

ARTICLE

# Local Gambling Culture and Enterprise Bribery: A Social Norms Theory Perspective

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## Abstract

Based on social norms theory, we examine the impact of local gambling culture, an unexpected result of government-permitted lotteries, on enterprise bribery. We propose that local gambling cultures can promote active enterprise involvement in bribery activities by reinforcing the speculative psychology of enterprise decision-makers. In addition, we argue that local gambling culture is less likely to lead female (returnee) chairpersons to develop speculative psychology than male (nonreturnee) chairpersons. This, in turn, allows female (returnee) chairpersons to undermine the positive impact of local gambling culture on involvement in enterprise bribery. Based on 11 years of empirical data obtained from privately listed Chinese companies (including 2,637 listed companies with 15,036 firm-year data points), we obtain empirical evidence to support most of these views. This study is the first to explore the relationship between local gambling culture and enterprise bribery, and important insights are provided for shareholders and policy-makers to better curb enterprise bribery.

## 摘要

本文采用社会规范理论来研究地方赌博文化对企业贿赂的影响。地方赌博文化常常是政府允许的彩票活动的意外产物。我们提出，地方赌博文化可能会诱导企业决策者的投机心理，从而促使企业参与贿赂活动。但这种效应存在性别差异，男性（非海归）董事长比女性（海归）董事长更可能产生投机心理。也就是说，女性（海归）任董事长的企业更不可能受当地赌博文化的影响而去贿赂。本文分析了中国民营上市公司的11年实证数据（包括2,637家上市公司的15,036个公司-年份数据），发现上述大部分假设都得到了支持。本研究首次探讨了地方赌博文化与企业贿赂之间的关系，为股东和政策制定者更好地遏制企业贿赂提供了重要启示。

**Keywords:** enterprise bribery; female chairperson; local gambling culture; returnee; social norms

**关键词:** 当地赌博文化; 企业贿赂; 女性董事长; 海归; 社会规范

## Introduction

Enterprise bribery is the rent-seeking behavior of enterprises, in which offers, promises, or gifts (e.g., a kickback) to government officials or business partners are leveraged to obtain help or facilities (Xu, Zhou, & Du, 2019; Zhou, Wang, Xu, & Xie, 2022). Despite the important efforts exerted by many organizations to combat enterprise bribery (Lee, Paik, Vance, Li, & Groves, 2022), it remains a widespread worldwide phenomenon (Eddleston, Banalieva, & Verbeke, 2020; Fan, Tao, Oehmichen, & Van Ees, 2023), and the cost of bribery is estimated to be 2% of the global economy or \$1.5 to \$2 trillion annually (Zhou et al., 2022). Given the prevalence and harmfulness of enterprise bribery, scholars have been examining its determinants to better combat this practice, especially in emerging economies (Jiang & Min, 2022; Nguyen, 2020). Numerous studies have shown that differences in formal institutions (e.g., laws and regulations) can lead firms to exhibit heterogeneous bribery behavior across different

countries or regions of the same country (Alon & Hageman, 2017; Cieslik & Goczek, 2022; Cuervo-Cazurra, 2008; Xu et al., 2019; Yi, Teng, & Meng, 2018). Unlike developed economies, emerging economies, including China, have formal institutions that are still in the process of being refined (Ren, Zhong, & Wan, 2022a; Zhang, Zhao, & Zhang, 2016), allowing the informal institutional environment to have a more direct and far-reaching impact on firm decisions (Qian, Wu, Hall, & Pauly, 2021). In light of this, a growing body of research highlights that the informal institutional environment at the national level (e.g., dominant culture) plays an important role in predicting enterprise bribery, particularly in emerging economies (Godinez & Liu, 2018; Jensen, Li, & Rahman, 2010; Lee, Oh, & Eden, 2010; Lee & Guven, 2013; Schram, Zheng, & Zhuravleva, 2022).

According to social norms theory, individuals behave in a way that conforms to the norms of the group that they associate with or the group around them (Blay, Gooden, Mellon, & Stevens, 2018; Hu, Lian, & Zhou, 2019). As an important social norm and subculture, local gambling culture reflects a philosophy and way of life that is collectively unique to a region (Christensen, Jones, & Kenchington, 2018; Qian et al., 2021) and exerts a unique and far-reaching impact on the thinking patterns and behavioral tendencies of the individuals living within it (Alharbi, Atawnah, Ali, & Eshraghi, 2023; Christensen et al., 2018; Tong, Wu, & Zhang, 2023). If decision-makers are surrounded by a large number of people who prefer gambling activities, their perceptions and behaviors tend to be influenced by the crowd's gambling culture, even if they are not directly involved in gambling activities (Callen & Fang, 2020; Ji, Quan, Yin, & Yuan, 2021). At the firm level, previous research suggests that local gambling culture subsequently influences strategic enterprise choices by changing the psychological and behavioral tendencies of relevant decision-makers (Alharbi et al., 2023; Chen, Podolski, Rhee, & Veeraraghavan, 2014; Qian et al., 2021). Since enterprise bribery, as an important corporate decision, is subject to the psychology and behavioral tendencies of decision-makers (Connelly, Shi, & Zyung, 2017; Fan et al., 2023), local gambling culture can influence involvement in enterprise bribery. Nevertheless, research has yet to provide theoretical and empirical evidence for how and when local gambling culture influences enterprise bribery.

To fill these research gaps, we explore whether and when local gambling culture affects involvement in enterprise bribery based on social norms theory. Important to note is that due to data availability, in this study, gambling culture refers to the unintended consequences of government-permitted lottery sales in an area and does not include the gambling culture that arises from the prevalence of illegal gambling. Based on social norms theory (Blay et al., 2018; Hu et al., 2019), we argue that the prevalence of a local gambling culture reinforces speculative psychology, which is aimed at obtaining a substantial return for little or no effort (Beber & Fabbri, 2012), of decision-makers. This in turn leads such decision-makers to promote more actively enterprise involvement in bribery. In addition, social norms theory suggests that the impact of region-specific norms on individuals is not homogeneous (Chantziaras, Dedoulis, Grougiou, & Leventis, 2020; Guiso, Sapienza, & Zingales, 2006; Zolotoy, Sullivan, & Martin, 2018) because the degree to which different individuals are embedded in a particular society may vary greatly. In light of this, we further argue that it is necessary to explore the moderating role of gender and overseas study or work experience (returnee) on the influence of gambling culture on key decision-makers to clarify the heterogeneity between local gambling culture and involvement in enterprise bribery.

These two aspects are important because they reflect how the influence of the local gambling culture on the psychology and behavioral tendencies of decision-makers is conditioned by their innate or acquired attributes. On the one hand, on the whole, women are naturally more inclined to avoid speculative and gambling activities than men (Czibor et al., 2017; Latvala, Castrén, Alho, & Salonen, 2018). These characteristics make women less likely than men to internalize the social norms associated with the local gambling culture. In addition, in terms of acquired aspects, returnee decision-makers can leave the local geographical area and social norms behind for longer periods. At the same time, returnee decision-makers usually internalize overseas social norms to better adapt to the overseas environment (Han, Jennings, Liu, & Jennings, 2019; Ren, Zeng, & Zhong, 2023). These factors result in the psychology and behavioral tendencies of returnee decision-makers being less influenced by local social norms (e.g., local gambling culture) than those of nonreturnee decision-makers. Based on these

insights, we argue that the influence of the local gambling culture on the chairperson's speculative psychology is weakened when they are either female or returnees, which in turn weakens the positive influence of the local gambling culture on involvement in enterprise bribery.

China provides a particularly suitable scenario for testing these theoretical views. First, Chinese people are happy to participate in gambling activities because their culture admires superheroes and luck (Ji et al., 2021; Qian et al., 2021). In addition, most extant studies have used the ratio of Catholics to Protestants as a proxy variable for the local gambling culture, which is an approach that enables these studies to confound the potential impact of religious traditions (Callen & Fang, 2020). China's unique cultural context allows us to accurately capture the economic consequences of the local gambling culture. This is because most Chinese people are not religious. For example, based on data on religious beliefs obtained from the 2015 Chinese General Social Survey (CGSS), we perform statistics on the religious beliefs of the respondents: out of the 10,815 surveyed samples, approximately 89.1% of Chinese people do not believe in any religion. Second, although the Chinese government has made many efforts to curb enterprise bribery, it is still prevalent in China (Ren, Zhong, & Wan, 2022b; Zhong, Ren, & Wu, 2022). Therefore, scholars are responsible for helping Chinese society curb enterprise bribery by assisting in forming a better understanding of the determinants of enterprise bribery. Third, unlike in other countries, the board chairperson plays a very important role in Chinese companies and has more decision-making power than CEOs (Ghorbani, Xie, Jin, & Wang, 2023; Jiang, Shi, & Zheng, 2020). In China, the chairperson has the overall responsibility for the operation of the company, and all major decisions must be approved by the chairperson, which is the equivalent of the CEO role in a developed economy (Huang & Ho, 2023; Xu, Xu, Chan, & Li, 2021). Based on the empirical data of privately listed companies in China from 2010 to 2020, we obtained strong empirical evidence to support most of our arguments.

We contribute to the literature on local gambling cultures, enterprise bribery, and strategic leaders. First, we enrich the growing literature on involvement in enterprise bribery from the perspective of informal institutional characteristics (Godinez & Liu, 2018; Lee & Guven, 2013; Schopohl, Urquhart, & Zhang, 2021). In this study, we show for the first time that local gambling culture, as an important subculture, is an effective predictor of involvement in enterprise bribery. Second, we extend the literature on the economic consequences of local gambling culture (Adhikari & Agrawal, 2016; Callen & Fang, 2020; Christensen et al., 2018) by highlighting the impact of the local gambling culture on enterprise engagement in bribery activities with strong negative externalities. Finally, we introduce chairperson characteristics to clarify the boundary conditions under which local gambling culture influences involvement in enterprise bribery. In doing so, we enrich the literature on strategic leaders, which calls for scholarly attention to explore the chairperson's critical role in shaping firms' strategic choices (Jiang et al., 2020; Li, 2022).

### Theoretical Background and Hypotheses Development

As bribery has far-reaching negative effects on both countries and enterprises (Jiang & Min, 2022; Xu et al., 2019; Zhou et al., 2022), its reduction is essential for long-term survival and development (Godinez & Liu, 2018; Krammer, 2019). Scholars have examined the antecedents of enterprise bribery from multiple perspectives to determine how to discourage this behavior (Jensen et al., 2010; Ren et al., 2022b; Xu et al., 2019). One enduring stream of research argues that institutional environment plays a very important role in understanding enterprise bribery activities because every organization is embedded in a specific institutional environment (Alon & Hageman, 2017; Chadee, Roxas, & Kouznetsov, 2021; Keig, Brouthers, & Marshall, 2015; Lu, Choi, Jiménez, & Bayraktar, 2023).

Studies have also shown that enterprises' formal institutional environment is important in predicting their bribery activities. Cuervo-Cazurra (2008) showed that laws within a country related to combating bribery abroad increase the cost of the bribes paid by firms, thus causing them to be more sensitive to bribery and encouraging them to reduce their investments in corrupt countries. Alon and Hageman (2017) argued that formal rules (e.g., rule-based trust) shape the choice of direct taxation and bribery by firms operating in transition economies. They find that the stronger the formal rules are, the more firms tend to choose direct taxation over bribery. Yi et al. (2018) found that

competition from other multinational and local firms forces foreign affiliates to bribe government officials to seek competitive advantages and improve performance. However, the presence of formal institutions weakens this relationship. Xu et al. (2019) showed that the higher the level of legal development in a region is, the lower the likelihood of enterprise bribery. Cieřlik and Goczek (2022) found that complex and time-consuming administrative procedures increase the likelihood of enterprise bribery.

Other scholars have noted that the informal institutional environment at the national level significantly affects enterprise bribery. Lee et al. (2010) found that the more prevalent bribery in a firm's environment is, the more likely is the firm to pay bribes to government officials. Jensen et al. (2010) examined the determinants of enterprises' reporting of their bribery activities and found that in countries lacking freedom of the press, firms are less likely to accurately report their bribery practices. Godinez and Liu (2018) showed that firms are less likely to engage in bribery in their host country when the level of bribery in the region in which they are located is lower than that in the host country. Finally, the influence of social culture – an important informal institutional factor – on enterprise bribery has received the attention of several scholars (Lee & Guven, 2013; Schopohl et al., 2021). Lee and Guven (2013) found that the stronger a country's male-dominant culture is, the more likely its citizens are to rationalize bribery. Schram et al. (2022) recently showed that the involvement of individuals in bribery is strongly influenced by culture at the national level.

A growing body of research suggests that the local gambling culture within a country has a more direct and far-reaching impact on the cognitive dispositions and behavioral patterns of the decision-makers living within it than the dominant culture at the national level (Callen & Fang, 2020; Chen et al., 2014; Qian et al., 2021). For example, local gambling culture has been found to have a significant impact on enterprise innovation, mergers and acquisitions, and other activities (Chen et al., 2014; Doukas & Zhang, 2013; Tong et al., 2023). However, few studies have examined the impact of local gambling cultures on enterprise bribery activities. To contribute to this stream of literature, based on social norms theory, we attempt to link local gambling culture to enterprise bribery, which is an important but unresolved issue.

### *Local Gambling Culture and Enterprise Bribery*

According to social norms theory, the behavioral norms of associated or surrounding groups in areas where decision-makers reside have a significant impact on their behavioral tendencies (Chantziaras et al., 2020; Guiso et al., 2006; Zolotoy et al., 2018). If decision-makers live in an environment with a large number of people who favor gambling activities, even if they do not themselves engage in gambling activities, their psychology and behavioral tendencies are influenced by those within the gambling community (Alharbi, Atawnah, Al Mamun, & Ali, 2022; Chen et al., 2014). This is because decision-makers' perceptions and behaviors consciously or unconsciously conform to the shared perceptions and values of their environment (Blay et al., 2018; Qian et al., 2021; Tong et al., 2023). Otherwise, decision-makers' social legitimacy would be questioned, thus preventing them from enjoying the benefits of membership in the society and even subjecting them to the sanctions of social exclusion (Guiso et al., 2006; Hu et al., 2019). Thus, through conscious and unconscious mechanisms, the local gambling culture can shape the psychology and behavioral tendencies of individuals living or working in an area (Alharbi et al., 2022). Based on social norms theory, we argue that local gambling culture can facilitate involvement in enterprise bribery.

Gambling is rooted in the human psychology of speculation and is a classic speculative activity (Prieto Ursua & UribeIarrea, 1998). This is because people who engage in gambling hope for quick and large monetary returns for very small investments, although the likelihood of this becoming a reality is low. Therefore, the more prevalent the gambling culture in an area is, the more prevalent the speculative psychology among the groups living in that area (Alharbi et al., 2023; Callen & Fang, 2020; Ji et al., 2021). In particular, when decision-makers live or work in areas where a gambling culture prevails, even if they do not directly engage in gambling activities themselves, their perceptions and behaviors consciously or unconsciously conform to the group norms of their environment (Guiso et al., 2006; Lee, Pantzalis, & Park, 2019). More precisely, in areas where a gambling culture is

prevalent, if decision-makers do not develop a speculative psychology or similar patterns of behavior, they have difficulty integrating into the area and are denied the benefits of membership in the community – they are even subjected to sanctions of social exclusion. In short, a local gambling culture can reinforce decision-makers' speculative psychology. Prior research has provided supporting evidence (Callen & Fang, 2020; Christensen et al., 2018; Ji et al., 2021) for this dynamic. For example, Christensen et al. (2018) find that a stronger local gambling culture causes decision-makers to be more active in implementing financial misreporting.

Bribes can help enterprises gain preferential treatment from government officials, business partners, disadvantaged competitors, and other parties (Xu et al., 2019; Zhong, Ren, & Wu, 2022), thereby providing opportunities for them to improve their short-term performance (Ren et al., 2022b; Wan, Xie, Li, & Jiang, 2022; Zhou et al., 2022). However, enterprise bribery can negatively impact other businesses and societies (Jiang & Min, 2022; Nguyen, 2020). When bribery is discovered, enterprises and decision-makers are subject to social censure and legal penalties. In view of this, studies have generally concluded that decision-makers are unlikely to engage in speculative activities such as bribery unless they perceive that its benefits outweigh its costs (Fan et al., 2023; Mishina, Dykes, Block, & Pollock, 2010; Xu et al., 2019). Speculative psychology, however, can cause decision-makers to underestimate the costs and overestimate the potential benefits of bribery activities. Simultaneously, speculative psychology can lead decision-makers to act in a more short-term manner and initiate rent-seeking behaviors. Therefore, decision-makers with speculative psychology are likely to actively promote enterprise involvement in bribery activities (Fan et al., 2023). Taken together, the above points suggest that the local gambling culture enhances the speculative psychology of decision-makers, which in turn promotes their active involvement in bribery.

Accordingly, we propose the following hypothesis:

*Hypothesis 1 (H1): Local gambling culture positively affects enterprise bribery.*

### **The Moderating Role of Female and Returnee Chairpersons**

Social norms theory suggests that the social norms of an area have a significant impact on the psychology and behavioral tendencies of individuals living in that area (Blay et al., 2018; Hu et al., 2019). However, we cannot expect that the social norms of a region have the same effect on everyone in that region. There are at least two reasons for this expectation. First, some individuals may, by nature (e.g., gender), be naturally insensitive to or have difficulty identifying with and internalizing certain regional social norms. Second, a portion of individuals may be exposed to social norms in more than one region as a result of their acquired experiences (e.g., overseas experience). This, in turn, can weaken the influence of region-specific social norms on an individual's psychology and behavioral tendencies. In view of this, we also argue that the impact of the local gambling culture on involvement in enterprise bribery is not homogeneous and that decision-makers' gender and overseas experience play an important role. To obtain more refined insights, we discuss the moderating roles of gender and overseas experience in detail in the following.

Previous research has shown important differences between the nature of males and females (Czibor et al., 2017). In general, males display risk-taking, self-confidence, and opportunism (Czibor et al., 2017). Gambling activities are consistent with men's risk-taking and thrill-seeking traits (Latvala et al., 2018; Sundqvist & Rosendahl, 2019); therefore, male chairpersons are likely to endorse or even actively conform to the local gambling culture and social norms (e.g., speculative) associated with it. This implies that the local gambling culture creates a stronger speculative psychology in male chairpersons that, in turn, enables it to exert a stronger positive influence on involvement in enterprise bribery. In contrast, women in general exhibit a risk-averse, less speculative, more fragile, and sensitive nature (Rivas, 2013; Zhang, Ma, Chen, & Lan, 2023). Obviously, these natures are somewhat the opposite of the risk-taking, speculative attributes that gambling activities bear (Latvala et al., 2018). As a result, female chairpersons are likely to ignore or exclude local gambling culture and the social norms associated with it. In other words, female chairpersons are unlikely to internalize the social

norms (e.g., speculative) associated with the local gambling culture into their own psychology and behavioral tendencies. This means that the local gambling culture is unlikely to lead to speculative psychology among female chairpersons. This situation ultimately translates into a weakening of the positive impact of the local gambling culture on involvement in enterprise bribery in firms controlled by female chairpersons.

Therefore, we propose the following:

*Hypothesis 2a (H2a): Female chairpersons weaken the positive influence of the local gambling culture on enterprise bribery.*

A returnee chairperson is one with overseas study or work experience (Zhang, Zhou, & Lyles, 2023). This implies that returnee chairpersons spent time away from the local geographic area and its corresponding social norms. Therefore, the duration of influence of the local gambling culture on the psychological and behavioral tendencies of returnee chairpersons may be relatively low compared to that of nonreturnee chairpersons. This in turn reduces the impact of the local gambling culture on the speculative psychology of returnee chairpersons and results in the culture having a weaker impact only on enterprise bribery.

In addition, inefficient systems and vague regulations have led to widespread speculation in emerging economies (Jiang & Min, 2022). For example, although enterprise bribery is widespread in China, few companies are severely punished for paying bribes (Ren et al., 2022b; Xu et al., 2019; Zhong, Ren, & Wu, 2022). As a result, it is unlikely that nonreturnee chairpersons will develop psychological and behavioral tendencies to avoid speculative activities. This means that when nonreturnee chairpersons work in areas where a gambling culture is prevalent, they may naturally and comfortably internalize the social norms associated with this culture into their psychological and behavioral tendencies. This, in turn, enables the local gambling culture to have a stronger influence on the speculative psychology of nonreturnee chairpersons, resulting in more involvement in enterprise bribery. In contrast, the data show that the majority of returnees to emerging economies have worked in or studied in developed economies (e.g., North America, Europe, and Oceania) (Han et al., 2019; Ren et al., 2023). Meanwhile, developed economies have very mature and well-established laws and regulations and strong enforcement mechanisms (Ren et al., 2023; Zhou et al., 2022). Speculation does occur in these areas; however, once discovered, the entities or individuals involved are subject to severe penalties (e.g., imprisonment or large fines). To better adapt to the overseas environment, returnee chairpersons may develop a psychological and behavioral tendency toward avoiding speculative activities (Han et al., 2019). Because the culture of gambling and its associated norms are in conflict with long-held values and morals, even if returnee chairpersons return to areas where a gambling culture is prevalent, they are less likely or slower to internalize in their own psychology and behavioral tendencies the social norms associated with the local gambling culture. This, in turn, reduces the impact of the local gambling culture on the speculative psychology of returnee chairpersons and results in the culture exerting only a weak, positive influence on enterprise bribery.

Therefore, we propose the following:

*Hypothesis 2b (H2b): Returnee chairpersons weaken the positive influence of the local gambling culture on enterprise bribery.*

## Methods

### Sample and Data

We use privately listed Chinese A-share companies covering a period ranging from 2010 to 2020 as the research sample. To promote the reliability of the findings, we process the initial data as follows: (1) We exclude samples with missing hospitality expense data; (2) Listed companies with gearing ratios of more than one and those with special treatment status were excluded because their financial data showed abnormal conditions (Ren et al., 2022b); (3) We exclude financial companies (Xu et al.,

2019) because their financial statements differ significantly from those of other industries; and (4) Samples with missing data were excluded (Zhong, Ren, & Song, 2022). After completing the aforementioned filtering steps, 2,637 listed companies with 15,036 firm-year data points were retained. To reduce the effect of outliers, continuous variables were winsorized at the 1 and 99% levels. The data used were from the China Stock Market and Accounting Research database (CSMAR), the official website of the Chinese Ministry of Finance, and the China Population and Employment Statistics Yearbook.

Two issues need to be clarified. The first is the selection of the sample period. Before 2010, there were more missing values in the hospitality data of listed companies (Tian & Fan, 2018). Therefore, following Tian and Fan (2018), we use 2010 as the starting year of the sample to ensure data availability. Second, state-owned enterprises (SOEs) are excluded for two reasons. First, in SOEs, high hospitality expenses may reflect public spending rather than bribery. Thus, it is difficult to distinguish bribery expenditures from hospitality expenses. Second, the SOE hospitality data were subjected to policy shocks during the sample period. On December 4, 2012, the Political Bureau of the CPC Central Committee adopted eight rules requiring government departments (including SOEs) to be diligent and frugal and to eliminate extravagance. The implementation of the Eight Rules has had a significant impact on SOE hospitality expenditures. Given the noise contained in SOEs' hospitality data, we exclude them from the sample. It should be noted that we examine the impact of China's eight regulations on SOEs' hospitality expenses in 2012 through a difference-in-difference model. The unreported empirical results show that the implementation of the Eight Rules in China in 2012 significantly affected the hospitality expenses of SOEs. Therefore, it is reasonable to exclude the sample of SOEs.

## Measurements

### *Dependent variables: Enterprise bribery (BRIBERY)*

Bribery is inherently hidden, and no firm is willing to disclose such information, which makes it difficult to empirically validate large samples (e.g., it is difficult to obtain data on enterprise bribery) (Jiang & Min, 2022; Zhong, Ren, & Wu, 2022; Zhou et al., 2022). Based on the operational reality of Chinese companies, Cai, Fang, and Xu (2011) developed a new indicator to measure Chinese companies' bribery expenses, namely, hospitality expenses. According to China's accounting system, hospitality is a secondary account under the administrative expenses account used to charge reasonable entertainment expenses incurred in the production and operation of enterprises. Because of information asymmetry, many Chinese companies account for bribery expenses as hospitality expenses (Jiang & Min, 2022; Ren et al., 2022b). Hospitality expenses include costs for catering, entertainment, travel, and other activities, and for cigarettes, food, and gifts. However, the accounting system does not clearly regulate the objects of enterprise hospitality and thus cannot define the actual use of hospitality expenses. Relevant news reports and bribery cases have shown a significant association between hospitality and enterprise bribery (Xu et al., 2019; Zhou et al., 2022). Second, in Chinese enterprise accounting practices, hospitality expenses incurred for any purpose can be reimbursed in the name of a normal business. Bribery expenses can also be expressed as hospitality expenses through false or fictitious invoices. Therefore, hospitality expenses in China are typically used by companies to account for bribery expenses (Cai et al., 2011; Jiang & Min, 2022; Ren et al., 2022b).

Therefore, we construct proxies for enterprise bribery based on hospitality expense data (Xu et al., 2019; Zhou et al., 2022). To exclude normal hospitality expenses, following Xu et al. (2019) and Zhou et al. (2022), we construct an excess hospitality indicator (*EC\_AB*) to measure enterprise bribery. By regressing model (1), we obtain the estimated residuals, which are indicators of abnormal hospitality (*EC\_AB*). *EC* is hospitality/firm revenue multiplied by 100, *EXEC\_PAY* is measured as the total executive compensation of the top three executives, *ACCRCV* is measured as accounts receivable divided by operating revenue, *ACCPAY* is measured as accounts payable divided by operating revenue, *BOARD* is measured as the number of board members, *SIZE* is measured as the natural logarithm of total assets, *EC\_IND* is measured as the *EC* industry average of *EC*, and *EC\_YEAR* is measured as the *EC* annual

average. The larger  $EC_{AB}$  is, the higher are the enterprise bribery expenses.

$$EC = \alpha_0 + \alpha_1 EXEC\_PAY + \alpha_2 ACCRCV + \alpha_3 ACCPAY + \alpha_4 BOARD + \alpha_5 SIZE + \alpha_6 EC\_IND + \alpha_7 EC\_YEAR + \varepsilon \quad (1)$$

#### *Independent variable: Local gambling culture (GAMBLE)*

Referring to Ji et al. (2021), we use per capita lottery sales/per capita disposable income (i.e., actual gambling activity per capita) in different Chinese provinces to measure the local gambling culture. Lottery tickets are the only legal gambling channel in mainland China. Therefore, lottery sales data are a good indicator of a region's gambling culture. *GAMBLE* is calculated as the natural logarithm of lottery sales per capita/disposable income per capita for the province in which the listed company is located. The larger the value of *GAMBLE* is, the stronger is the local gambling culture. Lottery sales data for each province are obtained from the official website of the Chinese Ministry of Finance. Data on provincial populations are obtained from the China Population and Employment Statistics Yearbook, and data on per capita disposable incomes by province are obtained from the CSMAR database.

#### *Moderating variables*

To test H2a and H2b, the following moderating variables are constructed: (1) *Female chairperson (FEMALE)* is measured as follows: when the company's president is female, *FEMALE* equals 1; otherwise, it equals 0 (Ellwood & Garcia-Lacalle, 2015). (2) *Returnee chairperson (OVERSEA)*: This variable is set to 1 when the chairperson of the company has overseas (study or work) experience and to 0 otherwise (Zhang, Zhou et al., 2023). The data on the chairperson's overseas experience come from the CSMAR database. Overseas experience includes overseas study experience and overseas work experience.

#### *Control variables*

We control for several variables to improve the validity of the empirical model. First, we control for some basic firm characteristics (Jiang & Min, 2022; Nguyen, 2020; Ren et al., 2022b). We control for return on assets (*ROA*) (net profit/total assets) (the higher the *ROA* is, the weaker is the enterprise bribery incentive), debt to asset ratio (*LEV*) (total liabilities/total assets), and percentage of fixed assets (*PPETA*) (fixed assets divided by total assets). High levels of *LEV* and *PPETA* increase enterprise bribery costs and reduce enterprise bribery incentives. We also control for firm size (*SIZE*) (the natural logarithm of total assets). The larger the enterprise is, the more attention it receives and the less space it has to engage in bribery. Second, the better the quality of enterprise governance is, the lower is the incentive for firms to engage in bribery (Ren et al., 2022b; Xu et al., 2019). Therefore, we control for a range of enterprise governance factors, including top shareholders (*TOP1*) (number of shares held by top shareholder/total number of shares in the firm), board size (*BOARD*) (number of board members), executive shareholding (*ESH*) (number of executive shares/total number of shares in the firm), and dual CEO/chair (*DUAL*) (set to 1 if the chairperson and CEO are the same person and to 0 otherwise). Finally, we control for the GDP growth rate (*RGDP*) (the GDP growth rate of that province) in the province where the listed firm is located (Alon & Hageman, 2017; Lee & Guven, 2013). To control for year and industry effects, we include *industry-* and *year-fixed* effects in the model (Xu et al., 2019).

#### *Model Setting*

Continuing from the previous study (Callen & Fang, 2020; Christensen et al., 2018; Tong et al., 2023), we use pooled regression and control for *industry-* and *year-fixed* effects to test our theoretical hypotheses. To test H1, we construct the following benchmark regression:

$$BRIBERY = \beta_0 + \beta_1 GAMBEL + Control + \varepsilon \quad (2)$$



where the dependent variable is enterprise bribery (*EC\_AB*), the independent variable *GAMBLE* is the local gambling culture, and *CONTROL* is the control variable. In addition, we control for *industry-* and *year-fixed* effects and focus on the regression coefficient of *GAMBLE*. Based on H1, we expect the regression coefficient of *GAMBLE* to be significantly positive; that is, a local gambling culture has a positive effect on enterprise bribery.

To test H2a and H2b, we introduce the interaction term *GAMBLE*×*M* in addition to the baseline regression (Model (2)) and construct Model (3), where *M* is the moderating variable of the chairperson's gender (*FEMALE*) and overseas experience (*OVERSEA*). We focus on the interaction term and expect the regression coefficient of the interaction term to be significantly negative; that is, the positive effect of the local gambling culture on enterprise bribery is attenuated when the chairperson of the firm is female or when the chairperson has overseas experience.

$$BRIBERY = \chi_0 + \chi_1 GAMBEL + \chi_2 GAMBEL \times M + \chi_3 M + Control + \varepsilon \quad (3)$$

## Results

From Table 1, we can see that the mean value of *GAMBLE* is  $-4.828$ , which corresponds to 0.83407% of the per capita disposable income spent on lottery tickets. Because the remaining variables were not found to be abnormal, we do not elaborate on them in detail.

As shown in Table 2, *GAMBLE* and *EC\_AB* are positively correlated at the 1% level. We also perform a variance inflation factor (VIF) diagnostic for all variables, which shows an average VIF of 3.04, indicating that multicollinearity does not pose a substantial threat to the empirical results.

Model (1) in Table 3 reports the empirical results of the effect of local gambling culture on enterprise bribery expenditures. The empirical results show that the regression coefficient of *GAMBLE* is significantly positive, at least at the 5% level ( $\beta = 0.074$ ,  $p < 0.05$ ), indicating that local gambling culture has a positive effect on enterprise bribery expenditures. The coefficient estimates in Model (1) indicate that a one-standard-deviation increase in *GAMBLE* is associated with a 6.55% increase ( $=0.074 \times 0.291/0.329$ ) in the standard deviation of *EC\_AB*. These empirical results are consistent with the expectation of H1. Therefore, H1 is supported.

To test H2a, we introduce an interaction term based on the baseline regression to test the moderating effect of female chairpersons. The empirical results are presented for Model (2) of Table 3. The empirical results show that the regression coefficient of the interaction term *GAMBLE*×*FEMALE* is significantly negative ( $\beta = -0.139$ ,  $p < 0.05$ ). These test results suggest that the positive effect of the local gambling culture on bribery spending is attenuated when a firm's president is female. The empirical results were consistent with expectations, and H2a was verified.

To test H2b, we introduce an interaction term based on the baseline regression to examine the moderating effect of the returnee chairperson. Column (3) of Table 3 presents the empirical results. The empirical results show that the regression coefficient of the interaction term, *GAMBLE*×*OVERSEA*, is not significant. Therefore, H2b is not supported.

## Robustness and Alternative Explanatory Tests

Various measures are taken to ensure the credibility of our conclusions. First, we use the residual method for robustness testing to exclude the interference of omitted variables from macro factors. In the baseline regressions, we control for disposable income per capita and the GDP growth rate of the host province. Next, we exclude the effects of macro factors. In this regard, we regress *GAMBLE* on disposable income per capita and the GDP growth rate and obtain the residual (*GAMBLE\_RES*), which is the portion of the gambling culture that macroregional factors cannot explain. We rerun the regression analysis including *GAMBLE\_RES* as the new independent variable. The empirical results are presented in Columns (1) to (3) of Panel A in Table 4. The findings do not change substantially.

**Table 1.** Descriptive statistics results

Variable	N	Mean	Std. Dev.	Min	25th	Median	75th	Max
EC_AB	15,036	0	0.329	-1.253	-0.17	-0.06	0.074	2.211
GAMBLE	15,036	-4.828	0.291	-5.979	-5.05	-4.777	-4.632	-3.401
ROA	15,036	0.04	0.07	-0.339	0.018	0.044	0.073	0.192
LEV	15,036	0.373	0.196	0.046	0.213	0.354	0.511	0.852
SIZE	15,036	21.731	1.023	19.699	20.975	21.631	22.348	24.84
PPETA	15,036	0.183	0.132	0.002	0.081	0.16	0.26	0.573
TOP1%	15,036	32.128	13.827	8.09	21.49	30.09	40.96	70.42
BOARD	15,036	8.196	1.437	5	7	9	9	12
ESH	15,036	0.116	0.165	0	0	0.024	0.185	0.638
DUAL	15,036	0.381	0.486	0	0	0	1	1
RGDP	15,036	0.073	0.027	-0.05	0.064	0.075	0.084	0.174

Second, following Ji et al. (2021), we use the propensity score matching (PSM) method for robustness testing. One potential concern is that there may be systematic differences between firms in regions with stronger and weaker gambling cultures. In this regard, we use propensity score matching (PSM) to match firms with strong *GAMBLE* to other firms with similar characteristics but weaker *GAMBLE*. This is done as follows. First, samples with a *GAMBLE* value above 75% (i.e., the top 25%) are classified as those with stronger *GAMBLE*, and those with a *GAMBLE* value below 50% are classified as those with weaker *GAMBLE*. Based on the first 25% and last 50% of the sample, the initial PSM sample was formed. Second, all microlevel control variables were used as variables affecting firm characteristics, and one-to-one nearest-neighbor, no-replay matching is performed to obtain a matching sample based on the PSM method. A regression analysis is performed on the sample obtained from PSM matching. The empirical results are presented in Columns (4) to (6) of Panel A in Table 4, and the findings remain unchanged.

Third, the test was rerun using the Fama–MacBeth regression (Fama & MacBeth, 1973). There may be a time-series trend between local gambling culture and enterprise bribery expenditures. Therefore, referring to Callen and Fang (2020), we retest the Fama and MacBeth (1973) method. Columns (1) to (3) of Panel B in Table 4 present the empirical results, which remain unchanged.

Fourth, to further rule out the effect of reverse causation, we reexamine the dependent variable with a one-year lag. The empirical results are presented in Columns (4) through (6) of Panel B of Table 4 and show that our conclusions remain robust.

Fifth, the instrumental variable method is used for reexamination. We run a two-stage least squares (2SLS) model using the three-year lagged value of *GAMBLE* as its instrument. The selection of this instrumental variable is in line with the work of Chen et al. (2014) and Callen and Fang (2020). The rationalization of *GAMBLE*(-3) as an instrumental variable can be found in Callen and Fang (2020).

Table 5 presents the results. Model (1) is used to calculate the first-stage regression results. This result shows that the instrumental variable and local gambling culture are positively correlated and that the *F*-statistic of the weak instrumental variable is much larger than 10, which is consistent with the empirical rule and rejects the original hypothesis of the existence of a weak instrumental variable. Model (2) presents the results of the second stage. These results show that the regression coefficient of *GAMBLE* is significantly positive, and the study findings remain unchanged.

Sixth, to better mitigate concerns over omitted variable bias, we adopt the Oster (2019) estimation technique. The result indicates that if omitted variables lead to biased estimations, the omitted variables should be approximately 17.91249 times more important than the currently observed control variables. Thus, omitted variables are unlikely to significantly impact our main results (Oster, 2019).

**Table 2.** Correlation matrix

	EC_AB	GAMBLE	ROA	LEV	SIZE	PPETA	TOP1%	BOARD	ESH	DUAL	RGDP
EC_AB	1										
GAMBLE	0.043***	1									
ROA	-0.097***	0.014*	1								
LEV	0.008	0	-0.340***	1							
SIZE	0	-0.01	-0.021***	0.499***	1						
PPETA	-0.001	0.037***	-0.040***	0.027***	0.006	1					
TOP1%	-0.056***	0.053***	0.184***	-0.043***	0.029***	0.051***	1				
BOARD	0	0.018**	0.051***	0.073***	0.171***	0.085***	-0.069***	1			
ESH	-0.055***	-0.003	0.145***	-0.222***	-0.243***	-0.112***	0.091***	-0.086***	1		
DUAL	-0.035***	-0.018**	0.036***	-0.101***	-0.118***	-0.056***	0.054***	-0.119***	0.482***	1	
RGDP	0.042***	0.276***	0.065***	-0.016*	-0.154***	0.060***	0.077***	0.085***	-0.019**	-0.052***	1

Notes: \*\*\*, \*\*, and \* denote 1%, 5%, and 10% significance levels, respectively.

**Table 3.** Results of empirical tests (tests for H1, H2a, and H2b)

	EC_AB		
	(1)	(2)	(3)
GAMBLE	0.074**	0.085***	0.076**
	(2.494)	(2.781)	(2.493)
GAMBLE × FEMALE		−0.139**	
		(−2.419)	
FEMALE		−0.669**	
		(−2.406)	
GAMBLE × OVERSEA			−0.037
			(−0.966)
OVERSEA			−0.217
			(−1.137)
ROA	−0.528***	−0.526***	−0.526***
	(−6.358)	(−6.342)	(−6.341)
LEV	−0.077**	−0.075**	−0.077**
	(−2.173)	(−2.138)	(−2.192)
SIZE	0.000	0.000	0.001
	(0.070)	(0.059)	(0.165)
PPETA	−0.125***	−0.124***	−0.128***
	(−2.644)	(−2.638)	(−2.701)
TOP1	−0.001**	−0.001**	−0.001***
	(−2.559)	(−2.522)	(−2.583)
BOARD	−0.002	−0.002	−0.002
	(−0.464)	(−0.483)	(−0.490)
ESH	−0.061	−0.061	−0.062
	(−1.554)	(−1.549)	(−1.581)
DUAL	−0.009	−0.009	−0.008
	(−0.784)	(−0.802)	(−0.729)
RGDP	1.360***	1.394***	1.347***
	(3.441)	(3.528)	(3.414)
Constant	0.413*	0.459*	0.412*
	(1.737)	(1.905)	(1.713)
Industry FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Observations	15,036	15,036	15,036
R <sup>2</sup>	0.034	0.035	0.035

Notes: \*\*\*, \*\*, and \* denote 1%, 5%, and 10% significance levels, respectively, with robust *t*-values in parentheses.

Seventh, with reference to the Huang and Ho (2023) approach, we employ a placebo test to exclude the interference of omitted variables. The placebo test is performed as follows. First, the independent variable *GAMBLE* (i.e., the dummy independent variable) is randomly assigned to each sample, and

Table 4. Robustness tests: Multiple tests

Pane A:	EC_AB					
	Residual method			PSM		
	(1)	(2)	(3)	(4)	(5)	(6)
GAMBLE_RES	0.074**	0.085***	0.076**			
	(2.494)	(2.766)	(2.495)			
GAMBLE_RES × FEMALE		−0.137**				
		(−2.228)				
GAMBLE_RES × OVERSEA			−0.041			
			(−0.939)			
GAMBLE				0.078**	0.095***	0.079**
				(2.337)	(2.736)	(2.273)
GAMBLE × FEMALE					−0.193***	
					(−3.233)	
FEMALE		0.004			−0.926***	
		(0.184)			(−3.245)	
GAMBLE × OVERSEA						−0.031
						(−0.698)
OVERSEA			−0.037**			−0.196
			(−2.449)			(−0.910)
Control variables	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	15,036	15,036	15,036	7,426	7,426	7,426
R <sup>2</sup>	0.034	0.035	0.035	0.041	0.044	0.043
Pane B:						
	EC_AB			EC_AB(+1)		
	Fama–MacBeth regression			Alternative dependent variable		
	(1)	(2)	(3)	(4)	(5)	(6)
GAMBLE	0.072***	0.084***	0.078***	0.074**	0.085***	0.079**
	(7.420)	(8.420)	(6.813)	(2.424)	(2.706)	(2.511)
GAMBLE × FEMALE		−0.166***			−0.142**	
		(−3.986)			(−1.977)	
FEMALE		−0.814***			−0.687**	
		(−4.104)			(−2.017)	
GAMBLE × OVERSEA			−0.087*			−0.082
			(−2.010)			(−1.456)

(Continued)

**Table 4.** (Continued.)

Pane B:						
	EC_AB			EC_AB(+1)		
	Fama–MacBeth regression			Alternative dependent variable		
	(1)	(2)	(3)	(4)	(5)	(6)
OVERSEA			−0.454**			−0.428
			(−2.237)			(−1.571)
Control variables	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	No	No	No	Yes	Yes	Yes
Observations	15,036	15,036	15,036	12,163	12,163	12,163
$R^2$	0.044	0.047	0.046	0.028	0.029	0.029

Notes: \*\*\*, \*\*, and \* denote 1%, 5%, and 10% significance levels, respectively, with robust  $t$ -values in parentheses.

the regression analysis is rerun. Next, the procedure is repeated 500 times (Huang & Ho, 2023). The results of the placebo test show that the mean value of the regression coefficient of the fictitious independent variable *GAMBLE* is 0.0003825, which is close to zero in the 500 regressions. The mean value of the  $t$  value is 0.0433418; i.e., this value shows that the regression coefficient of the fictitious independent variable is not significant. The results of the placebo test verify the robustness of the findings of this study.

Eighth, excluding alternative explanations, lottery sales represent locally charitable behavior. We use lottery sales volume as a measure of the local gambling culture (Ji et al., 2021; Tong et al., 2023). In this regard, the central assumption is that local per capita lottery sales represent the local gambling culture. However, in China, lotteries are public goods created by the state to raise social welfare funds and

**Table 5.** Robustness tests: Regression results for instrumental variables

	GAMBLE	EC_AB
	First-stage	Second-stage
	(1)	(2)
IV	0.696***	
	(136.686)	
GAMBLE		0.095***
		(5.935)
Control variables	Yes	Yes
Industry FE	Yes	Yes
Year FE	Yes	Yes
Observations	15,036	15,036
$R^2$	0.743	0.034
$F$	654.5	.

Notes: \*\*\*, \*\*, and \* denote 1%, 5%, and 10% significance levels, respectively, with robust  $t$ -values in parentheses.

promote social welfare development. Thus, per capita lottery sales may measure local gambling culture and charitable behavior. In this regard, one potential concern is that lottery sales represent a local philanthropic climate and thus lead companies to make more charitable donations. Simultaneously, enterprise charitable giving has a reputation-enhancing insurance function (Kang, Germann, & Grewal, 2016), i.e., it reduces the negative impact of exposure to enterprise bribery. Thus, firms are bolder in their bribery activities. To rule out this alternative explanation, we directly examine the effect of per capita lottery sales on enterprises' charitable giving. To this end, we construct two measures of enterprise charitable giving: (1) *LNDONATE*, measured as the natural logarithm of (1 + enterprise charitable giving), and (2) *DONATE\_S*, measured as enterprise charitable giving/operating revenue. The results are presented for Models (1) and (2) in Table 6. The control variables are consistent with the baseline regression and are used to control for industry- and year-fixed effects. The empirical results indicate that per capita lottery sales do not significantly affect enterprises' charitable giving. Therefore, lottery sales do not represent local charitable behavior, and the empirical results do not support this alternative explanation. This test also suggests that decision-makers' tendencies toward disregarding social welfare may act as a transmission mechanism between local gambling culture and enterprise bribery.

Ninth, Chinese lotteries include welfare and sports lotteries; thus, based on the different types of lotteries, we construct the following indicators: (1) *GAMBLE\_WEL*, which is the natural logarithm of the value of welfare lottery sales per capita/per capita disposable income in the province, and (2) *GAMBLE\_SPO*, which is the natural logarithm of sports lottery sales per capita/per capita disposable income in the province. The empirical results are presented for Models (3) and (4) in Table 6. The empirical results indicate that the regression coefficient of *GAMBLE\_WEL* is not significant. Correspondingly, the regression coefficient of *GAMBLE\_SPO* is significantly positive.

This result indicates that local gambling culture, based on welfare lottery data, has no significant effect on bribery expenditures. In contrast, a local gambling culture based on sports lottery data significantly affects bribery expenditures. This empirical finding somewhat supports our theory that the local gambling culture increases the involvement of firms in bribery by enhancing the speculative psychology of decision-makers. Welfare lottery funds are mainly used for the welfare of elderly individuals, disabled individuals, children, and greater society. A large proportion of people purchase welfare lottery tickets out of concern and care for vulnerable groups. Therefore, the sale of welfare lottery tickets in a region is unlikely to lead to a speculative atmosphere in the region and, thus, unlikely to lead to speculative psychology among people living in that area. In contrast, sports lotteries are issued to raise funds for the development of sports and they include products with strong gambling and speculative attributes, such as soccer lotteries, baseball lotteries, and horse racing lotteries. Consequently, when a large number of sports lotteries are sold in an area, the area is likely to generate a speculative atmosphere, which creates a speculative psychology in the people living in it and ultimately affects enterprises' involvement in bribery.

Finally, to further test whether local gambling culture reinforces the speculative psychology of decision-makers, we examine the effect of the local gambling culture on firm innovation. If the effect of the local gambling culture is speculative, then decision-makers affected by local gambling culture are more likely to avoid engaging in R&D activities that only pay off in the long run. In this regard, we construct a measure of firm innovation (*LNPATENT*) as the natural logarithm of 1 + the number of patent applications in the year. The empirical results are presented in Column (5) of Table 6. These empirical results suggest that local gambling culture has a negative impact on firm innovation, thus indirectly verifying the explanatory mechanism behind our baseline hypothesis.

## Discussion

Based on social norms theory, we examine how local gambling culture influences enterprise bribery, which is an important but underexplored area of research. Based on empirical data on privately listed Chinese companies from 2010 to 2020, we propose that local gambling culture promotes enterprise bribery activities. We attribute this relationship to the fact that a local gambling culture enhances decision-makers' psychology for speculation, which leads them to actively promote their enterprises' involvement in bribery activities. After conducting various robustness tests and excluding

**Table 6.** Alternative explanatory tests

	<u>LNDONATE</u>	<u>DONATE_S</u>	<u>EC_AB</u>	<u>EC_AB</u>	<u>LNPATENT</u>
	(1)	(2)	(3)	(4)	(5)
GAMBLE	0.022	0.000			−0.243***
	(0.239)	(0.716)			(−2.822)
GAMBLE_WEL			0.025		
			(0.996)		
GAMBLE_SPO				0.058***	
				(3.054)	
Control variables	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Observations	15,036	15,036	15,036	15,036	15,036
R <sup>2</sup>	0.104	0.003	0.032	0.035	0.391

Notes: \*\*\*, \*\*, and \* denote 1%, 5%, and 10% significance levels, respectively, with robust t-values in parentheses.

alternative explanations, the positive effect of the local gambling culture on enterprise bribery activities remained supported. In addition, we find that the local gambling culture, based on welfare lottery data, has no significant effect on enterprises' bribery involvement. In contrast, a local gambling culture based on sports lottery data significantly affects enterprises' bribery involvement. Finally, we find that female chairpersons weakened the positive effects of the local gambling culture on enterprise bribery activities.

It is important to note that the empirical test results indicate that a returnee chairperson does not moderate the relationship between local gambling culture and enterprise bribery. One possible reason for this is that our data on chairperson's overseas experience are derived from the CSMAR. However, the CSMAR fails to distinguish between the length of time a chairperson spends studying or working overseas. For example, if a chairperson had a short overseas study trip of three months, they are also listed by the CSMAR as having overseas study or work experience. In fact, when a chairperson has only a short period of overseas work or study experience, the norms or values of the overseas group are not strong enough to exert an influence; that is, they are unlikely to develop a tendency to avoid speculative behavior. This has resulted in overseas experience being inadequate to counteract the influence of the local gambling culture on the chairperson's speculative psychology.

### Theoretical Contributions

First, this study is the first to show that local gambling culture constitutes an important informal institutional factor that effectively predicts enterprise bribery, thus complementing the literature that focuses on the antecedents of enterprise bribery from an institutional environmental perspective (Cieslik & Goczek, 2022; Schram et al., 2022; Xu et al., 2019). Scholars have focused on the critical role played by multiple institutional factors in predicting enterprises' bribery activities. For example, laws (Cuervo-Cazurra, 2008), rules-based trust (Alon & Hageman, 2017), and dominant culture (Lee & Guven, 2013) have all been found to significantly impact enterprise bribery activities. However, few studies have focused on the impact of subcultures in different regions of the country on enterprise bribery activities. To expand and supplement the literature on enterprise bribery, we provide the first theoretical and empirical evidence that shows how local gambling culture – an informal institutional factor – promotes enterprise bribery. Therefore, this study contributes to the



comprehensive understanding of the reasons underlying enterprise involvement in bribery from the perspectives of informal institutions and culture (Godinez & Liu, 2018; Lee & Guven, 2013; Schopohl et al., 2021).

Second, in this study, we extend the literature on the economic consequences of the local gambling culture by highlighting its effects that cause firms to engage in bribery activities with strong negative externalities. Previous studies have focused on the impact of the local gambling culture on enterprises' financial and innovation decisions (Adhikari & Agrawal, 2016; Alharbi et al., 2022; Christensen et al., 2018). Compared with these decisions, enterprise bribery has strong negative social externalities that seriously undermine social welfare (Jiang & Min, 2022; Xu et al., 2019). To the best of our knowledge, this study is the first to assess the direct link between local gambling culture and enterprise bribery, which represents a far-reaching but pervasive nonmarket strategic behavior in China (Zhong, Ren, & Wu, 2022; Zhou et al., 2022). Our empirical evidence suggests that the literature may underestimate the serious negative consequences associated with the local gambling culture. In doing so, we improve our understanding of the economic consequences of local gambling culture from a nonmarket strategy perspective.

Finally, we extend the literature on the situational boundaries of the local gambling culture–firm strategy choice relationship. The influence of local gambling culture on firms' strategic choices has attracted increasing attention (Chen et al., 2014; Doukas & Zhang, 2013; Tong et al., 2023); however, the relevant studies have not explored the contextual boundaries of these relationships and the understanding of how key decision-makers change such relationships is significantly lacking. As the local gambling cultures serve to influence enterprises' strategic choices by changing the perceptions and behavioral tendencies of enterprise decision-makers (Alharbi et al., 2022; Qian et al., 2021), it is important to include these key decision-makers in the research framework. In this study, we provide solid empirical evidence that female chairpersons limit the influence of the local gambling culture on enterprise bribery, thus deepening our understanding of when the local gambling culture is more likely to influence enterprises' strategic choices. In the process, we also expand our theory of social norms. Our theoretical and empirical evidence insightfully suggests that innate attributes are an important weighting factor that influences whether individuals internalize particular social norms. In addition, the existing strategic leadership literature focuses on CEOs, ignoring the fact that chairpersons often play a more important role in emerging economies than do CEOs in addressing strategic enterprise issues (Ghorbani et al., 2023; Jiang et al., 2020; Li, 2022). We expand the literature on strategic leadership by drawing attention to the important role of chairpersons in an enterprise's strategic decisions, particularly bribery decisions. To our knowledge, this study is one of the few to examine the role of female chairpersons in enterprise bribery practices.

### **Practical Implications**

As mentioned, enterprise bribery is widespread in many parts of the world and seriously damages both economic growth and social welfare. Therefore, detecting and containing enterprise bribery is a key issue faced by investors and regulators. In this study, we suggest that regulators should keep a close eye on companies in their regions with a strong appetite for gambling because they are more prone to bribery. As Zhou et al. (2022) revealed, bribery in China can seriously damage long-term enterprise value. Therefore, investors should be cautious when investing in such companies.

In addition, although various countries' governments seek to obtain funds by actively promoting legal gambling activities to improve social livelihoods and welfare, the prevalence of gambling activities may enhance the local gambling culture, thus resulting in unexpected adverse consequences that seriously damage the overall welfare of society. One such example is the induction of bribery by an enterprise. Therefore, policy-makers should be aware that gambling can be a double-edged sword and take appropriate measures to prevent its potential negative consequences. Finally, we show that female chairpersons can dampen the impact of the local gambling culture on involvements in enterprise bribery. Therefore, the shareholders of companies in areas with a prevalent gambling culture can better protect their long-term value by employing women as chairpersons to discourage enterprise bribery.

### Limitations and Implications for Future Research

This study has several limitations that should be addressed and refined in future research. First, the study's most important limitation concerns the measure of enterprise bribery. Admittedly, our measurement of enterprise bribery is in line with the practice of top academic studies (Cai et al., 2011; Xu et al., 2019; Zhou et al., 2022); however, it is difficult to deny that this approach carries noise. For example, although we take measures to exclude normal hospitality expenses, these efforts are imperfect. Therefore, we emphasize the need for future research to develop more objective and accurate bribery measures.

Second, due to data limitations, we do not consider illegal gambling activities when measuring the local gambling culture. We do not believe that this shortcoming threatens the credibility of our findings. Because the empirical context of this study is China, which strictly controls illegal gambling, even when illegal gambling activities occur in China, the locations in which they are conducted are often very hidden and cannot be discussed publicly. This means that illegal gambling activities in China may only affect a small number of people in society and thus influence even fewer corporate decision-makers. Nonetheless, we encourage future research to revise or validate the findings of this study by adopting better and more valid indicators for measuring local gambling culture.

Third, we do not directly test the theoretical mechanisms behind the mechanism hypothesis. Therefore, we encourage future research to obtain data through a questionnaire approach and, on this basis, directly test the role of decision-makers' speculative psychology as an underlying mechanism between local gambling culture and enterprise bribery. In addition to female and returnee chairpersons, future research could introduce other chairperson characteristics to further clarify the situational boundaries of the local gambling culture that influence enterprise bribery.

Finally, due to data unavailability, we are unable to explore whether the local gambling culture causes decision-makers to prefer local over nonlocal bribery. We encourage future research to explore this topic to provide a better understanding of the negative spillover effects of the local gambling culture. In fact, even if firms do not have business activities outside their home provinces, regulators, and other stakeholders may still be farther away that could be targets for bribery.

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