, N.I. A governança corporativa e a teoria da agência em consonância com a controladoria. **Rev. Adm. UFSM**, v. I, n. 1, p. 71-84, 2008.

BARDHAN, P. Association Corruption and Development: A Review of Issues. **Journal of Economic Literature**, Vol. 35, No. 3 (Sep., 1997), pp. 1320-134

BAUCUS, M. S; NEAR, J. P. Can illegal corporate behavior be predicted? An event history analysis. **Academy of Management Journal**, v. 34, n 1, p. 9-36, 1991.

BAUCUS, M. S. Pressure, opportunity and predisposition: a multivariate model of corporate illegality. **Journal of Management**, v. 20, n. 4, p. 699-721, 1994.

BERLE JR., A. A.; MEANS, G. C. **The modern corporation and private property**. New York: The Macmillan Company, 1932.

BORINI, F. M.; GRISI, F. C. A corrupção no ambiente de negócios: survey com as micro e pequenas empresas da cidade de São Paulo. **R.Adm.**, v.44, n.2, p.102-117, 2009.

BOWEN, H. R. **Social responsibilities of the businessman**. New York: Harper & Row, 1953.

BRANDOLINO, J.; LUNA, D. **QUESTÕES DE DEMOCRACIA:** Transformando a cultura da corrupção. Departamento de Estado dos EUA: Bureau de Programas de Informações Internacionais, 2006.

BREI, Z. A. A corrupção: causas, conseqüências e soluções para o problema. **RAP**, v. 30, n. 3, 103-115, 1996.

BRENNAN, N. M.; SOLOMON, J. Corporate governance, accountability and mechanisms of accountability: an overview", **Accounting, Auditing & Accountability Journal**, Vol. 21 Iss: 7, pp.885 – 906, 2008.

BUCHANAN, James M. Rent seeking and profit seeking. In: BUCHANAN, James M.; TOLLISON, Robert D.; TULLOCK, Gordon (Ed.). **Toward a theory of the rentseeking society**. College Station: Texas A & M University Press, 1980. p. 3-15.

BUCHERONI, Carlos Alberto; et al. A Dimensão Humana na Governança Corporativa: Ensaio Teórico e Propostas Para Futuros Estudos. **Rev. CCEI**, v.15, n.28, p. 19-38. 2011.

CAMARGO, B. F.; BARCELLOS, B.; LINCK, I. M. D.; NEUBAUER, V. S. Contribuições da Ética para a Governança Corporativa. **Revista da Universidade Vale do Rio Verde**, v. 12, n. 2, p. 244-257, 2014.

CARROLL, A. B. A three-dimensional conceptual model of corporate social performance. **Academy of Management Review**, (4), 497-505, 1979.

CARROLL, A. B. The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders. **Business Horizons**, 34(4), 39-46.1991

CARROL, A. B., HOY, F. Integrating Corporate Social Policy into Strategic Management. **The Journal of Business Strategy**, 4(3), 48-57, 1984.

CASTILHOS, T. O. de. Assessing Legislative Innovation and its Impact on Corruption Control and Constitutional Rights: Advancements and Setbacks. **Journal of Law and Corruption Review**, v. 3, p. e062, 2021. https://doi.org/10.37497/CorruptionReview.3.2021.62

CHENG, B., I.; SERAFEIM, G. Corporate Social Responsibility and access to Finance. **Strategic Management Journal**, (35), 1–23.2014.

COASE, Ronald. The nature of the firm. **Economica**, v. 4. p. 386-405, 1937

CODIGO PENAL BRASIL. **Decreto-Lei nº 2.848 de 07.12.1940 1940**, e alterações. http://www.planalto.gov.br/ccivil_03/decreto-lei/Del2848compilado.htm, Acesso em 01/08/2015.

FERRARI, Vinícius Eduardo. A inconsistência teórica e empírica da hipótese central do rent seeking. **Mediações**, v. 16, n.1, p. 323-344, Jan./Jun. 2011.

FREEMAN, R. E. **Strategic management:** a stakeholder approach. Massachusetts: Sage, 1984.

GONZALEZ, R. S. Tendência mundial: governança e responsabilidade social corporativa. **Relações com Investidores**, n. 53, p. 15-16, jul. 2002.

GUERREIRO, M. das D.; PEREIRA, I. **Responsabilidade Social das Empresas, Igualdade e Conciliação Trabalho-Família:** Experiências do Prémio Igualdade é Qualidade. Lisboa: Comissão para a Igualdade no Trabalho e no Emprego, 2006.

HATCH, M. J. **Organization theory:** modern, symbolic and postmodern perspectives. Oxford: Oxford University Press, pp. 63-100, 1997.

HILL, C. W. L. et al. **Human Relations**, v. 45, n. 10, p. 1055-1076, 1992.

HOPE, K. R. Administrative corruption and administrative reform in developing State. **Corruption and Reform**. v. 22l, l27-47, 1987.

HUANG, Q.; YUAN, T. Does political corruption impede firm innovation? Evidence from the United States. **Journal of Financial and Quantitative Analysis**, 56 (1), 213-248, 2021.https://doi.org/10.1017/S0022109019000966

HUNTINGTON, S. P. Modernization and corruption. In: Heidenheimer A. J. **Political corruption readings comparative analisys**. New York Holt. Rinehart and Winston. 1970.

IBGC. Instituto Brasileiro de Governança Corporativa. **Guia de Sustentabilidade para as Empresa**. Coordenação: Carlos Eduardo Lessa Brandão e Homero Luís Santos. São Paulo: IBGC, 2007.

IBGC. Instituto Brasileiro de Governança Corporativa. **Código das Melhores Práticas de Governança Corporativa**. 4.ed. São Paulo: IBGC, 2009.

JENSEN, M.C, MECKLING, W.H. Theory of the Firm: Managerial Behaviour, Agency Costs and Ownership Structure. **Journal of Financial Economics**, 1976.

KLITGAARD, Robert. **A corrupção sob controle**. Rio de Janeiro: Jorge Zahar, 1994.

KRUEGER, A. The Political Economy of the Rent-Seeking Society. **The American Economic Review**, v. 64, n. 3, pg 291-303, 1974.

LIMA, A. A.; RIBEIRO, T. de L. S. Mapping the emergence of the theme of corruption in the area of corporate governance: a bibliometric review of the literature. **Journal of Law and Corruption Review**, v. 6, p. e074, 2024. https://doi.org/10.37497/CorruptionReview.6.2024.74

MACLEAN, T. L. Framing and organizational misconduct: a symbolic interactionist study. **Journal of Business Ethics**, v. 78, n. 1/2, p. 3-16, 2008.

MAGERAKIS, E.; TZELEPIS, D. Corruption, cash holdings and firm performance: empirical evidence from an emerging market. **Journal of Applied Accounting Research**, 24(3), 483–507, 2023. DOI: https://doi.org/10.1108/JAAR-11-2021-0310

MIRANDA, R. A. de; AMARAL, H. F. Governança corporativa e gestão socialmente responsável em empresas estatais, **RAP**, 45(4):1069-94, 2011.

NASCIMENTO, J. C. H. B.; LOURENÇO, R. L.; SAUERBRONN, F. F.; BERNARDES, J. R. Ambiente Institucional de Contabilidade, Voz e Accountability, Distância do Poder e Corrupção: uma Análise Cross Country. **Advances in Scientific and Applied Accounting**, 11(2), 246-266, 2018.

ORSO, L. É.; SANTOS, R. C. dos; RAUPP, F. M.; SOUSA, A. M. R. Ownership Structure and Shareholders: Perspectives on Conflict between State Participation in the Value of Companies on the Brazilian Stock Exchange - B3. **Revista do CEJUR/TJSC: Prestação Jurisdicional**, v. 11, p. e0400, 2023. DOI: 10.37497/revistacejur.v11i00.400.

RAUSCH, R. B.; SOARES, M. Controle social na administração pública: a importância da transparência das contas públicas para inibir a corrupção. **Revista de Educação e Pesquisas em Contabilidade**, v.4, n. 3, p. 23-43, 2010.

REIS, C. N. dos. A Responsabilidade Social das Empresas: O Contexto Brasileiro Em Face da Ação Consciente ou do Modernismo Do Mercado? **R. Econ. Contemp.**, v. 11, n. 2, p. 279-305, 2007.

SANTOS, R. C.; ORSO, L. É., MACHADO, M. C. R; SOUSA, A. M. R. Foreign investors? The effects of the property structure and legal system as mechanisms of corporate governance in Brazilian regulated companies. **Corporate Governance: The international journal of business in society**, v. 19, p. 1082-1116, 2019.

SANTOS, R. C. dos; SOARES, J. M. I. Ensaio Teórico sobre a Governança Corporativa em setores regulados aplicado às concessionárias de rodovias. **Revista de Governança Corporativa**, v. 3, n. 1, 2021. DOI: 10.21434/IberoamericanJCG.v3i1.18.

SCHNATTERLY, K. Increasing firm value through detection and prevention. **Strategic Management Journal**, v. 24, n. 7, p. 587-614, 2003.

SCHWARTZ, M. S., CARROLL, A. B. Corporate Social Responsibility: A Three-Domain Approach. **Business Ethics Quarterly**, 13(4), 503-530, 2003.

SCHWARTZ, M. S., CARROLL, A. B. Integrating and unifying competing and complementary frameworks: the search for a common core in the business and society field. **Business & Society**, 20(10), 1-39, 2007.

SIFFERT Filho, N. Governança Corporativa: Padrões Internacionais e Evidências Empíricas no Brasil nos Anos 90. **Revista BNDES** n.9, 1998.

SILVA, A. M. C. da; BRAGA, E. C.; LAURENCEL, L. da C. A Corrupção em uma Abordagem Econômico-Contábil e o Auxílio da Auditoria como Ferramenta de Combate. **Revista Contabilidade Vista & Revista**, v. 20, n. 1, p. 95-117, 2009.

SILVA, M. F. G. Corrupção e desempenho econômicos. Os Custos da Corrupção. **Cadernos Adenauer**, Nº 10, 2000.

SILVA, M. F. G. **A economia política da corrupção**. Transparência Brasil, São Paulo, 2001.

STRANDBERG, Coro. **The convergence of corporate governance and corporate social responsibility:** thought-leaders study. Burnaby, 2005

TANZI, V. Corruption Around the World: Causes, Consequences, Scope and Cures. **International Monetary Fund**, p. 559-594, 45, 1998.

TRAN, Q. T. Corruption and corporate risk-taking: evidence from emerging markets. International **Journal of Emerging Markets**, 17(5), p. 1238-1255, 2022. https://doi.org/10.1108/IJOEM-08-2019-0602

TRAN, Q. T. Corruption and corporate cash holdings: international evidence. **Journal of Multinational Financial Management**, 54, 100611, 2020. https://doi.org/10.1016/j.mulfin.2019.100611

TULLOCK, G. The welfare costs of tariffs, monopolies, and theft. **Western Economic Journal**, Oxford, v. 5, p. 224-230, 1967. [Reimpresso em TOLLISON, Robert D.; CONGLETON, Roger D. (Ed.). The economic analysis of rent seeking. Aldershoot, England: Edward Elgar Publishing Ltd, 1995].

VU, H.; VAN, T.; T. Q.; NGUYEN, T. V.; LIM, S. Corruption, Types of Corruption and Firm Financial Performance: New Evidence from a Transitional Economy. **Journal of Business Ethics**, 148(4), 847–858, 2018. https://doi.org/10.1007/s10551-016-3016-y

XU, H.; DAO, M.; WU, J. The effect of local political corruption on earnings quality. **Review of Quantitative Finance and Accounting**, 53, 551-574, 2019. https://doi.org/10.1007/s11156-018-0758-x

WADA, A. A. D. L. Analysis of the Anti-Corruption Law: Necessity, Applicability, and Criticisms. **Journal of Law and Corruption Review**, v. 1, p. e058, 2019. https://doi.org/10.37497/CorruptionReview.1.2019.58