



University of Sussex

Business & Management

Seminar series

Date: Wednesday 9 April

Speaker: Grazia D. Santangelo, University of Catania (co-authored with Larissa Rabbiosi, Copenhagen Business School)

Title: When in Rome, do as the Romans do, but *cum judicio*: Dealing with corruption after entry

Abstract: We investigate how corruption influences MNEs' organizational decisions after entry in more corrupt host countries and examine the influence of corruption on foreign subsidiary autonomy; an organizational aspect which bears strategic implications for the whole MNE. Drawing on institutional theory, we expect that MNEs investing in more corrupt countries face pressures for low tolerance of corruption in their meta- and home environments, and pressures to engage in corrupt practices in the host environment. We suggest that higher autonomy of subsidiaries located in more corrupt host countries is the MNE organizational response to these conflicting pressures. Greater subsidiary autonomy minimizes MNEs' potential reputation costs associated to subsidiary's corrupt practices as the HQ can distance from the stigmatizing behavior of corruption. However, the greater the degree of personnel transfers between HQ and subsidiary, the less the HQ can distance from the subsidiary behavior in the host. Thus, subsidiary autonomy will decrease. We test our argument on a sample of 299 wholly owned foreign subsidiaries of Italian MNEs investing in both more and less corrupt host countries.