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Journal of International Business Studies (2017) 48, 123–147

www.jibs.net

EDITORIAL

Law, finance, and the international mobility of corporate governance

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Abstract
We introduce the topic of this Special Issue on the "Role of Financial and Legal Institutions in International Governance", with a particular emphasis on a notion of "international mobility of corporate governance". Our discussion places the Special Issue at the intersection of law, finance, and international business, with a focus on the contexts of foreign investors and directors. Country-level legal and regulatory institutions facilitate foreign ownership, foreign directors, raising external financial capital, and international M&A activity. The interplay between the impact of foreign ownership and foreign directors on firm governance and performance depends on international differences in formal/regulatory institutions. In addition to legal conditions, informal institutions such as political connections also shape the economic value of foreign ownership and foreign directors. We highlight key papers in the literature, provide an overview of the new papers in this Special Issue, and offer suggestions for future research.
Journal of International Business Studies (2017) **48**, 123–147.
doi:10.1057/s41267-016-0063-7

Keywords: law and finance; corporate governance; mobility; foreign investors; directors; political connections

INTRODUCTION

International Business (IB), economics and finance scholars have developed a significant body of research focused on the international mobility of capital, labor and goods. Two main theoretical approaches to international business strategy – internalization theory and the resource-based view (RBV) – assume that the most efficient firm strategy will be that which maximizes rents from the firm-specific assets and thus maximizes the long-run value of the firm. The role of management in such theories is essentially to identify and implement this efficient strategy. Organizational control processes are equally important in terms of creating value in the context of globalization. These processes facilitate accountability, monitoring and trust within and outside of the firm, and should ultimately lead to improvements in the firm's performance and long-term survival.

Although prior IB and international finance studies have identified a number of governance factors that may affect global strategy both at the headquarter and subsidiary levels of a multinational company (MNC), this research generally considers corporate governance functions and processes as being location-

Received: 21 November 2016
Accepted: 12 December 2016
Online publication date: 10 February 2017

specific (Filatotchev & Wright, 2011). The underlying assumption in the vast majority of governance papers in the context of globalization is that governance is immobile, and various governance mechanism are location-bound unlike international flows of factors of production, goods and services that form a core research area of IB. The focus in traditional international business has been on labor, capital, and goods, as well as the control processes around these inputs. Common control and governance processes facilitate trust within and outside of a firm. In a repeated game, trust plays a role that limits defections. Ownership or foreign direct investment (FDI) in an international business context is the key to creating a repeated game. Therefore FDI may facilitate the creation of trust through the overseas extension of governance practices.

Corporate governance research from an IB perspective has traditionally not considered the mobility of corporate governance. However, there is a growing body of theoretical and empirical evidence pointing out that corporate governance structures and processes are becoming increasingly mobile internationally. Mobility of corporate governance in this context refers to scenarios where firms export or import governance practices in the process of internationalization. For example, a firm may export its governance practices to its acquisition target in an overseas location. Likewise, a local firm may import overseas governance practices by appointing foreign directors on its board or attracting foreign investors through a cross-listing on a foreign exchange. In this introduction, we focus on four related channels through which corporate governance may be internationally mobile and highlight the contributions of the papers in this Special Issue: (1) international mergers and acquisitions (Ellis, Moeller, Schlingemann, & Stulz, 2017; Renneboog, Szilagyi, & Vansteenkiste, 2017), (2) foreign ownership (Aguilera, Desender, López-Puertas, & Lee, 2017; Calluzzo, Dong, & Godsell, 2017), (3) foreign political connections (Sojli & Tham, 2017), and (4) foreign directors (Miletkov, Poulsen, & Wintoki, 2017). Overall, the recognition of corporate governance mobility presents an important opportunity for further theory building in the contest of both IB and finance research, and this is a focal point of this Special Issue.

Further, we build on an established tradition in the IB and finance areas focused on the role of formal and informal institutions and show that the mobility of corporate governance is strongly associated with diverse institutional contexts within firms operate domestically and globally. As Bell, Filatotchev, & Aguilera (2014) argue, firms are embedded in different national institutional systems, and they experience divergent degrees of internal and external pressures to implement a range of governance mechanisms that are deemed efficient in a specific national context. Therefore we suggest that formal institutional factors such as legal or regulatory, as well as informal (cognitive and cultural) institutions may shape the process of governance mobility. Likewise important is that cross-national institutional differences may pose a barrier for an international transfer of governance practices.

The ideas of mobile governance in different institutional contexts form a theoretical foundation for the papers included in this Special Issue. The call for papers for this Special Issue drew 84 submissions written by authors stemming from 24 nations. Thirteen papers were accepted for a paper development workshop in London in February 2016, and six of those papers appear in this Special Issue (an additional three appear in regular JIBS issues). Taken together, these papers provide a novel contribution to IB research by focusing on international dimensions of corporate governance mobility and the implications of macro-level, institutional factors on the governance processes and outcomes across national borders.

This introduction to the Special Issue is organized as follows. The next section discusses institutional aspects of corporate governance. The section thereafter discusses the mobility of corporate governance. We then introduce the specific topics pertaining to mobility in the case of international mergers and acquisitions, foreign owners, and foreign directors. We provide evidence of the growing importance of these topics in relation to more traditional topics in international business. The last section offers concluding remarks and suggestions for further research.

INSTITUTIONAL ASPECTS OF GOVERNANCE

In their seminal review of corporate governance research, Shleifer & Vishny (1997 p. 773) provide the following definition of corporate governance: "Corporate governance deals with the agency problem: the separation of management and finance. The fundamental question of corporate governance is how to assure financiers that they get a return on their financial investment." As corporate governance research has evolved, studies have broadened the definition of “good governance” by considering it as a process-driven function that facilitates value creation. These processes develop over time across countries and within firms. The financial impact of good governance on the firm is unambiguously positive, both in terms of short-term efficiency outcomes and longer-term sustainability of the business. Perhaps most intuitive is that good governance, which minimizes the chance of managerial tunneling – defined by Johnson, La Porta, Lopez-de-Silanes, & Shleifer (2000) as the expropriation of corporate assets or profits – leads to an enhanced capability of the firm to raise external capital (Aggarwal, Klapper, & Wysocki, 2005). Gompers, Ishii, & Metrick (2003) and Bebchuk, Cohen, & Ferrell (2009) provide important metrics for the robustness of governance at the firm level and find that good governance firms have higher firm value, profits, and sales growth. The finance literature also suggests that good governance leads to an increase in Tobin’s Q (Daines, 2001) and higher firm value in M&A (Cremers & Nair, 2005), among other factors. The drivers of “good governance” and its financial benefits can come from monitoring by the Board of Directors (see, e.g., Huson, Parrino, & Starks, 2001), institutional investors (see, e.g., Li, Moshirian, Pham, & Zein, 2006), creditors (Nini, Smith, & Sufi, 2012), whistle blowers (Dyck, Morse, & Zingales, 2010) and the market for corporate control (Masulis, Wang, & Xie, 2012).

Management and IB perspectives have further broadened research on “good corporate governance” by considering different organizational and institutional contexts as well as their effects on the firm’s internationalization. Some studies, for example, indicate that monitoring, though important, is not the only function of corporate governance. Indeed, good governance can also be viewed as having top managerial competency (Kor, 2003) or investment in firm-specific human capital that can enhance the quality of decision-making (Mahoney & Kor, 2015). Governance is particularly important to firms in less competitive industries (Giroud & Mueller, 2011) or in family-controlled firms (Anderson & Reeb, 2004). Importantly, good governance provides legitimacy to managerial actions (Lipton & Lorsch, 1992; Aguilera & Jackson, 2003) such that investors feel protected from management consuming private benefits of control. The extent of this legitimacy can differ across countries depending on laws, culture and levels of corruption (Judge, Douglas, & Kutan, 2008).

A growing number of studies suggest that firm-level governance mechanisms are institutionally embedded (e.g., Aguilera & Jackson, 2003; Bell et al., 2014; McCahery, Sautner, & Starks, 2017), and their functioning as well as organizational impact may be different, even in country settings that appear similar legally. This leads to two significant extensions of previous research based on a universalistic agency framework. First, governance problems at the firm level are not universal; they may differ depending on the firm’s institutional environment. Second, the effectiveness of governance remedies aimed at mitigating agency conflicts may depend on formal and informal institutions. “Law and finance” research has made the first inroads into exploring how national settings may lead to different firm-level governance models around the world.

In seminal papers, La Porta, Lopez-de-Silanes, Shleifer, & Vishny (1997, 1998, 2000) and La Porta, Lopez-de-Silanes, Pop-Eleches, & Shleifer (2004) suggest that legal origin is influential in a nation’s protection of outside investors (investors other than management or controlling shareholders), which the authors suggest is largely the purpose of corporate governance. Though legal tradition (“common law” and “civil law”) succeeds in explaining many cross-sectional differences in corporate finance, critics argue that these broad categories belie the true complexity of a nation’s legal system. The US and UK economies serve as a good example. While both countries belong to the same “Anglo-Saxon” model of corporate governance, describing their legal environment solely as common law ignores differences in formal and informal “rules of the game” that may significantly impact the forms and efficacy of corporate governance mechanisms in the two countries. Consistent with this notion, Short & Keasey (1999) suggest that managers in the UK become entrenched at higher ownership levels than managers in the US. They attribute this difference to better monitoring and fewer firm-level takeover defenses in the UK. Bruton et al. (2010) and Cumming & Walz (2010) show that performance outcomes of ownership concentration and retained ownership by private equity investors may differ depending on the legal system and institutional characteristics of the private equity industry in a specific country.

Characteristics of Boards of Directors, such as goals, structure and representation may likewise be expected to differ across institutional contexts, even within broad institutional categories. Wymeersch (1998), for example, finds that in some countries, the law does not specifically dictate the role of the board of directors, so its priorities may well differ from the typical shareholder wealth maximization. Regarding board structure, some jurisdictions have two-tier boards while others have unitary boards. Rose (2005) suggests that the unitary (or one-tier) boards are typically from common law nations and two-tier boards predominate in civil law nations, however, Danish firms have adopted aspects of both. Moreover, O'Hare (2003) suggests that there may be an increase in oversight if firms with unitary systems change to a two-tier structure. Regarding representation on boards, nations differ with regard to their take on the wisdom of including directors that are insiders versus outsiders (Adams & Ferreira, 2007) as well as local versus global (Masulis et al., 2012).

A large literature, much of it in the accounting field, suggests that information environment, which includes the extent of corporate disclosure, reporting standards, the reliability of financial reporting, etc., is important to corporate governance (Bushman, Piotroski, & Smith, 2004; Leuz & Wysocki, 2016). Corporate disclosure of information through publicly accessible accounting statements serves to enhance investor trust (Bushman & Smith, 2001). Much of this literature examines the use of financial accounting in managerial incentive contracts. This research has been examined in the context of takeovers (Palepu, 1986), boards of directors (Anderson et al., 2004), shareholder litigation (Skinner, 1994) and debt contracts (Smith & Warner, 1979). The worldwide adoption of International Financial Reporting Standards has been an important development in this literature and has motivated research in this area. The positive impact of enhancing reporting standards around the globe is arguably evidence consistent with the notion that disclosure is an important mechanism in corporate governance.

Related to both the finance and accounting literature, the legal structure in a nation plays a central role in corporate governance of firms. Though firms may adapt to poor legal environments individually (Coase, 1960), research suggests that regulation leads firms to develop good governance. Mandatory disclosure can serve to reveal the true quality of a firm overall, and even managers at that firm (Wang, 2010). Firms can opt into regulatory environments by bonding to external legal environments that enhance legal requirements (e.g., with cross-listing) or opt out through going private, delisting or even foreign incorporation. Much of this literature examines changes in regulation in the US such as Regulation Fair Disclosure and Sarbanes–Oxley, but there are some international studies, such as Leuz, Nanda, & Wysocki (2003) and Dyck & Zingales (2004) that corroborate the positive association between corporate governance and a legal system that mandates disclosure. Some studies highlight the costs of regulation, both direct and indirect (e.g., Coates & Srinivasan, 2014), suggesting that the mandatory nature of disclosure is not as straightforward as its relation to corporate governance might imply.

To summarize, prior law, economics, finance and IB studies not only explore efficiency and effectiveness of various governance practices, but also identify significant national differences in how these practices are implemented at the firm level. In the following sections, we take this collective body of research a step further and discuss how national differences may facilitate or create barriers for the mobility of governance practices across national borders.

MOBILITY OF GOVERNANCE

An integration of the mainstream IB research with institutional theory from finance, law and economics, provides new interesting dimensions to the discussion of corporate governance mobility. Traditional IB studies have identified how different forms of institutional distance may affect the way MNCs tap into international factors markets and develop their strategies in terms of global diversification of their product and services (Brouthers, 2002; Tihanyi, Griffith, & Russell, 2005). What is not clear, however, is how these institutional factors may affect the exporting of governance and its implications.

Given the predominant focus in extant literature on internal, organizational aspects of corporate governance, there is limited prior work on potential roles of the firm's institutional environments in terms of their impact on the link between governance factors, international business strategy and ultimately performance. Aguilera & Jackson (2003), for example, suggest that because business organizations are embedded in different national institutional systems, they will experience divergent degrees of internal and external pressures to implement a range of governance mechanisms that are deemed efficient in a specific national context. Therefore contrary to the universalistic predictions of agency-grounded research, different social, political and historic macro-factors may lead to the institutionalization of very different views of firms' role in society as well as what strategic actions and their outcomes should be considered as acceptable.

More recent sociology-grounded research suggests that governance is a product not only of coordinative demands imposed by market efficiency, but also of rationalized norms legitimizing the adoption of appropriate governance practices (Bell et al., 2014). *Legitimacy* is the "generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate, within some socially- constructed system of norms, values, beliefs, and definitions" (Suchman, 1995, p. 574). This perspective focuses less attention on the individual efficiency outcomes of structural governance characteristics that are at the core of agency perspective, and instead concentrates more on theoretical efforts to understand how governance mechanisms affect the firm's legitimacy through perceptions of external assessors, or the stakeholder "audiences".

Research within institutional theory and social psychology fields differentiates between various types of legitimacy judgments that include, in addition to instrumental (pragmatic), also cognitive and moral dimensions. More specifically, institutional theorists predict that regulative, normative and cognitive institutions put pressure on firms to compete for resources on the basis of economic efficiency. However, institutional pressures may also compel firms to conform to expected social behavior and demands of a wider body of stakeholders. In other words, the ability of organization to achieve social acceptance will depend on, in addition to efficiency concerns, the ability of its governance systems to commit to stewardship management practices, stakeholders' interests, and societal expectations.

These theoretical arguments may have far-reaching implications for corporate governance in an IB context. First, the firm's quest for legitimacy may lead to changes in its corporate governance practices and processes. For example, some firms, in addition to enhancing the monitoring capacity of boards, may also incorporate stakeholder engagement mechanisms into their formal governance structures by assigning responsibility for sustainability to the board and forming a separate board committee for sustainability. Consistent with this notion, the co-determination system of corporate boards in Germany ensures that representatives of key stakeholders, including employees, have a direct say in governance matters. A system of remuneration that involves not only financial performance benchmarks, but also factors associated with longer-term sustainability may be another governance factor contributing to moral legitimacy. Similarly, some companies introduce wider performance criteria and definitions of risk in their risk-movement systems that use non-financial indicators. Therefore unlike studies in finance, economics, and strategy fields, institutional framework considers corporate governance as an endogenous, socially-embedded mechanism that may be highly responsive to various legitimacy pressures (Filatotchev & Nakajima, 2014).

These arguments shed new light on our notion of internationally mobile corporate governance by suggesting that firms may adjust their governance mechanisms strategically when venturing into overseas factor and product markets. For example, Moore, Bell, Filatotchev, & Rasheed (2012) advance a comparative institutional perspective to explain capital market choice by firms going public via initial public offering (IPO) in a foreign market. Based on a sample of 103 US and 99 UK foreign IPOs during the period 2002–2006, they find that internal governance characteristics (founder-CEO, executive incentives, and board independence) and external network characteristics (prestigious underwriters, degree of venture capitalist syndication, and board interlocks) are significant predictors of foreign capital market choice by foreign IPO firms. Their results suggest foreign IPO firms select a host market where its governance characteristics and third party affiliations fit the host market's institutional environment. The basis for evaluating such fit is the extent to which isomorphic pressures exist for firm attributes and characteristics to meet legitimacy standards in host markets. Thus differences in internal governance characteristics and external ties are associated with strategic capital market choices such that an increased fit results in a higher likelihood of choosing one market over another. In other words, when firms select between different stock markets for their foreign IPO, they try to "import" governance standards that they perceive as more legitimate by investors in a specific market. These findings are particularly important given that Syvrud, Knill, Jens, & Colak (2012) find that, on average, foreign IPOs result in less proceeds.

Further, research by Bell et al. (2014) focuses on legitimacy in the stock market, where investor perceptions of the foreign IPO firm's overall legitimacy fall at the intersection of the cognitive and regulatory institutional domains. These domains are aligned with the firms' governance bundle and its home country legal environment, respectively. IPO firms originating from countries with institutional environments granting weak minority shareholder protections, such as China or Russia, will have to adopt a larger number of governance practices to gain the same level of legitimacy as IPOs from strong governance jurisdictions. This international mobility of firm- and macro-level governance factors can go both ways.

In a more recent paper, Krause, Filatotchev, & Bruton (2016) observe that institutional characteristics of foreign product markets influence the structure of boards of directors of US firms active in these markets. They argue that allocating greater, outwardly visible power to the CEO will build the firm's legitimacy among customers who are culturally more comfortable with high levels of power distance. Scholars rarely conceptualize boards as tools firms can use to manage product markets' demand-side uncertainty, but the results of this study suggest they should. Further, existing research in comparative corporate governance (e.g., Aguilera & Jackson, 2003) has argued that national institutions affect firm-level governance mechanisms, but this research also focuses almost exclusively on home country institutions. Clearly, institutional characteristics of *foreign product markets* can also have an effect on a firm's governance, even if the firm is incorporated and headquartered in the United States.

To summarize, the legitimacy perspective suggests novel dimensions to the notion of corporate governance mobility. From the agency perspective, MNCs may export/import corporate governance to obtain access to superior resources and achieve efficiency outcomes. For example, by importing foreign directors, firms in emerging markets can gain access to enhanced managerial expertise and monitoring capabilities that may help them to be more competitive in an international market (Giannetti, Liao, & Yu, 2015). In addition, from an institutional perspective, MNCs may adjust their governance systems to adhere to expectations and governance standards in a foreign product and factor markets, and therefore increase their legitimacy among local stakeholders, including investors and customers. These two perspectives differentiating between efficiency and legitimacy are not orthogonal, and the extent of governance mobility is determined by a complex interplay of firm- and industry-level factors, as well as financial, legal and cognitive institutions in the home and host countries.

Institutional factors may also create significant barriers for corporate governance mobility. In terms of formal institutions, differences in national governance regulations may impede a transfer of governance practices across national borders. For example, until recently the Chinese government imposed restrictions on foreign ownership of local companies that had a limiting effect on how much influence Western institutional investors may have when deciding on various governance matters. Differences in informal institutions, such as culture, may also create barriers for the transfer of governance when, for example, imported governance practices are not considered locally as legitimate. Cultural differences influence governance not only directly, but also indirectly through its influence over time in shaping institutions. For example, culture can influence governance and other managerial decision-making through beliefs or values that influence individual agents' perceptions, preferences, and behaviors. As a result, culture ultimately affects the utilities of agent's choices, both at the individual level and-as frictions are always present-at the firm and national levels, when local players may have difficulties adopting best governance practices due to behavioral and cognitive biases. Culture also affects governance and managerial decision-making by influencing national institutions, which can be viewed as a path-dependent result of cultural influences and historical events (David, 1994). Recent examples surround governance tensions in Japan, China and other South-East Asia economies between local investors on one hand, and foreign board members and CEOs coming from the Western economies, indicating that cultural differences may create barriers for the transfer of "good governance" concepts that local participants in corporate governance mechanisms find difficult to accept. Although our emphasis here was on how institutional factors may facilitate the transfer of corporate governance, institutional barriers to this transfer represent an important but relatively less explored area.

SPECIFIC MODES OF TRANSFERRING GOVERNANCE

If the firm-level corporate governance structures and their organizational outcomes in terms of strategies and performance are institutionally embedded, then the extent of governance mobility as well as its effects on exporting/receiving firms is far from universal. They may depend on institutional differences in home/host locations. Exactly how institutional factors affect the mobility of corporate governance and its implications depends on firm-level corporate governance, the mode(s) in which corporate governance is transferred, and the institutional environments from and to which governance is transferred.

The mobility of governance depends on the mechanisms used partly because there is differential evidence on the extent to which governance can be learned, copied, or imitated. Consistent with this notion, Doidge, Karolyi, & Stulz (2007) find significant heterogeneity in firm-level corporate governance within countries. Prior research has shown that investors themselves learn about the value of governance, and as such the returns to investment based on governance disappear over time. Indeed, Subramanian (2004) shows that the advantages to incorporating in Delaware differ across small versus large firms and disappear over time (counter to Daines, 2001). Bebchuk, Cohen, & Wang (2013) show that the value of the Gompers et al. (2003) governance index in predicting stock returns over time disappears as investors learn about the value of such governance; that is, the price of well governed stocks goes up and the returns go down. Nevertheless, while investors appear to learn about the value of governance, it is difficult for some firms to observe, learn, and adopt best practices in governance due to differences in internal process of the firm, behavioral and cognitive biases which limit the ability to copy well (Amin & Cohendet, 2000; Klapper & Love, 2004). Learning is local, requires skill acquisition, acclimation to the right mindset, interactions with the right people, and a thirst for external reputation. Also, learning requires overcoming bad governance. For example, Romano (2005) suggests that there are mistakes made by policymakers when they adopt minimum governance standards. Policy implications on governance standards is a partisan topic, however. Involved in these policies are two controversial topics: globalization versus nationalization, and government involvement in the corporate world. The law and economics/finance literature is fairly consistent in their conclusion that legal institutions, both public and private (La Porta et al., 2006; Jackson & Roe, 2009; Cumming, Knill, & Richardson, 2015), are good for firm access to capital and financial development in general. Consistent with this notion, policymakers who find this research compelling should support legislation supporting the exporting or importing of good corporate governance, especially in nations where legal institutions are lacking.

At the same time, fairly recent events, such as the Great Recession, "Brexit" in the UK and an increase in the popularity of nationalism among citizens in some nations have moved some policymakers to take a more protective stance with regard to foreign ownership. As international trade and capital flows contract, the International Monetary Fund acknowledges that globalization is not without risks. Taking into consideration both of these trends, it is difficult to discuss with any specificity global policy implications.

In this Special Issue, the papers comprise analyses of four types of international transfer of corporate governance: international M&As (Ellis et al., 2017; Renneboog et al., 2017), foreign investors (Aguilera et al., 2017; Calluzzo et al., 2017, foreign political connections (Sojli & Tham, 2017) and foreign directors (Miletkov et al., 2017).

The popularity of the international M&A literature has been growing markedly over time. Figure 1 shows that articles that reference international business in general have declined over time relative to articles that reference international acquisitions, shareholder rights, and creditor rights. Some key papers in the literature on international M&As and related topics of loans and creditor rights are summarized in Table 1. Esty & Megginson (2003), Bae & Goyal (2009), Haselmann, Pistor, & Vig (2010), Cumming, Lopez-de-Silanes, McCahery, & Schwienbacher (2015), and Qi, Roth, & Wald (2017) show that loan structures and debt tranching depend significantly on creditor rights and shareholder rights. In turn, international M&As, which are often financed with significant leverage, depend on access to debt finance and international levels of creditor and investor protection. Bris & Cabolis (2008) and Martynova & Renneboog (2008) find evidence that the cross border mergers have a higher impact on target firms share prices in countries with better investor protection, and when the target is from a country of better investor protection. In the context of leveraged buyouts (LOBs), however, Cao, Cumming, & Qian (2014) find evidence that cross-border LBOs are more common from strong creditor rights countries to weak creditor rights countries. Further, LBO premiums are lower in countries with stronger creditor rights and lower among cross-border deals. Cao,

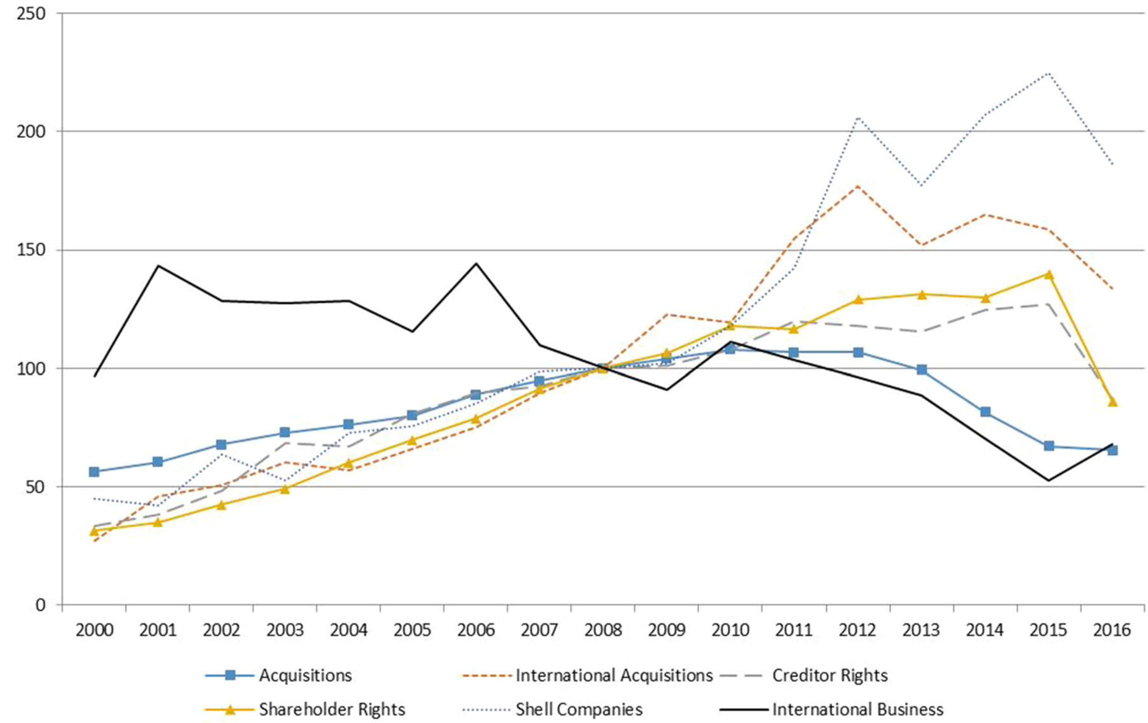

Figure 1 Google Scholar hits on international acquisitions, creditor rights, and related topics. This figure displays the number of Google Scholar hits as a percentage of the hits in 2008 for different search terms: Acquisitions (54,100 hits in 2008), International Acquisitions (290 in 2008), Creditor Rights (835 in 2008), Shareholder Rights (1380 in 2008), Shell Companies (288 in 2008), and International Business (134,000 in 2008).

Cumming, Goh, & Qian (2015) show that the impact of country-level investor protection on deal premiums is stronger for LBO than non-LBO transactions.

Two papers in this Special Issue contribute to this literature on cross-border M&As. Ellis et al. (2017) show that acquirers benefit from good country governance, such that the acquirer's stock price reaction to acquisitions increases with the country level governance distance between the acquirer and the target. Renneboog et al. (2017) examine the impact of M&As on bondholders. Bondholder returns are larger in countries with stronger creditor rights and more efficient claims enforcement. These papers are important, as they show that the country-level distance between the acquirer and target affects the magnitude of transfer of governance, and this benefit is shared by shareholders and bondholders alike.

Table 2 highlights key papers in the literature on foreign ownership, foreign political connections, and foreign directors. Figure 2 shows that these topics have been substantially increasing in popularity over time, in contrast to work on directors more generally for example, which has been in relative decline in recent years. Foreign investors focus on different types of stocks, as shown in early work by Kang & Stulz (1997). Foreign investors do not destabilize markets (Choe, Kho, & Stulz, 1999). Foreign investment reduces the cost of capital (Stulz, 1999), and financial integration across countries lowers transactions costs and greater economic welfare (Martin & Rey, 2000), even though foreign money managers have transaction costs disadvantages (Choe, Kho, & Stulz, 2005). Foreign investors increase the expected value of private firms backed by venture capitalists (Cumming, Knill, & Syvrud, 2016), The positive effect of foreign ownership on firm value has been attributed to larger shareholders and higher long term commitment and involvement of such shareholders (Douma, George, & Kabir, 2006); however, in some cases international ownership is associated with deficient environmental standards (Dean, Lovely, & Wang, 2009).

Cross-listing enables foreign ownership, and firms to bond to higher governance standards abroad to take advantage of more stringent securities laws in a host country's capital markets (Coffee, 2002; Doidge, Karolyi, & Stulz, 2004; Doidge et al., 2007; Karolyi, 2012; Pagano, Roell, & Zechner,

Table 1 Summary of literature on international creditor rights, debt finance, and M&As

Author(s)	Sample	Data source	Dependent variables	Independent variables	Main findings
Esty & Megginson (2003)	495 Project Loan Tranches in 61 Countries, 1980–2000	Dealogic Loanware	Loan Syndicate Size and Structure	Creditor Rights, Legality Indices, Institutional Investor Ratings, Maturity, Refinancing, Guarantees, Emerging Market Bond Spreads, Sector Variables	Lenders structure loan syndicates to facilitate monitoring and low-cost re-contracting in countries where creditors have strong and enforceable legal rights. In contrast, lenders attempt to deter strategic defaults by creating larger and more diffuse syndicates when they cannot resort to legal enforcement mechanisms to protect their claims
Bris & Cabolis (2008)	39 Countries, 1989–2002, Cross-border M&A	Securities Data Corporation (SDC)	Cumulative Abnormal Returns for Acquirer and Target Firms	Creditor Rights, Shareholder Rights, Corruption, Accounting Standards, Cash Payment, Firm-Specific Variables, Market Conditions Variables	The announcement effect of a cross-border merger for the target firm is higher – relative to a matching, domestic acquisition – the better the shareholder protection and the accounting standards in the country of origin of the acquirer. This result is only significant in acquisitions where the acquirer buys 100% of the target, and therefore where the nationality of the target firm changes. In addition, this result is only significant when the acquirer comes from a more-protective country, which suggests that target firms avoid adopting weaker protection via private contracting. There is not a symmetric effect on the acquirer's return. All in all, the evidence supports the view that the transfer of better corporate governance practices through cross-border mergers is positively valued by markets with weaker corporate governance
Martynova & Renneboog (2008)	29 Countries, 1993–2001, Cross-border M&A	Securities Data Corporation (SDC)	Cumulative Abnormal Returns for Acquirer and Target Firms	Difference between Creditor Rights and Shareholder Rights for Target and Bidder Nations, Firm-Specific Variables, Market Condition Variables	When the bidder is from a country with a strong shareholder orientation (relative to the target), part of the total synergy value of the takeover may result from the improvement in the governance of the target assets. In full takeovers, the corporate governance regulation of the bidder is imposed on the target (the positive spillover by law hypothesis). In partial takeovers, the improvement in the target corporate governance may occur on a voluntary basis (the spillover by control hypothesis). The data corroborate both spillover effects. In contrast, when the bidder is from a country with poorer shareholder protection, the negative spillover by law hypothesis states that the anticipated takeover gains will be lower as the poorer corporate governance regime of the bidder will be imposed on the target. The alternative bootstrapping hypothesis argues that poor-governance bidders voluntarily bootstrap to the better-governance regime of the target. The data do not support this bootstrapping effect

Table 1 (*Continued*)

Author(s)	Sample	Data source	Dependent variables	Independent variables	Main findings
Bae & Goyal (2009)	48 Countries, 1994–2003	Loan Pricing Corporation (LPC)	Loan Size, Loan Maturity, Loan Spread over LIBOR	Creditor Rights, Enforcement, Other Country Level Legal Variables	Banks respond to poor enforceability of contracts by reducing loan amounts, shortening loan maturities, and increasing loan spreads. While stronger creditor rights reduce spreads, they do not seem to matter for loan size and maturity. Overall, we show that variation in enforceability of contracts matters a great deal more to how loans are structured and how they are priced
Cumming et al. (2015)	115 Countries, 1995–2009	Loan Pricing Corporation (LPC)	Number of Loan Tranches, Spread Between Loan Tranches	Creditor Rights, Enforcement, Other Country Level Legal Variables	In addition to deal and borrower characteristics, legal and institutional differences impact both the probability of tranching and the structure across tranches of the same loan. Strong creditor protection and efficient debt collection lead to a larger syndicated loan market, increase loan tranching and reduce tranche spreads, ultimately promoting firm access to debt finance
Cao et al. (2014)	Cross-border LBOs, 43 countries, 1995–2007	Dealogic, Thomson VentureXpert, Djankov et al. (2007), and La Porta et al. (1998) and Spamann (2010)	Total Country Level LBO Volume and Cross-border LBO Volume, Cross-border LBOs, Club Deals, Premiums Paid for Target Relative to Prevailing Stock Price	Creditor Rights, Shareholder Rights, Economic Conditions, Foreign Direct Investment, Firm-Level Financial Variables, Club Deals, Industry Conditions	Cross-border LBO investment is more common from strong creditor rights countries to weak creditor rights countries. Club deals are less common in countries with stronger creditor rights, and less common in cross-border LBOs. LBO premiums are lower in countries with stronger creditor rights, and among cross-border deals
Cao et al. (2015)	Cross-border LBOs versus non-LBO M&As, 43 countries, 1995–2007	Dealogic, Thomson VentureXpert, Djankov et al. (2007), and La Porta et al. (1998) and Spamann (2010)	Premium Paid for Target Relative to Prevailing Stock Price	Creditor Rights, Shareholder Rights, Economic Conditions, Foreign Direct Investment, Firm-Level Financial Variables, Club Deals, Industry Conditions	Target shareholders' wealth gain is M&As is higher in countries with better investor protection. The impact of investor protection on takeover premium is larger for LBO than non-LBO transactions. Club LBOs are priced lower than non-club deals after accounting for endogeneity
Ellis et al. (2017)	Cross-border M&As, 56 countries, 1990–2007	Securities Data Company's (SDC) Global Mergers and Acquisition Database, Djankov et al. (2007), and La Porta et al. (1998)	Acquirer Returns	Creditor Rights, Shareholder Rights, Other Country-Level Governance Variables for Acquirer and Target, Differences in Country Level Governance between Acquirer and Target, Economic Conditions, Industry Dummies	Acquirers can transport the benefits from good country governance, so that they gain more from acquiring targets with worse country governance than their own. The acquirer's stock-price reaction to acquisitions increases with the country governance distance between the acquirer and the target

Table 1 (*Continued*)

Author(s)	Sample	Data source	Dependent variables	Independent variables	Main findings
Renneboog et al. (2017)	Cross-border M&As, 2000–2013	Thomson Reuters Eikon, SDC, Zephyr, and CapitalIQ Databases, Database, Djankov et al. (2007), and La Porta et al. (1998), and Spamann (2010)	Abnormal Bond Returns	Creditor Rights, Shareholder Rights, Economic Conditions, Industry Dummies	The bondholders of bidding firms respond more positively to deals that expose their firm to a jurisdiction with stronger creditor rights and more efficient claims enforcement through courts. The effects are stronger for firms with higher asset risk, longer maturity bonds, and a higher likelihood of financial distress
Qi et al. (2017)	Capital Raising and Expenditure Decisions, 40 countries, 1980–2009	Worldscope, International Financial Statistics, World Bank. Djankov et al. (2007), and La Porta et al. (1998)	Debt Financing, Capital Expenditure	Creditor Rights, Shareholder Rights, Economic Conditions, Industry Dummies	Creditor rights are associated with greater debt financing and investment during economic downturns, but creditor rights have a significantly smaller effect during expansions. The beneficial effects of creditor rights during recessions are stronger for firms that are more likely to have severe shareholder-bondholder agency problems. During recessions (relative to expansions) strong creditor rights are associated with a smaller decline in net capital flows

This table summarizes the literature on country-level legal conditions, creditor rights, debt finance, and cross-border and international M&As. Main findings are quoted or paraphrased.

2002). But the bonding explanation is incomplete as not all firms desire to cross-list (Coffee, 2002), and there is still a large effect of local national governance on firm value amongst firms that do cross-list (Cumming, Hou, & Wu, 2017). International adoption of other jurisdictions' monitoring technology (Cumming & Johan, 2008) and regulations (Cumming, Johan, & Li, 2011) can enable the international transfer of governance and superior stock market outcomes such as new listings and liquidity. Regulators adopt from other jurisdictions monitoring technology (Cumming & Johan, 2008) and regulations (Cumming et al., 2011) that enable superior governance and stock market outcomes.

The mobility of governance is also facilitated by the increasing internationalization of the investor base. Specifically, global investors include sovereign wealth funds (SWFs), such as United Arab Emirates's Abu-Dubai Investment Authority. SWFs may enforce governance standards in their portfolio firms that are different to the general governance practices in a specific location (Knill, Lee, & Mauck, 2012). Moreover, SWFs have a differential preference for private firms without a stock exchange listing, particularly in countries with lower legal standards (Johan, Knill, & Mauck, 2013), where the lack of transparency is suggestive of greater agency problems. Once companies become publicly listed, there is substantially more information released to the market, depending on the legal and cultural factors in a particular country (Boulton, Smart, & Zutter, 2017).

Another mechanism that can transfer governance includes CEO migration. MNCs can export monitoring technology and similar practices across national borders, and CEOs that have experience in foreign countries with stronger institutional environments may transfer knowledge about good governance (Cumming, Duan, Hou, & Rees, 2015). Generally, internal control systems and processes can be learned, therefore they are transferable/exportable, particularly in the context of emerging markets (Hoskisson, Eden, Lau, & Wright, 2000; John & Senbet, 1998).

Further, foreign directors represent another channel of governance mobility as they may bring good governance standards from their home countries to the focal firm, especially if it is located in a country with low governance standards (Giannetti et al., 2015). Foreign directors have been shown to positively impact firm performance (Choi, Park, & Yoo, 2007), particularly when foreign directors have higher levels of foreign degrees and political

Table 2 Summary of literature on international ownership and directors

Author(s)	Sample	Data source	Dependent variables	Independent variables	Main findings
Kang & Stulz (1997)	Japan, 1975–1991	Pacific-Basin Capital Market Research Center (PACAP)	Foreign Ownership, Returns	Firm-Specific Variables, Market Conditions	Foreign investors do not hold national market portfolios or portfolios tilted towards stocks with high expected returns. Foreign investors hold disproportionately more shares of firms in manufacturing industries, large firms, and firms with good accounting performance, low unsystematic risk, and low leverage. Controlling for size, there is evidence that small firms that export more firms with greater share turnover, and firms that have ADRs have greater foreign ownership
Choe et al. (1999)	Order and Trade Data, 1993–1997, Korean Publicly Listed Firms	Korea Stock Exchange, compiled by the Institute of Finance and Banking (IFB) at Seoul National University	Trading, Order Imbalances, Returns, Volatility	Foreign Investors, Market Conditions	There is positive feedback trading and herding by foreign investors before the period of Korea's economic crisis. During the crisis period, herding falls, and positive feedback trading by foreign investors mostly disappears. There is no evidence that trades by foreign investors had a destabilizing effect on Korea's stock market. In particular, the market adjusted quickly and efficiently to large sales by foreign investors, and these sales were not followed by negative abnormal returns
Stulz (1999)	Datastream, 1988–1998, 37 Countries	Datastream	Not applicable – correlations		Globalization reduces the cost of equity capital for two reasons. First, the expected return that investors require to invest in equity to compensate them for the risk they bear generally falls. Second, the agency costs which make it hard and more expensive for firms to raise funds become less important
Martin & Rey (2000)	Not applicable – theoretical model	Not applicable	Not applicable	Not applicable	Financial integration across countries leads to lower transaction costs between two financial markets, which translate to higher demand for assets issued on those markets, higher asset prices, and greater diversification. Financial integration benefits the largest economy of the integrated area. Only when transaction costs become very small does financial integration lead to relocation of markets in the smallest economy

Table 2 (*Continued*)

Author(s)	Sample	Data source	Dependent variables	Independent variables	Main findings
Pagano et al. (2002)	1986–1998, European and US firms	Global Vantage and Worldscope databases	Cross-listing, Firm Performance Measures (ROA, Asset Growth, Tobin's Q, Foreign Sales, etc	Cross-listing, Firm Characteristics, Regional Variables, Market Conditions	In 1986–1997, many European companies listed abroad, mainly on US exchanges, while the number of US companies listed in Europe decreased. The characteristics and performance of European companies differ sharply depending on whether they cross-list in the US or within Europe. In the first case, companies tend to be high-tech and export-oriented, and pursue a strategy of rapid expansion with no significant leveraging. In the second case, companies do not grow more than the control group, and increase their leverage after cross-listing. In both cases, cross-listing companies tend to be large and recently privatized firms, and expand their foreign sales after listing abroad
Doidge et al. (2004)	40 countries, 1995, 1997	Worldscope, and Supplementary Sources	Cross-Listing; Tobin's Q	Cross-listing, Firm Characteristics, Regional Variables, Legal Conditions, Market Conditions	At the end of 1997, foreign companies with shares cross-listed in the US had Tobin's q ratios that were 16.5% higher than the q ratios of non-cross-listed firms from the same country. The valuation difference is statistically significant and reaches 37% for those companies that list on major US exchanges, even after controlling for a number of firm and country characteristics. A US listing reduces the extent to which controlling shareholders can engage in expropriation and thereby increases the firm's ability to take advantage of growth opportunities. Growth opportunities are more highly valued for firms that choose to cross-list in the US, particularly those from countries with poorer investor rights
Choe et al. (2005)	Order and Trade Data, 1996–1998, Korean Publicly Listed Firms	Korea Stock Exchange, compiled by the Institute of Finance and Banking (IFB) at Seoul National University	Trade Prices, Cumulative Abnormal Returns	Foreign Investors, Market Conditions	Foreign money managers pay more than domestic money managers when they buy and receive less when they sell for medium and large trades. The sample average daily trade-weighted disadvantage of foreign money managers is of 21 basis points for purchases and 16 basis points for sales. There is also some evidence that domestic individual investors have an edge over foreign investors. The explanation for these results is that prices move more against foreign investors than against domestic investors before trades

Table 2 (*Continued*)

Author(s)	Sample	Data source	Dependent variables	Independent variables	Main findings
Dean et al. (2009)	Equity Joint Ventures (from Macau, Taiwan, and Hong Kong) into China, 1993–1996	China's Foreign Economic Relations and Trade, China Statistical Yearbook, China Environmental Yearbook	Location of equity joint ventures	Environmental Standards, Levies, and Regional Characteristics for Development and Agglomeration	Results show equity joint ventures in highly-polluting industries funded through Hong Kong, Macao, and Taiwan are attracted by weak environmental standards. In contrast, EJVs funded from non-ethnically Chinese sources are not significantly attracted by weak standards, regardless of the pollution intensity of the industry. These findings are consistent with pollution haven behavior, but not by investors from high income countries and only in industries that are highly polluting
Douma et al. (2006)	1999–2000, India	Capitaline 2000	ROA and Tobin's Q	Foreign ownership, firm-specific control variables	The positive effect of foreign ownership on firm performance is substantially attributable to foreign corporations that have, on average, larger shareholding, higher commitment, and longer-term involvement
Ruigrok et al. (2007)	269 Companies on the Swiss Stock Exchange in 2003	Swiss Stock Exchange	Director Nationality and Gender	Education, Age, Family Affiliation, Interlocking Director, Tenure, Other Affiliations	Whereas foreign directors tend to be more independent, women directors are more likely to be affiliated to firm management through family ties and that foreign directors hold significantly lower numbers of directorships at other Swiss boards. Female and foreign directors also differ in terms of educational background, educational level, age and board tenure. We conclude that in order to manage diversity on corporate boards it is imperative to understand the characteristics, qualifications and affiliations that these directors bring to the boardroom and that it is important to take national circumstances into account rather than relying on research results from other countries
Choi et al. (2007)	457 Korean Firms and 1834 firm-years from 1999–2002	Listed Company Database of the Korean Listed Companies Association, Financial Supervisory Service and the Fair Trade Commission of the Korean government, and the Korean Stock Exchange	Tobin's Q	Foreign Institutional Ownership, Foreign Directors, Market Conditions, Firm Level Control Variables	After the Asian financial crisis, regulations requiring outside independent directors were implemented. The effect of foreign independent directors and foreign institutional ownership on firm performance is significant and positive, except on the subset of firms with family control and chaebol control where the effect is insignificant or negative

Table 2 (*Continued*)

Author(s)	Sample	Data source	Dependent variables	Independent variables	Main findings
Rhee & Lee (2008)	Korea, 2000–2003	Korea Stock Exchange	Foreign Ownership	Director Education, Firm Specific Control Variables	The growth of foreign ownership is positively affected if a higher proportion of outside directors hold advanced foreign degrees, if a higher proportion of outside directors have former or current affiliations with governmental organizations, or if a higher proportion of outside directors have job experience in the same industry
Masulis et al. (2012)	1988–2006, Foreign Directors in US Corporations	IRRC (now RiskMetrics) Directors Database; Compustat annual files and geographic segment files	Acquirer Returns in Cross-border Acquisitions; Director Meeting Attendance; Earnings Restatements; CEO Compensation; ROA; Tobin's Q; CARs around Foreign Independent Director Announcements	Foreign Independent Director (FID), FIR * Percentage of Sales from FID Home Region, FID on Audit Committee; Firm-Specific Control Variables, Country Level Control Variables, Market Conditions	In recent years, about 13% of large US public corporations have foreign independent directors (FIDs) serving on their boards. FIDs bring both benefits and costs to firms. Consistent with value added by FIDs through their international expertise, firms with FIDs make better cross-border acquisitions when the targets are from the home regions of FIDs. However, indicative of FIDs' monitoring deficiencies and adverse effect on corporate governance, FIDs display poor board meeting attendance records, and firms with FIDs on their boards tend to pay their CEOs excessively high compensation and are more prone to commit financial misreporting that requires future restatements. Firms with FIDs are associated with significantly poorer performance, especially when they do not have much business presence in their FID's home region, but FIDs make increasingly larger contribution to firm performance as a firm's operation in the FID's home region becomes more important

Table 2 (*Continued*)

Author(s)	Sample	Data source	Dependent variables	Independent variables	Main findings
Knill et al. (2012)	900 acquisitions by SWFs over the period 1984–2009	Lexis Nexis, SDC Platinum	SWF Investment/Amount of Investment	Differences in Macroeconomic Variables (market return, exchange rate return, GDPpc and GDP growth), Correlation, Geographic Proximity, Anti-self-Dealing Indices, Accounting Disclosure Indices, Trade Block Membership and Democracy Levels	We examine the role of bilateral political relations in sovereign wealth fund (SWF) investment decisions. Our empirical results suggest that political relations play a role in SWF decision-making. Contrary to predictions based on the FDI and political relations literature, we find that relative to nations in which they do not invest, SWFs prefer to invest in nations with which they have weaker political relations. Using a two-stage Cragg model, we find that political relations are an important factor in where SWFs invest but matter less in determining how much to invest. Inconsistent with the FDI and political relations literature, these results suggest that SWFs behave differently than rational investors who maximize return while minimizing risk. Consistent with the trade and political relations literature, we find that SWF investment has a positive (negative) impact for relatively closed (open) countries. Our results suggest that SWFs use – at least partially – non-financial motives in investment decisions
Johan et al. (2013)	SWF investment data from 50 countries, 1984–2009	Lexis Nexis, SDC Platinum	Investment in Private versus Public Firms	Legal Conditions, Market Conditions	SWFs investments are more often in private firms when the market returns of target nations are negatively correlated to the market returns of the SWF nations. SWFs are more likely to invest in private firms of target nations with weaker legal conditions, and when the legal differences between the SWF country and the target country are more pronounced. This evidence is consistent with strategic rationales for investment and potential corporate governance conflicts
Giannetti, et al. (2015)	China, 1999–2009	China Stock Market & Accounting Research Database (CSMAR)	Tobin's Q, Total Factor Productivity, Return on Assets	Foreign Ownership, Foreign Experience, Firm Control Variables, Market Conditions	Valuation, productivity, and profitability increase after firms hire directors with foreign experience. Furthermore, corporate governance improves and firms are more likely to make international acquisitions, to export, and to raise funds internationally

Table 2 (*Continued*)

Author(s)	Sample	Data source	Dependent variables	Independent variables	Main findings
Cumming et al. (2016)	81 Countries, 1995–2010	SDC Platinum's VentureXpert, Mergers & Acquisitions, and Global New Issues databases	Probability of IPO, Proceeds in IPO, Probability of Acquisition, Acquisition Deal Value	Foreign Investor, Legal Conditions, Market Conditions, Firm-Specific Governance Variables	Relative to deals in which the investor base is purely domestic, private firms that have an international investor base have a higher probability of exiting via an initial public offering (IPO) and higher IPO proceeds. The evidence is consistent with the view that while the benefits of internationalization may be difficult and costly to manage, for those firms that succeed in managing cross-border coordination costs, there is potential value for an IPO firm. The benefits relative to the costs of internationalizing the investor base for private firms sold in acquisitions, by contrast, are much less pronounced. The most important source of this benefit appears to be access to capital
Miletkov et al. (2017)	80 Countries, 2001–2011	OSIRIS (Bureau van Dijk Electronic Publishing), International Country Risk Guide, Global Competitiveness Report, and the World Bank's Doing Business project	Foreign Independent Directors, Return on Assets	Foreign Independent Directors, Quality of Legal Regime, Firm Specific Financial and Governance Variables	Foreign directors are more likely to be associated with firms that have more foreign operations and an international shareholder base, and firms that are located in countries with a limited supply of potentially qualified domestic directors – countries with a smaller, less well-educated populace and lower levels of capital market development. The association between foreign directors and firm performance is more positive in countries with lower quality legal institutions, and when the director comes from a country with higher quality legal institutions than the firm's host country
Calluzzo et al. (2017)	SWF investment data from 8 countries and into US firms, 2005–2013	Sovereign Wealth Fund Transaction Database (SWFTD) provided by the Sovereign Wealth Fund Institute (SWFI), FEC Master Files	Sovereign Wealth Fund Investment, Pre/Post Political Contributions	Institutional Ownership, Firm-Specific Characteristics (market/book, analysts, financial statistics, liquidity, momentum), Pollution, Political Contributions	SWFs are attracted to firms engaged in US campaign finance. Firm campaign finance contributions increase after SWF investment. SWF attraction to campaign finance firms increases (1) after an exogenous legal shock that liberalized corporate campaign finance activities and (2) in a subset of industries vulnerable to recent legislation capable of inhibiting or expunging foreign investment

Table 2 (*Continued*)

Author(s)	Sample	Data source	Dependent variables	Independent variables	Main findings
Aguilera et al. (2014)	Foreign Investors into Japanese Companies, 2006–2013	Japanese Company Handbook, Nikkei Financial Quest, Tokyo Stock Exchange, Thomson Eikon, Thompson Worldscope, Company financial statements, Bloomberg	Earnings Forecasts, Surprises Errors, Revisions	Foreign Ownership, Domestic Ownership, Past Performance, Prior Optimism, Corporate Governance Proxies	After addressing endogeneity concerns, in the presence of foreign owners, managers are more optimistic in their initial earnings forecasts, but in subsequent revisions they are more likely to provide timely adjustments of their earnings forecast and avoid making last-minute adjustment
Sojli & Tham (2017)	China, Singapore, US, 1998–2013	SEC 13D Filings, Web Searches, SWF Radar, SWF Institute, Amadan International, Compustat Segments	Cumulative Abnormal Return, Tobin's Q, Foreign Market Access, Foreign Government Contracts	Foreign Political Connections, Government Related Contracts, Firm Specific Financial and Governance Variables	Foreign political connections create large firm value and improve access to foreign markets. One of the main channels of value creation is government contracts awarded to firms with direct foreign political connections
Boulton et al. (2017)	36 Countries, 1998–2014	Thomson Financial SDC Platinum New Issues, Thomson Financial SDC Platinum New Issues Database, Datastream	IPO Underpricing	Country-level Conservativism, Firm-Specific Financial and Governance Measures, Law and Finance Country Level Measures, Economic Conditions	IPOs around the world are underpriced less in countries where existing public firms practice more accounting conservatism. The link between conservatism and underpricing is robust to alternative measures of conservatism, country mean regressions, sample country exclusions, and endogenous treatment models. Consistent with the hypothesis that conservatism reduces underpricing by mitigating the impact of information asymmetries, higher country-level conservatism is associated with lower country-level probability of uninformed-based trading values and that the negative relation between conservatism and underpricing is strongest for IPOs involving small firms where information asymmetries are likely to be high. Litigation risk and legal origin, two factors linked to the practice of conservatism, influence the relation between underpricing and conservatism

Table 2 (*Continued*)

Author(s)	Sample	Data source	Dependent variables	Independent variables	Main findings
Allred et al. (2017)	176 Countries	Surveys, Field Experiment	Anonymous Incorporation, Compliance with Rules	International Law, Enforcement and Threat of Penalties, Norms of Appropriate Behavior, Tax Havens	A substantial number of firms are willing to flout international standards with anonymous incorporation of shell companies. Those in OECD countries proved significantly less compliant with rules than in developing countries or tax havens. Firms in tax havens displayed significantly greater compliance and were sensitive to experimental interventions invoking international law

This table summarizes the literature on country-level legal, political and cultural conditions, cross-border ownership, and international directors. Main findings are quoted or paraphrased.

connections (Rhee & Lee, 2008). There is some contrasting evidence, however, that while foreign directors make better M&A decisions, they are less often engaged in firm activities thereby worsening performance and requiring more earnings restatements, among other problems (Masulis et al., 2012).

Four important papers in this Special Issue contribute to the literature on foreign investors, foreign directors, and political connections. Aguilera et al. (2017) show that, in the presence of foreign investors, managers tend to be more optimistic in their early earnings forecasts, but have more long-term and timely adjustments relatively and avoid making last minute decisions. Calluzzo et al. (2017) show that sovereign wealth funds are attracted to firms that are more engaged in campaign finance, and hence can have a political influence in the target firm's country. Sojli & Tham (2017) show that foreign political connections create large increases in firm value, improve access to foreign markets, and improve access to government contracts. Foreign board members coming from countries with more advanced institutions may export good governance to a local firm operating in a relatively less advanced institutional environment, and this improvement may be stronger when institutional differences between "exporting" and "importing" countries are high (Miletkov et al., 2017). These papers show that the identity of foreign owners is significant and may have interplay with foreign directors and political connections, and can substantially influence the governance and performance of firms in different institutional environments. All of these papers show that governance is mobile and a key competitive advantage.

Last but certainly not least, it is important to note that bad governance is also internationally mobile. Allred, Findley, Nielsen, & Sharman (2017) show that many firms flaunt international standards by setting up internationally shell corporations. Even among OECD countries, there are substantial numbers of shell companies that are not compliant with international standards. Tax haven based firms, by contrast, are more compliant with international standards. The popularity of research on shell companies is growing significantly (Fig. 1). Future research could continue to seek a better understanding of the causes and consequences of these shell companies.

DISCUSSION AND CONCLUSIONS

Our review of the literature suggests that mobility of corporate governance is very context specific in respect of the country level institutional conditions

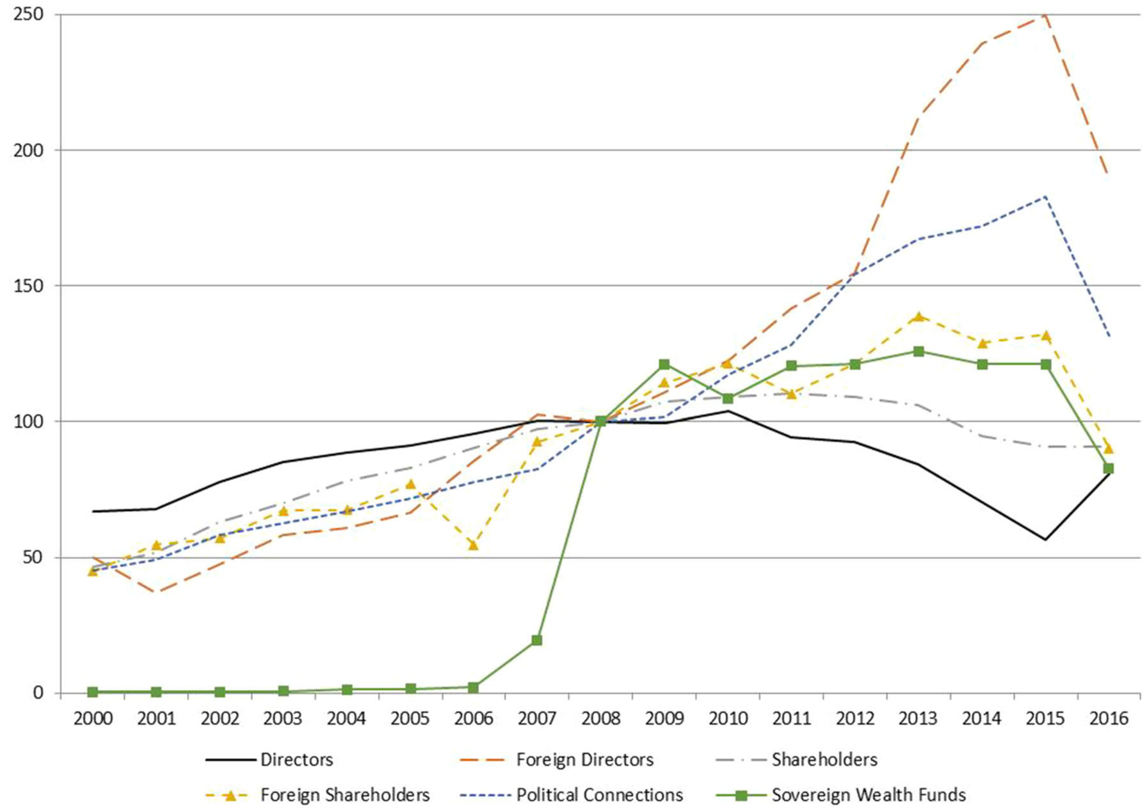

Figure 2 Google Scholar hits on foreign directors, foreign shareholders, and related topics. This figure displays the number of Google Scholar hits as a percentage of the hits in 2008 for different search terms: Directors (84,300 hits in 2008), Foreign Directors (84 in 2008), Shareholders (32,400 in 2008), Foreign Shareholders (438 in 2008), Political Connections (2370 in 2008), and Sovereign Wealth Funds (1510 in 2008).

as well as the mode of international governance transfer. Insights into the causes and consequences of firm-specific international governance transfer can be gleaned from interdisciplinary analyses involving law, finance, management and related fields. There is a massive scope for further work on topic that makes use of these interdisciplinary perspectives that we have highlighted here.

In this introduction, we specifically emphasized four main ways in which governance is internationally mobile: international M&As, foreign investors, foreign directors, and foreign political connections. These related topics are the focus of the important papers in this Special Issue. As a limitation we note that these four channels are not the only ways in which governance practices may be transferred across countries. For example, prior studies identify other channels of the transfer of corporate governance, such as the proliferation of governance codes around the globe and the harmonization of accounting standards, which have been discussed in the related literature. Future IB studies should develop a more holistic picture of the mobility of corporate governance by looking at these diverse channels.

Examining multi-stakeholder perspective may reveal new important dimensions of the mobility of corporate governance, bearing in mind that the traditional view of corporate governance is heavily anchored on mechanisms for solving agency problems arising from conflicting interests between top management and outside shareholders. Debates about US-based board governance, including its optimal size, composition, and independence, are largely influenced by this convention. However, agency conflicts arising from other stakeholders have implications for the design of corporate governance intended to solve managerial agency problems. For instance, in an environment where we also have debt agency problems (Djankov et al., 2008), an optimally designed corporate board should represent a balance between the interests of outside shareholders and outside debtholders. Debtholder representation on the board is observed frequently outside the U.S. and U.K. corporate sectors, and future research may explore how some elements of the multi-stakeholder governance model can be transmitted from one country to another within the context of MNE global operations.

The papers in this Special Issue highlight important managerial and policy implications associated with the mobility of governance. International acquisitions benefit both acquirer and target firms, and particularly those firms with a greater institutional distance between them (Ellis et al., 2017; Renneboog et al., 2017). Foreign investors affect managerial behavior (Aguilera et al., 2017), and can have a political influence (Calluzzo et al., 2017). Foreign political connections positively affect firm value (Sojli & Tham, 2017). Foreign directors can positively affect firm value, particularly in countries with weak legal standards (Miletkov et al., 2017). The only negative aspect of mobility of governance is seen with the establishment of shell companies that are common and not compliant with international standards (Allred et al., 2017). Policymakers should work to encourage mobility of governance. At the same time, regulators could further cooperate to enforce international standards to prevent improper governance standards from being transferred across countries. Given recent events such as the Global Financial Crisis and all of its implications, this balance in policy could prove particularly challenging.

The impact of financial regulation on governance is particularly important in the contest of financial firms. To the extent that countries and regions vary in terms of regulatory schemes, the governance structure varies accordingly. Again, this is one example where the interaction between multiple agents and stakeholders matters in the design and mobility of governance. In fact, the design of bank management compensation and its incentive features play a vital role in the design of optimal banking regulation (John, Saunders, Senbet, 2000). Traditional banking regulation focuses on a two-party game with conflicting interests between the bank and the regulator. However, bank management is the key decision maker, and the bank risk incentives depend on the incentive structure of bank management compensation. John et al. (2000) show that, if these incentive features (e.g., bonus, salary, equity participation) are an input to the pricing of deposit insurance, an optimal banking regulation can be designed. Thus, the transmission mechanisms for governance mobility are broader when financial firms are considered. They arise from cross-border regulation and regulatory coordination.

In addition, development partners, as well as international financial institutions, such as the IMF and World Bank, can be transmission sources of governance for developing economies. This arises partly through technical assistance in financial sector development programs, but extends into non-financial firms as well. The quality of corporate governance is among the design features in the reform of financial systems in developing countries. This suggests an interesting research question into the relationship between governance and financial development with a focus on low income countries.

To conclude, this Special Issue poses important questions for corporate governance researchers in all of the respective fields, including IB, finance, economics, accounting and law. With the growing scale and scope of internationalization of business activities, the challenges facing executives in the global arena are considerably more demanding than those encountered in a domestic environment. The global context increases the diversity of stakeholders whose interests must be considered as well as the complexity of the governance problems facing MNCs and their leaders. Furthermore, companies competing in the global marketplace face a fundamental dilemma – how to balance the need for global consistency in corporate governance practices with the need to be sensitive to the demands and expectations of local stakeholders (Filatotchev & Stahl, 2015). Finding the appropriate balance between these competing demands is not always easy, and papers in this Special Issue help to map out future research directions in this increasingly important field.

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Accepted by John Cantwell, Editor-in-Chief, 12 December 2016. This article was single-blind reviewed.