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CARLOS
BRIOLO

MIGUEL
CORDOVA

JEL: H10, H12, M14, M19, O16

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A CRACKED PUBLIC ADMINISTRATION IN PERU: HOW “VACUNAGATE” HAS SHAKEN THE FOUNDATIONS OF AN ALREADY DAMAGED SOCIETY

UNA ADMINISTRACIÓN PÚBLICA RESQUEBRAJADA EN PERÚ: CÓMO EL “VACUNAGATE” HA SACUDIDO LOS CIMIENTOS DE UNA SOCIEDAD YA DAÑADA

CARLOS
BRIOLO¹

MIGUEL
CORDOVA²

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ABSTRACT

While crises are ubiquitous in Latin America, due to its geographical characteristics as well as its turbulent business environment, countries such as Peru have also extreme rates of corruption and deep institutional weakness. These factors, taken together, undermine any attempt of national governments or society's collective efforts towards achieving sustainability. This paper aims to analyze the “Vacunagate” scandal that occurred in Peru during the first negotiations of the vaccination process against COVID-19, using a case study method, and focusing our discussion from the Agency Theory as well as from leadership and institutional perspectives. The results of the analysis emphasize how the “Vacunagate” event generated relevant constraints towards the achievement of the SDG 16, and its specific targets related to provide justice for all, deal with organized crime, reduce corruption, and create accountable institutions. In addition, the study provides insights and implications for organizations in Peru that would have to operate under a turbulent business environment, considering a business-as-usual corruption and a weak institutional context.

KEYWORDS

Vacunagate, Peru, Corruption, Leadership, Institutions, Corporate Governance, Ethics, Public Administration, Agency Theory

RESUMEN

Si bien las crisis son omnipresentes en América Latina, tanto por sus características geográficas como por su turbulento entorno empresarial, países como Perú presentan además índices extremos de corrupción y una profunda debilidad institucional. Estos factores, en conjunto, socavan cualquier intento de los gobiernos nacionales o de los esfuerzos colectivos de la sociedad para lograr la sostenibilidad. Este trabajo pretende analizar el escándalo del “Vacunagate” ocurrido en Perú durante las primeras negociaciones del proceso de vacunación contra el COVID-19, utilizando un método de estudio de caso, y enfocando nuestra discusión desde la Teoría de la Agencia así como desde las perspectivas de

1 Adjunct professor of Management, Administration and Finance at Universidad San Martín de Porres and Universidad Tecnológica del Perú. He holds an MBA from Centrum Católica and a degree in Accounting from Universidad Ricardo Palma. His research interests are Leadership, White Skills, Corporate Governance, Power and Influence in Organizations.
ORCID: <https://orcid.org/0000-0001-5643-5538>

2 Associate Professor of Management at Pontificia Universidad Católica del Perú. He holds a PhD in Strategic Management and Sustainability. He is Resources Vice-Chair at Teaching & Education SIG in the Academy of International Business (AIB) and serves as Peru Country Director for AIB Latin America and the Caribbean chapter. His research interests are Sustainability, Sustainable Supply Chain Management, Power and Influence in Organizations, and Corporate Governance.
ORCID: <https://orcid.org/0000-0002-1010-8803>

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liderazgo e institucional. Los resultados del análisis enfatizan cómo el evento “Vacunagate” generó limitaciones relevantes para el logro del ODS 16, y sus metas específicas relacionadas con proveer justicia para todos, enfrentar el crimen organizado, reducir la corrupción y crear instituciones responsables. Además, el estudio proporciona ideas e implicaciones para las organizaciones en el Perú que tendrían que operar bajo un ambiente de negocios turbulento, considerando una corrupción como de costumbre y un contexto institucional débil.

PALABRAS CLAVE

Vacunagate, Perú, Corrupción, Liderazgo, Instituciones, Gobierno Corporativo, Ética, Administración Pública, Teoría de la Agencia

INTRODUCTION

Albert Einstein said once, “innovation follows big crises,” but it seems innovation is not the only result, as room for corruption often follows as well. On one hand, crises are ubiquitous in Latin America (Azevedo *et al.*, 2020), leaving a trail of chaos that results in job losses, business bankruptcies, wider social and economic inequalities, interrupted supply chains, poverty, and so on. On the other hand, unfair distribution of resources as well as corruption drive Latin American countries into social unrest, unless good political governance emerges (Saxton, 2021). Moreover, crises are contextually emphasized due to the existence of local previous constraints, such as an already corrupted institutional and governmental environment (Yakovlev, 2021). Corruption is indeed a global major concern, since diverse scandals have appeared all through the world under different circumstances (Venard, 2018).

The COVID-19 pandemic is not an exception for such crises. According to the United Nations (2021), the damage caused to the global economy was devastating. Specifically for Latin America, it represented a drop of 8% of the regional GDP along with a severe export reduction of 6% in the first eight months of 2020 compared to 2019. Those dramatic effects resulted in increased unemployment, social unrest, poverty, and deep economic and social inequalities. The serious damage in Latin America and the Caribbean region will have to be overcome in the long run, being able to return to a pre pandemic economic activity level in no less than two years (United Nations, 2021), and reinforcing the sustainable development efforts in the region (Vargas *et al.*, 2022).

In addition, business opportunities, innovation efforts, and local advantages for organizations in Latin America are constantly undermined due to the institutional weakness of the organizational environment (Vassolo *et al.*, 2012; Vergara, 2018; Young *et al.*, 2014). As a result, institutional weakness in Latin America does not only result in fewer development opportunities for firms, but also in the reinforcement of an informal and a selfish culture in the region. Corruption is a common issue in Latin American countries that organizations and individuals have needed to face for many years (Mohieldin *et al.*, 2022). Corruption together with selfish behavior

in economic activities have been driving nations into unstable and uncertain environments. Furthermore, according to Ugaz (2020), the “great corruption,” which is led by high level government officers and involves systematic operations and big scale frauds, derive into an extended damage to society and human rights violations. Moreover, the health crisis has also opened debates and created profound concerns about how ethics and solidarity are involved in organizations’ decision-making processes and their governance structures all over the world (Gonzalez-Perez *et al.*, 2021; Wright, 2020).

Regional scandals such as the political corruption in the Odebrecht case led by businesses’ elites in Brazil (Durand, 2018; Gillespie & Brocchetto, 2017), the presidential bribes in Peru (Aquino, 2020), severe political turmoil in Argentina and Bolivia, and social unrest in Chile and Colombia (Viscidi, 2019), has led to a loss of trust of regional governance structures and leaders by citizens and organizations in Latin America. According to Malanski and Póvoa (2021), Latin American countries that develop economic freedom systems are more willing to suffer the effects of corruption scenarios in terms of their economic growth. Thus, the scandal related to the unfair COVID-19 vaccine distribution in Peru, called the “Vacunagate” case added to this list of unpleasant and undesirable events, which had business and political leaders in the country secretly vaccinated before the most exposed people such as doctors, nurses, or police officers, and most vulnerable, such as the elderly. However, these leaders would have originally been considered as agents for positive change. According to the Agency Theory, agents have to address the tasks that the principals (in this case the society) assigns to them (Eisenhardt, 1989). Principals are expecting specific results and behaviors and the Agency Theory deals with problems generated when the agents could tend to prioritize individual interests for their own benefit. Also, transformative and integrative leadership emerges from society in times of crisis (Useem, 2020; Walker, 2016). In addition, these leaders are able to shape the rules and common behavior in the business environment (Hambrick, 2007), developing strategic organizational activities such as control and management through the corporate governance structures they design and lead (Shleifer & Vishny, 1997; Osedo *et al.*, 2020). Thus, good leaders are expected to guide society through uncertainty, providing trust and security, as well as encouraging teams and prompting well-being scenarios. Nevertheless, ethical leadership has been studied mostly considering the leaders and the relationship with their followers, while studies about leaders at an individual, organizational, or contextual level are scarce (Correa Meneses *et al.*, 2018).

Peruvian society is characterized by a lack of the State’s presence and efficiency as well as an inadequate business environment which negatively affects the outcomes and opportunities of organizations and citizens (Cordova *et al.*, 2022;

Vergara, 2018). Hence, using a case study analysis, the main objective of this paper is to discuss how the recent COVID-19 scandal in Peru named “Vacunagate” reflected the struggles of Peruvian society at different levels, and how business and political leadership was involved in this event, cracking an already fragmented public administration’s governance structure. Moreover, this study aims to discuss how public administration’s decisions could endanger the achievement of the Sustainable Development Goals (SDGs) of the United Nations (2015), specifically the SDG 16 (Peace, Justice, and Strong Institutions), analyzing how the institutional context and corruption could enhance and allow top political leaders’ selfish behavior in the country, evidencing deep agency problems between these leaders and the society. Likewise, the study focuses on the discussion of some specific targets of the SDG 16 such as 16.3 (rule of law and justice for all), 16.4 (combat against organized crime), 16.5 (reduce corruption), and 16.6 (accountable and transparent institutions).

Previous research about the “Vacunagate” event or issues surrounding the availability and uncertainty of the vaccination processes in Peru is scarce. Other studies are focused on the scandals but are using a health system framework. To the best of the authors’ knowledge, this is the first study that analyzes this scandal in Peru using an Agency Theory approach and an institutional perspective, discussing how leadership as well as governance structures are affected in the short-term, undermining the country’s expectations for SDG 16 achievement in the long run. Hence, the authors expect that this analysis could be useful for understanding how relevant agency conflicts may appear while leadership and governance structures could be influenced by corruption events, constraining opportunities for development towards the SDG 16.

This paper is organized as follows. The first section provides an overall introduction as well as the objectives of the study. Then, the study presents the Peruvian institutional context and a brief background in order to properly understand what the “Vacunagate” scandal has represented in Peru. After that, the paper presents a theoretical background based on the literature on leadership, institutions, Agency Theory, and governance structures. The fifth section briefly presents the method for the analysis. Next, the study provides the discussion of the results, emphasizing how society’s actors could understand the “Vacunagate” crisis as a changemaker event in the Peruvian socioeconomic landscape. Furthermore, it discusses how the achievement of specific SDG 16’s targets 16.3, 16.4, 16.5, and 16.6 could be severely constrained due to this crisis. Finally, the seventh section concludes the study and opens a wider forum for current and future implications for organizations and governance structures under corruption scenarios in emerging markets such as Peru.

CONTEXT AND BACKGROUND

Peruvian Institutional Context

Adequate opportunities for organizations in Peru are constantly undermined by several institutional constraints that keep the business context as well as the trust in government institutions in an underdeveloped condition. According to Vergara (2018), Peru largely lacks institutional strength, which prevents the economy from growing and compels individuals as well as organizations to rely heavily on informal mechanisms to conduct their local activities. Furthermore, the Peruvian judicial system exhibits dramatic delays in processing disputes, as well as a multi-level corruption that hinders the government from achieving proper execution of the population's demands (Romero Santos, 2019). According to International Transparency (2019), countries in Latin America and the Caribbean suffer from a generalized mistrust in their institutions as well as their governments. In addition, Durand (2019) has emphasized how governments' agencies and some institutions in Latin America have been taken hostage by the corruption practices of upper classes and business elites in their societies. This has resulted in serious social and economic inequality gaps in the country, which have been dramatically emphasized by the absence and inefficiency of the State, provoking social unrest scenarios (Degregori, 2004; Grompone & Tanaka, 2009; Ugaz, 2020).

Deep inequalities in Peruvian society have prompted privileged access as well as better benefits for upper-class elites that have held the networks, influence, and the financial resources to use these advantages for their own individual interests (Durand, 2018; Matos *et al.*, 1969; Reátegui *et al.*, 2022). This phenomenon was also exhibited in the past in developed economies that operate under similar capitalist systems, such as the United States and the United Kingdom (Useem, 1984). This cultural pattern in Peru's background, having a few being benefited at the expense of others, has been a usual mindset of the Peruvian society for decades (Klarén, 2019; Ugaz, 2020). According to Vergara (2018), Peruvian society has lost its old republican values that make it resilient to important social threats such as conflicts of interests, corruption, frauds, influencing traffic, bad financial practices, and so on. Moreover, corruption in Peru seems to be an accepted phenomenon from voters and a prevalence feature of the Peruvian society (Vera, 2020), which, through the years, has legitimized some illegal practices (Webb *et al.*, 2009), and introduced a sense of corruption into its common culture of how to make things happen (Szymanski *et al.*, 2021).

Health Crisis Background and the “Vacunagate” Scandal

The entire world went through one of the largest health crises in history, a pandemic that devastated the world’s health systems, leaving millions dead and infected. All countries in the world concentrated efforts to face this infectious disease, applying health protocols and closing their borders. The World Health Organization (WHO) declared COVID-19 as a pandemic on March 11, 2020 (WHO, 2020), while the first case in Latin America was detected in Sao Paulo on February 26, 2020, and the first confirmed case in Peru was on March 6, 2020 (Gonzalez *et al.*, 2021). Peru has been greatly affected by the COVID-19 crisis since then, further aggravating its already precarious health system and causing a huge downturn in the country’s economic growth. Also, these effects on the economic system joined an expectant population that perceived vaccination in Peru as a process with several constraints as well as guided by a government that resulted from a political crisis left by Martín Vizcarra. The former president had many struggles with the legislature and faced serious complaints of corruption. In this context, a journalistic effort announced that in September 2020 the president Martín Vizcarra secretly received the Sinopharm vaccine against COVID-19, along with his relatives and other officials of the government (LPDerecho, 2021).

Fernando Carbone, president of the Investigative Commission on irregular vaccination carried out outside the clinical trials of the Sinopharm laboratory, a case known as “Vacunagate”, pointed out that, in total, about 470 people received the doses. Also, besides the inoculation outside the clinical trials, there was no reason to send the vaccines to unauthorized buildings, such as happened with the doses that were illegally received by the Chinese Embassy in Peru (Mayta-Tristán & Aparco, 2021). Another issue that aggravated the situation was that 369 people from the staff that developed the clinical trial received the Sinopharm doses. Then, those responsible for the research teams and the management and sponsorship of the clinical trials included another 101 relatives of public officers from the Ministry of Health and the Foreign Affairs Ministry. (Gestión, 2021a). In addition to this, research staff of a Peruvian private university, which was also responsible for medical trials, secretly got doses of the vaccine too, resulting in the resignation of the university’s chair and two deans (Chauvin, 2021).

The Health Minister and the Foreign Affairs Minister were secretly vaccinated as well. Using their positions in the government, both took part in the negotiations for the additional vaccines, and both resigned after this was made public (Chauvin, 2021; Mayta-Tovalino *et al.*, 2021). The former Health Minister justified her actions by indicating that she gave into her insecurities and fears. As such, fear of COVID-19 could trigger questionable and erratic individual behavior. Nevertheless, the magnitude of the events reveals a truly deep Peruvian institutional crisis, recalling that in the hardest moment of the country’s history, the elites and leaders put the

country on pause to protect themselves (Klarén, 2019; Vergara, 2018), probably because they distrusted their own ability to carry out an efficient immunization process or just emphasizing the traditional corruption mindset. A phrase used to describe this situation was stated by Germán Málaga, the doctor in charge of the investigation, namely, “It’s not about privileges; it’s about how things work.” (Washington Post, 2021).

The possible crimes committed could be considered as acts of public servants’ corruption, and that sanction the official or public servant who, abusing his position, forces or induces a person to give or promise unduly, for himself or for another, an asset or patrimonial benefit. The second crime investigated was the irregular negotiation or improper use of office, which typifies the conduct of the official or public servant who unduly, directly or indirectly, is interested in any contract or operation in which he intervenes by reason of his or her position, in order to obtain either an individual or a third party’s profit. Still another, is the crime of collusion, where the official or public servant who intervenes directly or indirectly, using his or her position, at any stage of the acquisition or public contracting of goods, works or services, concessions, or any operational charge is punished. In sum, government officials agree with other interested parties to defraud the State or a State entity or body. (LP Derecho, 2021). Finally, the former ministers of Health and Foreign Affairs, together with the former president Martín Vizcarra, will be constitutionally charged by the Peruvian Government (Palacios, 2022).

Unfortunately, the former president, Martín Vizcarra, the very same individual who had previously claimed himself to represent the anti-corruption fight, was the one who triggered the “Vacunagate” scandal. His secret vaccination, which was produced before his vacancy in November 2020, was publicly known by a journalistic disclosure rather than by his own declarations. Although medical ethics may question the application of a vaccine that began to be inoculated before it was approved, the population probably would have understood the need to protect the main decision-makers during the pandemic if this was done publicly and transparently (Hearit, 2005; Maldonado *et al.*, 2022); and the largest amount of first vaccines would have been used to protect front-line doctors. (Washington Post, 2021).

Many Peruvians said they were outraged, but not surprised, that government officials and their intimate circles, including family members, allegedly took advantage of their positions to access a vaccine for which they were not entitled. José Ugaz, a Peruvian human rights lawyer, and former president of International Transparency, referred to the “Vacunagate” crisis as an upcoming as well as foreseeable event. “I had already asked, and several organizations had done the same, that great care be taken in how vaccines should be handled,” he argued. “By now, many Peruvians are used to disappointment after disappointment from their elected leaders.” He also added that, “we have seen governments deeply rooted

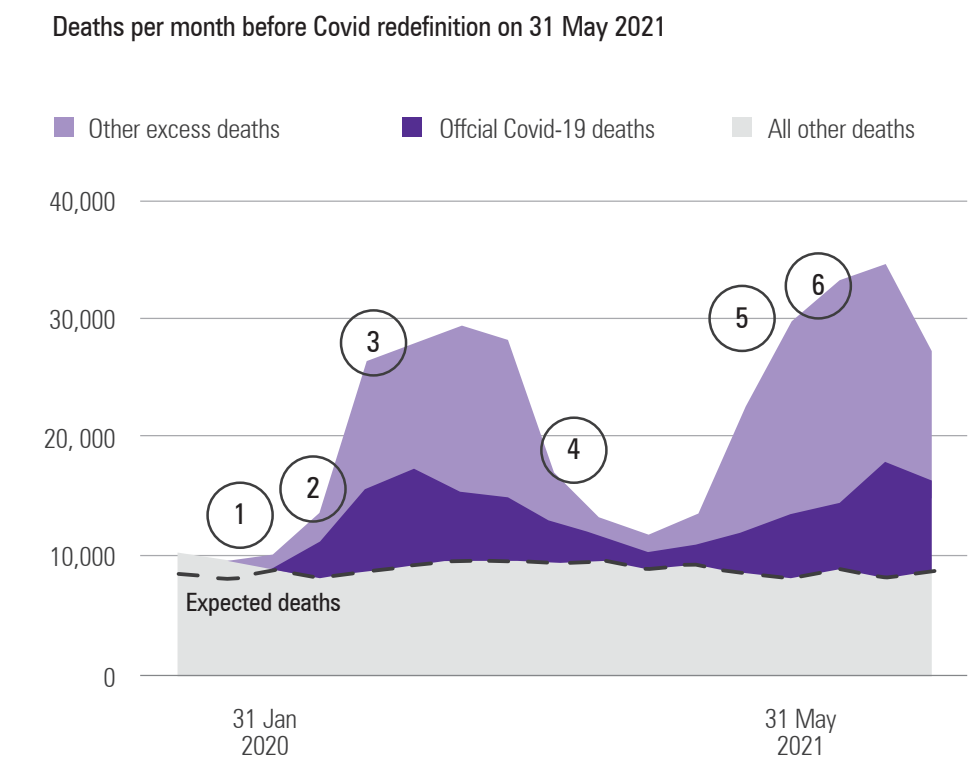
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in corruption, with weak government capacities, permanently and systematically lying to the people, and putting the interests of themselves and those of their parties and internal circles before the country, which has also happened during the pandemic” (CNN, 2021).

Figure 1 exhibits the number of deaths in the country due to the COVID-19 crisis. According to this, both the secret vaccination and uncovering of the “Vacunagate” were during dramatic moments of the health emergency for the population in Peru. These moments are explicitly explained in Table 1, pointing their location in time by numbers from 1 to 6, following the timeline proposed by Figure 1.

Figure 1. Total deaths in Peru compared with average



Source: BBC, <https://www.bbc.com/news/world-latin-america-53150808>

Furthermore, Table 1 shows specific and relevant dates in order to provide insights into the background against which the secret vaccination took place, and how after presidential and parliamentary elections, the management of the former President Martin Vizcarra was legitimated by the population, electing him as part of the Peruvian Parliament (Gestión, 2021b).

Table 1. Relevant dates regarding “Vacunagate” related events in Peru

Moments	Dates	Actors	Events
1	March 6, 2020	Man 25 years who came from Europe. Level of analysis: individuals-society.	First COVID-19 confirmed case in Peru.
2	March 16, 2020	President Vizcarra decrees general quarantine for 15 days. Level of analysis: institutions-government.	Total lockdown and border closure.
3	September 9, 2020	President Vizcarra secretly receives Sinopharm Vaccine. Level of analysis: institutions-government.	Secret vaccination of President Martin Vizcarra, his relatives, and others.
4	February 10, 2021	The journalist Beto Ortiz revealed that president Vizcarra and several officials would have been secretly vaccinated. Level of analysis: individuals-society.	“Vacunagate” scandal discovered by the press.
5	April 9, 2021	Martin Vizcarra became the most voted candidate for congress 2021-2026. Level of analysis: institutions-government.	Former President Martin Vizcarra is elected to the Peruvian Parliament.
6	April 16, 2021	Former president Vizcarra is disqualified from exercising any public function for a period of 10 years. Level of analysis: institutions-government.	Peruvian Parliament disables Martin Vizcarra due to lack of moral capacity.

Source: Authors.

LITERATURE REVIEW

Institutions are fundamental to analyzing organizational behavior, as they are key players in the context where they develop their activities and are responsible for shaping their responses (Peng *et al.*, 2009). Also, the presence of good quality institutions is related to proper levels of human development in countries (Leon Quillas *et al.*, 2020). Henceforth, how organizations are able to manage their institutional context is a main factor towards achieving competitive advantage as well as long run survival (Oliver, 1997), even more in emerging market environments where business agents as well as public organizations have developed unique coping strategies (Hoskisson *et al.*, 2000).

Hence, organizations within the same context tend to have a similar behavior as well as the same reactions in order to adapt to the business environment and culture, following what DiMaggio and Powell (1983) called the organizational isomorphism phenomenon. Individuals as well as organizations tend to follow some social norms produced by that local context, which are usually developed as a regular behavior and complied with, even though it is not part of the law (Posner, 1997). In other cases, both design their own paths and strategies to grow and survive the institutional constraints of the context (Gao *et al.*, 2017).

As the context shifts and evolves, so too does the organizations' governance structure, providing more attention to some stakeholders rather than others in order to adapt their responses to the new conditions of the environment (Gonzalez-Perez *et al.*, 2021). Nevertheless, even though the aforementioned changes, proper governance structures promote transparency, trust, as well as long-term commitment to values and norms (Aguilera *et al.*, 2019). According to Pearson and Clair (1998), stakeholders' expectations towards organizational leadership under crisis situations may erode if they are dissatisfied with its responses and behavior. Hence, trust is the key to achieve compliance towards measures and regulations enforced by organizations as well as governments (Wynen *et al.*, 2022).

In fact, positive leaders guide those proper governance structures. Leadership is one of the main roles of institutions and the lack of integrity of certain leaders affects the decision logic. Even though leadership could find several opportunities for influence and communication while going through a crisis (Hart, 1993) and leaders could take part in key roles within these uncertain scenarios (Rosenthal & Kouzmin, 1997), leadership corruption degenerates into pseudo-leadership, which benefits from the principle of hierarchy that exists in all organizations. The lack of integrity of the leaders affects the decision-making and governance structures (Abellan & Pardo-Beneyto, 2021), using some governance mechanisms to lead organizations into collusive arrangements (Cordova, 2018). The presence of the pseudo leaders propels the question whether the people who are and have been in command of the

executive decisions meet the requirements of a leader. According to Robbin and Coulter (2005), the main component of credibility is honesty. Polls indicate it as the main characteristic of admired leaders. Hence, honesty is essential for leadership.

How much really can these pseudo leaders influence their team and how can they make them make decisions outside of their ethics? According to Blanchard (1997), organizations that are led by servant leaders are careful with unethical leadership. When vision and values are clearly defined, ethical and moral dilemmas are less likely to arise. Thus, it is important to have well-defined values, since the emotional or individual mood could influence, generating changes. An emotionally intelligent leader can monitor their mood through self-awareness, improve it through self-control, understand its impact through empathy and act in a way that stimulates the mood of others through social skill (Goleman, 2017; Maldonado *et al.*, 2022).

Every person can then be influenced by a pseudo leader, to the point of corrupting their values or being carried away by bad decisions. Is the leader capable of having that influence on them? According to Maxwell (1998), true leadership cannot be granted, named, or assigned. It only comes from influence, and it cannot be imposed, it must be won. However, once a proper reputation is built, it could often be used as a shield under crisis scenarios (Timothy Coombs & Holladay, 2006).

Pseudo-leadership is exercised by individuals interested exclusively in their purposes, in the manipulation of the truth and the people in their charge to obtain their own interests at all costs and above any consideration. When these individuals occupy roles of authority and hold positions in the top of the hierarchy, the risk of corruption is very high because they use their power for their own benefit, in addition to plundering the organization and discrediting it (Abellan & Pardo-Beneyto, 2021).

Would the leader be the only cause of the discredit of an institution? Alternatively, would the organizational culture be the one that influences the personnel who work in it? Culture is a magnetic field that brings together the entire being of the organization and all those who work in it, what people do in their organizational activities, it contains information about the values, principles, rituals, ceremonies, and the leaders of the organization themselves (González *et al.*, 2021).

Hence, we could highlight that there are different variables that could play as triggers of the so-called “Vacunagate” scandal: the pseudo leaders, the organizational culture, the values of each person, and the emotional state that each public official faces in the different State institutions, and the governance structure of the country. Moreover, according to the Agency Theory, these variables are agency problems and emerge in principal - agent relationships (Dalton *et al.*, 2007; Eisenhardt, 1989). Agency problems are mainly focused on (i) conflicts of interest between the principal and the agent, and (ii) difficulties for the principal to supervise the behavior of the agent (Eisenhardt, 1989). These problems would be solved using an ideal contract between both parties involved, and implementing proper controls during the decision-making processes (Fama & Jensen, 1983).

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METHOD

The study focuses on a qualitative and exploratory method, using a descriptive approach, and analyzing an event of recent interest through extended data collection of a specific governance case (Hernández *et al.*, 2018). The data gathered allow for an in-depth analysis of the phenomenon, employing an inductive perspective to state some conclusions from the analyzed case.

Furthermore, this paper uses a case study method that allows a detailed explanation and broad discussion of a specific event in order to analyze the phenomenon under study (Yin, 1994, 2014). The case study method explores the singularity and exclusivity of the previously mentioned event (Simons, 2011). The present research takes advantage of this methodology to build upon developed literature (Rialp *et al.*, 2005) of Agency Theory, leadership and institutions.

The Peruvian event called “Vacunagate” shows how some politicians and businesspeople in Peru had an anticipated vaccination against COVID-19, without considering the most vulnerable or who urgently needed it, generating deep agency problems that negatively affected the Peruvian society as well as its commitment to sustainable development. Secondary data was collected from high circulation, free access public news and media, from both national and international sources. This paper analyzes this event under the case study method, delving into its main details and characteristics in order to shed light on insights and new perspectives considering the statements of Agency Theory, leadership, and institutional literature, and how the progress of the SDG 16 could be deterred in the country. Even though this case study draws evidence of how leadership and institutional context are involved in governance structure’s decisions towards national concerns, its results cannot be generalized to other similar phenomena or government’s decision-making process.

ANALYSIS OF THE RESULTS AND DISCUSSION

According to the analysis of the case study, the characteristics of the “Vacunagate” scandal are explained within the framework of four specific targets of the SDG 16: 16.3, 16.4, 16.5, and 16.6. In addition, this section explains how the research findings build upon the leadership and institutional literature.

Rule of law at the national and international levels and ensure equal access to justice for all (SDG 16.3)

The president of Peru, together with his relatives and other governmental officials received an anticipated dose of COVID-19 vaccine (LPDerecho, 2021), despite the traditional spirit of leadership that considers taking care of strategic team members first (Useem, 2020). This behavior lacked honesty and was different from society’s expectations and demands (Eisenhardt, 1989), affecting the government’s credibility (Robbin & Coulter, 2005), as well as the organizational structure of government agencies (Abellan & Pardo-Beneyto, 2021). The traditional

mindset of “skip the line” promotes an unfair context for people as well as for organizations, emphasizing the lack of trust among citizens towards their leaders in the government. In addition, this encourages mistrust about how policies and regulations apply equally to everyone, as the rule of law must be. Hence, informal mechanisms for resolution of disputes could be reinforced, as individuals perceive unequal treatment and dishonesty from the authorities.

By 2030, significantly reduce illicit financial and arms flow, strengthen the recovery and return of stolen assets and combat all forms of organized crime (SDG 16.4)

Following a traditional thought that says, “It takes two to tango,” government officers, civil society groups, and private sector elites can collude amongst themselves to commit fraud within the system. In this case, the two Peruvian Ministries in charge of the acquisition negotiations for the first vaccines for Peru (Health and Foreign Affairs) colluded with each other, asking in secret for extra vaccines (Chauvin, 2021). In addition, this followed with Chauvin (2021), a private university that was in charge of the medical trials, also informally inoculated at least 40 people. In this case, overseeing the agents’ behavior during the decision-making of the vaccination process was completely unable for the principals (Eisenhardt, 1989).

According to LP Derecho (2021), there was a clear conflict of interest of how the government used the State’s resources and how it manipulated contracts and relationships in order to favor a specific group. In addition, what lead investigators stated about how things usually work (Washington Post, 2021) reveals a state of business-as-usual that was already legitimated by governmental officers as well as managerial leaders (Webb *et al.*, 2009). In addition, Maxwell (1998) stated that the parties under situations of conflict of interest are capable of negatively influencing each other, acting together through a mutual support for crime, and committing fraud against public funds, such as happened in “Vacunagate.”

Substantially reduce corruption and bribery in all their forms (SDG 16.5)

Vaccination process in Peru has involved systematic and generalized corruption in several institutions and government agents, who prefer their individual benefit instead of vulnerable public servants’ needs (CNN, 2021). Since institutions are key players for many other organizations as well as the entire business ecosystem in the society (Peng *et al.*, 2009), their corruption turns into a major problem for social and economic development in the country (Ugaz, 2020). Furthermore, considering that organizations tend to follow or imitate the social and common operation rules of others (Posner, 1997), it would generate a negative cycle of negative isomorphism among society’s stakeholders. Moreover, according to Blanchard (1997), leaders have to address difficult decisions, such as corruption threats or bribery risks, where their ethical behavior is tested. Hence, they have to act following their personal as well as organizations’ values in order to properly drive their actions (Goleman, 2017). This

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corrupted leadership turns into a false image of a leader (Abellan & Pardo-Beneyto, 2021), which results in harm for society’s stakeholders.

Develop effective, accountable, and transparent institutions at all levels (SDG 16.6)

The Washington Post (2021) has mentioned that transparency would be enough to prevent such public scandal, since the population could understand the reasons why some strategic decision-makers would need to be vaccinated before others. However, lack of transparency raises doubts and mistrust towards the process and its leaders. Hence, an accountable organization would declare with transparency what it is doing, following an ethical organizational culture formed by values and principles for good practices (González *et al.*, 2021). Thus, institutions’ accountability would regain trust from the society, facilitating the entire flow of economic and social transactions in the country.

Table 2 summarizes the analysis for each of the four SDG 16’s targets and indicators that this paper has discussed, highlighting the specific effects of the “Vacunagate” scandal on the achievement of sustainable development in the country.

Table 2. SDG 16’s targets/indicators and “Vacunagate” effects in the Peruvian society

Targets/Indicators of the SDG 16	“Vacunagate” effects
<p>16.3: Rule of law at the national and international levels and ensure equal access to justice for all.</p> <p>Indicator potentially involved: 16.3.3. Population who accessed a formal or informal dispute resolution mechanism.</p>	<p>Peruvians feel a society of constant unequal decisions among citizens, where some elites have access to better opportunities and benefits, creating potential disputes between society’s factions. Lack of trust and leaders’ dishonesty are main drivers to institutional weakness, which is reinforced with every new controversial event. Levels of analysis: individuals-society.</p>
<p>16.4: By 2030, significantly reduce illicit financial and arms flow, strengthen the recovery and return of stolen assets and combat all forms of organized crime.</p> <p>Indicator potentially involved: 16.4.1. Value of illicit financial flows.</p>	<p>Government and society’s elites create joint structures for crime, supporting each other while breaking the law and misusing public funds. Both factions acted under social license since some illegal practices have been legitimated by the society. Levels of analysis: institutions-government.</p>

Targets/Indicators of the SDG 16**“Vacunagate” effects**

16.5: Substantially reduce corruption and bribery in all their forms.

Indicator potentially involved: 16.5.1.
Persons who contacted a public official and paid a bribe or were asked for a bribe.

Corruption practices tend to create a negative cycle reinforced by the imitation process among people. Peruvian public officers receive and/or ask for bribes as a usual practice. Leadership corrupts and loses its core values, degrading individuals and society. Levels of analysis: individuals-society.

16.6: Develop effective, accountable and transparent institutions at all levels.

Indicator potentially involved: 16.6.2.
Population satisfied with public services.

Peruvian institutions lack transparency, undermining trust, and constraining decision-making processes as well as strategies and implementation. Transparency would also foster institutions' accountability to face society's demands and expectations. Levels of analysis: institutions-government.

Source: Authors based on the SDGs

The “Vacunagate” event shows us the lack of good leadership and the deep corruption running through the political, is neglecting the interests of the population, especially the most vulnerable ones. In this case, following Eisenhardt (1989), the objectives of the agents were far distant from the principal ones, which were expecting an honest and transparent behavior regarding the vaccination process. Furthermore, the results of the 2021 presidential elections in Peru reflected the feeling of the majority of voters towards a change of direction, asking for a better distribution of resources among the different society's groups (Cordova *et al.*, 2022).

The analysis of this study concludes that some specific groups within the society such as academe, business, and government officers were involved and, at some point, colluded in order to commit crime against the State and the Peruvian population in a moment of big crisis for the country. These negative actions reinforce the lack of confidence in the State as well as the mistrust between primary society's actors, increasing the instability and the institutional weakness in Peru. This finding builds upon Pearson and Claire (1998) as well as Rosenthal and Kouzmin (1997), providing evidence of how crises' victims lose their shared assumptions towards their governance structures and leaders, and how these leaders could become part of the problem in the middle of a crisis heightening the issues to be solved. The latter is important since without proper structures of collaborative networks in the society as well as mutual benefit, collaborative efforts between stakeholders, current and future crises will not be surpassed (Gonzalez-Perez *et al.*, 2021).

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Furthermore, business-as-usual corruption, destructive pseudo-leadership, agency problems, lack of collaboration, mistrust of the governance structures, and a profound institutional weakening, harm country's commitment to the Paris Agreement and the SDGs of the United Nations, specifically the SDG 16. The results of the study suggest that mistrust towards government's leaders could shake the wellbeing of the Peruvian society, constraining the enforcement of public policies due to less citizens' goodwill to accomplish them (Wynen *et al.*, 2022). In addition, following Boin and 'T Hart (2003), public leadership could be overwhelmed by a crisis rather than being able to maneuver towards strategic reforms. Thus, contrary to Boin and 'T Hart (2003) and Hart (1993), crises are not always a source of opportunities for government officers, since their involvement or not within the crisis would define this.

CONCLUSIONS

The pandemic has exposed and brought to the surface the great problems that Latin America and especially Peru is going through: social inequalities, institutional weaknesses, high informality, a precarious health system, lack of values, among other important issues that governments have not previously nor properly addressed. Rather, instead of diminishing them, they have taken root.

This study emphasizes how countries such as Peru may exhibit deep agency problems and unethical governance situations where there is no justice for all, poor interest of leaders and institutions to banish corruption and fight against existing crime, and there is an increasing lack of commitment in ordinary citizens who see their demands without response, and who feel a lack of transparency and honesty from their leaders. A new contract between principals and agents are needed, in order to properly supervise the decision-making process.

Organizations in Peru would have to consider the institutional constraints and the lack of trust within the business environment in order to drive their economic activities in the country through investment decisions, market strategies, expansion interests, participation in State tenders, and so on. In addition, Peruvian organizations should be ready to solve their disputes using informal mechanisms already developed in the country's society, since formal ones seem to be overwhelmed by conflicts of interest.

Both governance by negative leaders and contextual constraints will retrench the opportunities in Peru to provide a rule of law and the same justice for all, deal with criminal organizations and collusion scenarios, reduce corruption from the decisions as well as from the mindset, and build accountable and transparent institutions. Hence, governance structures in Peru must thrive through potential risks related to fraud, bribery, and misuse of public funds.

Therefore, according to the analysis and discussion developed in this case, the managerial contribution of the study is that firms in emerging economies would have

to pay extra attention to how varied external events could possibly undermine the institutional context as well as societies' trust. Negative leaders in key organizations must be identified in order to scan the business environment to enhance decision-making processes towards investment, mergers and acquisitions, alliances and partnerships, and so on. Other important implications for policymakers include the design and the enforcement of regulation properly adapted to strategic institutions and crises situations. Following Mohieldin and Shehata (2021), adequate policies would lead the way to sustainable recovery and to the SDGs accomplishment. Hence, regulation in emerging markets would need to be narrowed and accurate, if it aims to secure specific groups' rights in the society and prevent a general loss of population confidence. In addition, the methodological contribution of this paper relies on the possibility to extend research through case studies in emerging markets, which allow to observe unusual dynamics between institutions, governance structures, and leaders. Understanding the behavior of leaders and the decision-making process of organizations would provide a framework for analyzing cases in emerging markets and to identify how any upcoming crisis would constrain the sustainable development achievement and the socio-economic situation in countries, as well as provide other contributions to the literature.

Further research could develop which factors would transform Peruvian society's basis towards a more collaborative environment for its citizens and organizations. The analysis of this case study supports Vargas *et al.* (2022), arguing that collaborative as well as multi-actor action must underpin any attempt for business recovery and social progress in Latin America, emphasizing the key role of public institutions and leaders from the government. Also, additional research through leadership and corporate governance fields could shed light on how leaders' strategies and governance structures may shift in order to fit properly into turbulent contexts. Regarding the latter, this study contributes to shedding light on answering how prior reputation could block some crisis outcomes due to the halo effect (Timothy Coombs & Holladay, 2006), by focusing on individual leadership. Furthermore, further research could highlight how different governance structures tend to commit crime, regarding its hierarchical system, composition, and business strategy. Moreover, since similar corruption cases during the vaccination process emerged in other countries, a cross-cultural analysis may allow for some understanding of specific contextual factors related to the leaders' behavior as well as to the organizational governance strategies.

Peru has been experiencing great challenges throughout its history, trying to reverse the critical economic and social situation in the midst of a pandemic context, while fighting against corruption events and the perceived lack of values from leaders

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and institutions. Future research could extend the results of this study, identifying how leadership and the institutional context could moderate the key national decisions in the country, possibly following a deinstitutionalization trend (Oliver, 1992). Finally, proper and honest governance structures in Peru would still struggle to arise, due to individual interests and biases of key decision-makers towards some strategic decisions, while the Peruvian society faces one crisis after the other.

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