

UNIST SBA Colloquium

**From Generalization to Isolation of Culpability:
Investor Reactions to Foreign Corrupt Practices Act Violation**

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(This seminar will be conducted in English)**

Abstract

We examine the impact of multinational enterprises' (MNE) Foreign Corrupt Practices Act violations on industry bystander MNEs by focusing on investor reactions upon two different regulatory events: investigation and enforcement. We show that upon investigation, industry bystanders' market value declines, but upon enforcement, their market value is enhanced. These investor reactions were further influenced by the corruption level of the host country where the alleged bribery had occurred, and whether the bystander MNE has subsidiaries in that same host country. This study underscores the importance of considering social evaluation aspects in studying MNE corruption and its regulation.

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