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Informal institutions' influence on FDI flows: A configurational fsQCA analysis of corruption as part of the MNEs' FDI motivation system

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ABSTRACT

Previous research has emphasised the importance of examining institutional influences on FDI attractiveness. There is, however, relatively limited research with conflicting results exploring the relationship between informal institutional effects, such as level of corruption, and FDI motivation. Addressing this gap, we adopt a configurational fsQCA-based approach to link informal institutional influences to FDI motivation driving the presence or absence of FDI flows. Conceptualising corruption as bribery and unfair business practices, we extend our understanding of informal institutional quality impact on FDI inflows. Results reveal that informal institutional effects on FDI vary across regions, with several pathways explaining the presence or absence of FDI, according to the presence or absence of corruption. We add to previous studies by identifying the conditions that, when combined with corruption, are linked to the presence or absence of FDI. Results also indicate that whilst corruption appears unimportant in preventing FDI, and is of only secondary importance in driving FDI, it appears to have importance in determining the type of MNEs' undertaking FDI. Overall, corruption is likely determining which companies invest in a country, rather than if, traditional reasons for FDI, particularly Resource and Market seeking, being key, with strategic and efficiency-seeking also being of secondary importance.

1. Introduction

Foreign Direct Investment (FDI) is a critical driver of economic growth in developed and developing countries (Li & Liu, 2005; Pitelis, 2009). Employing Internalization theory (Buckley & Casson, 1976), scholars (e.g. Buckley et al., 2007; Narula & Pineli, 2019) explored FDI-location decisions, applying Dunning's (1977, 1993) much adopted framework that links FDI-flows to market-seeking, resource-seeking, efficiency-seeking and strategic asset-seeking motivations. Despite informal institutions' crucial role shaping business transactions, especially in developing and emerging markets (Ahworegba et al., 2020, 2022; Khanna & Palepu, 1997, 2000; Papageorgiadis et al., 2020; Verbeke & Kano, 2013), there remains relatively limited links of FDI to informal institutional effects (Dau et al., 2022).

Informal institutions refer to the informal rules and norms that regulate social, political, and economic relations, reflecting the 'underlying rules of the game' (North, 1990, p. 3). Examples vary from culture

to clan-based norms, patterns of clientelism, corruption, and patronism (Helmke & Levitsky, 2012). Unlike other informal institutions, however, corruption is often intertwined with formal governance mechanisms (Cuervo-Cazurra et al., 2018) and can be a structural component of the operation of the market (Li & Qian, 2013) and a cultural norm (Castro et al., 2020). The examination of corruption will offer insights into systemic issues that require revisiting, and therefore this is the informal institution this paper will focus on. While traditional factors like market size, growth potential, purchasing power, production costs, and availability of natural resources are crucial in FDI decision-making (Kahai, 2004), the role of corruption emerges as a significant yet contentious factor influencing both short-term profitability and long-term viability of investments (Tang & Buckley, 2020). Corruption is seen as a detrimental force that escalates operational costs and introduces substantial legal and reputational risks (Hakimi & Hamdi, 2017), while also impeding growth, investment, and the effectiveness of public policy (Mauro, 1995; Gründler & Potrafke, 2019;

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Lambdsdorff, 2003; Yi et al., 2019). Concurrently, corruption has been argued to function as a mechanism to overcome bureaucratic red tape and inefficiencies, thus "greasing" the wheels of economic activities and potentially facilitating FDI (Arif et al., 2020; Barassi & Zhou, 2012; Huntington, 2006). Additionally, corruption's ties to the informal economy present both significant risks and opportunities for investors, offering unconventional pathways for market entry and expansion (Lee et al., 2018).

The narrative around MNEs' interaction with corruption further complicates the issue because they are not merely passive victims of corrupt practices. Rather, MNEs may actively engage in corruption, adopting strategies such as tax avoidance and bribery to navigate and exploit weak institutional frameworks (Cooke et al., 2022; Munjal et al., 2022; Driffield et al., 2021; Urbina, 2020). This active participation in corrupt practices underscores a dualistic view of corruption in the context of FDI, where its impact can be both a significant barrier and a facilitator of FDI. The complex relationship between informal institutions, corruption, and FDI suggested by the existing literature, warrants further investigation to fully comprehend their nuanced implications. An in-depth analysis of corruption should be core to any systematic FDI exploration, corroborating a more meticulous, refined understanding of market conditions and FDI-risks.

Specifically, research on corruption's consequences on FDI gives policymakers little insight into whether they should eliminate corruption to attract FDI or not. This is related both to corruption's operationalisation, and to corruption effects on FDI being explored individually, rather than in combination with other FDI-motives. In this paper, we explore corruption's effects on FDI in combination with Dunning's (1977, 1993) FDI-motivation conditions, to unravel different configurations of FDI-motivation conditions along with corruption, illustrating various pathways leading to presence or absence of FDI in a market. We use Fuzzy-set qualitative comparative analysis (fsQCA), as it can capture complex interactive effects of theory-based conditions compared to "focusing on single effects of individual variables" (Kraus et al., 2018, p. 33), following Furnari et al. (2021) inductive configurational approach to explore "how or why multiple attributes combine into distinct configurations to explain a phenomenon, while also recognising that complex causal explanations may involve more than one configuration of attributes leading to the outcome of interest". A configurational approach provides a more nuanced analysis, considering complex interaction effects of different conditions and different outcomes and how they vary across different nations.

Corruption refers to abuse of authority for personal benefit, frequently taking the form of *bribery* and *unethical behaviour* such as tax avoidance (Cuervo-Cazurra et al., 2018; Driffield et al., 2021; Urbina, 2020). *Unfair business practices* cover behaviours violating fair competition rules, such as operation of the informal economy. Unfair business practices also refer to actions taken by companies or individuals giving unfair advantage over competitors, promoting collusion and abuse of power (Dau et al., 2022). Previous research explored corruption effects on FDI, analysing either corruption practices such as bribery (e.g. Lambdsdorff, 2003; Urbina, 2020), or tax avoidance (e.g. Jones and Temouri, 2016; Jones et al., 2018; Pereira et al., 2019; Kemme et al., 2020; Driffield et al., 2021), or by looking at informal economy effects (e.g. Feng & Wang, 2021; Li and Park, 2006). In this paper, we operationalize corruption as both bribery and unfair business practices to account for its presence in the local market. In combination with Dunning's (1977, 1993) FDI motivation conditions, we aim to see how corruption, entwined with formal governance mechanisms (Cuervo-Cazurra et al., 2018; Yi et al., 2019) as a structural component of the market (Li & Qian, 2013), operates together with the traditional FDI set of motivations to drive or inhibit FDI. This will develop a clearer picture of how corruption affects FDI, whether operating individually, in combination with other forms of corruption, or alongside traditional FDI conditions.

To summarise, a number of studies find that corruption negatively

impacts FDI, by deterring investment or influencing entry mode to mitigate exposure to corrupt environments. Luu et al. (2019) highlight higher levels of corruption in host countries deter FDI and influence preference for entry modes involving lower commitment and exposure to corrupt practices. Other authors such as Godinez and Liu (2018) find, however, that investment decisions may be greatly impacted by relative degree of corruption in home and host nations, indicating that effects of corruption are not the same in all international scenarios. Corruption could also complement formal market operations by facilitating more seamless interactions with local bureaucracies (Goel & Saunoris, 2014), making a location more appealing to FDI in situations where regulatory frameworks are less restrictive but still pose significant operational challenges (Gokcekus & Schneider, 2020). Roberts (2015) offers a broader viewpoint of corruption, contending it be seen in the context of larger institutional and structural frameworks, as both a complementing and substituting factor. All these suggests a gap in understanding the precise mechanisms by which corruption influences FDI decision-making (Bahoo et al., 2020). This study therefore provides a theoretical contribution, identifying the complex and nuanced relationships between corruption and FDI, thereby offering a substantial contribution to the literature, beyond the binary of being merely detrimental or beneficial, by identifying the importance of contextual factors, including the strength and nature of local institutions, the regulatory environment, and, importantly the prevalence of shadow, informal, economy activities.

First, we explore individual and combined effect of two different types of informal institutions reflecting corruption (i.e. bribery and unfair business practices) on FDI flows, results indicating effects of such institutions on FDI inflows varying across regions. Via conceptualization of corruption as formal governance mechanisms (*bribery*) and a structural characteristic of the operation of the market (*unfair business practices*), we extend our understanding of institutional quality conditions' impact on FDI inflows. Specifically, we identify several pathways explaining FDI presence/ absence, dependent on existence or absence of one, or both types of corruption, the configurational approach also offering a unique methodological contribution. Finally, we conceptualise impacts of corruption, not as an individual influence, but as part of the FDI motivation set, to elucidate their combined effect on driving/ preventing FDI. Results indicate that, whilst corruption is unimportant in preventing FDI, and only secondary importance in driving FDI, it is of importance in determining the type of MNE undertaking the FDI.

The distinction between bribery and unfair business practices, improves our understanding of the effect of corruption, as an informal institution, on FDI. Bribery involves direct, often illegal payments to officials to secure business advantages, which can create a high-risk environment for investors due to unpredictability and potential legal repercussions. Unfair business practices, on the other hand, may include various non-transparent but not strictly illegal methods that firms use to gain competitive advantages, such as exploiting loopholes or engaging in anti-competitive behaviour. Understanding these variations of corruption helps clarify the varying degrees of risk and uncertainty associated with informal institutions. While bribery directly undermines legal and regulatory frameworks, unfair business practices may erode market efficiency and fairness without necessarily breaking the law, leading to a more nuanced view of how informal institutions operate and affect FDI inflows.

By distinguishing bribery and unfair business practices, this study also improves our understanding of informal institutions, and, in particular, how widespread these are, and the degree to which these practices are likely to be culturally ingrained, and therefore how difficult they may be to remove. Specifically, bribery, whilst it may be part of the culture of certain societies and more costly to businesses, because it is more likely to take place at higher, governmental levels, has a greater potential to be stamped out, whereas unfair business practices, which may be at a lower level, is also likely to be more widespread and culturally ingrained.

Using [Furnari et al. \(2021\)](#) three-stage configurational theorising approach the conditions of importance are first scoped, then linked in a conceptual framework, the pathways identified by the analysis then named. In line with previous research, such as [Huang et al. \(2021, 2023\)](#), we then develop relevant propositions, before drawing conclusions, identifying contributions, limitations, and areas for future research.

2. Literature review: scoping

2.1. FDI theory - Dunning's FDI motivation set

[Narula and Pineli \(2019\)](#) assert internalisation theory ([Buckley & Casson, 1976](#)) as the primary framework for analysing FDI-location decisions. [Buckley and Hashai \(2009\)](#) further note location-specific advantages as market-specific and internationally immobile, location choices referring to MNEs's need to access specific location-bound endowments or resources ([Narula and Pineli, 2019](#)). [Dunning \(1977, 1993\)](#) identified four FDI-motivation types: foreign-market-seeking, efficiency-seeking, resource-seeking, and strategic-asset-seeking, the latter subsequently interpreted as knowledge-asset-seeking to explicate firms' internationalisation ([Buckley & Hashai, 2009](#); [Buckley & Casson, 1976](#); [Dunning, 1977, 1993](#); [Narula and Pineli, 2019](#)). Dunning's work remains seminal for theoretical development within international business studies ([Paul & Feliciano-Cestero, 2021](#)).

Market-seeking FDI is primarily driven by firms' intentions to expand sales in foreign markets ([Ramasamy et al., 2012](#)). Market potential, often measured as GDP per capita, is sensitive to minor changes and can significantly influence FDI-location decisions ([Chakrabarti, 2001](#), p. 108). Trade-supporting factors, such as obtaining access to distribution networks, increasing exports, and facilitating exports to other sizable and quickly developing nations, are also linked to emerging market enterprises' market-seeking FDI motivations ([Buckley et al., 2007](#)). [Goel and Saunoris \(2014\)](#) explore the geographical dimensions of corruption and the shadow economy, hence endorsing the incorporation of market-seeking motive and market potential. Their results support the significance of this condition by demonstrating how corruption and economic informality might affect market attractiveness and potential. We use the Markets imports per capita to proxy for resource-seeking motivation, following the seminal papers of [Buckley et al. \(2007\)](#) and [Ramasamy et al. \(2012\)](#). Imports per capita reflect the level of goods and services a country purchases from abroad, controlling for the country size. High imports per capita suggest a strong domestic demand and a large market size, characteristics that are attractive to foreign investors seeking access to new or expanding markets. GNI per capita has been also used to proxy for market-seeking motivation ([Busse, 2003](#)). GNI per capita measures the average income earned by a country's citizens and is often used as an indicator of the economic wealth and standard of living of its population. Higher GNI per capita suggests higher consumer purchasing power, making such markets attractive for foreign investors looking to sell products and services to a wealthier customer base.

Resource-seeking FDI has been consistently identified as a pivotal motivation driving international business activities, aimed at securing essential commodities and natural resources crucial for operations and product development. The resurgence of interest in resource-seeking FDI is closely linked to the growing demand for resources vital for emerging technological advancements, such as materials needed for electric vehicles, batteries, and processors. This trend is exemplified by China's strategic FDI endeavours to secure reliable energy sources, substantial oil reserves, and other raw materials critical for its industrial expansion ([Orazgaliyev, 2020](#)), notably through major investments in Africa's mining and oil sectors ([Ramasamy et al., 2012](#); [Ighobor, 2013](#)). Such strategic investments underscore the significance of equity-based control in resource-seeking FDI, positioning the availability of natural resources as a principal FDI motivator.

However, The relationship between resource-seeking motives and FDI success is nuanced, reflecting a complex interplay of factors beyond just access to natural resources. The empirical data on the importance of these resources as an FDI motivation has produced conflicting results, suggesting a complex interaction of factors ([Shan et al., 2018](#)). For instance, [Vo, Ha, & Ly \(2015\)](#) explore the interaction between corruption and shadow economies in the ASEAN region, illuminating how these factors influence the region's attractiveness for resource-driven FDI. We use the market's exports per capita to proxy for resource-seeking motivation, been consistent with previous studies following the seminal papers of [Buckley et al. \(2007\)](#) and [Ramasamy et al. \(2012\)](#). Exports per capita can serve as an indicator of a country's resource endowments relative to its population size (controlling for market size). A high level of exports per capita suggests that the country is not only rich in certain resources but also has the capacity to produce and export these resources in significant volumes compared to its population size.

Efficiency-seeking motives has been core in a number of studies exploring FDI motivation (eg. [Wadhwa & Reddy, 2011](#); [Halaszovich & Kinra, 2020](#); [Driffield et al., 2021](#)). Companies engage in efficiency-seeking FDI to minimise transaction costs. They invest in foreign markets to access cheaper production factors, such as labour, to achieve cost advantages ([Buckley et al., 2007](#); [Hong et al., 2019](#)). Some MNEs hope to internally reorganise operations in response to rising domestic expenses ([Garri, 2022](#)). Businesses operating in industries where costs of unskilled or semi-skilled labour contribute significantly to production efficiency, are more likely to respond by locating operations in low-cost areas. We used the overall Logistics Performance Index (LPI) as efficiency Indicator following the works of [Wagner \(2004\)](#) and [Halaszovich & Kinra \(2020\)](#). LPI measures a country's logistics performance, including customs, infrastructure quality, international shipments, logistics quality and competence, tracking and tracing, and timeliness. High LPI scores suggest efficient logistics systems, making a country more attractive for efficiency-seeking FDI. According to [Buckley et al. \(2007\)](#), investors aiming for efficiency would prefer countries where goods can be manufactured and shipped efficiently.

As in [Broadman and Sun \(1997\)](#), [Coughlin and Segev \(2000\)](#) and [Cassidy and Andreosso-O'Callaghan \(2006\)](#) we also used access to sea as an efficiency-seeking proxy, as this is critical for international trade. Countries with sea access have the advantage of cheaper and more efficient transportation options for bulk goods. This makes them more appealing for FDI that aims to exploit global markets through efficient distribution and supply chains. These proxies help in assessing the attractiveness of investment locations from the perspective of efficiency in production and distribution, which is a key consideration for many investors ([Cassidy & Andreosso-O'Callaghan, 2006](#)).

Strategic-asset seeking FDI is a crucial motivation for MNEs ([Rugman & Verbeke, 2004](#)), driven by the desire to acquire assets which may be critical for long-term competitiveness, a primary concern for MNEs when deciding to position themselves in other countries ([Garri, 2022](#)). Prior research viewed strategic-asset-seeking FDI as a knowledge creation process used to fuel the growth of MNEs, also improving their home-based innovation and production activities ([Hong et al., 2019](#)). Knowledge acquisition has also been identified as an important strategic incentive for FDI ([Kedia et al., 2012](#)). Knowledge acquisition can be realized through the access to educated human capital, which specifically has also been viewed as an important strategic-asset-seeking FDI motivation (eg. [Filippaios et al., 2019](#)). [Wu et al. \(2023\)](#) show that education, particularly in the context of acquiring knowledge and human capital, could be considered a strategic motivation. The level of education serves as a valuable proxy for identifying markets that offer strategic assets crucial for firms looking to enhance their innovation capabilities, efficiency, and competitiveness through FDI. It signals the presence of a skilled labour force and an environment conducive to high-value, knowledge-intensive activities. Corrupt practices have the potential to either help or impede MNEs' ability to obtain strategic

assets, which are essential to their long-term viability and competitiveness. Previous studies (Lewin, Massini, & Peeters, 2009) explore offshore innovation activities and highlight MNEs increase in seeking locations of highly educated workforces in a bid towards maintaining a competitive edge in innovation.

2.2. Institutional theory/ informal institutions: Corruption as bribery and unfair practices

Informal institutions develop from historical events that generate socially accepted expectations, the shortcomings of official institutions, and practices that formal regulations do not fully address or enforce (Helmke & Levitsky, 2006; Doh et al., 2012). Personal networks, frequently operating through organisations, are one mechanism for transmission and enforcement of such informal rules. Consequently, informal institutions can be complementary with/ accommodating of/ competing with/ substituting for formal institutions, which opens the potential for these relationships to also exist between informal institutions and the traditional set of FDI motivations discussed above (Helmke & Levitsky, 2012).

Research on the interaction of informal institutions and FDI provides important new insights into how elements like trust, social networks, and corruption affect FDI inflows (Holmes, Miller, Hitt, & Salmador, 2013; Zhang, 2022). Social networks and pro-FDI sentiments have positive effects especially in developing and emerging countries (Mondolo, 2019). The benefits of these informal systems include social trust development (Brockman et al., 2020; Granovetter, 2017); upholding of moral principles (Sartor & Beamish, 2014); institutional development promotion (Fon et al., 2021); promotion of cohesive ethnic communities (Zhang, 2022); and impact of cultural paradigms (Oppen et al., 2017; Zhu and Shi, 2019). Informal institutions can mitigate risks and sustain international business activities (Zhang, 2022). Exploring all informal institutions' effects on FDI would likely require a broader scope and more extensive research. Focusing on one aspect, i.e. corruption in this paper, allows for a more in-depth analysis, providing clearer insights into the specific dynamics and mechanisms illustrating the relationship between corruption and FDI-motivation in driving or hindering FDI. Corruption is particularly important to explore due to the conflicting results of previous studies regarding its effect on FDI. Conceptualising corruption as bribery and unfair business practices is essential for a nuanced understanding of informal institutions. Informal institutions, which encompass norms, values, and practices that are not codified into law, play a significant role in shaping behaviours within the business or institutional environment. Bribery can be seen as a means to navigate obstacles within the business environment (Belgibayeva & Plekhanov, 2019), while unfair business practices can be part of the market structure, shaping and defining the competitive dynamics and potential of the market.

In their comprehensive review, Bahoo et al. (2020) delve into the complex interplay between corruption and strategic decision-making in international business (IB), calling for deeper exploration into how corruption both influences and is shaped by IB practices, a sentiment echoed by Ghauri et al. (2021). The discourse on corruption reveals a schism in its perceived impact on FDI, categorized by some researchers as "sand" — highlighting corruption's role in fostering uncertainty (Habib & Zurawicki, 2002; Godinez & Liu, 2015), breeding inefficiency, and thereby escalating the costs associated with FDI (Bardhan, 1997; Barassi & Zhou, 2012). This "sand" perspective is supported by evidence linking high corruption levels to stifled growth (Mauro, 1995; Gründler & Potrafke, 2019), diminished investment (Lambsdorff, 2003; Yi et al., 2019), compromised public policy (Ades and Tella, 1997; Sinha et al., 2019), inefficiencies in education and healthcare (Mauro, 1998), and reduced inward FDI, particularly from nations with stringent anti-corruption legislation (Wei, 2000; Cuervo-Cazurra, 2006). The risks to legitimacy, reputation, and goodwill for corrupt multinational corporations (MNCs) serve as additional deterrents to foreign investment

(Zhao et al., 2003), with Hanousek et al. (2021) affirming corruption's role in amplifying uncertainty and negatively impacting both FDI and domestic investment. Castro et al. (2020) further corroborate this view, noting increased FDI inflows into countries with lower corruption levels.

Conversely, the relationship between MNEs and corruption is not purely a negative one (Cooke et al., 2022). MNEs may find themselves not only subjected to corrupt practices but also actively engaging in or perpetuating such behaviour (Dieleman & Sachs, 2008), blurring the lines between being complicit participants and victims in corruption. This complexity is highlighted by Munjal et al. (2022), who note the difficulty in distinguishing between the two roles. Thus, corruption is sometimes portrayed as a "grease" that smooths over bureaucratic hurdles (Arif et al., 2020) and rooted in the works of Huntington, (2006). This "greasing the wheels" analogy suggests corruption serves a functional role in navigating the intricacies of governmental procedures (Friedrich, 1972; Habibov et al., 2019; Nye, 1967; Wilson, 1974), albeit the benefits of such "grease" are recognized to be fleeting (Le et al., 2013). This conflict in viewpoints illuminates the contentious debate surrounding corruption's role in FDI, with studies variably interpreting it as either a significant barrier or a facilitator, underscoring the need for nuanced analysis of corruption's multifaceted impact on FDI decisions.

MNEs may engage in unethical behaviors like bribery in corruption-prone areas, notably in regions with weak institutions or intricate economic systems, leading to legislation circumvention (Urbina, 2020). Such practices, including nepotism, favoritism, and extortion, are prevalent in Central and South America, highlighting the wide range of corrupt activities for personal gain (Morris, 2011). "An exemplar of corruption" for some (Malgwi, 2016, p. 949) bribery is a key corruption facet that has grown with the increase of international trade (Lambsdorff, 2003; Moss, 1997), defined as "offering, promising or giving something in order to influence a public official in the execution of his/her official duties" (OECD, 2000, p. 3). This is also extended to any offer, gift, or advantage as an inducement for illicit behaviour in relation to business conduct (Lambsdorff & Frank, 2010; Transparency International, 2016). Additionally, where other types of legitimacy are increased because of the state's role in purporting and/ or its inability to manage the unethical activity, bribery provides an understanding not only to the host nation's role but also the MNCs willingness to participate in bribery (Baughn et al., 2010; Sung, 2005). In IB, the focus is on the relationship between the host nation's demand for bribery and MNCs willingness to supply bribery (Arrieta, 2015). Less efficient firms might seek bribery channels as means of entry, potentially discouraging more efficient firms that opt not to bribe (Conde, 2004; Hamra, 2000). Inclusion of bribery as a corruption condition is informed by previous studies exploring dynamics between corruption and FDI (eg. Kwok and Tadesse, 2006; Pajunen, 2008; Hossain, 2016). Pajunen (2008) and Hossain (2016), investigated bribery as a direct exchange with public office and its impact on FDI decisions. Driffield et al. (2021) explored corruption as a motive for FDI, specifically considering how multinational enterprises (MNEs) might be involved in bribery among other unethical behaviours. Urbina (2020) highlighted how MNEs engage in bribery, especially in jurisdictions with weak institutions or complex economic systems, to circumvent legislation and restrictions. Lambsdorff (2003) and Moss (1997) focused on bribery's role in international trade and its growing prominence alongside the increase of global business activities. OECD, (2000) and Transparency International, (2016) provide definitions and discussions around bribery in the context of influencing public officials and business conduct. These conceive bribery as having a major impact, positive or negative, on FDI and as influencing MNEs' operational strategies and decisions regarding FDI (Gokcekus & Schneider, 2020).

Whilst much of the current debate around the impact of corruption focuses on use of bribery, unfair business practices also exist; for example, where local businesses sit outside formal regulation, particularly within the informal economy. Statistics indicate that in Northern and sub-Saharan Africa, for example, informal sector activity reached almost 30% and 38% of GDP over 2010–14. Other figures quote it as

high as 55%–65% in states such as Benin, Tanzania, and Nigeria. In Latin America it represents 40% of GDP, 34% of GDP in South Asia, and 23% of GDP in Europe (Medina et al., 2017). Having such a significant role in the economy, the informal sector has considerable contextual power that drives firm strategy (Li and Qian, 2013; Peng et al., 2008). Corruption often thrives within such informal economic settings, exacerbated by the lack of effective regulatory frameworks, such as legal agreements and contracts (Boycko et al., 1993; Cuervo-Cazurra, 2008; Keig et al., 2015; Pinkham & Peng, 2017).

Unfair business practices refer to actions taken by companies or individuals that give them an unfair advantage over competitors to the extent of promoting collusion and power abuse (Dau et al., 2022). Examples include price fixing, bid rigging, false advertising, and predatory pricing. Whilst these practices can be legal as well as illegal, they are considered unethical because they do not comply with principles of fair competition. Such unfair business practices can also have negative consequences for individuals, organisations, and society as a whole, and can lead to lack of trust in the business community, as well as loss of income for businesses, and less efficient and less competitive markets (Ahworegba et al., 2022). It is thus important that firms possess a good base of understanding as regards such unfair practices and their exposure to risk via them (Feng and Wang, 2021; Li and Park, 2006). The substantial role of the informal sector in the economy across various regions has been identified by previous studies (eg. Medina et al., 2017). Our paper goes further than conceptualizing corruption just as tautological to bribery. We operationalize corruption by also exploring the effect of unfair business practices on FDI, following perspectives that consider the subjective character of corruption and how it's perceived as normal in some corporate practices. This encompasses a wider range of corrupt practices than bribery and has an effect on MNE strategic choices (Dau et al., 2022). It incorporates informal economy effects, an influence that has been identified by previous studies as an important FDI trigger (eg. Lee et al., 2018) or inhibitor (eg. Vlachos et al., 2019), or both (Li and Park, 2006; Feng and Wang, 2021).

Summarising, informal institutions may play a significant role facilitating or hindering business transactions, particularly in emerging and developing countries, where informal institutions may play a more prominent role in permitting, facilitating, or impeding economic activities (Khanna and Palepu, 1997, 2000; Verbeke & Kano, 2013). However, the role and conditions under which informal institutions drive certain outcomes, has not been thoroughly explored (Dau et al., 2022). It is thus important for researchers to explore corruption and its underlying activities, as a structural and operational market component to produce more nuanced understanding of corruption effects on FDI.

3. Configurational framework- linking

Issues such as corruption have, however, largely been studied in isolation (Rabbiosi & Santangelo, 2019; Sartor & Beamish, 2020), holistic understanding of informal institutional effects on FDI and their nuanced implications for foreign entities remaining limited. This is important because of potential links, between informal institutional activities such as bribery and unfair practices, and more well-established drivers of FDI.

Market-seeking intentions can, for example, be influenced by informal institutions, such as informal networks, given capacity to enter markets depends on cultivating connections and trust among local communities in many emerging nations. These unofficial networks may be extremely useful for navigating local market environments, providing insight into customer preferences, and getting quicker access to distribution networks (Granovetter, 2017). However, informal institutions, including corruption, might hide difficulties, companies forced to deal with dishonest authorities or pay bribes to access the market, adding to the complexity and unpredictability of market penetration. This factor raises market access costs, increases uncertainty, and distorts the genuine potential and allure of the global market (Rabbiosi &

Santangelo, 2019; Sartor & Beamish, 2020), undermining market-seeking motivations.

Informal institutions also intersect with resource-seeking motives in *leveraging local know-how towards accessing resources*. Understanding local customs, traditions, and networks may be important for resource extraction and acquisition in many resource-rich countries, particularly developing environments (Zhang, 2022). Engaging with informal institutions, which frequently include local leaders, communities, and influencers, is essential when trying to access resources. Foreign companies' success rates in getting needed resources can be significantly impacted by how they manage these informal ties (Yang et al., 2023). However, such ills of the informal institutions can make processes of allocating resources more difficult. Businesses may become entangled in a web of corruption where obtaining resources requires engagement with dishonest authorities and/ or intermediaries. This might distort actual costs and returns on investment from resource-seeking activities (Bu, Luo, & Zhang, 2022; Zhang, 2022).

The influence of informal institutions on efficiency-seeking motives relates to *labour dynamics and local norms*, as workplace expectations and behaviour can be influenced by unofficial customs and norms ingrained in society (North, 1990). MNEs could see greater increases in efficiency in areas where unofficial standards reward tenacity and dedication. Considering *local collaborations and supply chain dynamics*, it is important to recognise the importance of informal connections with regional distributors, intermediaries, and suppliers (Zaheer and Mosakowski, 1997) as these informal connections might either increase efficiency advantages or raise barriers (Romero-Martínez et al., 2019). MNEs may also benefit from informal connections expatriate groups have with their native nations. By establishing and sustaining relationships with transnational community actors in developing markets, a nation's diaspora may support FDI to reduce risks and maintain global corporate operations (Zhang, 2022). The depth and breadth of these networks may significantly impact efficiency results, from supply chain partners to regulatory shortcuts. Presence of an active diaspora community, particularly in developing regions, often points to *Brain drain*, educated and competent people moving from developing nations to industrialised ones in search of better opportunities, has a considerable impact on FDI flows (Bortolazzi & Khan, 2023). Efficiency improvements depend on both labour costs and lean processes, anticipated efficiency advantages reduced by corruption or lengthy bureaucratic procedures, which are frequently impacted by informal practices (Rodriguez et al., 2005).

Finally, the dynamics of informal institutions have a significant impact on strategic-asset-seeking FDI (Tang and Buckley, 2020). An MNE's capacity to access strategic assets might be helped or hindered by informal norms, practices, and networks. A host nation might provide MNEs unrivalled access to strategic resources, insights, and partnerships if it has a strong network of academic experts, business insiders, and policy influencers. Conversely, settings polluted by political unrest or corruption can diminish the value of strategic assets (Godinez & Garita, 2015; Hailu, 2010).

Employing a configurational approach to assess FDI motivations simultaneously is crucial for fully understanding this complex phenomenon (Fainshmidt et al., 2020). This method allows researchers to discern why multinational enterprises (MNEs) favor certain investment locations by identifying FDI motivations and corruption effects. It delves into the interaction between unethical incentives and business motivations, offering a more nuanced understanding of FDI motivations. Such insights are invaluable for policymakers and businesses navigating the intricate relationship between corruption and FDI motivations, and enrich international business models with comprehensive analyses of FDI presence or absence (Tang & Buckley, 2020; Li and Liu, 2005). Gorynia et al. (2015) identify that FDI may be driven by multiple motives, identifying market and efficiency-seeking separately but also combinations that include market-strategic asset-seeking, and market-efficiency-seeking, whilst Pananond (2015) identified combinations of resource-efficiency-seeking. Tang and Buckley (2020) also

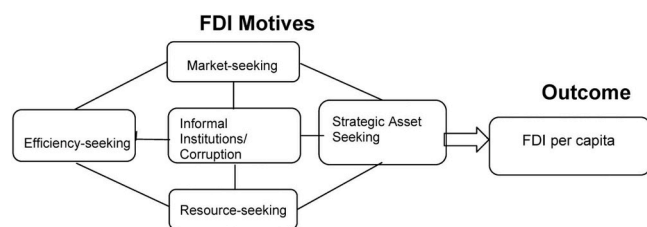


Fig. 1. Configurational Framework.

argue that the moderating role of institutions means logics of internalisation theory may be affected, and that, consequently, models of firms’ ownership-specific decisions on foreign market entry can be complemented by an institution-based view. The resultant configurational framework is shown in Fig. 1, based on developing the scoping of the literature in stage one of configurational theorising (Furnari et al., 2021) and then linking the conditions.

4. Methodology

4.1. Data

The data considered in this study, in terms of conditions and outcome are described in Table 1. The sample (chosen to include as many countries as possible subject to data availability) includes 112 countries,

but of the G20, only 7 countries are represented (Argentina, Brazil, Indonesia, Italy, Mexico, South Africa and Turkey) and countries such as China, India, UK, France, Germany, Japan, South Korea, Canada, and the USA are excluded. This represents an unavoidable limitation in the applicability of the data, and therefore, the results should be interpreted with this in mind. Factor analysis processes were used to generate the Bribery and Unfair Business Practices conditions, discussed in Appendix 1. Previous research on the effect of interaction between informal institutions (such as corruption) and traditional FDI-motives on FDI, is challenged by problems of data collection due to databases limitations, as explained in Hossain (2016). The empirical evidence on corruption effects on FDI is not conclusive “possibly due to differences in data sources, firms’ motives, and measurement of respective institutional quality variables in the primary studies” (Anwar & Iwasaki, 2022, p. 421). In their review paper, Bahoo et al. (2020) show that past studies on corruption in international business regularly conduct content analysis (Cuervo-Cazurra, 2016; Krueger, 2009), regressions (Boubakri, Mansi, & Saffar, 2013; Jiménez, 2011), and document analysis (Kaptein, 2004; Pacini, Swingen, & Rogers, 2002). Still, an issue for future researchers is to identify the effect of corruption on firms on inward FDI (Bahoo et al., 2020). A widely accepted measure of corruption, provided by the International Non-governmental organisation (NGO), “Transparency International”, was initially considered. The Corruption Perceptions Index (CPI) is used in research generating findings around corruption’s influence on economic systems (Cuervo-Cazurra, 2008), and the ability of corruption to influence potential profits through political relationships

Table 1
Description of Conditions and Outcome.

Condition	Condition Description and unit of scale	Similar Studies where Condition / Similar has been used	Data Sources
Bribery (Direct exchange with public office)	Bribery	Pajunen (2008). Hossain (2016). Kwok and Tadesse (2006)	UNCTAD FDI database; country reports; Transparency International Corruption index; World Competitiveness yearbook k. UNCTAD FDI database; World Bank (WB) World governance indicator 2014; Heritage foundation 2014; Quality of government institute. Transparency International Corruption index; WB World Development Database;
Unfair Business Practices	Unfair business practises	Pajunen (2008). Hossain (2016). Kwok and Tadesse (2006). Khazaei (2021)	UNCTAD FDI database; country reports; Transparency International Corruption index; World Competitiveness yearbook. UNCTAD; WB World governance indicator 2014; Heritage foundation 2014; Quality of government institute. Transparency International Corruption index; WB World Development Database. Fortune reports; Doing Business report 2013 –2018; World Happiness annual report 2013 –2018;
Resource-seeking motivation	Exports pc: US\$, unadjusted/ Population of Host Country (UN Comtrade data from 2012 –2018)	Buckley et al. (2007). Ramasamy et al. (2012)	WB Development indicator 2005; World Intellectual Property Organization 2006; International Country Risk guide 2005; UNCTAD FDI database 2006; China Statistics Yearbook 2005; IMF World Economic Outlook database 2005; UN Statistics Division 2006; Ohio University 2006. Annual reports and company websites: WB World Development indicator; China Statistics Yearbook; World Intellectual Property Organization; WB World Governance indicator; Ohio University library;
Market-seeking motivation:	Imports pc: US\$, unadjusted/ Population of Host Country	Buckley et al. (2007). Ramasamy et al. (2012)	WB World Development indicator 2005; World Intellectual Property Organization 2006; International Country Risk guide 2005; UNCTAD FDI database 2006; China Statistics Yearbook 2005; IMF World Economic Outlook database 2005; UN Statistics Division 2006; Ohio University 2006. Annual reports and company websites; WB World Development indicator; China Statistics Yearbook; World Intellectual Property Organization; WB World Governance indicator; Ohio University library;
Market-seeking motivation: market potential	GNI pc: Current International \$ (World Bank Development Indicator)	Anwar and Mughal (2017). Lu et al. (2014). Piperopoulos et al. (2018). Ramasamy et al. (2012)	Indian Ministry of Finance 2012; Fraser Institute economic freedom index; WB World Development indicator 2011; CIA World fact book online statistics. WB World Development indicator; WB World Governance indicator; Chinese Government Guidance Catalogue of Countries and Industries for Overseas Investment; Customs General Administration of China database; Statistical Bulletin of China’s Outward FDI Annual Reports of Publicly Listed Chinese Enterprises; China’s

(continued on next page)

Table 1 (continued)

Condition	Condition Description and unit of scale	Similar Studies where Condition / Similar has been used	Data Sources
Strategic-asset-seeking motivation	EDU (Log of) tertiary education (% of labour force)	Filippaios et al. (2019)	State Intellectual Property Office; China Stock Market and Accounting Research database; WB World Development Indicators. Annual reports and company websites; WB World Development indicator; China Statistics Yearbook; World Intellectual Property Organization; WB World Governance indicator; Ohio University library;
Efficiency-seeking: Infrastructure	Overall LPI (logistics performance index) score of country - scale is [1 to 5], 1 (worst) to 5 (best)	Wagner (2004) (partial). Halaszovich & Kinra (2020)	FDI Markets database including 13 investor home countries; 35,000 investment projects in 110 developing and emerging economies during the period 2003 to 2013. Business services statistics from German Federal Statistical Office; Survey data from German federal statistical office 2006. UNCTAD FDI database 2012; (United Nations, 2012) Comtrade Database; WB's World Governance Index; Hofstede's data on national culture; WB's logistics performance index;
Efficiency-seeking motivation: (also a measure of lack of infrastructure)	COAST Coastal dummy, coastal nations are 1 or 0	Cassidy and Andreosso-O'Callaghan (2006). Coughlin and Segev (2000). Broadman and Sun (1997)	Japanese direct investment stock from Toyo Keizai Kaigai Shinshutsu Kigyō Soran 1998; China State Statistical Yearbook 1997. Provincial data on FDI in China; China State Statistical Bureau; 1980 – 90 FDI data from Chen et al., 1995; 1991 – 95 FDI data from Broadman and Sun, 1997. China State Statistical Yearbook; IMF BOP Yearbook; UN World Investment report; China State Statistical Yearbook
Outcome	FDI pc: US\$, unadjusted/ Population of Host Country	Cheng and Kwan (2000). Kolstad and Wiig (2012). Wang et al. (2012a)	k.UNCTAD FDI database 2003–2006; WB World Development Indicators 2008; Governance Indicators, from Quality of Government Institute; CEPII World Bank Institute (WBI). Annual Report of Industrial Enterprise Statistics 2005/6 - Statistical Bureau of China; Chinese firms' OFDI from Ministry of Commerce, China;

(Chen et al., 2010). This dataset has, however, been questioned in terms of the independence of the multiple data sources (Budsaratagoon & Jitmaneeroj, 2020), individual biases, and external factors inflating corruption perceptions (Gutmann et al., 2020). This study therefore uses actual corruption experiences rather than perceptions to better understand the depth of corruption in a host nation (Li & Meng, 2020) using the World Bank Enterprise surveys' dataset. The study adopts measures of actual corruption experiences, including bribery (Uhlenbruck et al., 2006; Yim et al., 2017), because perceptions of corruption do not always align with actual experiences.

4.2. Method: FsQCA

FsQCA is based on three key assumptions. First, fsQCA assumes conjunctural causation, meaning that some conditions only affect the outcome when combined with other conditions, rather than independently (Woodside, 2013). This highlights conditions complementing as well as substituting for each other to explain the outcome. Second, fsQCA assumes equifinality, i.e. more than one causal combination leads to the same outcome (Fiss et al., 2013). Last, fsQCA implies potential for asymmetrical relationships between conditions and outcomes; causal configurations for presence of outcome potentially differing from causal configurations for absence of outcome (Almenar-Llongo et al., 2021; Fiss et al., 2013). As fsQCA analysis is now increasingly popular (Kraus et al., 2018), technical details are explicated in Appendix 2. This allows construction of solutions, called pathways, describing relationships between conditions and outcomes (with emphasis on interpretation and naming of established pathways). Following Ragin (2008) and Beynon et al. (2021), initial fsQCA investigation of the dataset is broken down into the following stages (details in Appendix 2) i) calibration details, ii) necessity analysis, iii) truth table construction (frequency and consistency threshold exposition), iv) discussion of complex, intermediate and parsimonious solution options for sufficiency analysis. Our approach follows Ragin's (2008) illustration of the complexity-parsimony continuum. Where easy counterfactuals cannot be identified, complex and intermediate solutions are identical. In this study, no easy counterfactuals are considered appropriate. Hence, two solutions are considered:

complex (equating to intermediate, see Beynon et al., 2021) and parsimonious.

5. Results

The results from the sufficiency analysis are presented in Table 2. Each main column shows the relevant details for an identified pathway to either the presence or absence of FDI. To explain the pathways presented, and using the approach followed by Ragin and Fiss (2008), solid and clear circles describe the presence and absence of the condition respectively, with no circle denoting non-relevance of that condition to that pathway. Large circles denote core conditions, while small circles indicate peripheral conditions. Small circles also signify conditions included in the complex solution but not in the parsimonious solution. In Table 2, below the condition details, specific metrics are also shown, including consistency (the extent to which, on a scale of 0–1, for the cases in the included configurations, the combination leads to the outcome), PRI score (which indicate the consistency with which the configurations are related the outcome relative to its absence, where a value under 0.5 indicates significant inconsistency), raw coverage (showing the proportion of cases covered by multiple configurations), and unique coverage (the proportion of cases covered by a single configuration), along with solution consistency, PRI score, and coverage values for all the pathways taken together (see Ragin, 2008, and Beynon et al., 2021, for recent descriptions).

The results indicate the relevance of the configurational approach, with conjunctural causation, equifinality, and asymmetrical relationships all present. In broad terms the conditions related to resource-seeking (EXPF) and market-seeking (INCF) can be seen as core to presence and absence of high-levels of FDI, with strategic-asset-seeking (EDUF) and efficiency-seeking (INFRF and CST) having secondary importance. For CNOUTC, the presence of strategic-asset-seeking being insufficient to prevent the absence of high-FDI levels. The two corruption conditions, Bribery and Unfair Practices can also be seen as of secondary importance. Only in one pathway (COUTF) are they both irrelevant.

To summarise, therefore, in 3 FDI presence pathways the presence of

bribery positively affects FDI (Grease effect), in 5 FDI presence pathways absence of bribery positively affects FDI (Sand effect), and in 2 FDI presence pathways bribery is irrelevant. Similarly, in 3 FDI presence pathways presence of unfair business practices (corruption, grey economy) positively affects FDI (Grease), in 3 FDI presence pathways absence of unfair business practices positively affects FDI: (Sand), and in 4 pathways is not relevant. In the 3 FDI absence pathways, presence and absence of corruption again seems of secondary importance to absence of more traditional reasons for FDI, only in CNOTC, is there a complementarity between presence of strategic asset seeking and absence of unfair practices, that is unable to present an absence of high-FDI, potentially because of the secondary importance of both of these in comparison with resource and market-seeking. Using the complementary/accommodating/ competing / substituting terminology of Helmke and Levitsky (2012) to define relationships between informal institutions such as corruption and traditional FDI motivation, we can see a range of relationships between more traditional motives for FDI and corruption-related conditions, discussed in more detail below.

6. Discussion

To complete Furnari et al.'s (2021) approach by naming pathways, Table 3 describes each identified pathway in relation to the Complex solution, for pathways associated with presence and absence of high-FDI. This naming identifies relationships between configuration, where deemed of relevance, as discussed below.

Overall, corruption plays a secondary role in motivating FDI. Rather than determining whether companies invest in a country, it influences which companies choose to do so. Traditional FDI motivations, particularly resource-seeking and market-seeking, are key, with strategic and efficiency-seeking motivations being of secondary importance. Applying Helmke and Levitsky's (2012) framework of complementary, accommodating, competing, and substituting relationships, we observe a range of interactions between traditional FDI motives and corruption-related conditions. These configurations help explain the conflicting results in previous studies, as they identify the specific frameworks in which corruption (bribery and unfair practices) acts as either a motivator or inhibitor of FDI. Focusing on FDI-presence pathways, only in one pathway is corruption completely irrelevant. In four pathways there is a solely complementary relationship between (absence of) corruption conditions (one or both) and traditional FDI-motives, one solely accommodating, and 4 where corruption conditions oppose each other (two where bribery is present and unfair practices absent and two which are opposite), what we have termed *accomodentary*. We then discuss pathways in terms of corruption groupings.

6.1. COUTA and COUTH: bribery accommodating lack of unfair practices complementing: accomodentary: East Asian

In these two pathways, both resource and strategic-asset-seeking focused (COUTH also being market and efficiency-seeking), presence of bribery is related to the resource focus of FDI (where it is not for pathways COUTI and COUTJ). The initial FDI emergence in Mongolia was driven by a combination of political and economic factors, including transition to a market-oriented economy and the country's opening-up to FDI. Bribery has, however, been identified as a significant factor influencing FDI in both Malaysia and Mongolia. Bribery can facilitate entry and help firms navigate complex regulatory environments, making it an attractive option for foreign investors seeking to establish operations in these countries. Firms therefore continue to locate FDI in both Malaysia and Mongolia due to the potential benefits of resource presence and strategic assets, accompanied by market potential and growth opportunities (Rasiah & Govindaraju, 2011). Our findings are close to Brouthers et al. (2008), who presents the notion of a compensating model, where market attractiveness might reduce the negative impact of corruption on FDI, while Zurawicki and Habib (2010) argues that

corruption's influence on FDI is not always negative, with likes of Egger and Winner (2005) and Zangina et al. (2020) drawing attention to the lack of consensus on this relationship.

Both Malaysia and Mongolia are considered attractive FDI destinations due to stable political and economic environments, skilled workforces, and infrastructure development. Mongolia, in particular, is heavily dependent on natural resources, accounting for 63% of its GDP. The government has shown commitment to increase and diversify FDI through initiatives such as the "National Security Concept," which aims to make FDI account for one-third of foreign investment, and through policies promoting knowledge transfer and economic growth (Mavidkhaan, 2021). Conversely, Malaysia has a competitive tax regime for FDI, with a corporate tax rate of 24% for resident and non-resident companies. It also offers tax incentives and exemptions in sectors such as manufacturing, biotechnology, and research and development, leading to the following proposition:

Proposition 1. The presence of bribery in countries where FDI attraction is an explicit policy goal creates an environment conducive to presence of high-FDI levels, when both resources and strategic assets are sought.

6.2. COUTB: bribery and unfair practice accommodating: West African Coastal

In this mainly resource-focused pathway, presence of bribery AND unfair practices *accommodate* high-FDI, the focus on resources related to the accommodating corruption pattern. Presence of rich mineral deposits and the level to which the environment is made conducive for investment (regulatory and institutional factors such as strategies, programs and legislations pertaining to FDI, competitiveness, trade barriers, corruption) boost FDI (Narantuya et al., 2022). The informal economy is also very strong, reinforced by informal activity (totalling 31.3% of national GDP for Mauritania, 40.1% for Congo, and 35.5% for Guinea Bissau) (World Bank, 2021).

Mauritania for example is rich in resources related to mining and fishing, coastal locations and its main port de l'Amitié, Nouakchott (PANPA) also offering geographical/ efficiency advantages, "The Friendship's port" emerging because of developing trade relationships between Mauritania and China (Xinhuanet, 2009). In the World Bank's "Ease of Doing Business" rankings, Republic of Congo is ranked 177th out of 190 nations, and 159th out of 176 nations in Transparency International's "Corruption Perceptions Index 2016" (Privacy Shield, n.d.). An example of the pervasive nature of bribery and corruption within the state is shown with the recent #CongoHoldUp, the largest leak from the African continent to date revealing a kleptocratic system impacting financial systems, undermining legal frameworks and natural resources via extractive industries (Berwouts, 2022). In all, the pervasive nature of corruption is accommodated within COUTB, corruption itself endemic, pseudo accepted, impact widely spread. This form of corruption, also referred to as organised corruption, is predicated on the notion that goals may still be realised, as the organisation factors the cost into their business. This leads to the following propositions:

Proposition 2. The pervasive bribery and unfair practices presence in resource-rich developing countries accommodates high-FDI levels by creating an environment conducive to resource-exploiting FDI.

Proposition 3. Informal economic activities when prevalent in resource-rich economies, contribute to the accommodation of corruption and unfair practices, attracting FDI to industries such as mining and fishing.

Proposition 4. Geographical advantages, such as strategic ports and coastal locations, enhance the attractiveness of resource-rich countries for FDI, despite the prevalence of corruption and unfair practices.

Table 2
Sufficiency Analysis.

Conditions	Presence of INVf										Absence of INVf		
	COUTA	COUTB	COUTC	COUTD	COUTE	COUTF	COUTG	COUTH	COUTI	COUTJ	CNOUTA	CNOUTB	CNOUTC
BRIBf	●	●	⊖	⊖	⊖		⊖	●	⊖		●		⊖
UNFF	⊖	●	●					⊖	●	⊖		●	⊖
IMPF	⊖	⊖		⊖		⊖	⊖	●	⊖	⊖	⊖	⊖	⊖
EXPF	●	●	●	●	●	●	●	●		⊖	⊖	⊖	⊖
INCF	⊖	⊖	●	●	●	●	●	●	●	●	⊖	⊖	⊖
EDUF	●	⊖	●	●	●	●	●	●	●	●	⊖	⊖	●
INFRF	⊖	⊖		●	●	●	⊖	●	●	●	⊖	⊖	⊖
CST	⊖	●	●	●	●	●		●	●	●			⊖
Consistency*	1	0.886	0.999	1	0.998	0.990	0.953	1	0.990	0.964	0.852	0.845	0.861
PRI score*	1	0.761	0.999	1	0.997	0.984	0.918	1	0.986	0.908	0.737	0.743	0.675
Raw Coverage*	0.051	0.083	0.145	0.229	0.261	0.251	0.309	0.061	0.194	0.132	0.596	0.583	0.091
Unique Coverage*	0.021	0.036	0.009	0	0.041	0.020	0.071	0.002	0.030	0.021	0.160	0.165	0.051
Solution Consistency, PRI score, Coverage	0.949 0.922 0.628										0.832 0.727 0.812		
Parsimonious Solution	POUT1								POUT2		PNOUT1		
Consistency*	0.910								0.911			0.752	
PRI score*	0.871								0.873			0.610	
Raw Coverage*	0.593								0.647			0.882	
Unique Coverage*	0.111								0.166			-	
Solution Consistency, PRI score, Coverage	0.886 0.838 0.759										0.752 0.610 0.882		

6.3. COUTC and COUTI: lack of bribery complementary - unfair practice accommodating: accomodentary: South American Focused

These two pathways are market and strategic asset seeking, COUTC also resource seeking, but in both bribery’s absence and unfair practices’ presence suggest an “accommodatory” relationship. Weeks (2001) highlights the primary motivation of Latin American governments for their FDI policies historically being to ensure FDI would bring net addition to domestic investment, either by entering into sectors domestic capital was incapable of efficiently developing, or creating complementary linkages to domestic capital. Hecock and Jepsen (2014) also identified, for 1986–2006, much FDI was drawn to Latin America for tariff jumping during periods of import substituting industrialization (ISI), interested in privileged treatment by the state, and opportunities for monopoly in local markets. This implicitly links into the positive role of unfair business practices identified in the study.

Manufacturing is seemingly attracted to less democratic regimes. However, primary sectors sought countries with fairer business practices whilst the service sector sought public sector fiscal prudence. This indicates that manufacturing FDI (often linked to low skilled labour and low wages) is unlikely to be beneficial to the host economy (Trevino et al., 2008). According to UNCTAD (2021), FDI flows into South America halved over the past few years, flows to Peru and Brazil at their lowest in 20 years, areas hit including oil and gas extraction, energy provision but also financial services, Central America also hit, particularly Mexico and Costa Rica (where investment into special economic zones was a specific cause). Future investment looks focused on energy, renewable energy and minerals for ICT, electronics, and medical device manufacture. UNCTAD (2022) reported a rebound in FDI, focused on transport infrastructure in Brazil, mining, and renewable energy.

Owusu-Nantwi’s (2018) identified a long-standing policy in Latin American countries to build better institutions and reduce bribery and corruption as a way of increasing FDI, whilst Godínez and Liu (2015)

found that impacts of corruption depended on whether it was perceived as being higher or lower than the FDI-home country. Similarly, Owusu-Nantwi’s (2018) institutional theory-based study, finds significant positive relationships between institutional quality index and FDI, with domestic investment (significant and positive), GDPpc growth (significant and positive) and trade (insignificant) as the other explanatory variables. The informal economy is seen by Lee et al. (2018) as a hybrid between unfair practices and bribery and corruption. This suggests the pathway identified represents a significant contribution to the debate, highlighting that FDI may be actively encouraged (and certainly not discouraged) by unfair business practices that MNEs may have the power to exploit.

Turning to pathway COUTI, examining the Greek and Bulgarian economy, previous studies identified corruption (Bitzenis, 2006; Bitzenis et al., 2009; Baltas et al., 2018) and bribery (Bitzenis, 2006; Pantelidis & Nikolopoulos, 2008), among other factors, as primary FDI barriers. Exploring the Greek economy, Katsios (2006) links the informal economy to corruption. The author describes Greece as a transition country, with high regulation leading to bribery and a strong informal economy. Later, Vlachos et al. (2019) makes recommendations on how to reduce the size of the shadow economy. Our findings show that after 15 years, Greece has entered a group of countries where low-bribery level acts as an FDI-motive, providing evidence of institutional improvement. Concurrently, unfair business practices’ presence indicates existence of a strong informal economy. However, this informal economy acts as an FDI-motive, and not as a barrier as previous studies support. This leads to the following proposition:

Proposition 5. The absence of pervasive bribery, but presence of unfair practices in countries where FDI-attraction is an explicit policy goal, creates an environment conducive to the attraction of high-FDI levels where both markets and strategic-assets are sought.

Table 3
Pathway Names.

Pathway	Conditions	Name	FDI Theory Grouping	Corruption Grouping	Corruption of Country Type	Geography
COUTA FDI-Presence	Bribery+Exports+Education-Unfair-Imports-Income-Infra-Coast	Resource-seeking, strategic-asset-seeking Bribery Accommodating lack of unfair practices complementing	Resource-Focused strategic-asset-seeking	Bribery Accommodating lack of unfair practices complementing: East Asian	Mixed: Accomodatory	Mongolia
COUTB FDI-Presence	Bribery+Unfair+Exports+Coast-Imports-Income-Education-Infra	Resource-Seeking, Bribery and Unfair Practice Accomodating	Resource Focused	Bribery and Unfair Practice Accommodating: West African Coastal	Accomodating	Guinea-Bissau, Mauritania, Congo, Rep.
COUTC FDI-Presence	Unfair+Exports+Income+Educ+Coast-Bribery	Resource and Market Potential Seeking strategic-asset-seeking lack of bribery complementary Unfair Practice Accommodating	Resource and Market Balanced strategic asset seeking	Lack of bribery complementary Unfair Practice Accommodating: South American Focused	Mixed: "Accomodatory"	Lebanon, Uruguay, Costa Rica; Chile; Mauritius; Bulgaria; Greece
COUTD FDI-Presence	Exports+Income+Educ-Bribery-Imports-Infra	Resource and Unexploited Market Potential-Seeking Strategic-asset-seeking lack of bribery Complementary	Resource and Market Balanced, strategic asset seeking	Lack of bribery Complementary: Unexploited Peripheral	Complementary	Armenia, Moldova, Kazakhstan, Serbia, Belarus; Dominica, Georgia, Fiji, Bosnia, and Herzegovina; Paraguay, North Macedonia; Lebanon, Uruguay, Costa Rica
COUTE FDI-Presence	Exports+Income+Educ+Coast-Bribery-Imports	Resource and Future Market Potential Seeking strategic asset seekingLack of bribery Complementary	Resource and Market Balanced strategic asset seeking	L Lack of bribery Complementary: Unexploited Peripheral	Complementary	Dominica, Georgia, Fiji, Bosnia, and Herzegovina; Romania; Lebanon, Uruguay, Costa Rica; Chile
COUTF FDI-Presence	Exports+Income+Educ+Coast-Bribery-Infra	Resource and Unexploited Market Potential strategic asset seeking Informal Institution irrelevance	Resource and Market Balanced strategic asset seeking	Informal Institution irrelevance Island Focused	Irrelevant	Dominica, Georgia, Fiji, Bosnia, and Herzegovina; Latvia, Bahamas, Malta; Lebanon, Uruguay, Costa Rica; Mauritius
COUTG FDI-Presence	Exports+Income+Educ+Coast-Imports-Infra	Resource and Unexploited Future Market Potential strategic asset seeking FDI Presence Lack of bribery complementary	Resource and Market Balanced strategic asset seeking	Lack of bribery Complementary: Unexploited Peripheral	Complementary	Dominica, Georgia, Fiji, Bosnia, and Herzegovina; Lebanon, Uruguay, Costa Rica; Albania, Montenegro; Gabon
COUTH FDI-Presence	Bribery+Imports+Exports+Income+Edu+Infr+Coast-Unfair	Resource, Market building and Efficiency Seeking strategic asset seeking bribery accommodating lack of unfair practice complementary	Resource and Market Balanced, Efficiency, strategic asset seeking Seeking)	Bribery accommodating lack of unfair practice complementary: East Asian	Mixed: Accomodatory	Malaysia
COUTI FDI-Presence	Unfair+Income+Educ+Coast-Bribery-Imports	Unexploited Market Potential Seeking strategic asset seeking FDI Presence lack of bribery	Market Focused strategic asset seeking	Lack of bribery complementing Unfair Practice Accommodating: South American Focused	Complementary And complementing Mixed: Accomodatory	Brazil, Colombia, Peru, Argentina; Mexico; Lebanon, Uruguay, Costa Rica; Chile

(continued on next page)

Table 3 (continued)

Pathway	Conditions	Name	FDI Theory Grouping	Corruption Grouping	Corruption of Country Type	Geography
COUTJ FDI- Presence	Income+Educ+Infra+Coast-Unfair-Imports-Exports	complementing Unfair Practice Accommodating unexploited market potential, strategic asset seeking efficiency seeking FDI lack of unfair practices complementary	Market Focused, Efficiency and strategic asset seeking	Lack of unfair practices complementary: Fast Developing	Complementary	South Africa, Turkey; China, Thailand
CNOUTA FDI- absence	Bribery-Imports-Exports-Income-Educ-Infra	Bribery Complementing Investment Unattractive	FDI Unattractive	Investment Unattractive	Complementary	Burundi, Zambia; Pakistan, Nigeria, Bangladesh, Myanmar, Cambodia; Central African Republic, Chad, Mali, Nepal; Congo, Dem. Rep., Sierra Leone, Cameroon, Kenya, Benin, Ghana, Angola, Iraq, Morocco Niger, Uganda, Burkina Faso, Zimbabwe; Sudan, Togo, Guinea, Senegal, Guatemala, Honduras; Central African Republic, Chad, Mali, Nepal; Congo, Dem. Rep., Sierra Leone, Cameroon, Kenya, Benin, Ghana, Angola, Iraq, Morocco
CNOUTB FDI- absence	Unfair-Imports-Exports-Income-Educ-Infra	Unfair Practice complementing investment unattractive	FDI Unattractive	Investment Unattractive	Complementary	Tajikistan, Uzbekistan
CNOUTC FDI- absence	-Unfair-Bribery-Imports-Exports-Income-Educ-Infr- Coast	Absence of bribery and unfair practice complementing strategic asset seeking non- substituting for Investment unattractive	FDI Insufficiently Attractive	Investment insufficiently attractive	Non-Substituting Non- Complementary	Tajikistan, Uzbekistan

Important note: The results and the circles identify that bribery and unfair practices are of secondary importance to EXPF and INCF.

6.4. COUTD, COUTE and COUTG: lack of bribery complementary: unexploited peripheral

In these 3 pathways, all resource and market balanced, and strategic asset seeking, the states covered, such as Dominica, Georgia, Fiji, Bosnia and Herzegovina; Lebanon, Uruguay, Costa Rica (which are covered by all 3 pathways) can be seen as currently economically peripheral but with unexploited potential, lack of bribery complementary to the broad FDI offering. This leads to the following proposition:

Proposition 6. The absence of pervasive bribery, in economically peripheral countries, creates an environment conducive to the attraction of high-FDI levels where resources, markets and strategic assets are sought.

6.5. COUTF: informal institution irrelevance: island focused

In this resource and market balanced, strategic-asset-seeking pathway, a large proportion of the states included, such as Malta and

Mauritius, are islands. For this pathway, corruption appears irrelevant to high-FDI in these island-focused economies. These economies recognized the importance of attracting FDI, implementing policies and initiatives to create favourable business environments. Both Malta and Mauritius, for example, have made significant efforts to establish themselves as reputable offshore financial centres, providing a range of financial services and tax incentives for international investors (Sigler et al., 2019), This leads to the following proposition:

Proposition 7. : In geographically bounded countries, the attraction of high-FDI where resources, markets and strategic-assets are sought, will render bribery and unfair practices non-relevant to the decision.

6.6. COUTJ: lack of unfair practice complementary: complementary: fast developing

In this market focused, efficiency and strategic-asset-seeking pathway, South Africa, Turkey, China, Thailand, are fast developing economies with relatively large populations. As for COUTD, COUTE and

CNOUT6, a broad FDI offering is complemented by lack of a corruption condition, but in this case, it is unfair practices. Unfair practices' absence in these fast-developing economies plays a complementary role in facilitating FDI, these unfair practices encompassing a range of actions considered unjust, discriminatory, or anti-competitive.

Recognizing the importance of fair competition and market efficiency, these countries have made concerted efforts to address unfair practices within their respective economies. South Africa has implemented competition policies and regulatory frameworks to combat monopolistic behaviour and discriminatory practices (Anwar & Mughal, 2017). Through its Competition Commission, the country aims to promote open markets and create a level playing field for businesses. Similarly, Turkey has taken steps to enhance market competition and eliminate unfair advantages by introducing reforms, revising regulations and implementing competition law. These efforts signal a commitment to fostering fair practices and attracting FDI (Bitzenis, 2006). In China, ongoing efforts have been made to address concerns related to unfair practices, particularly regarding intellectual property rights (IPR) protection (Khoury & Peng, 2011; Papageorgiadis et al., 2020). Additionally, Thailand has been proactive in improving its business environment and addressing unfair practices, undertaking regulatory reforms, streamlining administrative processes, and promoting transparency to create a more favourable climate for investment (Halaszovich & Kinra, 2020; Kasimov & Saydaliev, 2022). This leads to the following proposition:

Proposition 8. The unfair practices' absence, in fast-developing economies like South Africa, Turkey, China, and Thailand fosters fair competition, enhances market efficiency, and reduces operational risks. It presents a compelling proposition for FDI seeking markets, strategic assets, and efficient production.

6.7. CNOUTA and CNOUTB investment unattractive

Whilst in CNOUTA and CNOUTB a corruption condition is present in each case, in the absence of any location-specific reasons for FDI, the countries in this group can be seen as generally investment unattractive. Though FDI is being realised within some of these countries, the size of the countries means FDIpc is not high. In these regions a critical factor contributing to the relative FDI-absence lies in labour competition. Consistent loss of highly skilled (and thus potentially higher paid) individuals reduces FDI attractiveness, especially for industries requiring specialized knowledge and technical expertise (Nwosu et al., 2022). This "brain-drain" also reduces value addition and downstream operations. Corruption may also play a part here, impeding FDI directly and indirectly by reducing location specific factors that would otherwise attract FDI.

For CNOUTA, bribery ultimately perpetuates corruption, and its perceived benefits are not always visible (Zhu & Shi, 2019). In Nigeria, for example, lack of faith in the judicial system brought on by corruption, makes it challenging to execute contracts and safeguard capital (Okon, 2022). Similarly, in Kenya, FDI is relatively low in proportion to the size of the economy (Santander, 2018), corruption presenting a major deterrent to investment (Shiple, 2018), higher-taxes and bribes making the business climate unattractive (Voorpijl, 2011; Larossi, 2009; Heritage Foundation, 2011). Moreover, in Kenya firms that bribe still face considerable red tape (Kimuyu, 2007), the uncertainty arising during electoral cycles further disincentivising FDI into the country. Some of these being post-conflict countries (PCC), such as the Congo DR and Iraq, also inhibits their efforts to attract FDI. Therefore, institutional changes are essential for luring in FDI, especially in the battle against corruption.

For CNOUTB, many of the African countries within this group often suffer from misconceptions surrounding qualitative determinants of FDI

around unfair business practices, including perceived political instability and deficiencies in infrastructure, institutions, and regulatory frameworks, misconceptions contributing to negative perceptions of investment "risk" associated with Africa (Carrizo Moreira, 2009; Schorr, 2011). We present the following proposition:

Proposition 9. In countries characterised by political instability, corruption, and poor governance, bribery, or unfair business practises both deters potential investors but also reduces the prevalence of location-specific attractors of FDI, thereby impeding economic expansion and exacerbating the FDI-unattractiveness.

6.8. CNOUTC: investment insufficiently attractive

Central Asian economies have historically found attracting FDI challenging, due to difficulties enhancing human resources, infrastructure, and regulatory frameworks (Kasimov & Saydaliev, 2022). Additionally, there has been an upsurge in geopolitical rivalry in Central Asia between important international entities, including China, Russia, the USA, the EU, and Turkey (Parfinenko, 2022; Parfinenko, 2020). Tajikistan and Uzbekistan being geographically located in Central Asia, serve as a "buffer zone" between East and West (Parfinenko, 2022 p.34). Whilst this is potentially significant for large multinational entities seeking to establish their own sphere of influence because of their strategic position, presence of strategic assets in the absence of other locational attractors means corruption absence does not lead to FDI presence. Building on the narrative and findings discussed, we propose the following proposition:

Proposition 10. In regions characterised by strategic asset-seeking but more broadly unattractive investment climates, the presence of relatively lower levels of bribery and unfair practices does not sufficiently mitigate the challenges that hinder FDI attraction.

Comparing to previous studies (e.g. Jing, 2007; Brouthers et al., 2008) attesting to the detrimental effect that corruption has on FDI inflows, or Zurawicki and Habib (2010), Egger & Winner (2005) and Zangina et al. (2020) viewing corruption effects as more controversial, we show that corruption can be both positively and negatively linked to FDI, depending on its interaction with the rest of the FDI-motivation conditions.

7. Contributions, implications, limitations and conclusions

Previous studies' conceptualization of corruption was unidimensional, perceiving corruption either as bribery practices (e.g. Moss, 1997; Lambsdorff, 2003; Malgwi, 2016; Urbina, 2020) or as the operation of the informal economy in the host market (e.g. Lee et al., 2018). Moreover, the majority of previous studies attempted to identify individual corruption effects of FDI. Our analysis extends the understanding of institutional impacts of corruption on FDI by conceptualizing and differentiating between bribery and unfair business practices. This distinction allows for a more nuanced view of how different aspects of corruption affect MNEs' FDI motivations and strategies.

In new institutional economics, institutions are defined as "the rules of the game in a society, or the humanly devised constraints that shape human interaction" (North, 1990, p. 3). These institutions reduce uncertainty in exchanges and affect transaction and production costs in economic activities. Differentiating between bribery and unfair business practices enhances our understanding of corruption's impact on foreign direct investment (FDI). Bribery involves illegal payments to officials for business advantages, creating high risk for investors due to unpredictability and legal issues. Unfair business practices include non-transparent, often legal methods like exploiting loopholes or anti-competitive behaviour, which affect market efficiency and fairness.

Understanding these forms of corruption clarifies the risks and uncertainties linked to informal institutions. Bribery undermines legal frameworks, while unfair business practices erode market efficiency without necessarily breaking laws, offering a nuanced view of informal institutions' effects on FDI. This study highlights that bribery, often occurring at higher governmental levels, is potentially easier to eliminate despite being culturally ingrained and costly. In contrast, unfair business practices are more widespread and deeply embedded in culture, making them harder to eradicate.

The paper makes significant theoretical contributions to the understanding of corruption's impact on FDI, highlighting how different types of corruption (*bribery and unfair business practices*) interact with FDI motivations, instead of exploring corruption's individual effect. We employ a configurational approach to identify combinations of conditions that lead to the presence or absence of FDI, offering a nuanced analysis of corruption's role. Complementing previous studies, we unveil the multifaceted pathways through which corruption influences FDI presence in markets, providing evidence that the impact of corruption is not unidimensional, but instead varies depending on its form—bribery or unfair business practices, and, crucially, the absence or presence of FDI motivations. Specifically, we identify where complementary, substituting, accommodating and accomodatory interactions exist between corruption conditions and MNEs' FDI motivations and strategies.

We add to the institutional theory and its link to FDI by enriching the discourse on institutional quality and corruption, helping to explain the conflicting results concerning corruption's role in FDI decisions in previous studies. This approach extends knowledge on institutional quality's impact on FDI inflows, showing that corruption's effect varies across regions and that it's more about determining the type of companies that invest rather than if they invest. This work challenges conventional views by presenting a complex picture of corruption as both a barrier and a facilitator of FDI, contributing to a deeper understanding of FDI decisions.

Importantly, the results also indicate that whilst corruption is unimportant in preventing FDI, and of secondary importance in driving FDI, it is of clear importance in determining the type of/ motives of MNEs engaging in FDI. Given the intricacies uncovered by our configurational analysis of the influence of corruption on FDI, our research provides international business managers and policy makers with a number of vital insights, helping them navigate the complicated global market settings.

Managers should re-evaluate conventional perspectives of corruption as a risk factor in light of the sophisticated impact of corruption conditions that our study has offered. Instead, a more nuanced analysis is necessary due to the strategic consequences of corruption for entering and operating in the market. This entails appreciating the possible strategic benefits that negotiating informal institutions may provide, especially in situations where bureaucratic inefficiencies are prominent. Managers and policy makers should consider how various forms of corruption (such as bribery and unfair business practices) can impact their FDI strategies differently. This distinction will help managers navigate complex market conditions more effectively. Given that the

impact of corruption varies across regions, managers need to develop region-specific strategies that consider the local institutional quality and corruption dynamics. This tailored approach can enhance the effectiveness of FDI strategies in different markets. Furthermore, our results highlight how crucial it is for managers of global businesses to create strong plans for reducing the risks related to corruption, where these exist. This includes not only putting in place extensive compliance programmes but also carrying out careful due diligence in order to more skilfully negotiate the ethical and legal complexity offered by corruption without falling prey to its traps.

The paper identifies multiple pathways explaining FDI presence or absence in a market, showing that these vary depending on the presence or absence of corruption. This helps managers and policy makers recognize the specific conditions under which corruption might influence FDI decisions. Policy makers should better understand corruption's multifaceted impact on FDI. They should realize that the impact of corruption on FDI is not unidimensional. They have to assess the presence and absence of corruption in combination with other FDI motivations to understand its nuanced implications driving the presence or absence of FDI. For policymakers, the study underscores the importance of addressing both bribery and unfair business practices to create a more attractive FDI environment. It suggests that improving institutional quality and reducing corruption could significantly influence the type and volume of FDI a country attracts.

The paper highlights examples of economies that have succeeded in attracting FDI by minimizing corruption or rendering it irrelevant to investment decisions. This serves as a practical model for other nations and firms looking to stimulate economic growth and attract foreign capital through improved governance and transparency. Findings suggest that while corruption may not prevent FDI, it plays a crucial role in determining the type of MNEs undertaking FDI. This insight allows managers/ policy makers to tailor their investment strategies based on the type of company they lead or aim to attract.

This study inevitably also has limitations, necessitating future research. First, the study generated propositions to be tested. Future research could examine, and further adjust propositions created. Second, the study does not consider the stability and consistency of these pathways over time, generating a clear need for future, longitudinal work in this area. Third, there is a clear need for more in-depth study, to derive more detailed policy lessons. Finally, and as already stated, the sample includes 112 countries, but only 7 of the G20, and future research, data availability permitting, could look to address this. Nevertheless, this analysis of FDI decisions and linkages between more conventional FDI factors and institutional features of host nation locations provides a significant contribution to existing literature. It is anticipated that this work would inspire more investigation into this crucial topic.

Data availability

Data will be made available on request.

Appendix A

Principal Component Analysis was used to generate a Rotated Component Matrix, using the Varimax with Kaiser Normalization rotation mechanism, convergence achieved in 3 iterations.

Table A1
Exploratory Factor Analysis (Rotated Component Matrix).

Variable	Component 1: Bribery	Component 2: Unfair Practices
Bribery incidence (percent of firms experiencing at least one bribe payment request)	.942	.161
Bribery depth (% of public transactions where a gift or informal payment was requested)	.933	.143
Percentage of firms expected to give gifts to public officials "to get things done"	.842	.131
Percentage of firms expected to give gifts to secure government contract	.821	.257
Percentage of firms identifying practices of competitors in the informal sector as a major constraint	.047	.903
Percentage of firms identifying corruption as a major constraint	.325	.798
Percentage of firms identifying crime, theft and disorder as a major constraint	.118	.793
Percentage of firms competing against unregistered or informal firms;	.197	.758
Percentage Of Variance Explained	41.263	34.799
Cronbach Alpha	0.897	0.839
Kaiser-Meyer-Olkin Measure of Sampling Adequacy	.762	
Bartlett's Test of Sphericity		
Approx. Chi-Square	1057.877	
df	28	
Sig.	< .001	

Appendix B

This Appendix gives an exposition of a number of technical aspects of the analysis undertaken in this study. It is broken down into a number of subsections, i) Calibration details, ii) Necessity analysis, iii), Truth table construction (with Frequency and Consistency thresholds) and iv) Complex, Intermediate and Parsimonious solution options for Sufficiency Analysis.

i) *Calibration*

The calibration details given here follow the approach presented in Andrews, Beynon, & McDermott, (2016), and recently Beynon et al. (2021), and surround the employment of the Direct method (see Ragin, 2008). Table A1 presents the measurement and calibration of the condition and outcome sets, including the qualitative anchors (lower-threshold, crossover-point and upper-threshold) that were identified following several discussions by the research team. In Figure A1, the calibration and raw scores distribution are presented, along with the alternative cross over points that were tested.

Table A2 Measurement and calibration.

	Set	Measurement	Calibration (set membership)			Skewness
			Fully out 0.05	Neither in nor out 0.5	Fully in 0.95	
Outcome	Level of FDI per capita (INV)	FDI pc = US\$, unadjusted/ Population of Host Country	-90	85	500	51.79%
Level of corruption	Level of bribery (BRIB)	Bribery factor	-0.9	0.15	0.5	33.93%
	Level of unfair business practices (UNF)	Unfair business practices factor	-1.0	0.12	0.7	44.64%
Resource-seeking motivation	Level of imports (IMP)	Imports pc: US\$, unadjusted/ Population of Host Country	1000	6000	20000	24.11%
Market-seeking motivation	FDI is export substituting (EXP)	Exports pc: US\$, unadjusted/ Population of Host Country (UN Comtrade data from 2012 –2018)	0.000193	0.00058	0.009	55.36%
	Indication of market potential (INC)	GNI pc: Current International \$ (World Bank Development Indicator)	5000	12000	30000	50.89%
Strategic-asset-seeking motivation	Education level of labour force (EDU)	Log of tertiary education (% of labour force)	0.4	0.59	0.8	62.5%
Efficiency-seeking motivation	Level and quality of infrastructure (INFR)	Overall logistics performance index score of country - scale of 1 (worst) to 5 (best)	2.5	3	3.5	30.36%
	Existence of a coastline (CST)	Dichotomous variable	0	-	1	

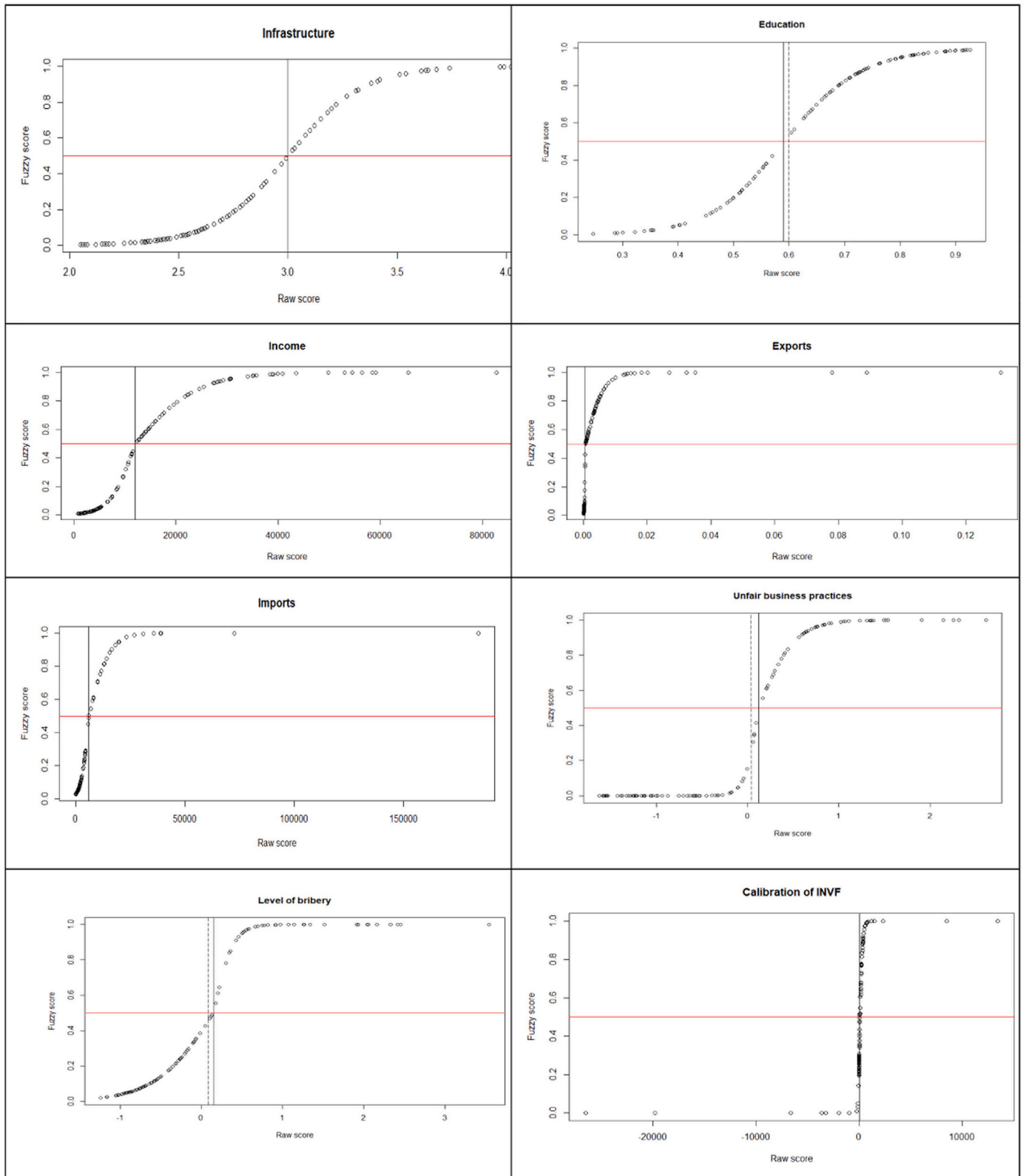


Fig. A1 Calibration and raw scores distribution.

Dotted lines indicate alternative crossover points that were tested.

ii) *Necessity analysis*

The necessity analysis presented here is premised on evaluation of consistency and coverage values of each condition (and separately each negation) to the outcome (and separately its negation), see Table A3.

Table A3 Necessity based consistency and coverage values for each condition (and negation).

Outcome		Level of FDI per capita			
		Investment (INVF) (presence of high FDI)		~Investment (~INVF) (absence of high FDI)	
		Consistency	Coverage	Consistency	Coverage
Level of bribery (BRIBF)	condition	0.453	0.552	0.562	0.632
	not-condition	0.710	0.646	0.602	0.485
Unfair business practices (UNFF)	condition	0.420	0.526	0.510	0.566
	not-condition	0.654	0.601	0.573	0.467
Level of imports (IMPF)	condition	0.381	0.747	0.280	0.486
	not-condition	0.737	0.536	0.854	0.550
Export substituting (EXPF)	condition	0.648	0.763	0.432	0.450
	not-condition	0.533	0.515	0.773	0.660
Market potential (INCF)	condition	0.701	0.787	0.428	0.426
	not-condition	0.488	0.491	0.786	0.700
Education level of labour force (EDUF)	condition	0.852	0.739	0.582	0.447
	not-condition	0.362	0.494	0.659	0.798
Infrastructure (INFRF)	condition	0.455	0.727	0.374	0.530
	not-condition	0.706	0.560	0.807	0.567
Existence of coastline (CST)	condition	0.812	0.588	0.642	0.412
	not-condition	0.188	0.372	0.358	0.628
Descriptive Statistics	Min	0.188	0.372	0.280	0.412
	Max	0.852	0.787	0.854	0.798

Inspection of the consistency and coverage values in Table A3 shows no values are above the regularly employed 0.9 value (see Greckhamer, 2011; Greckhamer, Furnari, Fiss, & Aguilera, 2018). It follows progression to the next stage of the analysis can be undertaken, with all considered conditions retained.

iii) *Truth table construction (with Frequency and Consistency threshold exposition)*

This sub-section elucidates the configurations presented within the data set, itself derived from the World Bank Survey Data. The conditions describing level of FDI per capita observations can be described in strong membership terms, with 0 s and 1 s representing the presence and absence of the condition relative to the level of FDI per capita. With eight conditions considered, there are $2^8 = 256$ logically possible configurations to consider (different combinations of 0 s and 1 s), which Table A3 presents the associated truth table for. In Table A4, the early details (columns) discern the presence or absence of conditions supporting each configuration, the middle columns give the number of FDI per capita observations associated with each presented configuration in strong membership terms, with the No. column the total number of observations, then the last columns give consistency and PRI values for the configurations to the outcome and not-outcome, as well as the list of cases. There are 25 configurations shown (main rows), less than the 256 available configurations, the reason for this subset shown is premised on the employed frequency and consistency thresholds (see Ragin, 2008).

Following Andrews, Beynon, & McDermott, (2016), the subsequent choice of consistency threshold, after frequency threshold is chosen, is premised on the desire to employ a consistency threshold large enough to exclude a configuration being associated to both the outcome and not-outcome, but noting that the larger the consistency threshold the more configurations excluded from association to either outcome or not-outcome. A frequency threshold of 1 and consistency threshold 0.75 was selected.

Table A4 Truth table elucidation of configurations based on conditions and associations to the outcome Level of FDI per capita.

Config.	BRIBF	UNFF	IMPF	EXPF	INCF	EDUF	INFRF	CST	Out- come	Out- come	Level of FDI per capita				Cases		
											INVF	~INVF	FDI Investment (INVF)			~FDI Investment (~INVF)	
											No	Cons.	PRI	Cons.		PRI	
5	0	0	0	0	0	1	0	0	0	1	2	0.686424	0.239068	0.869286	0.682806	Tajikistan, Uzbekistan	
16	0	0	0	0	1	1	1	1	1	0	2	0.965906	0.914554	0.609818	0.022139	South Africa, Turkey	
29	0	0	0	1	1	1	0	0	1	0	5	0.886285	0.734258	0.674012	0.238196	Armenia, Moldova, Kazakhstan, Serbia, Belarus	
30	0	0	0	1	1	1	0	1	1	0	4	0.981257	0.966192	0.464356	0.033808	Dominica, Georgia, Fiji, Bosnia and Herzegovina	
32	0	0	0	1	1	1	1	1	1	0	1	0.969771	0.94513	0.479304	0.05487	Romania	
62	0	0	1	1	1	1	0	1	1	0	3	0.954152	0.927826	0.407554	0.067371	Latvia, Bahamas, Malta	
65	0	1	0	0	0	0	0	0	0	1	4	0.5529	0	0.967206	0.926652	Niger, Uganda, Burkina Faso, Zimbabwe	
66	0	1	0	0	0	0	0	1	0	1	6	0.688407	0.193866	0.890224	0.715993	Sudan, Togo, Guinea, Senegal, Guatemala, Honduras	

(continued on next page)

Table A4 (continued)

Config.	BRIBF	UNFF	IMPF	EXPF	INCF	EDUF	INFRF	CST	Out-come	Out-come	Level of FDI per capita				Cases		
											INVF	~INVF	FDI Investment (INVF)			~FDI Investment (~INVF)	
													No	Cons.		PRI	Cons.
78	0	1	0	0	1	1	0	1	1	0	4	1	1	0.628219	0	Brazil, Colombia, Peru, Argentina	
80	0	1	0	0	1	1	1	1	1	0	1	1	1	0.580418	0	Mexico	
93	0	1	0	1	1	1	0	0	1	0	2	0.878177	0.677444	0.744143	0.322556	Paraguay, North Macedonia	
94	0	1	0	1	1	1	0	1	1	0	3	0.981592	0.958846	0.571117	0.041154	Lebanon, Uruguay, Costa Rica	
96	0	1	0	1	1	1	1	1	1	0	1	0.969749	0.922369	0.640575	0.077631	Chile	
126	0	1	1	1	1	1	0	1	1	0	1	0.953766	0.886497	0.638897	0.113503	Mauritius	
128	0	1	1	1	1	1	1	1	1	0	1	0.951765	0.888927	0.61397	0.111073	Greece	
129	1	0	0	0	0	0	0	0	0	1	2	0.625312	0.08928	0.925932	0.819969	Burundi, Zambia	
130	1	0	0	0	0	0	0	1	0	1	5	0.690136	0.142566	0.904786	0.73653	Pakistan, Nigeria, Bangladesh, Myanmar, Cambodia	
144	1	0	0	0	1	1	1	1	1	0	2	0.983736	0.93935	0.741142	0.034701	China, Thailand	
149	1	0	0	1	0	1	0	0	1	0	1	0.960743	0.868483	0.74076	0.131517	Mongolia	
158	1	0	0	1	1	1	0	1	1	0	2	0.980301	0.951715	0.611727	0.048285	Albania, Montenegro	
192	1	0	1	1	1	1	1	1	1	0	1	0.931337	0.837593	0.645878	0.162407	Malaysia	
193	1	1	0	0	0	0	0	0	0	1	4	0.514425	0	0.908165	0.810873	Central African Republic, Chad, Mali, Nepal	
194	1	1	0	0	0	0	0	1	0	1	9	0.610401	0.195678	0.880429	0.753148	Congo, Dem. Rep., Sierra Leone, Cameroon, Kenya, Benin, Ghana, Angola, Iraq, Morocco	
210	1	1	0	1	0	0	0	1	1	0	3	0.904146	0.75591	0.703155	0.24409	Guinea-Bissau, Mauritania, Congo, Rep.	
222	1	1	0	1	1	0	1	1	1	0	1	0.961168	0.895183	0.668359	0.104817	Gabon	

Frequency threshold = 1

Consistency threshold = 0.75

iv) Complex, Intermediate and Parsimonious solution options for Sufficiency Analysis

An integral prior part of the sufficiency analysis stage of the analysis is consideration of which solutions to consider (Ragin, 2008), from Complex, Intermediate and Parsimonious. The existence of multiple solutions is premised on the notion of remainder configurations, those configurations not flagged as being associated to neither the outcome nor not-outcome (see truth table in Table A3 and surrounding discussion), which are dependent on the associated frequency and consistency thresholds employed. Figure A2, gives a visual understanding to these solutions (adapted from Ragin, 2008).

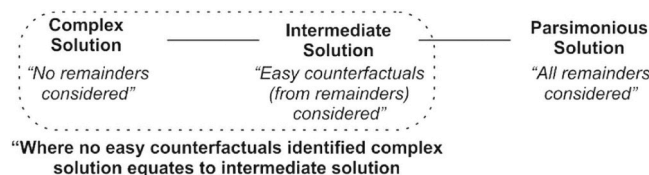


Fig. A2. Adaption of complexity/ parsimonious continuum.

In this study, no easy counterfactuals are considered appropriate, therefore following Figure A2, two solutions are considered, complex (equating to intermediate) and parsimonious.

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