

# Responding to Corruption in Sub-Saharan Africa: Institutional Pressures and Strategic Response of Korean Firms\*

안영훈(주저자)

Young Hoon An(First Author)

부산대학교 경영학과 Pusan National University College of Business(y.h.an@pusan.ac.kr)

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This study explores how Korean firms use bribery and political network development as a strategic response to institutional pressures and bureaucratic inefficiencies in Sub-Saharan Africa (SSA). Based on in-depth interviews with ten Korean entrepreneurs operating across various SSA countries, the research finds that Korean firms frequently utilize petty bribery initially to counteract unethical demands from low-ranking government officials and to expedite administrative processes. However, this approach is short-lived and fails to yield sustainable competitive advantages. Instead, long-term success in these complex institutional environments relies on cultivating trust-based, reciprocal relationships with high-level government officials. These relationships, founded on mutual strategic benefit rather than merely financial exchanges, enable firms to mitigate bureaucratic obstacles and reduce dependency on low-level corruption over time. Nevertheless, the pressure to engage in petty corruption remains a continuous challenge, often compelling firms to maintain these ethically ambiguous practices. This study contributes to a deeper understanding of non-market strategies in weak institutional contexts and offers practical insights into how foreign firms manage corruption-related challenges in emerging markets.

Keyword: Corruption, Non-market strategy, Political Network, LOF (Liability of Foreignness), Sub-Saharan Africa

## 1. Introduction

Foreign entrepreneurs operating in host countries face significant challenges in establishing and growing their ventures due to the liability of foreignness (LOF), which encom-

passes the additional costs and competitive disadvantages that arise from unfamiliarity with local institutional environments, cultural differences, and limited access to networks and resources (Zaheer, 1995). This disadvantage is particularly pronounced in emerging economies characterized by weak formal institutions

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and high levels of corruption, where foreign entrepreneurs must navigate complex webs of bureaucratic procedures, regulatory uncertainty, and informal networks to achieve business success (Mezias and Mezias, 2010).

The intersection of corruption and entrepreneurship presents a complex paradox in international business research. While corruption is traditionally viewed as a barrier to economic development and foreign investment, recent scholarship suggests that in certain institutional contexts, corrupt practices may serve as mechanisms for overcoming institutional voids and accessing critical resources (Cuervo-Cazurra, 2016). For foreign entrepreneurs specifically, engagement with corrupt practices represents both a strategic response to institutional constraints and a potential source of competitive disadvantage, as they lack the local knowledge and networks that domestic entrepreneurs possess (Mezias and Mezias, 2010).

Corruption is generally understood as behaviour that deviates from formal duties and involves the misuse of authority for personal or organisational advantage (Rabl, 2011, p. 85). This misconduct often includes illegal acts such as bribery, fraud, and document falsification, and typically involves public or private sectors exploiting their positions for financial or other forms of benefit (Bahoo et al., 2020, p.2). The relationship between corruption and firm performance has been

the subject of extensive debate (Asiedu and Freeman, 2009; Birhanu et al., 2016; Cuervo-Cazurra, 2016), producing two opposing views known as the “sand” and “grease” hypotheses.

From the “sand” perspective, corruption imposes significant burdens on firms. It undermines firm reputation, distorts resource allocation, weakens incentives for innovation, and acts as an unofficial tax that curbs investment and growth (Cuervo-Cazurra, 2016; Jimenez et al., 2017; Lee and Hong, 2012; Vu et al., 2018). These factors collectively deter firms from engaging in productivity-enhancing activities, effectively making corruption an impediment to performance (Birhanu et al., 2016). Conversely, the “grease” view contends that corruption may help firms navigate inefficient bureaucracies and complex regulatory systems, thereby enabling them to function more effectively (Krammer, 2019; Williams et al., 2016). In this view, informal payments can be interpreted as investments in social or relational capital, which may ease market entry and improve operational efficiency (de Jong et al., 2012, 2015). Managers may thus strategically use corruption to bypass regulatory bottlenecks and reduce transactional friction.

The question that arises from these two contradictory perspectives is as follows: *How do foreign entrepreneurs strategically employ corruption to overcome the liability of foreignness? When and why is corruption bene-*

*ficial and harmful for foreign companies?* I address this question by developing a theoretical framework that integrates these two perspectives and empirically exploring in the institutional context of countries in Sub-Saharan Africa.

The paper explores the use of corruption of foreign companies with a particular focus on Korean companies in Sub-Saharan Africa. Although Korean companies have been active in Africa for several decades, they have received relatively less attention compared to companies. Korean companies have entered Africa since 1980s, notably Daewoo having operations in several Sub-Saharan African countries. Furthermore, since the Korea-Africa Forum in 2006, foreign direct investment into Africa has increased significantly with more firms entering the continent over the past decade. Despite, the growing presence of Korean companies in Sub-Saharan Africa, they are coupled with challenges related to political unrest, corruption and volatility (An, 2024). The context, thus provides an opportunity to explore how foreign companies, specifically Korean companies in this case use corruption and bribery to overcome challenges associated with being foreign.

This research contributes to the international business and corruption literature in several important ways. First, it explores how foreign companies use corruption practices as a strategic choice to overcome LOF, providing

new insights into the strategic dimensions of corruption beyond traditional rent-seeking explanations. Second, it reveals the multi-layered nature of corrupt systems by showing how success at high political levels does not eliminate challenges from bureaucratic corruption, providing important insights for both theoretical understanding and practical management of corruption risks.

## II. Liability of Foreignness and Strategic Approaches

### 2.1 Liability of Foreignness

Previous studies define foreignness as “outsidership” and “dissimilarity - or the lack of fit” (Brannen, 2004), encouraging investigation of the adverse effects of foreignness or LOF (Stahl et al., 2016). Defining LOF as “the cost of doing business abroad that result in a competitive disadvantage for foreign MNE” (Zaheer, 1995: p. 342), it expands the cost of doing business abroad asserted by Hymer (1960), who claimed that foreign companies face extra costs relative to domestic companies because of a lack of information, discrimination, home country institutional constraints and exchange rate risks.

LOF studies constantly expanded the concept, including structural/relational costs and

institutional costs (Sethi and Judge, 2009; Zaheer, 2002) and considering LOF as a location-specific construct which affects all foreign companies within a particular host country context (Edman, 2016). Especially in the context of institutional voids, foreign companies experience difficulties as they are unfamiliar with the rules of the game (An et al., 2022; Mezias and Mezias, 2010).

## 2.2 Corruption and LOF

Corruption manifests in diverse forms—including bribery, extortion, favoritism, nepotism, fraud, and embezzlement—with bribery being especially widespread in emerging markets where institutions are fragile and regulatory enforcement is inconsistent (Lee and Weng, 2013; Svensson, 2003). Bribery typically involves unofficial payments to public officials to expedite or secure government-related services—ranging from licenses and tax settlements to regulatory approvals (Yi et al., 2018). In many such contexts, corruption is not simply a matter of individual misconduct but is embedded in the broader institutional environment, where formal illegality coexists with informal social legitimacy (Agbor, 2019).

Institutional theory provides a valuable lens to understand this complexity. Institutions are the “rules of the game” (North, 1990: 3), encompassing regulatory systems, normative

expectations, and cultural-cognitive assumptions that structure and constrain organizational behavior (Scott, 2008). In emerging economies, however, these elements are often misaligned or underdeveloped, creating institutional contradictions that complicate firm responses (Kostova and Roth, 2002; Peng, 2003; Spencer and Gomez, 2011). For example, while bribery is officially prohibited, it may be pragmatically necessary for conducting business, particularly where public officials wield disproportionate discretion over the allocation of resources (Acquaah, 2007; Birhanu, Gambardella, and Valentini, 2016). This institutional ambiguity forces firms—especially foreign ones—to make difficult strategic choices in balancing compliance, legitimacy, and performance.

Local firms are often better equipped to navigate such environments due to their embeddedness in domestic institutional networks. Their familiarity with local norms, language, and practices gives them an advantage in managing informal institutional expectations. In contrast, foreign subsidiaries lack this depth of local knowledge and access, which lies at the core of the LOF (Mezias, 2002; Zaheer, 1995:). LOF is especially salient in corrupt settings where informal norms are opaque and the costs of misalignment both legal and reputational, can be severe. Furthermore, these challenges are magnified for MNCs operating across multiple markets, each charac-

terized by unique constellations of corruption-related risks and institutional voids. Thus, LOF emerges not only from being foreign per se, but also from the foreign firm's limited ability to interpret and adapt to institutional ambiguity.

Although the need to manage the adverse effects of corruption has gained urgency, most prior research has not explicitly framed corruption as a distinct form of LOF. Calhoun (2002) is a notable exception, though her work did not delve into how subsidiaries adapt to corruption in host countries. A critical next step for advancing this research agenda is to shift the focus from documenting the detrimental effects of corruption on FDI to exploring how specific MNC strategies might help mitigate those effects at the subsidiary level (Spencer and Gomez, 2011). Such an approach offers not only theoretical insights but also practical value: it suggests that performance can be improved when organizational structures and practices are aligned with the characteristics of the external environment (Wu and Salomon, 2016).

From this perspective, the LOF framework provides a useful foundation for examining how MNCs can counteract the disadvantages posed by corruption. For instance, Zaheer (1995) found that foreign firms which adapted to local norms and practices performed better, attributing this outcome to enhanced legitimacy through institutional conformity.

Building on institutional theory (DiMaggio and Powell, 1983; Meyer and Rowan, 1977), scholars have shown that aligning with accepted host-country practices can increase legitimacy, reduce external pressures, improve survival rates (Zaheer and Mosakowski, 1997), enhance efficiency (Son and Park, 2008; Miller and Parkhe, 2002), and even lower the incidence of legal disputes (Mezias, 2002). Similarly, local responsiveness has been linked to greater revenue performance in emerging markets (Luo et al., 2002).

However, effectively identifying and implementing these context-appropriate practices is far from straightforward. The legal, social, and cultural norms that shape local legitimacy are often tacit, poorly codified, and difficult for outsiders to interpret (Newenham-Kahindi and Stevens, 2017). This puts foreign subsidiaries at a distinct disadvantage relative to local firms, particularly in high-corruption environments where accepted practices may diverge significantly from formal laws. Thus, one of the most pressing strategic challenges for MNCs is to develop subsidiary-level responses that address the institutional liabilities associated with corruption. In the remainder of this study, we extend the LOF literature by examining specific MNC strategies aimed at mitigating corruption-related disadvantages in emerging markets.

### III. Methodology

This study investigates how ten Korean companies respond to and manage corruption in Sub-Saharan Africa. While corruption is a global issue, it remains a particularly pervasive and institutionalised challenging in many African countries, posing serious risks for foreign investors. Korean companies, as foreign actors, often find themselves at a disadvantage when navigating these informal institutional environments due to limited local embeddedness and legitimacy. This research aims to uncover the strategies Korean firms adopt to mitigate the effects of corruption, which we conceptualize as a critical form of LOF.

To address this aim, the study adopts a qualitative, multi-case research design rooted in grounded theory methodology (Eisenhardt and Graebner, 2007; Gioia, et al., 2013). This approach enables the identification of contextually embedded mechanisms and concepts that explain how foreign firms interact with corrupt institutional environments. Rich qualitative data were gathered through semi-structured interviews with local managers, government stakeholders, and civil society actors, as well as internal documents and media reports. These data provide insight into how subsidiaries interpret, respond to, and attempt to reduce corruption-related liabilities.

Unlike earlier research that treated corrup-

tion as a general feature of institutional weakness, this study specifically frames corruption as a form of LOF that requires active adaptation strategies. Drawing on institutional and strategic management perspectives, we examine how Korean firms modify their practices to cope with host-country corruption, improve local legitimacy, and protect organizational performance. This focus aligns with the view that organizational effectiveness hinges on context-specific alignment between strategies and environmental demands.

#### 3.1 Research Setting: Corruption in Sub-Saharan Africa

The empirical setting spans ten Korean companies operating in five sub-Saharan African countries: Nigeria, Ghana, Kenya, Ethiopia, and Cameroon. These countries were selected based on the consistently high levels of perceived corruption, as reported by Transparency International's Corruption Perceptions Index (CPI), and their strategic relevance as host locations for Korean investment in sectors such as construction, electronics, consumer goods, and logistics.

Each of these countries presents a unique yet consistently challenging corruption landscape. Government officials frequently wield discretionary power over customs, procurement, licensing, and taxation, and firms report regular encounters with informal demands and

facilitation payments. For example, public tenders in Ethiopia and Nigeria often involve behind-the-scenes negotiation and unofficial fees. In Cameroon and Ghana, businesses face regulatory opacity, where legal processes are subordinated to personal relationships and political patronage (Agbor, 2019; Bechem, 2008).

Although most countries have introduced anti-corruption institutions, such as Nigeria's Economic and Financial Crimes Commission (EFCC), Kenya's Ethics and Anti-Corruption Commission (EACC), and Cameroon's National Anti-Corruption Commission (CONAC), these bodies often lack enforcement capacity or political independence. As a result, the risk of arbitrary rule enforcement and rent-seeking behavior remains high. Across all cases, corruption acts as a de facto gatekeeper to market access, administrative approval, and even basic operational continuity.

For Korean companies, these environments present heightened LOF, not merely due to formal institutional weakness but because corruption requires nuanced, informal knowledge of local norms and acceptable practices—knowledge that local firms typically possess but foreign firms lack. Moreover, the consequences of mismanaging corruption can be severe, including reputational damage, legal exposure under extraterritorial regulations (e.g., the Korean Act on Combating Bribery of Foreign Public Officials), and breakdowns

in local stakeholder relationships.

Therefore, sub-Saharan Africa offers an ideal setting for examining how foreign firms, particularly from countries like Korea with low domestic corruption levels, adjust to and manage corruption-related institutional pressures abroad. The regional diversity in corruption intensity, anti-corruption enforcement, and informal norms across these countries allows for comparative insights into adaptive strategies and their legitimacy outcomes.

### 3.2 Data Collection

To examine how Korean companies navigate corruption in sub-Saharan Africa, this study employed an in-depth, qualitative data collection strategy centered on semi-structured interviews with top executives. Given the sensitive nature of corruption as a topic and the need for deep, context-specific insights, data were collected directly from CEOs—the individuals most responsible for shaping and executing strategic responses to institutional challenges.

A total of seventeen interviews were conducted with CEOs of ten Korean MNE subsidiaries operating in Nigeria, Uganda, Ghana, Kenya, Ethiopia, Tanzania and Cameroon. These countries were selected based on their high levels of perceived corruption and their strategic importance for Korean overseas investment. The selected firms represented

long-term operations (each with over a decade of presence in the host country) in sectors including consumer goods, electronics, and industrial manufacturing.

All interviews were conducted exclusively in Korean, the native language of both the interviewer and participants. This choice was deliberate and critical to ensuring rich, candid discussions and minimizing linguistic or cultural barriers in discussing sensitive issues such as informal payments, regulatory manipulation, and interactions with public officials. Interviews ranged from 30 minutes to two hours in duration and were guided by a flexible protocol that allowed participants to elaborate on themes most relevant to their experiences.

Interview questions explored the CEOs' perceptions of corruption in the host country, specific instances or patterns of corrupt interactions, and the formal or informal strategies adopted by the subsidiary in response. The interviews were audio-recorded with consent, transcribed verbatim in Korean, and later reviewed multiple times during coding and analysis. To complement the interview data, archival and secondary materials were collected for each firm and country. These included company press releases, media coverage, public policy documents, and regulatory filings, which provided additional context and supported the triangulation of interview findings.

The sample of this study consist of ten Korean firms operating in sub-Saharan Africa. The firms were identified through a combination of purposive and snowballing sampling. Initial contacts were made through the Peaceful Unification Advisory Council and the Korean Association in each African country, both of which include longstanding Korean firms as members. Firms were included in the study based on three main criteria. First the firm had to be a that has been operating for over ten years. This ensures that firms have sufficient experience to encounter and address institutional challenges such as corruption. Secondly, firms should operate in sectors commonly exposed to corruption risks such as consumer goods, electronics or industrial manufacturing. Finally, firms had to demonstrate a willingness to participate in in-depth interviews, providing access to qualitative data regarding their experience with corruption.

Data collection occurred over two periods—July to September 2018, and again in March 2024—to capture both ongoing strategies and any shifts over time. The extended timeline allowed for reflection on how firms' approaches to corruption may have evolved in response to changes in the political and regulatory landscape. This focused and culturally attuned data collection approach enabled the development of a rich, empirically grounded understanding of how Korean companies experience and respond to corruption across

〈Table 1〉 Firm Sample Characteristics

Company	Industry	Host Country	Year of entry	# of interviews
Firm A	Consumer goods	Cameroon	1995	2
Firm B	Industrial manufacturing	Cameroon	1990	2
Firm C	IT/consumer goods	Nigeria/Tanzania	2002	2
Firm D	Consumer goods	Ghana	2015	1
Firm E	Industrial manufacturing	Kenya	1998	2
Firm F	Consumer goods	Nigeria	1993	1
Firm G	Industrial manufacturing	Kenya	1998	2
Firm H	Consumer goods	Ethiopia	2005	1
Firm I	Consumer goods	Uganda	2003	2
Firm J	Industrial manufacturing	Uganda	2000	2

multiple African host countries.

### 3.3 Data Analysis

Following an inductive approach, data analysis was conducted iteratively, using Nvivo, involving constant movement between empirical evidence and theoretical concepts. The process combined within-case thematic analysis and cross-case comparison techniques to identify causal relationships among constructs and to explain variations in subsidiary responses (Eisenhardt and Graebner, 2007; Miles and Huberman, 1994; Strauss and Corbin, 2008; Tavory and Timmermans, 2014). To organize and code the data, both NVivo 12 and Microsoft Excel were used (Ghauri and Firth, 2009). Table 2 shows the coding aggregation.

#### Stage 1: Data Organization and Coding

Initial coding began with the development

of detailed case narratives to map how corruption-related challenges unfolded in each firm's operations and how they were addressed over time (Ghauri, 2004). Interview transcripts were coded for recurring constructs and grouped into initial categories such as: types of corruption encountered, perceived risks and consequences, and subsidiary coping strategies. These categories were then clustered into broader themes reflecting the nature of institutional corruption and its strategic implications for foreign subsidiaries.

#### Stage 3: Cross-Case Analysis

To identify similarities and differences across the ten cases, a cross-case comparative analysis was conducted (Miles and Huberman, 1994). This enabled systematic comparison of:

Corruption as LOF: The types of corruption experienced by firms due to being foreign.

Consequences of Corruption: Whether corruption pressures were operational (e.g., cus-

〈Table 2〉 Code-aggregation

Example quotes	Theme	Category
Government officials come to us for bribes. In return, they say we will offer service. That is helping with bureaucratic processes. Locals have network while we don't so bribery helps us.	Facilitation payments	Corruption as LOF
Especially during audit season or when the government needs money. These tax officials come and pressure us for money. So it is like give us some money and we will reduce tax. If you don't pay tax, there is no reduction. Government officials easily bending rules and using their position for unethical pressures.	Regulatory discretion	
They just want to get money from us. They know we are rich. They know foreign companies have money. So they pressure us more.	Discretionary treatment	
We need to give money. Otherwise, it leads to delays.	Operational costs and delays	Consequences of Corruption
When we start to give money, we need to continue to give money. If this guy gets money, another one comes for money.	Continuous engagement in unethical practices	
There is always reputation costs. The locals know that for us to do business here, we need to give. But there is nothing we can do about it.	Reputational vulnerability	
These bribes are useful as soon as we gain access to high-level politicians or army officers. Bribes help us to build relationship.	Building network with high-status politicians	Strategic Responses
We continue to give money to low-level government officials. That doesn't hurt us. We give and they go.	Engaging in petty corruption	
Sometimes when the government needs money, officials ask for an amount that we can't agree. So we negotiate. We give but reduce or say we will give later. You can't always give what they ask or we need to stop business.	Negotiation	

toms clearance), continuous engagement in unethical practices and regulatory vulnerability.

Strategic Responses: Grouped into three emergent categories:

Building network: Bribery helps with access to high-level government officials.

Engaging in petty corruption: Companies continue to engage in petty corruption or giving money to low-level government officials.

Negotiation: Not giving into full demands. Companies negotiate the amount of bribery to reduce costs and form a give and take

〈Table 3〉 Cross-case analysis

Country	Institutional environment	Corruption pattern	Typical firm response
Kenya, Ghana, Uganda	Decentralised, slow bureaucracy	Petty facilitation payments	Irregular informal payments
Ethiopia, Tanzania	Highly centralised, opaque procedures	Document withholding, small bribes	Compliance through repeated payments
Cameroon, Nigeria	Politicized state-business relations, Discriminatory enforcement	Elite rent-seeking, targeted regulatory harassment	Political networking, strategic alliance with high-status actors

relationship.

#### Stage 4: Theorizing Corruption as a LOF

The final stage of analysis focused on theorizing the relationship between corruption, liability of foreignness, and strategic adaptation. Although all firms operated in similarly corrupt environments, their responses varied considerably. This variation was traced to differences in how CEOs interpreted corruption as a threat to legitimacy and operational continuity. Table 3 shows the cross-case comparison.

## IV. Findings

### 4.1 Corruption as LOF

Across all ten firms, respondents described corruption as a routine and institutionalized feature of the business environment. The most consistent source of pressure came from government agencies, particularly tax authorities and regulatory bodies. Bribery demands

were rarely explicit but typically embedded in processes such as audits, licensing, and inspections.

#### 4.1.1 Regulatory Discretion

Many firms noted that ambiguous and inconsistent enforced regulations, particularly in areas like labour inspections, licensing, environment compliance and tax provided discretionary power to public officials. These officials used their position to solicit bribes subtly, often by delaying approvals or threaten shutdowns.

*In Kenya, it's difficult to get permits on time without informal dealings. The officials don't say it openly, but everyone knows what it means. [CEO, Firm H, Kenya]*  
*Rules are vague and their interpretations changes depending on the official. They know they have power over you. [CEO, Firm I, Uganda]*

#### 4.1.2 Facilitation Payments

The recurring theme across interviews was the normalization of facilitation payments,

small, unofficial payments made to expedite routine governmental procedures. Unlike large-scale bribery aimed at influencing major decisions or securing contracts, facilitation payments were described as part of the “everyday cost of doing business” in host countries, especially in dealing with lower-level bureaucrats at customs offices, inspection sites, or permit counters.

CEOs explained that these payments were rarely solicited openly, but embedded in implicit behavioral expectations. For example, customs clearance agents might delay shipments, inspectors might repeatedly “fail” minor aspects of compliance checks, or municipal offices might hold back licenses until an informal payment was made. These practices were particularly prevalent in Cameroon, Ethiopia, and Kenya.

*They won't say 'give me money.' They just sit on your documents. You understand what they want, and if you don't give, nothing moves. [CEO, Firm H, Ethiopia]*

*For us, facilitation payments are not about gaining something extra—they're about making things work. It's oiling the machine so it doesn't break down. [CEO, Firm B, Cameroon]*

#### 4.1.3 Discrimination through corruption

A critical and nuanced finding across the ten Korean MNE subsidiaries was that corruption is not applied uniformly. Instead,

discrimination is often embedded within corrupt practices, making Korean firms particularly vulnerable to targeted exploitation precisely because they are foreign. Corruption, in this context, becomes both a financial and symbolic mechanism through which outsider-ship is enacted and reinforced.

Many CEOs described a pattern in which government officials—particularly at the tax, customs, and municipal levels—deliberately targeted foreign firms, assuming that they were wealthier and more likely to pay. This economic stereotyping of Korean firms as “cash cows” led to disproportionate demands compared to local companies operating under similar conditions.

*They think we have unlimited funds because we are foreign. Locals are let off with warnings, but we are hit with penalties—unless we pay. [CEO, Firm B, Cameroon]*

*It's not just about bribery. It's how they choose who to harass. Foreign firms are the first stop because we're seen as easier targets. [CEO, Firm J, Uganda]*

#### 4.2 Consequences of corruption

The findings reveal that Korean MNE subsidiaries' exposure to and engagement with corruption in sub-Saharan Africa led to three major consequences: increased operational costs and delays, sustained involvement in unethical practices, and heightened reputational vulnerability. While some firms initially viewed bribery as a pragmatic solution

to institutional inefficiencies, the long-term effects proved to be more complex and often detrimental to subsidiary performance and legitimacy.

#### 4.2.1 Operation Costs and Delays

Paradoxically, while bribery was often intended to speed up approvals, bypass bottlenecks, or secure contracts, firms reported that it frequently resulted in increased operational costs and delays. Bribe payments were rarely one-off transactions: instead, they led to unexpected fines and shifting rules that further disrupted workflows.

*They say it will be done quickly if we pay, but in reality, it drags on. They take the money and still delay and another audit and tax* [CEO, Firm I, Uganda]

*It starts as a shortcut, but the system learns to wait for your money. Then laws change and another tax again.* [CEO, Firm A, Cameroon]

#### 4.2.2 Continuous Engagement in Unethical Practice

Once subsidiaries began engaging in bribery, it became increasingly difficult to disengage. Firms found themselves trapped in a cycle of continuous informal engagement, where each act of compliance created future expectations from government officials.

*We thought one payment would solve it. But once*

*you do it, they keep coming. There's no end.* [CEO, Firm B, Cameroon]

Moreover, participation in corruption gradually normalized unethical behavior within the firm, especially among local staff and middle managers. The longer a subsidiary operated through informal channels, the more institutionalized the behavior became, leading to internal contradictions with corporate ethics policies and long-term erosion of accountability.

*Once we engage in corruption, managers and employees also know this and it becomes normal practice, internal and external. Everyone starts thinking this is normal.* [CEO, Firm F, Nigeria]

#### 4.2.3 Reputation Vulnerability

Firms also faced reputational risks associated with both the perception and practice of corruption. These risks arose on multiple fronts. First, firms that were seen as frequent bribers became soft targets for further exploitation. Also, foreign firms, including Korean firms were sometimes grouped together as foreign actors willing to pay, reinforcing discriminatory treatment. Lastly, firms struggled to maintain compliance with host country anti-bribery laws and the expectations from local stakeholders.

*We are known as the ones to pay. That's dangerous. It attracts attention from other corrupt actors.* [CEO, Firm A, Cameroon]

Reputational vulnerability also constrained firms' ability to pursue partnerships, public contracts, or sustainability certifications—particularly as global supply chain actors increasingly demand transparency and ethical compliance.

*It becomes difficult to do business when you have that bad reputation. Especially if you are working with foreign multinationals who follow strict compliance. So it is a challenge.* [CEO, Firm G, Kenya]

### 4.3 Strategic Responses to Corruption

Korean firms adopt diverse and evolving strategies to manage institutionalized corruption across sub-Saharan Africa. While initial engagement is often reactive, over time, firms develop deliberate and differentiated approaches depending on the intensity of pressure, perceived risk, and internal values. Three distinct but interrelated forms of strategic response were identified: building networks with high-status politicians, engaging in petty corruption, and negotiating the terms of corrupt demands.

#### 4.3.1 Building Networks with High-Status Politicians

Several firms adopted a long-term, relationship-based strategy by cultivating personal ties with influential government officials. These relationships were not simply transactional

but were often embedded in ongoing interactions, community support, and symbolic gestures of respect. CEOs emphasized that these ties served as a form of institutional insurance, protecting them from arbitrary demands by lower-level bureaucrats and facilitating smoother access to permits or contracts.

*These bribes help us to get access to high-ranked officials, even government ministers. So when they know we are connected to someone senior, they think twice before asking for something. We don't pay as often anymore because they know we are protected.* [CEO, Firm B, Cameroon]

*It's not about bribing the top. It's about building trust with them over time. If they trust you, they tell others not to bother you.* [CEO, Firm J, Uganda]

This strategy allowed firms to buffer themselves against systemic uncertainty and reduced exposure to repeated petty corruption, while also helping to navigate opaque regulatory frameworks more effectively.

#### 4.3.2 Engaging in Petty Corruption

Despite long-term efforts to avoid informal payments, many firms continued to engage in low-level bribery, commonly referred to as petty corruption, as a practical tool for dealing with frontline government staff such as inspectors, tax auditors, customs officers, and local police. These payments were viewed as unavoidable and routine, often described as “the cost of doing business.”

*If we don't pay, nothing gets done. It's not huge amounts, but it's constant. A little there, a little there. If we resist, the delay is worse than money.* [CEO, Firm H, Ethiopia]

Petty corruption was typically framed as administrative facilitation rather than strategic influence. However, firms noted that the cumulative cost and moral implications of these practices could not be ignored, particularly when it conflicted with the values and compliance expectations.

*We don't feel good about it. But if we don't participate, we cannot operate. It's not ideal but we adapt.* [CEO, Firm D, Ghana]

#### 4.3.3 Negotiating the Terms of Corruption

Interestingly, several firms described a more active, tactical approach to corruption, wherein they negotiated the scale and timing of bribe payments. This occurred most frequently in high-stakes situations such as audits, fines, or licensing, where initial demands from officials were excessive.

*Sometimes when the government needs money, officials ask for an amount that we can't agree. So we negotiate. We give but reduce or say we will give later. You can't always give what they ask or we need to stop business* [CEO, Firm J, Uganda]

Negotiation served as a way to protect financial sustainability, assert partial control

over corrupt exchanges, and signal that the firm was not infinitely compliant. In some cases, firms delayed payments strategically, waiting to see if the issue would escalate or fade without engagement.

*It's not that we refuse outright. We delay, we talk, we ask for reduction. Sometimes they back off. Sometimes they don't.* [CEO, Firm B, Cameroon]

This approach reflects a calculated balancing act, neither full compliance nor outright defiance, but a form of adaptive resistance that seeks to minimize loss while preserving operational continuity.

## V. Conclusion and Limitations

Based on the findings, this study concludes that corruption in sub-Saharan Africa constitutes a persistent and institutionalized LOF for Korean companies. Across all ten firms examined, corruption was not experienced as a series of isolated incidents but as a routine and embedded feature of the business environment, particularly manifesting through regulatory discretion, facilitation payments, and discriminatory targeting by government agencies. The ambiguous and inconsistently enforced regulations granted significant discretionary power to public officials, who subtly solicited bribes by delaying approvals or

threatening business operations. Facilitation payments, while often small and unofficial, became normalized as a necessary means to expedite routine governmental procedures and were deeply woven into the daily operations of these firms. Furthermore, the study highlights that corruption was not applied uniformly: foreign firms, such as Korean firms, were disproportionately targeted and stereotyped as wealthier and more likely to pay, reinforcing their outsidership and vulnerability (Johanson and Vahnle, 2009).

The findings also underscore significant cross-country differences. While Africa is often portrayed as a homogeneous continent (Mol et al., 2017), this perspective overlooks the region's institutional diversity and complexity. The study reveals that in countries where corruption is embedded as a routinized and normalized practice, such as Kenya and Ethiopia firms tend to rely more on petty corruption to manage everyday operational challenges. Furthermore, in such countries, weak enforcement and decentralised bureaucracy make petty corruption a dominant practice to expedite operations. In contrast, in contexts like Cameroon, where foreign firms face discrimination through audits and regulatory scrutiny, CEOs are more likely to engage with high-level political networks (Lee: 2022) to build trust and mitigate discriminatory LOF. Additionally, in countries where corruption is more centralized and politically embedded,

building high-level political networks becomes a more effective strategy for firms seeking institutional protection (Park and Lee, 2019). These divergent strategies reflect the broader institutional landscape in each country and underscore the need for context-sensitive approaches to navigating corruption.

The consequences of this entrenched corruption were multifaceted and largely detrimental. While some firms initially viewed bribery as a pragmatic solution to institutional inefficiencies, it frequently resulted in increased operational costs and delays, rather than the intended streamlining of processes. Bribery often triggered recurring demands and arbitrary fines, heightening operation risks. Moreover, once firms initiated bribery, they often became trapped in an ongoing cycle. This not only normalized unethical behavior within the subsidiaries but also led to internal contradictions with corporate ethics policies and a gradual erosion of accountability. The reputational risks associated with both the perception and practice of corruption further constrained firms' ability to pursue partnerships, public contracts, or sustainability certifications, particularly as global supply chain actors increasingly demanded transparency and ethical compliance.

In response to these challenges, Korean MNEs developed a range of adaptive strategies, including building networks with high-status politicians, engaging in petty corrup-

tion, and negotiating the terms of corrupt exchanges. While cultivating relationships with influential officials provided some insulation from arbitrary demands, the continued reliance on petty corruption and negotiation reflected the firms' need to balance operational continuity with financial and ethical considerations. These strategies, however, did not address the systemic nature of corruption and, in some cases, risked further entrenching the very practices they sought to navigate.

Theoretically, this study significantly extends the LOF framework by demonstrating how corruption functions as a dynamic, context-dependent, and deeply institutionalised component. While prior LOF literature often broadly discusses institutional differences, the study's findings offer an exploration of how specific manifestations of corruption (e.g., regulatory discretion, targeted discrimination, normalised facilitation of payments) concretely exacerbate the 'cost of being foreign'. Corruption as an LOF is not merely a static barrier but an evolving and adaptive challenge.

In the long term, such unethical practices can exacerbate discrimination and hostility toward foreign firms. For instance, in countries like Cameroon, foreign companies have been targets of xenophobic attacks, vandalism, and sabotage, partly driven by local resentment over these unethical behaviors, among other factors. To mitigate these risks, firms should consider engaging in collective action

initiatives. For example, Guinness Cameroon launched an anti-corruption initiative in partnership with the private sector and the UK government, aiming to advocate for fairer regulations and limit the discretionary power of local enforcement agencies. Participation in industry-level associations can enhance negotiation power while promoting transparency standards. Internally, investment in robust compliance mechanisms, employee training, and third-party audits can help firms reduce dependency on informal practices while building legitimacy with host stakeholders. Policymakers in host countries must address the discretionary power of regulatory agencies and work towards greater transparency and accountability, while firms themselves must recognize that short-term adaptive strategies may have significant long-term costs for both their operations and their standing in the international business community.

Furthermore, this research refines our understanding of institutional theory in the context of emerging markets. It highlights that the institutional environment in Sub-Saharan Africa is not homogeneously 'weak' but rather comprises diverse and complex institutional configurations that shape how corruption is experienced and addressed. By identifying distinct patterns of corruption across countries like Kenya, Ethiopia and Cameroon, the study provides a nuanced perspective on institutional embeddedness. This allows for a

more precise theoretical argument that firms' adaptive strategies are not simply reactive, but rather isomorphic responses to the dominant corrupt practices and enforcement mechanisms prevalent in a given host country.

Despite the depth of insight provided, this study is subject to several limitations. Theoretically, it centers on the LOF framework, which, while illuminating, may overlook other perspectives such as institutional theory or resource-based views that could offer additional explanations for the variance in firm resilience and adaptation. The findings also represent a static snapshot of firm behavior, without accounting for how corruption dynamics might evolve over time or in response to shifts in the political or economic landscape. Methodologically, the study's focus on ten Korean firms limits the generalizability of its conclusions to firms of other national origins or smaller enterprises. The geographic concentration on Cameroon, Kenya, and Uganda may not fully capture the diversity of corruption experiences across Sub-Saharan Africa, particularly in more stable or differently regulated economies.

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• The author Young Hoon An is an assistant professor at Pusan National University. He received PhD from the University of Manchester. His research interest is in nonmarket strategies and socio-economic impact of multinational enterprises. His works appeared in *International Business Review*, *Journal of International Management*, *Multinational Business Review*, among others.