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WHY MULTINATIONAL CORPORATIONS INDULGE IN CORRUPTION AND CONSEQUENCES

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ABSTRACT

International Business in general, and multinational corporations (MNCs) in particular, have grown exponentially over the last three decades. It is reasonable for people, societies, and countries to expect successful multinational corporations (MNCs) to be law-abiding, ethical, and socially responsible corporate citizens. Unfortunately, this is not the case. To curb corruption in international business, the US government enacted the Foreign Corrupt Practices Act (FCPA) in 1977, making illegal payments/ bribes to foreign government officials by US businesses to further their business interests an offence. The 1998 FCPA amendment made it unlawful for any person or company from another country operating in or raising funds in the US to use bribes, influence, or seek an advantage from a foreign official. The FCPA imposes severe penalties on businesses that violate its provisions. Corporate corruption harms all stakeholders of a corporation: shareholders, employees, investors, management, customers, and communities. Corruption tarnishes their reputation, future business, and even threatens their very existence. While the consequences of indulging in corruption can be so damaging, the question that arises is why so many hugely successful MNCs indulge in corruption? This research paper attempts to answer this question by analyzing corruption cases involving four large MNCs: Goldman Sachs (US), Ericson (Sweden), Price Waterhouse Coopers (PwC) (Australia), and the Adani group (India), that have become known in the recent past.

Keywords: Bribery, corruption, corporate corruption, FCPA, illegal payments, international business, multinational corporation, OECD.

1. INTRODUCTION

During the last two decades, cases of MNC corruption have been reported from many countries. Corporate corruption occurs when a corporation or its employee seeks to benefit the company, themselves, or a third party by engaging in bribery, fraud, or other illegal activities when dealing with external agencies or public officials. Corporate corruption may result in many adverse outcomes for the corporation. Corporate corruption tarnishes a corporation's brand reputation, deters foreign direct investment (FDI) in a country, increases the cost of doing business, and stifles the economic growth of developing countries. Corporate corruption scandals have destabilized countries economically and politically and, in extreme cases, resulted in the fall of governments. Corporate corruption affects all the stakeholders, including shareholders, customers, lenders, suppliers, governments, and the public at large. To fight global corporate corruption, the US enacted the Foreign Corrupt Practices Act (FCPA) in 1977, prohibiting companies and their employees from bribing or offering rewards to public officials in foreign countries. Many other countries followed suit by enacting similar laws. Using four case studies of large MNC corruption cases from different countries, this paper critically examines MNC corruption, its consequences, and lessons learnt that could guide other corporations.

The rest of the paper is as follows. Section 2 discusses methodology, Section 3 explains corruption, Section 4 explores the reasons why MNCs indulge in corruption and the consequences, Section 5 describes the methods MNCs use in corruption, Section 6 covers the corruption cases of MNCs PwC, Goldman Sachs, Ericson, and Adani Group, Section 7 covers the discussion and lessons learnt and Section 8 concludes the paper.

2. METHODOLOGY

This study will use a case study approach and secondary data. For discussions of issues like MNC corruption, where a number of qualitative factors need to be included in the study, the case study and analysis approach has been found to be highly effective (Lee, 1989). "Case study research allows the exploration and understanding of complex issues. Researchers consider this a robust research method, particularly when a holistic, in-depth investigation is required"

(Glusen & Kubat, 2006). Case studies are viewed as a useful tool for the preliminary, exploratory stage of a research project and as a basis for the development of the 'more structured' tools necessary for surveys and experiments (Rowley, 1990). Case studies are Particularly well suited to new research areas or research areas for which existing theory seems inadequate. This type of work is highly complementary to incremental theory building from normal science research. The former is useful in initial stages of research on a topic or when a fresh perspective is needed, whilst the latter is useful in later stages of knowledge (Eisenhardt, 1989)". According to Yin, case studies are appropriate when "A how or why question is being asked about a contemporary set of events over which the investigator has little or no control (Yin, 1994)". Yin (2003) defines case study research as "an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident." Hakim (1987) notes, "The selective case study may focus on a particular issue or aspect of behavior with the objective of refining knowledge in a particular area, to provide a better understanding of causal processes. The selective case study may lead to questions about 'how' and 'why' issues or behavior conspired to produce the resulting outcomes: This leads into explanatory evaluation." Yin (2003) is of the opinion that "the case study inquiry copes with the technically distinctive situation in which there will be many more variables of interest than data points and relies on multiple sources of evidence". According to Yin, case studies are effective in answering questions that explore reasons behind phenomena and not only what has happened. This study will include four cases of corruption involving MNCs Goldman Sachs (US), Ericson (Sweden), Price Waterhouse Coopers (PwC) (Australia), and the Adani group (India), that have become known in the recent past.

3. LITERATURE REVIEW - CORRUPTION

Corruption in the world has existed for centuries. The classical definition of Corruption is the abuse of public office and the power vested in public officials for personal gain. Starting from 1990, eminent researchers, including Klitgaard (1998), Rose-Ackerman (1999), have studied this phenomenon. Corruption exists both in developing and developed countries. In this context, Kitzgaard (1998) observed: "while there are bribe-takers in the former, there are bribe-givers in the latter". Corruption is a complex phenomenon. Transparency International (TI), the world's anti-corruption watchdog, defines corruption as 'misuse of entrusted power for private gain' (TI, 2008). According to the United Nations (UN), corruption can take many forms, varying in degree from the minor use of influence to institutionalized bribery (UN, 2004). UNDP defines corruption as the misuse of public power, office, or authority for private benefit – through bribery, extortion, influence peddling, nepotism, fraud, speed money, or embezzlement. Rose-Ackerman (1999) provides a more comprehensive definition. According to her, corruption "is a symptom that something has gone wrong in the management of the state. Institutions designed to govern the interrelationships between citizens and the state are instead used for personal enrichment and to provide benefits to the corrupt. The price mechanism, so often a source of economic efficiency and a contributor to growth, in the form of bribery, undermines the legitimacy and effectiveness of government." Robert Klitgaard's (1995) equation summarizes the corruption framework effectively as "Corruption = Monopoly + Discretion – Transparency (in governance)" (Prasad & Pathak, 2005).

4. WHY MNCs ENGAGE IN CORRUPTION AND CONSEQUENCES

MNCs engage in corrupt activities to obtain undue advantages for themselves. Not all of them are able to get the desired benefits from corruption. Zyglidopoulos et al. (2019) argue that corrupt acts by business organizations can be profitable only if the following four conditions are met. First, there must be an opportunity to indulge in corruption in the environment in which they operate. Second, the risks of corruption must be perceived by the organization as low relative to the likely benefits; third, the organization (leaders) must be willing to engage in corruption; and fourth, the organization must have the skills to convert opportunities into advantages for itself. They strongly argue that each of these four conditions must be present for organizations to reap the benefits of any form of corruption.

There are many reasons why MNCs engage in corruption. One of the most common reasons is the barriers to entry in a country, such as licenses and political opposition. In such cases, the MNC may resort to corrupt practices, such as bribery, to expedite the process or influence politicians' perceptions. A country's existing laws may not allow MNC entry, and corporations may seek to circumvent this by offering bribes. Business Standard reported that Walmart paid millions of dollars in bribes to enter India in its initial attempt during the early 2000s (BS Reporter, 2015). In such situations, MNCs may feel the need to manipulate the politicians to amend the necessary laws and gain entry. In some cases, the motivating factor for MNCs to engage in corruption is the fear of losing contracts they should have won through a fair process to competitors who use corrupt practices. Dow Jones State of Anti-Corruption Survey 2011 found that more than 40% of MNCs felt that they had lost contracts to other companies that paid bribes and acted unethically. Their 2016 survey found that 26 % of the MNCs surveyed felt that way (www.Dowjones.org, 2016).

Some countries have extremely complicated legal and regulatory frameworks, which leave discretion with the public officials making decisions. In many developing countries, it is quite common to encounter such problems and delays that MNCs seek to avoid, often leading them to engage in corrupt practices. A country's culture also plays a key role in MNC corruption. In many Asian countries, gift-giving is an accepted social practice. China's Guanxi is an example. In such countries, there is a very thin line dividing a gift and a bribe (Graycar & Jancsics, 2016). Typically, organizations and individuals engage in corruption only when they believe the benefits far outweigh the costs of getting caught and punished.

However, corruption and bribery may result in many negative consequences for MNCs. Bribery exposes the firm to several dangers. First, if corruption is discovered, the firm's hard-earned reputation will take a major hit. Second, customers may move away from a firm considered corrupt. Third, all countries have laws that make bribery illegal, exposing companies and their employees to prosecution. Fourth, most of the time, the rules that are flouted serve some socially relevant causes, and they are subverted. For example, chemical companies obtain environmental clearances without taking all the necessary steps to treat effluents and emissions. Such actions or omissions result in great social costs. Fifth, laws such as the US FCPA and the OECD Convention make bribery illegal not only in the host country but also in the home country. Management can be prosecuted in their home country for bribery by their managers in the host country. Most countries are enacting stringent anti-corruption laws to address international corruption. Sixth, the MNCs may forgo opportunities to participate in future business, such as contracts. For example, firms engaging in bribery on World Bank projects are barred from bidding on new projects for many years. Notwithstanding the disadvantages, the available evidence indicates that international corruption by MNCs has become all-pervasive. This only shows that some corporations are willing to benefit from corrupt activities despite potential adverse consequences (Cuervo- Causurra, 2016).

MNC corruption reduces competition unfairly and forces customers to pay more for an inferior product. Corruption increases the cost of doing business in a country. Unchecked corruption can eventually lead to business failure. Such factors deter potential investors, and countries may be unable to attract Foreign Direct Investment (FDI). Unchecked corruption could destabilize a country's political system. There will be no winners, while competitors unwilling to pay bribes lose opportunities and revenue, and companies that pay bribes expose themselves to many potential dangers, such as fines, jail terms, and other legal penalties. This can pose a serious threat when planning mergers or acquisitions (Hess, 2018).

5. METHODS MNCs USE IN CORRUPTION

There are several ways in which MNCs indulge in corrupt activities. They could include bribery, illegal payments to intermediaries and beneficiaries, over-invoicing, using third parties as consultants and agents to facilitate illegal payments, embezzlement, and fraud, to name a few. By far, bribery is the most common method, whether direct or indirect. In direct bribery, MNC officials themselves cultivate relationships with local power holders and public officials and pay bribes to them in different forms, such as cash, gifts, vacation travel, hotel accommodation, cruise trip tours, and even gold and diamonds. MNCs may also use the indirect method of hiring consultants and agents. Consultants and agents are expected to deal with public officials, pay bribes where needed, and insulate the firms from corrupt activities. Companies use 'smart accounting' to hide and reflect payments made to consultants as business expenses (Pinto, J., Leana, C. & Frits, P., 2008; Rose-Ackerman, S. & Tan, Y., 2015). This is a fraudulent accounting practice. However, that is changing with legislation such as the US Foreign Corrupt Practices Act (FCPA) of 1977, the UK Bribery Act of 2010, and similar laws in other countries, which make such practices illegal. It is quite common for many MNCs in developing countries to groom and support generations of political leaders, both from ruling and opposition parties, as insurance. MNCs involved in corrupt practices go to extraordinary lengths to remove the corruption trail. They tend to have opaque structures and share less information across the organization. A country's cultural practices make it difficult to distinguish between bribes and gifts. Gift-giving is an acceptable custom in many cultures and goes by different names. China has Guanxi, a system of reciprocal favors, Russia has 'blat' a system used to get work done using personal contacts, Japanese 'Kone' for social connections, French 'pot de wine,' African term 'Dash', English term 'grease' and German term 'Schmiegeld', all refers to gift giving or bribes and show the prevalence of gift giving and corruption all over the world. (Er Services, n.d.). Gift giving during festivals like Diwali is quite common in India. However, it is particularly important for MNCs to clearly distinguish between gift-giving and bribery when operating in a country where gift-giving is customary.

6. CASE STUDIES

6.1 Case study 1: PwC (Australia and US)

PwC is a well-known MNC with operations in 140 countries, employing 370, 000 people. The company reported global revenue of US \$55.4 billion as of June 2024 (Hoover, 2024).

In 2012, the OECD, along with G20 countries, started a project to close loopholes in tax laws that lead to tax avoidance by MNCs, with Australia leading the pilot project. The project started in the year 2013. The Australian government aimed to prevent multinational companies from minimizing their tax liability by shifting profits to other countries. The Australian government appointed Peter Collins, PwC Australia's former international tax chief, to this committee for expert advice. Peter Collins signed three confidentiality agreements with the Australian government, agreeing to keep all the information relating to this project confidential. The Australian government passed the 'Multi-national Anti-Avoidance Law' (MAAL) in January 2015, with effect from January 2016. The aim of MAAL was to stop MNCs from shifting profits from high-tax countries to low-tax countries, thereby avoiding or saving on taxes (Ainsworth, 2023).

But Peter Collins shared this information with 53 of his colleagues at PwC, who were engaged in tax planning for the firm's clients. The information he shared included government meeting agendas, planned tax initiatives, expected implementation timelines, and a draft paper from the OECD on tax avoidance titled 'mandatory disclosure of tax planning schemes,' discussing measures to stem tax avoidance across the globe. In September 2014, Peter Collins sent emails to 143 PwC employees (called partners) explaining how they could take advantage of the proposed law by advising their clients. PwC executives, though fully aware that this could amount to insider trading, exposing the firm and themselves to legal consequences, went ahead and shared the information with their other country offices, including US offices. PwC implemented the new framework for its clients well before the introduction of MAAL, benefiting them (Carret, 2024). PwC advised 23 US technology companies on how to circumvent this law's provisions. This is a clear breach of confidential agreement.

MAAL law became effective as of January 2016. However, in September 2015, PwC leaked this information to its important clients, such as Google, Adobe, and Uber, and helped them restructure their tax affairs. Soon after the MAAL law became effective, the Australian Tax Office (ATO) was surprised to see some MNCs submitting their tax information very quickly by April 2016 and observed that they used methods to circumvent the provisions of the newly enacted law. By December 2016, the ATO had noticed 44 such incidents, and a third of these involved PwC Australia clients. This raised their suspicions with the ATO (Proctor, 2024) and suggested Peter Collins's involvement. To address their doubts, the ATO requested additional documents, but PwC stonewalled, citing professional privilege. When ATO's attempts to investigate through the Australian Federal Police (AFP) and others were unsuccessful, largely due to bureaucratic procedures, they approached the Tax Practitioners Board (TPB). TPB started the investigation in 2021, with its CEO, Michael O'Neill, leading it. TPB has found enough evidence against Peter Collins and PwC. In December 2022, TPB suspended Peter Collins's tax license for 2 years and, later, for providing financial services, for 10 years. PwC tried to distance itself from the scandal, saying the fraud resulted from the actions of one employee, Peter Collins, but nobody believed it. In May 2023, the Secretary of the Treasury asked the AFP to investigate the scandal. When a joint parliamentary committee found that PwC was withholding information and documents related to its international operations, the AFP raided its offices (Jolly, 2024).

In March 2023, an Australian Senate committee inquiry recovered 144 pages of internal correspondence from PwC in this regard. Based on this information, in one instance, PwC US, in Collaboration with its offices in Singapore, the Netherlands, the UK, Ireland, and the EU, generated US\$2.5 million in revenue. PwC used this insider information to help some MNCs around the world avoid tax. What PwC has done is unethical, a clear breach of trust, and outright corruption. In July 2023, PwC admitted the wrongdoing and announced it was firing the CEO and eight partners. However, stakeholders blamed PwC Global for letting the scandal happen. This scandal has led to the resignation of the CEO, Tom Seymour, who acknowledged receiving emails from Peter Collins (Adams, 2023).

PwC finally agreed to pay the ATO a fine of US \$642,000. According to PwC Australia's 2024 transparency report, the scandal resulted in a \$820 million loss on revenue of \$2.35 billion. This is a 24% fall. The staff turnover in this industry is around 15%, but PwC reported 32%. In total, PwC lost 250 partners and 3300 staff members due to this scandal. This scandal caused significant damage to PwC's reputation. It ranked among the top consultancy firms, including E&Y, KPMG, and Deloitte. After the scandal became public, PwC was relegated to third place, behind E&Y and Deloitte (Proctor, 2024).

PwC is no stranger to scandals and corrupt practices. In December 2023, the Canadian office of PwC agreed to pay the Chartered Professional Accountants of Ontario (CPAO) for its failure to prevent cheating on internal examinations. PwC's CPAs undergo internal training recognized by the CPAO, and in 2022, it was revealed that from 2016 to 2020, 1,200 PwC staff shared answers to training tests by uploading them to a Google Drive created by the company, which

their employees then shared. This again is unethical and cheating. PwC accepted the charge and paid CPAO a fine of CAD \$ 1,5 million in 2023 (Ellis, 2023). In a similar case involving PwC Netherlands, PwC paid a US\$3 million fine to the US Public Company Accounting Oversight Board for violating its internal training quality-control standards. PwC has also been accused of failing to prevent the improper sharing of answers to the mandatory training tests intended to develop competencies and professional integrity, and allowing such sharing (Ho, 2025). The mega \$ 1 billion fraud at Satyam Computers, an Indian high-tech corporation, came to light in 2009, when its chairman, Mr. Ramalinga Raju, confessed to falsifying the company's accounts. The fraud involved showing bogus employees on the company's payroll and siphoning funds, which were invested in the real estate market. Fraud came to light when the real estate market collapsed in 2008, and the company could not meet its financial obligations. According to Raju, this was going on for almost 15 years before the company's collapse. PwC was the independent auditor for the firm. The Securities and Exchange Commission fined PwC India US\$ 6 million for failing to comply with the code of conduct and auditing standards. SEC barred PwC from auditing any listed company for a period of two years. The Securities and Exchange Board of India imposed a fine of Rs 13 Crore (US\$1.5 million) on PwC. (Prasad & Ahmad, 2012).

6.2 Case Study 2: Goldman Sachs (US)

In 2009, Mr. Najib Razak became the prime minister of Malaysia. He set up 1 Malaysian Development Berhad (1MDB), a sovereign wealth fund, in 2009 with the stated aim of Malaysia's economic development. He was not only the co-chairman of the board of this fund but also had the exclusive authority to approve investments and sign the cheques. John Low, a Malaysian businessman, helped create this fund. Between 2009 and 2013, 1MDB raised billions of dollars by issuing bonds. In 2015, based on leaked documents, The Wall Street Journal reported that the Malaysian Prime Minister, assisted by John Low, transferred Malaysian Ringgit (RM) 2.67 billion (US \$ 700 million) into his personal accounts.

According to the US Department of Justice (DoJ), US \$4.5 billion of 1MDB funds were siphoned off by John Low, with the help of officials from Malaysia, Saudi Arabia, and the UAE, into his offshore accounts and those of Riza Aziz, the stepson of the Prime Minister. DoJ says that these funds were used to buy real estate, jewelry, Gold, a yacht, and to produce the 2013 Hollywood film 'The Wolf of Wall Street'. (Reuters, 2023). This has been described as the heist of the century. This scandal became known in 2015 and eventually led to Najib's ouster as Prime Minister in the 2018 elections. US multinational banking corporation Goldman Sachs was at the center of this fraud.

Goldman Sachs is an American multinational investment and financial services company established in 1869, with its current Group headquarters in New York and regional headquarters in different countries. Goldman Sachs is the largest investment bank in the world and provides services such as acquisitions, corporate mergers, Investments, securities, wealth management, underwriting, and others, earning revenue of US\$53.5 billion in 2024. According to a 2016 report by the Public Research Group, Goldman Sachs had 987 subsidiaries in tax havens, of which 537 were in the Cayman Islands, though there were no legitimate subsidiaries in those countries. Goldman Sachs employs 46, 500 people.

In relation to the 1MDB scandal, it has come to light that between 2009 and 2020, Goldman Sachs paid over US \$ 1.6 billion in bribes to officials in Malaysia and Abu Dhabi to get profitable business deals for them and managed to get three bond deals worth US 6.5 billion from 1MDB earning hundreds of millions as the fee for services and also a promise to get the role of an advisor on 1MDBs energy acquisitions. According to the US DoJ, Goldman Sachs raised US \$1.4 billion and US \$1.3 billion in two underwritings for 1MDB and diverted those funds to bank accounts in Switzerland and Singapore, respectively. These funds were misappropriated between 2012 and 2013 and were internally called as "Project Magnolia," "Project Maximus," and "Project Catalyze." Further, Goldman Sachs agreed to pay. This fraudulent scheme earned Goldman approximately \$606 million in fees and revenue and, according to the company, increased its stature and presence in Southeast Asia (DoJ, 2023).

Tim Leissne, Chairman of Goldman Sachs Southeast Asia, and Roger Ng, head of Goldman Sachs in Malaysia, were reported to have collaborated with John Low in perpetrating this fraud. By 2015, 1MDB had a debt of US\$11.73 billion, of which \$3 billion was due to the third 2013 bond issue underwritten by Goldman Sachs. This money-laundering operation was coordinated by Roger Ng with the help of Officials from Malaysia and the United States. Leissner, Ng, and Low also retained a portion of the misappropriated funds for themselves and other co-conspirators. The US DoJ charged Goldman Sachs with violating the FCPA's anti-bribery provisions in its operations related to 1MDB. According to them, Goldman Sachs paid over US \$1 billion in bribes to officials in Malaysia and Abu Dhabi and secured three deals worth US\$6.5 billion from 1MDB. In 2018, Tim Leissner, former Southeast Asia Chairman of Goldman Sachs, pleaded guilty to bribery, FCPA violations, and conspiring to launder 1 MDB funds. In 2020, Goldman Sachs agreed to pay US \$3.9 billion to the Malaysian government to settle the criminal probe. In 2023, Roger Ng, former Goldman Sachs chief of investment banking in Malaysia, who was also part of this fraud, though pleaded 'not guilty', was sentenced to 10 years in prison by a US court. John Low remains a fugitive, rumored to be in China. Goldman Sachs was under investigation in fourteen countries for its involvement in the 1MDB scandal.

6.3 Case Study 3: Ericsson (Sweden and US)

Telefonaktiebolaget LM Ericsson (Ericson) is a Swedish multinational telecom company with its Headquarters in Stockholm, Sweden. Ericson began its journey in 1876 and became a pioneer in the telecommunications industry for 150 years. Ericson offers telecommunication infrastructure services, 4G and 5G equipment, software, and optical communications systems to telecommunication service providers and operators. Ericson is a truly multinational corporation with a presence in 180 countries and employs 100,000 people worldwide.

US authorities reported that Ericson participated in corrupt activities from 2000 to 2016 across China, Vietnam, Indonesia, Kuwait, and Djibouti, using slush funds, bribes, gifts, and graft. Ericsson's shortcomings in internal controls enabled its executives and employees in many countries to pay bribes and falsify its books and records for two decades. In Djibouti, Ericsson's subsidiary paid a US \$2.1 million bribe to secure a US \$20.3 million contract with the state-owned telecom company to modernize its infrastructure. Ericson used a bogus consulting company and fake invoices to cover the bribes. The owner of the consulting company was the wife of a senior government official, and this was deliberately omitted from the due diligence report. In China, tens of millions of dollars were paid to consultants, agents, and service providers, and part of this was allocated to a travel expense account for gifts, travel, and entertainment for managers of state-owned telecom companies. In addition, between 2013 and 2016, Ericson paid US\$31.5 million to contractors for services that were performed only on paper. In Vietnam. Similarly, in Vietnam, Ericson paid US \$ 4.8 million, and Indonesia paid US \$ 45 million to consulting companies in these countries to create slush funds. These funds were used to bribe local officials. In Kuwait, Ericson promised to pay an agent \$450,000 for insider information about tenders to modernize the state-owned telecom company's radio services. Subsequently, after being awarded the contract, Ericson's subsidiary paid the \$450,000. In 2022, an internal investigation into corruption inside the company was leaked by investigative journalists. It has become known that Ericson has bribed Islamic State (ISIS) terrorists to smuggle equipment into ISIS-controlled areas.

On December 06, 2019, Ericson agreed to pay the US DoJ more than US\$ 1.06 billion in fines for violating the anti-bribery provisions of the FCPA and paying millions of dollars in bribes in many countries across the world. The company agreed to pay a criminal penalty of US\$520 million and US\$ 540 million in disgorgement and prejudgment interest to the US Securities and Exchange Commission (SEC). The company was charged with conspiracies to violate anti-bribery provisions, inaccurate keeping of books and accounts, and lack of internal controls as required by FCPA (DoJ), 2019. Ericson breached the terms of the non-prosecution agreement reached with the SEC and had to pay an additional US \$ 207 million in March 2023 (Goswami, 2023).

6.4 Case Study 4: Adani Group (India and US)

Adani Group, founded by Gautam Adani in 1988, is an Ahmedabad-based company that grew from humble beginnings into a multi-billion-dollar multinational conglomerate. Initially started as an export business with Rs 500,000 (\$5,633) in capital, it has grown into one of the world's largest multinationals with a reported capitalization of over US\$200 billion as of 2002. Adani Group employs 23000 people (Al Jazeera Staff, 2024). The Group's businesses include seaports, airports, power generation and transmission, solar power, shipping, petrochemicals, media, mining, natural gas, coal, food, military equipment, infrastructure, and others. Though this company has displayed stupendous growth, it is no stranger to controversies. The company has been accused of stock manipulation, accounting irregularities, tax evasion, intimidation of journalists, environmental degradation from coal mining projects, and high levels of corruption. The Adani group is also accused of violating UN sanctions against countries like North Korea and supplying drones to Israel (Nair & Thakurta, 2023). Many people attribute its meteoric growth to political connections, corruption, and questionable practices.

In 2007, the regulator, the Securities and Exchange Board of India (SEBI), barred the Adani Group for two years from purchasing and selling securities for manipulating stock prices between 1999 and 2001. This was vacated after the Adani Group paid a \$140,000 fine (Hyatt & Tognini, 2023). In January 2023, Hindenburg, a short seller, published a report accusing the Adani Group of stock market manipulation and fraud. accounting. In the immediate aftermath of this report, Adani Group holdings lost more than US \$60 billion in 2023, though over the next year, the group's companies recovered their value.

On November 20, 2024, 8 officials of the Adani Group were indicted in the Federal Court of New York for securities fraud for attempting to raise funds for Indian Renewable Energy Company, a group company, from US investors with false and misleading information. The indictment charged Gautam S Adani, the Chairman of the Adani group, Sager R. Adani, and Vneet S. Jain as perpetrators of a bribery scheme to influence Indian officials with millions of dollars in bribes. Also included in the indictment were Cyril Cabanes, Saurabh Agarwal, Deepak Malhotra, Ranjeet Gupta, and Rupesh Agrawal, former and current executives of the firm. The prosecutors announced that the company executives developed an elaborate scheme to bribe Indian government officials to the tune of US \$ 250 million and lied about this fact to the prospective investors from US. The issue relates to selling solar power to local government power distribution companies. While this Adani group company wanted to sell solar power, the power distribution

companies felt that the price quoted by Adani's company was exceedingly high. As it was expected that solar power prices would come down soon, there was little interest in buying power from the Indian Renewable Energy Company. That is when the executives were supposed to have planned this bribery scheme. It was expected that once the contracts were awarded, the company would generate US\$ 2 billion in after-tax profits over a 20-year period. It was stated that executives who used false information raised US\$ 2 billion from a US consortium of investors and another US\$1 billion by issuing bonds underwritten by international financial institutions, which were marketed and sold to investors. In US. The formal accusation also alleged that some of the executives, Cyril, Saurabh, Deepak, and Rakesh, tried to obstruct the investigation into the bribery scheme. The prosecutors also claimed to have all the evidence in the form of emails, chats, meeting minutes, and notes on the conspiracy, which they said recovered from the phones and other documents of the executives charged (DOJ, 2024; CBC, 2024). Adani Group's flagship company lost 23% of its US\$27 billion in market value due to this indictment. (Sethuraman et al., 2024)

7. DISCUSSION AND LESSONS LEARNT

MNCs must realize that building corporations using bribes leaves businesses at the mercy of corrupt officials. Eventually, corrupt practices always come back to bite. PwC scandal proves that it can immensely damage a firm's reputation. PwC's move from its #1 spot in the consultancy services industry to the third position is a case in point. Good employees do not wish to work for corrupt organizations, and the fact that 250 partners and 3300 staff members left the organization proves this. PwC also suffered a 24% revenue loss in the year following the scandal. Two of their senior executives were convicted, and one of them was sentenced to 10 years in prison. Many of their partners and senior staff were forced to resign. Other companies terminated their contracts with PwC, resulting in a loss of business. The Government of Australia banned PwC from applying for tax-related contracts.

When Hindenburg released its report on the Adani Group in 2023, the group's market value crashed from US\$200 billion to US \$140 billion, a loss of US \$60 billion. This was primarily due to erosion of investor confidence and trust in the company's integrity. The company was compelled to spend millions of dollars on media to assure investors that their investments were safe. When DoJ indicated the eight executives of the Adani group on November 20, 2024, the company lost US \$ 27 billion in one trading day on the stock exchange. This has affected not only the company but also individual shareholders, who sold their shares following the two corrupt scandals. Adani Group Chairman Mr. Gautam Adani is believed to be a supporter of Indian Prime Minister Sri Narendra Modi and his political party, the Bhartiya Janata Party (BJP). Some political analysts believe that this association harmed the BJP's performance in the last Indian general elections in 2024.

Goldman Sachs proves that if a corporation is caught engaging in corrupt practices, the costs can be prohibitive relative to the gains. Though the MNC benefited by around US \$1 billion due to corrupt practices, it had to pay more than US \$3 billion in fines when caught. This proves that the cost of corruption can be quite high if a corporation is caught. Goldman Sachs' corruption case highlights the importance of due diligence within the corporation. This case also shows how important it is for senior management to establish an environment in which compliance and integrity become core values. This case also emphasizes the importance of strengthening the legal framework across countries and, if possible, harmonizing it. The other issues that stood out in this case are ineffective controls, inadequate resources in the compliance department, lack of due diligence, accountability enforcement, and absence of financial Oversight.

Ericson's violations were all-pervasive and systemic, occurring over a 16-year period. The company developed a culture of bribery to make money. Ericson created a record of sorts by paying US \$ 1.06 billion, second largest fine in the history of US FCPA enforcement. The fraud at Ericson cost the company, and by extension its shareholders, dearly. The US FCPA makes it illegal for businesses to pay bribes to foreign officials to secure business deals. Ericson paid millions of dollars as bribes in China, Djibouti, Indonesia, Kuwait, and Vietnam, truly corruption on a global scale. Though the corruption is massive, the methods used, such as slush funds, bribes, gifts, and grafts, were simple old ways and easily preventable with better internal controls and better leadership. The fact that the CFO, though not personally involved, did not know about the massive corruption in its subsidiaries speaks volumes about the inadequacy of leadership and internal controls. This could have been prevented if there were policies to review major expenditures, such as multi-million-dollar deals, with a second set of eyes and due diligence controls. This case also underscores the importance of a good whistleblower program. Whistleblower programs often help identify problems and aberrations in the initial stages and help control the damage. Ericson's case also demonstrates the need for a top-down culture to ensure regulatory compliance.

The following measures can help MNCs fight corruption:

Corporate Governance: All cases discussed above clearly indicate ineffective corporate governance and the failure of the Board of Directors (BoD). The Board of Directors has fiduciary responsibility to the shareholders, employees,

and other stakeholders. The Board of Directors is expected to review the performance of CEOs and the top management. Providing guidance and ensuring that top management adheres to the regulatory and legal framework are important responsibilities of the BoD. In this context, the role of external directors becomes especially important. This clearly underlines the importance of having a Board of Directors comprising internal and external members. As the Sarbanes–Oxley Act emphasizes the importance of having an external director with authority and oversight, the function of finance and accounting is paramount in preventing corruption.

Corporate Ethics: Corporate ethics play a key role in business performance. If a corporation is perceived as unethical, customers are likely to move to competitors. All MNCs have codes of ethics, and they do cover anti- corruption measures to some extent. However, having a code of ethics or anti-corruption policies in a corporation is not sufficient. Ensuring that ethical policies related to corruption are implemented in both letter and spirit by all employees, from top management to the lowest-level employees, is more important.

Whistleblower policy: It is essential to have a whistleblower policy that protects whistleblowers and encourages all employees to report malpractice.

Strategic controls: CEOs and Top Management control corporate performance through two types of controls: strategic and financial. Preventing corruption needs both types of controls. It is particularly important to have checks and balances for all foreign subsidiaries. One way to do it is to create a department at the country subsidiary level with cross-functional expertise from the Legal, HR, and Finance departments that reports on ethical conduct and corruption issues directly to headquarters. All four cases discussed above demonstrate the need for effective internal controls.

Employee training: Normally, all MNCs have codes of conduct and Business ethics that cover issues like corruption, but employees may not be aware of them. Periodic training for all employees, managers, and senior executives about ethics and fraud prevention can go a long way in controlling unintended corruption. Shen (2022) recommends the following 7 ways to combat corruption at multinational companies, first starting from the top, making all senior executives going through anti- corruption clearance, second, having a matrix structure comprising of experts from HR, Finance and IT reporting directly to headquarters on corruption issues while local general managers oversee sales and operations, third, preventing employees falling prey to Trojan horses, where interested people tend to pass off bribes as gifts, fourth, making it easy to report violations and providing whistleblowers protection, fifth, checking for conflicts of interest, sixth, by taking help from local governments in case of internal investigation into the reported corruption cases, and seventh, by instituting a success plan as part of the corrective action.

Anti-corruption programs: Any anti-corruption program code for corporations must cover identifying real or potential corruption practices within the organization, training on corruption red flags, wide distribution of the corporation’s anti-corruption policies, and the institution of zero tolerance for any form of corruption. Doing so will help with early detection, the development of a risk management, monitoring, and mitigation plan, compliance with financial and ethical standards, stakeholder confidence, and, more importantly, the protection of the corporation’s reputation (Hussain, Singelmann & Turalis, 2024).

Removing bad apples: A message that corruption of any size or type will not be accepted must be made clear to all employees. After training employees on anti-corruption policies, any employee who still engages in corruption should be dismissed. This will send the right message to the entire organization.

8. CONCLUSION

Corruption never pays. MNCs operate in many countries globally. Corporate corruption can adversely affect all the stakeholders of the firm, the shareholders, customers, employees, executives, host communities, investors, and even the governments. Preventing corruption in MNCs is a fundamental requirement for the growth of international business. MNCs operate in countries with different legal, political, and cultural systems. Honesty, Integrity, social responsibility, and ethical conduct are the cornerstones of building and growing successful businesses, including multinational corporations. Ethical leadership, strong corporate governance practices, transparent reporting systems, a corporate culture that insists on the highest standards of ethical conduct, and zero tolerance of corrupt practices can go a long way in making an MNC corruption-proof. Top management and all employees must understand that fighting corruption is not only about avoiding fines and legal consequences, but also about protecting corporate reputation and stakeholders, ensuring a level playing field for healthy competition, and contributing to International Business.

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