

Arsht Research on Ethics and Community Grant

Effects of Country-Level Corruption on Foreign Subsidiary Staffing and Incentive Strategies

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Abstract

Recent research has advanced the measurement quality of country-level corruption. These measures were used to examine effects of corruption on economic growth and inflows of foreign direct investment (FDI). There are far fewer investigations of strategies for entering high corruption countries. This research will address this gap in the literature by examining subsidiary staffing and incentive strategies of a large global financial services firm across 82 countries. In particular, I will assess how the firm adapts staffing and incentive strategies in countries with high levels of corruption. Corruption exacerbates the challenges facing multinationals with respect to assembling the appropriate mix of host-country nationals (HCNs), third-country nationals (TCNs), and parent country nationals (PCNs), as well as incentive strategies in different institutional, cultural, and political environments. Where corruption is high, my preliminary results support international human resource management (IHRM) arguments for increasing the use of HCNs and agency arguments for increasing incentive compensation. With further theoretical refinement, an integration of IHRM, liabilities of foreignness, and agency perspectives has potential to inform FDI, IHRM, and subsidiary management research.

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