

Corruption, Turnaround, and Economic Growth: Recovering the Societal Infrastructure of Entrepreneurship

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Abstract

Entrepreneurship requires a supportive institutional environment to flourish. Using qualitative methodology, this research explored how in just 8 years, one city, Barranquilla, Colombia, dramatically changed the ethical climate of the city, creating an attractive environment for business growth and entrepreneurship. The model that emerged from the meta-themes offers a description of how BAQ redeemed its civil society from corruption. It includes the following constructs: Restoring Confidence, New Leadership, Professionalizing of Staff, Quick Wins, Financial Recovery, Expanded Partnerships, and Developmental Strategies.

Keywords: Corruption, Economic development, entrepreneurship, civic leadership

JEL Codes: D73, F63, L26

Introduction

All over the world, entrepreneurship and business development are impeded by corruption, unfriendly business policies, and self-serving institutions (Mauro, 1995, 2004; Mo, 2001, Bardhan 1997). In many countries, such an environment never seems to change from year to year. Employing qualitative research methodologies, this research explores how one city, Barranquilla (BAQ), Colombia, deeply mired in the consequences of decades of corruption, dramatically turned itself around, re-engaging the business sector and providing the societal essentials for attracting talent and capital. By gaining a deep understanding of how Barranquilla orchestrated this turnaround, the researcher hoped to gain insights into the roles that individuals and institutions played, and develop a conceptual model that may be applicable to other corruption-impaired jurisdictions, of which there are many throughout the world. The central research question was, “What were the critical changes that improved the business environment in Barranquilla, and what societal, cultural, or other factors contributed to these changes.”

Context

Barranquilla (BAQ) is situated at the mouth of the Magdalena River, a navigable river extending over 600 miles into the interior of Colombia. Because of Colombia’s mountainous and heavily forested terrain, the Magdalena River has served as a major transportation artery into the interior of the country, affording BAQ a privileged location in international trade and logistics. Because it has been a major New World post since the Spanish colonization, it has a long history of ethnic diversity resulting from immigration associated with European, Middle Eastern and domestic conflicts.

At the turn of the millennium, Barranquilla, Colombia, a city of about 1.2 million, was a dangerous, drug-infested, moral backwater of business, heavily influenced by corrupt officials and facilitated by crony-capitalism. Today, Colombia has become a model environment for foreign direct investment (FDI), having substantially recovered from the era of violence and corruption. Between 2004 and 2013, FDI in Colombia increased more than five-fold from \$3.1B to \$16.2B (Central Bank of Colombia, 2016). The drugs and guns

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are largely gone from Barranquilla; the government has shifted from being self-serving to being a facilitator of the general welfare. Business interacts with government and society in a much more responsible way. How did this happen in just eight years? This study examines how Barranquilla made the transition.

Literature Review

The link between entrepreneurship and corruption has been fairly well established in the literature. Chowdhury et.al (2015) showed higher levels of corruption were associated with reduced cross-border entrepreneurship, a finding particularly relevant to this study since Barranquilla was orienting its development strategy toward attracting foreign investment. Belitiski et.al. (2016) found that corruption was generally negatively correlated with market entry although this effect was reversed in high-tax jurisdictions, presumably by facilitating tax evasion. A number of authors showed that corruption's effect on entrepreneurship was through its impact on the institutional environment (Acs, et al., 2008; Estrin et al 2013;). Anokhin and Schulze (2009) added that reducing corruption increased confidence in a country's institutions and stimulated innovation and entrepreneurship.

Regarding research on the relationship between corruption and economic growth generally, Feld and Voight (2003) found that in a 66-country sample, corruption in the judicial system impacted GDP growth by 1.5 to 2.1 percent per year. Studying African countries, Lambsdorff and Cornelius (2000) found that both foreign direct investments and economic growth were associated with lower levels of perceived corruption. Acemoglu and Robinson's (2012) *Why Nations Fail* offers an extensive historical account of correlates of national failures. When societies excessively concentrate political and economic power and merge the two, key social and economic institutions become increasingly vulnerable to corruption and self-dealing. At the same time, they become increasingly "extractive" of the economic benefits earned by the majority. This suggests two possible mechanisms by which society could degrade: (1) the political and economic institutions merge so closely that societal power is vested in a self-serving oligarchy, or (2) the political and economic interests compete with one another and thus cooperation and coordination cease

Corruption, Turnaround, and Economic Growth: Recovering the Societal Infrastructure of Entrepreneurship while the respective powerbrokers seek to degrade the power base of the other group while enhancing their own, creating an institutional civil war. In either case, the economy soon becomes the victim.

Samuel Huntington's (2006) *Political Order in Changing Societies* posits that socio-economic modernization itself challenges the efficacy and power base of a less-modernized epoch with the potential of generating both institutional and economic collapse as incumbents struggle to preserve personal power (economic and political). Fukuyama (2014) argued that economic growth is predicated on institutional integrity and that corruption erodes institutional capacity, noting that a human tendency exists toward supporting kinship and tribe to the detriment of outsiders. As institutions become burdened with unqualified rent-seeking technocrats, members of one's tribe may maintain control of an institution beyond their level of competence and the institution may neglect its responsibilities to the broader economic interests of society.

Methodology

The primary methodology was a qualitative research method known as grounded theory (Glazer and Strauss, 1967). Relying heavily on interview and observational data, grounded theory allows for an evolving set of hypotheses as disparate data support or undermine previous provisional hypotheses. In grounded theory research, themes emerge from field notes through axial coding, a process by which the researcher attempts to define and contextualize relevant constructs, categories and relationships.

Through a previous academic visit to Colombia, the researcher was able to develop relationships with the American Chamber of Commerce in BAQ. The organization helped coordinate interviews with 19 business, municipal and civic leaders, including NGO leaders and private sector managers who left their jobs to work in the new municipal government. In addition, the researcher interviewed a solo Colombian entrepreneur and two US entrepreneurs whom he met serendipitously while in Barranquilla.

In general, the interviews were loosely structured, relying on observations and open-ended questions to try to understand the emic perspective of how change occurred. By doing so, the researcher attempted to neutralize any investigational biases. Typically, the interview started with a question like, "So

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tell me how things have changed around here in the last 10 or 15 years?” Subsequent questions typically explored the why, who, and how of their initial response. Responses were codified by theme, initially yielding 27 themes. Subsequently, these 27 themes were conflated into 7 meta-themes. The reporting of the findings were organized by meta-theme. To preserve anonymity, respondents were referred to by an alpha-numeric designation (e.g. B1, B17, etc.).

Findings:

The paper first presents the pre-2008 description of the city and antecedent conditions that may have facilitated the success of the mayor largely credited with the turnaround. Following that, the meta-themes are presented along with a discussion of each.

Antecedents to Change

There was virtually unanimous agreement from the respondents (possibly excepting B6 and B17) that the inflection point for change occurred in 2008 when Alex Char was elected mayor. For that reason, the before/after contrasts are generally dated from 2008 – a mere eight years from this writing. The Office of the Mayor had about 1500 employees and provided most of the city services either through its employee base or through contracts which it oversaw. While Char’s election may have catalyzed major change, a number of respondents mentioned changes which provided context to Char’s election and suggest that he had an emerging foundation on which to build. First, and critically, Alvaro Uribe’s election as president of Colombia in 2002 and subsequent unrelenting war against the three major revolutionary / narco-terrorist groups (FARC, M19, and ALN) provided municipal leaders with assurances that the national government would backstop local efforts to regain control of the streets from the insurgents known for kidnappings, armed robberies and random violence (B4, B19,). Since municipal police were no match for the better-financed insurgents, the security backstop offered by the army and its counter-terrorism special operations force provided the show of force necessary to ensure a foundation for police power sufficient to re-establish local security. Prior to that the “city was run by guns and drugs” (B4).

Secondly, in 2004, Colombia signed a free trade agreement with the US that significantly enhanced the economic prospects of BAQ, due to its privileged position as a major port for both domestic and international shipping (B1, B4, B17).

Thirdly, a number of respondents claimed that it was the private sector (business interests) that provided key political and financial support to install a pro-business mayor (B13). “Everyone was so tired of problems...” (B7); “We were tired of seeing the city go downhill fast” and the city government’s “...relationship to all parts of the city was bad” (B12). In the 1990s, the private sector “woke up” and put a new mayor (a priest) in office who had a respectable first-term but was succeeded by a corrupt mayor (mayors were prohibited from running for re-election as an incumbent). The priest was elected to a second term that was marked by corruption, followed by another mayor who was also corrupt. All three ended up in jail. Perhaps unwittingly, they fueled a cultural divide between rich and poor, neglecting economic development, pacifying the poor, and enriching themselves. By 2008, virtually no cooperation existed between the private sector and the city (B12). Electing Char was a second attempt by the business community to install a responsible leader in the mayor’s office.

Before Char: Life Described

When asked to describe the condition of pre-Char BAQ, respondents spoke of three broad categories: (1) the state of civil services; (2) politics, finance and development; and (3) culture and corruption. These categories have some overlap, but are useful in understanding the broad scope of civic decline.

Concerning civil services (electrification, water utility, flood control, roads, schools, etc.) the respondents described a state of substantial disrepair. Schools ran half -day sessions with upwards of 60 students in a class due to inadequate educational infrastructure; power would be shut off to schools for non- payment of the power bill; teacher morale suffered from non-payment of wages (B9, B2). Hospital patients were required to bring their own bedding, medicine and supplies (B3). Street lights were often non-functioning and power outages in the city were frequent (B8, B13). Failure of the water system led to

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“showering by bucket” (B19). Only major roads were paved, and smaller roads became unreliable or impassable during the rainy season (B1, B13). During very heavy rains, sections of the city would become islands, cut off from the rest of the city for lack of flood control (B1,B5). This caused not only personal inconvenience and danger, but also hampered the ability of citizens to participate as consumers in the acquisition of daily necessities.

The financial condition of the city was likewise in a state of disrepair. It was officially insolvent, having defaulted on municipal debt (B1, B2). The city used unauthorized copies of Microsoft software and was unable to meet its payroll (B2). It collected about 30% of taxes payable due to the nature of the tax concession it had sold to a 3rd party to provide the service. Finally, the national and departmental (provincial) governments were indisposed to fund civil projects of any kind because of the city government’s reputation for pilfering the municipal coffers. The private sector was also disengaged from supporting city initiatives for the same reason, and also because the government had created an adversarial relationship between the business sector and the poorer classes. To summarize, BAQ was effectively cut off from every potential source of funding except narco-money because of a crisis of confidence in the city’s leadership (B2, B8). Hence, urban decay descended on the city.

Concerning corruption and culture, a predatory business culture had emerged with respect to the city’s commercial dealings. “In 1998, I left BAQ for New York – everyone was leaving” (referring to the professional classes) (B18). “[E]very business deal involve(d) corruption”; Investors would turn away from BAQ because there was, “so much corruption and unfairness between entities” (B1). Public assets were stolen from the mayor’s office (i.e. in context, it refers to a broad array of both office equipment and service equipment)(B18). A “large percentage” of electrical power was stolen off of the grid by citizens. Twenty-five percent of receivables remained uncollected by the power company. The hospital was run on a concession basis with a third party management company. Very little of the money went to health care; most was simply confiscated by the concessionaire (B3).

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Mayoral corruption had been virtually institutionalized (B15); The “previous three (4-year) mayoral terms were all bad (corrupt)” (B15). All three mayors were eventually jailed (B1, B3). “Previous mayors were indifferent to societal corruption”. The city’s leadership had “lost all credibility with all stakeholders” and “beginning in the 1970s, public sector capabilities fell increasingly behind those of the private sector” (B15).

To summarize, self-serving leadership had alienated the city government from local, private, departmental and national capital sources, rendering BAQ unable to meet either its operating needs or its capital investment needs. This condition lasted for about 16 years, during which time the social and physical infrastructure of the city deteriorated significantly. The “citizen culture” became predatory as well, pitting the rich against the poor (B7). Professionals who were able to emigrate often did, resulting in a palpable “brain drain”. The poor sought to retain the mayor’s office as their power base, and local politicians would court the poverty vote heavily. However, once in office, politicians would merely manage poverty rather than attempt the more difficult task of disrupting it. They would “help the poor and then help themselves” (B8).

The Turnaround: An Overview - Restoring Stakeholder Confidence

Restoring stakeholder confidence was the umbrella construct for all of the other constructs and was recognized by the newly-elected Mayor Char as such (B15); moreover, it was co-dependent with all of the other constructs. For example, the key to initiating substantial partnerships was restoring confidence in the government. Conversely, once such partnerships were established, they enhanced the credibility of the government. Because Char’s mayoral candidacy was heavily supported by the business community, Char especially recognized the political and societal imperatives of immediately addressing some of the concerns of the poor. As the various voting constituents saw that public revenue was being used for noticeable public benefit, confidence began to accrue to the Office of the Mayor.

The conceptual map below (Figure 1) shows the primary constructs that emerged from the data describing the turnaround. Restoring confidence in city government was at the center of the turnaround. The meta-themes are the six constructs that supported the city’s successful return to civil society.

FIGURE 1 CONCEPTUAL MAP OF BARRANQUILLA’S TURNAROUND



The conceptual map identifies some basic directional associations between the six meta-themes and Restoring Confidence (implying correlation or causality). These primary associations are shown with arrows. Other secondary associations are suggested in the discussion sections of this manuscript (for example, external partnerships were easier to engage once the staff was professionalized). It should also be noted that only slight evidence emerged that these constructs implied a sequence or chronology. With the clear exception that a change in leadership precipitated the other changes, the other constructs proceeded more or less simultaneously with one another with the possible exception of “Quick Meaningful Wins” necessitated as an early priority to quickly distinguish the new regime from the previous series of self-serving ones.

New Leadership

Alex Char (1966 -) came from a wealthy, influential family with extensive political and business connections throughout Colombia, and these relationships were important in bridging the public/private divide (B14) that had infected BAQ politics. While his political pedigree with the Liberal Party gave him credibility with the poor, the business sector of BAQ claimed credit for ensuring his first mayoral election (B12). He was subsequently re-elected to a second 4-year term beginning in January of 2016. He was educated in Europe as an engineer where he developed his sense of professionalism which he later required of his new hires. In addition, he became conversant in global business practice there.

By all accounts, Char was highly effective and efficient in re-integrating the city with the private sector (B1,B8, B9, B12, B13, B14, B17) and infusing the values, vision and structure so as to leave BAQ's immediate past behind. What most distinguished him from his mayoral predecessors, however, was a ruthless rejection of graft of any sort. He seemed to equate graft with directly prolonging the difficulties of the poor and thwarting economic development for all. The results of the city's "ethical upgrade" were vast: transparent city contracting, unethical behavior leading to termination of employment, private sector partners and citizens now *reporting* corruption when presented with it in their dealings with the city, accountability in city concessions, access to capital, ability to hire professionally-qualified people, etc.

His political persona was described as casual and "in the streets", careful to interact personally with the poor, and sympathetic to their concerns. The business community described him variously as a workaholic, micro-managing, task master who would expect directors to answer his 2 AM phone calls, but also superb at building partnerships, recruiting talent, thinking strategically, building processes, and maintaining high standards. His demanding nature notwithstanding, a number of respondents agreed that their current role in transforming the city was the most psychologically rewarding job they had ever had. In a comment that was emblematic of the new ethos, one director said, "Improving transportation has been dignifying for the citizens"(B14). And so it seemed to be for many associated with the city's re-vitalization under Char's leadership – a sharp contrast from the days of predatory governing.

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Professionalizing Staff

When Char took office in 2008, only 30 computers served the Office of the Mayor with its 1500+ city employees (B18). Many key leadership roles were filled with inept political appointees who lacked the education and cross-cultural experience necessary to adequately manage the city of 1.2 million people which hoped to pin its future on international trade (B7, B8, B9, B11, B15, B19). Schools, in particular had been poorly managed (B9).

At first, Char found it very difficult to recruit for key positions since working for the city was associated with both professional ineptitude and corruption (B18). With a more capable staff, more complex projects were able to be initiated and partnerships with the city became more attractive to the private sector due to the rising competency of the city's employees. Unqualified employees were fired, or more frequently, they simply quit once they realized that they were engulfed in a new culture of responsibility and accountability (B8). Now, the city has specialists in labor relations, engineering, transportation, etc. (B12).

In addition to upgrading the personnel, he also increased the frequency of training and learning opportunities for the employees. For example, employees were sent to conferences to study best practices (B12), while others participated in delegations sent internationally to study particular aspects of model cities (B1, B18). Notably, about 23% of the 1500 city employees (including Char and the top four highest ranking members of the city government) took a course in good governance customized by BAQ's American Chamber of Commerce (started and managed by Colombians) following a framework developed by the US Agency for International Development (USAID). The course emphasized the importance of the rule of law in business, accountability, transparency, fairness in dispute resolution and the honoring and protection of intellectual property and was instrumental in changing the organizational culture (B1, B2, B18) of the Office of the Mayor..

Finally, Mayor Char engaged international consulting talent on large projects which required skills not available on staff. For example, a massive citywide flood control project was initiated with a European
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Corruption, Turnaround, and Economic Growth: Recovering the Societal Infrastructure of Entrepreneurship engineering company to remediate the devastating effects of hard rains. Previous local attempts had been ineffective. International consultants were also tapped for urban planning in an effort to re-orient the city toward the Magdalena River for its future development.

To summarize, Mayor Char moved quickly to professionalize his staff through hiring qualified leaders, though the initiative took several years to complete. In addition, he offered staff training and development as needed for particular projects, and was quick to engage outside consultants when requisite talent was lacking within his organization. The effect of this professionalization was to build confidence among stakeholders and to execute on strategic and tactical plans efficiently.

Achieving Quick Wins

Char and his newly-professionalizing staff recognized that it was important to demonstrate to a very skeptical constituency that they would be good stewards of the citizens' trust. In the early stages, the scale of the particular accomplishments was less important than the visibility of the accomplishments. Among the "quick wins" targeted by Char were (1) providing lunches for 90,000 students in the lowest income brackets, (2) paving some roads in the poorer neighborhoods, (3) initiating a comprehensive scheme for building small parks and cultural centers, especially in the poorer neighborhoods, (B1, B3) and (4) reversing the tax concession that was depriving the city of two thirds of its revenue (B12, B15, B18). Essentially, the city had outsourced the collection of taxes to a third party, but provided very little accountability. The arrangement was described as a license to steal (B12).

The commitment to provide school lunches was instrumental in bringing the formerly uncooperative teachers union over to the side of the Mayor. As roads and parks began to spring up in the poor sections of town, it not only alleviated fears that the poor would lose their political voice, but it also encouraged them to get behind the Mayor and his further initiatives. Moreover, it demonstrated the ability of the mayoral staff to execute on well-designed, high-quality projects.

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Meanwhile, the private sector was impressed with the speed and assertiveness with which the Mayor moved to re-claim the tax concession which had been a major factor in bankrupting of the city. He accomplished this through legal means, effectively demonstrating a breach of contract (B1, B12).

Recover Financial Control

The most critical task in recovering financial control was to reclaim the tax concession. However, the city had engaged many other concessions for which the concessionaires were providing very poor service. Maintaining street signs and traffic lights were examples of such concessions (B15). The less that the concessionaires spent on servicing the contract, the more they could keep for themselves. With very little oversight or accountability, the concessions served only to drain the city coffers to very little effect. As concession contracts expired, they were not renewed, and the city could once again put the funds to the productive use for which they were intended.

Once the tax concession was reclaimed, the Mayor had to determine how to best collect taxes. The current director of tax collection was described as a very nice man whom nobody likes, but one who was truly passionate about his job – for all the right reasons (B2). Proper tax collection meant more resources for the city to spend for the benefit of its people. Since an enormous number of tax bills were in arrears, the city had to devise mechanisms for collecting back taxes and current taxes. Some wealthier citizens objected to some of the collection methods, which included automatic payroll deductions. According to one respondent “Barranquilla , did not have a culture of paying taxes.” Taxes collected doubled during Char’s first term, then doubled again over the next four years, largely due to collection methods and to the citizens seeing meaningful improvements in the city (B2). Total debt was reduced from 90% of the city’s budget in 2008 to 25% in 2016 (B2).

Finally, as Barranquilla demonstrated that it had honest and competent leadership, and that it was taking effective steps to get its financial house in order, it was able to secure grants and loans from the departmental and national governments. Once the private sector saw the government’s willingness to lend to the city, BAQ was able to get credit lines from commercial banks as well.

As this process of restoring the city's credit emerged, the city worked to repay delinquent loans and to pay back-wages to its employees. These activities served to greatly enhance the credibility of the Mayor and the city government while restoring the city's credit rating to a AAA investment grade rating at the start of Char's second term in January, 2016.

Expanding Partnerships

When Char became mayor in 2008, the Office of the Mayor had been effectively alienated from the private sector business community for almost 25 years (B7, B15). This alienation was engendered by four factors: (1) ubiquitous corruption, (2) incompetent staff, (3) anti-business political rhetoric, (B7) and (4) unwillingness of the City to advocate for the legitimate interests of business (e.g. providing enforcement mechanisms against non-payment of electric bills; unwillingness to support projects necessary to maintain or upgrade the City's commercial infrastructure; etc.)(B18).

The anti-business rhetoric was in part related to the accessibility of drug money in exchange for political influence during the 1990s and early 2000s. The palms of the city leaders were sufficiently greased, and the drug lords held themselves out as modern-day Robin Hoods against the "predatory" private sector in exchange for the city turning a blind eye to their local activities.

As part of the partnership initiative, Char moved aggressively to embrace NGOs associated with economic development such as the American Chamber of Commerce, Fundacion Edificio (committed to educational excellence in primary schools), ProBarranquilla and ANDI (both facilitating investment in BAQ). In particular, he supported their budgets, solicited their expertise, and purchased their training (e.g. American Chamber's *Good Governance* program)(B1, B7, B17). In general, the partnerships provided another channel for access to capital, training, information, and contacts.

Finally, some of the discussions begun during Char's first term came to fruition in the subsequent mayoral term of Elsa Noguera, Char's hand-picked successor and formerly the City's CFO. A joint project to build a bridge across the Magdalena River was financed by an alliance between the city and the private sector (B2). A major residential and commercial development by the river, along with a very large

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convention center and an extensive port modernization project in conjunction with partner firms from Spain and Chile all brought in international partners, and were structured with the city maintaining equity participation varying between 30 and 70%.

To summarize, Mayor Char quickly leveraged his business and political network, along with his professionalizing staff, to re-embrace the disenfranchised private sector of both the NGO and for-profit sides. This rapprochement increased the city's access to capital, training, information, and talent. In addition, Char funded employee training and development to ensure that his new hires stayed current with best practices.

Pursue Development Strategies

Besides merely reversing societal and infrastructure decay, a vision of the future was cast. While no respondent mentioned a strategy document, four emergent strategies (Mintzberg 1987) became apparent: (1) internationalization of the business infrastructure for the purpose of attracting international business; (2) re-orienting the city's growth toward the river to enhance the city's aesthetic appeal; (3) resourcing the poor areas with schools, cultural centers and parks; and (4) reorganizing the structure of city government. Each of these strategies served a different but important goal: Respectively, (1) create jobs and investment with the attendant effects on tax revenue; (2) beautify the city to make it a more attractive place for the mobile professional workforce; (3) attend to the neglected poor for reasons both political and ethical, and (4) create oversight and accountability in city government to ensure that the other strategies are efficiently and effectively executed.

Internationalizing for economic development: A director of an influential economic development group said that the focus of their group's promotional initiatives was facilitating exports, especially to the US, by both local firms and foreign firms locating operations to BAQ (B1). Target industries were identified including food processing, logistics and transportation, specialty metal and metal working (largely in support of the mining industry), offshore oil exploration, and IT services. The plan leveraged BAQ's local and regional strengths, including their mineral assets and privileged position as a transportation hub between

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Corruption, Turnaround, and Economic Growth: Recovering the Societal Infrastructure of Entrepreneurship South and Central America, the US, and the rest of the world. B4 admitted that “the free trade agreement with the US really got things going.” In addition, the city initiated free trade zones, which attracted FDI and investment partners (B17). Solving the seasonal flooding problem was recognized as a prerequisite to attracting international businesses as was building an industrial-grade highway that connected the port to other transportation corridors (B1, B4). Prior to these developments, trucks had to lumber through densely trafficked city streets, simultaneously adding to transportations costs and degrading the ambiance of commercial and residential areas. Subsequently, a major bridge over the Magdalena River was built to significantly reduce the travel time to Santa Marta, another port city to the east.

Enhancing the city’s aesthetic appeal - The term “business destination” was mentioned by a number of respondents as a strategic intention (B1, B2, B8, 16). BAQ enjoyed neither an ocean beach nor mountains that might attract vacationers. To appeal to companies and professionals with locational options, a collective effort to beautify the city by re-locating development to its vast riverfront was initiated. The city was originally founded on the waterfront of the Magdalena River, but it had grown westward for decades, away from the river. The river-oriented part of the city reflected an aging maritime-industrial landscape, with surrounding pockets of residential poverty common to the fringes of industrial zones. Eight years into the turnaround, a 5 km boardwalk had been constructed, a series of high-end commercial/residential high-rise flats were being erected, and the road system was redesigned to better service the area.

Resourcing the Poor - A third strategy evident in the City’s initiatives related to the importance of upgrading the public commons accessible to the poor. Ninety new schools were opened in 8 years, and more than 60 quality parks were built throughout the city. In many cases, a “cultural center” was associated with the park. The city worked closely with the local residents in both the design of the center and its programming. The centers helped provide an alternative vocational track, especially in the arts (fine and performing; traditional and digital). They soon acquired the moniker “peace houses” because they took many unsupervised youth off of the streets and engaged them in meaningful forms of self-expression and

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vocational development. Char insisted that the parks and cultural centers in the poor sections have the same quality of equipment and design as those in wealthier parts.

By 2016, the city's operating budget had grown by a factor of 4 and almost half of the budget went to health and education. Importantly, these resources were directed heavily to the poor parts of the city. This was a dramatic change from the pre-Char days when patients would need to bring their own food, supplies and medicines to the hospital, and schools were running double sessions with up to 60 students per class.

Reorganizing internal processes - Finally, the organization of the city government was overhauled. With only one exception (B15), no one spoke directly about organizational change in the government. Nevertheless, changes in structure and processes were clearly evident. For example, B18 observed that the organizational structure of the city government had to change as cross-departmental cooperation necessary to design and complete major projects replaced isolated departmental silos where opacity was considered a convenient virtue. The vetting process for awarding a very large contract for which they received 40 bids illustrated the interdisciplinary nature of the new structure: the process was highly transparent, and included systematic due diligence into the bidders' financial strength, technological sophistication, managerial experience and the like. Furthermore, according to B18, the size of projects taken on in the post-Char years grew enormously because of increased access to capital, upgraded skills of the staff, and willingness of partners to work with the ethically revitalized government. Axiomatically, significant increases in operating scale require re-designing of organizational structure and processes.

Another director described how the city-wide surveillance system and emergency call system integrated the efforts of Law Enforcement and Transportation departments (B14). This would not have been possible previously since neither the impetus to protect the citizens nor the structure to coordinate across concessionaires existed. Other indicators of organizational change included Char's relentless push to accelerate the pace of change (B3, B9, B12, B14, B15), the frequent tapping of proven leaders to perform responsibilities outside of their current job (B15) and the specific development of an organizational process

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Corruption, Turnaround, and Economic Growth: Recovering the Societal Infrastructure of Entrepreneurship which, once developed, allowed them to significantly accelerate the roll-out of parks and cultural centers (B18).

Conclusions: Contributions to the Theory and Practice

Contributions to the Theory - The foregoing qualitative study implies some support for Huntington's thesis that institutional decline is related to the unwillingness of institutions to adapt to the societal change necessitated by the modernization of the economy. By the early 1990's the influence of the drug culture had co-opted the modernization processes in an effort to revert to what might be best described as a city-wide plantation economy: a system run for the benefit of the few, with key governmental institutions (police, judicial, executive) pressured with both carrot and stick to comply. The BAQ narrative shows how modernized institutions can be degraded by a reversion to institutional practices commonly associated with a feudal or plantation economy, and how such institutions can be restored.

The study offers little support for Fukuyama's contention that institutional decline is related primarily to the "clan" effect. While it was evident from the large-scale re-hiring that occurred in Char's first term that many employees were unqualified and thus presumably political appointees, the interview data suggested that the appointments were more political in nature (preserving popularity with the voting bloc of the poor) than familial. Furthermore, BAQ had a history of substantial cultural diversity and racial intermarriage, suggesting that clan effects were less likely to be a factor in this case.

Acemoglu and Robinson's contention that institutions fail when economic and political power converge seems to provide the best explanation of what happened in BAQ's case. This research suggests, however, that economic power does not need to have a legal basis but can overwhelm the political by force. The deciding institutional battleground may be between the legal police force and the para-military force of the narco-economy. Whoever controls the streets will eventually control the government. In BAQ's case, as the city gradually alienated itself from "rule of law" partners (for financing especially), it found itself having to make a Faustian bargain by swapping control of the streets for the benefaction of drug money. This in turn led to the wholesale corruption of the government and the abandonment of its civic stewardship.

Mo (2001) concluded that “The most important channel through which corruption affects economic growth is [through] political instability, which accounts for about 53% of the overall effect” (p. 76). The overarching meta-theme of the turnaround in BAQ was the imperative of “restoring confidence” in the municipal government. Hence, our model derived from qualitative data support his quantitatively-based conclusion.

Contributions to Practice – The model that emerged from the meta-themes offers a description of how BAQ redeemed its civil society from corruption and is essentially a story of how a society labored to recover an environment suitable for business and entrepreneurship. It includes the following constructs: New Leadership, Professionalizing of Staff, Quick Wins, Financial Recovery, Expanded Partnerships, and Developmental Strategies. The application of these constructs to particular municipal situations may provide insight into how to effectively coordinate a municipal turnaround and promote entrepreneurship and business development. While corruption still exists in BAQ (B1, B13), it does so within the context of a system intent on rooting it out. Two important qualifications to the descriptive model include pre-conditions that must not be overlooked: (1) The national government’s commitment to defeating the revolutionaries militarily and resourcing the local police set the stage for a return to civil society. As Arab Spring aptly shows, control of the streets may be necessary, but it is also insufficient to transform a society. (2) The alignment with the US economy through the 2004 Free Trade Agreement gave Colombian-based companies privileged entry into the world’s largest economy.

It is hoped that future research will be able test aspects of this model using a sample size large enough to allow for generalizations on some of the proposed associations, and that the model will eventually be employed by those municipal leaders who find themselves with a similarly daunting turnaround challenge.

Appendix 1 Axial Coding: Primary Themes

- Theme 1: Diversity or multiethnic nature of Barranquilla:
- Theme 2: Crucial to link with global economy.
- Theme 3: Deep frustration with society and corruption
- Theme 4: Deep frustration with service degradation.
- Theme 5: Mayor Char's role in turnaround
- Theme 6: Antecedents to Char's role in turnaround
- Theme 7: Good Governance course
- Theme 8: Financial Problems
- Theme 9: Aligning City with Business Community
- Theme 10: Aligning City with National/Departmental budgets and NGOs
- Theme 11: Strategies Supporting the Poor (see also themes 10, 22, and 25)
- Theme 12: Contracts and Concessions
- Theme 13: Ongoing Corruption
- Theme 14: Upgrading Staff and Skills
- Theme 15: Free Trade Area
- Theme 16: Show progress quickly
- Theme 17: Rich versus Poor
- Theme 18: Strategy for economic development
- Theme 19: Importance of continuity
- Theme 20: Attitude towards taxes
- Theme 21: NGO grants and external funding [other than federal and departmental funding]
- Theme 22: Evidence of social progress [see also themes 10,11,and 25)
- Theme 23: Culture, citizenship, organizational culture.
- Theme 24: Training and skill development strategies
- Theme 25: Success stories[See also themes 10,11, and 22]
- Theme 26: Confidence
- Theme 25: Barranquilla as a model city [restored by Mayor Char.]
- Theme 27: Mechanisms used to promote ethics.

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