

Capitalizing on corruption: Not all companies harmed by corruption

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According to a new study from the Journal of Management Studies, corruption, which is endemic in many countries, can benefit the performance of some companies. Without doubt, corruption stands as a corrosive influence on investment and economic growth, but the corrosive nature of corruption does not necessarily hamper all companies equally.

Indeed, companies with an advantage in operating in corrupt countries are likely to be pre-disposed to protecting that advantage. Attempts to eliminate government corruption therefore must be mindful of the potentially strong reactions of the numerous public and private stakeholders that benefit from its illicit largesse. This study on corruption and its influence on company strategy and economic performance is now published in the [Journal of Management Studies](#).

Corruption, with good reason, is a vilified feature of many markets. Corruption creates uncertainty, it hampers economic growth and development, and it leads to an unfair and an inequitable distribution of wealth. Yet, it is also an inescapable feature of doing business in many countries.

The key idea in this study is that operating in a corrupt country can help a company to develop organizational capabilities, and not necessarily illicit capabilities, to operate successfully in such an environment. These capabilities can lead a company to meet with more success when investing internationally in other countries with high levels of corruption,

even where competitors fail on entry or dare not to tread.

Although corruption is the centerpiece of this research, the study develops a sophisticated consideration of how a firm can develop political resources to devise and implement strategies in countries that vary in their level of regulatory control and capture. The author identifies how strategies such as political networking, joint venturing, seeking regulatory change or capture, forming a group structure, or accepting bureaucratic delays in the absence of paying bribes each have their own value in different countries.

Corruption can be a hazardous feature of international investment, but as noted by the author of the study, "the heterogeneous impact of government corruption on firm outcomes, is dependent not only on the power wielded by dishonest officials, but also influenced by firm characteristics, industry regulations, political structures, social norms and organizational culture." Thus, [corruption](#) can be a distasteful but manageable part of a company's international investment environment.

More information: "Victim or Victimizer: Firm Responses to Government Corruption."; Roberto Martin N. Galang. *Journal of Management Studies*; Published Online: March 17, 2011
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