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Finance and the multinational compangy: Building bridges between finance and global strategy research

FINANCE & THE MNC: BUILDING BRIDGES BETWEEN FINANCE AND GLOBAL STRATEGY RESEARCH

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Research Summary

This paper argues for, and contributes to, a stronger integration of research on finance and International Business/Global Strategy. We perform bibliometric analysis of journal publications between 2010 and 2016 and show that papers published in the two domains relate to very different underlying literatures which, so far, have had a limited overlap. We further argue based on a qualitative review of the literature that both fields offer substantial novel perspectives, models, and theories to each other that have the potential to enrich our theoretical understanding of relevant research questions in both domains. We map various pathways for further integration of International Business/Global Strategy and finance fields and discuss different ways how to better connect the two fields and their different research perspectives and research methodologies.

Managerial Summary

In this paper we, first, find that publications from the field of finance and from the area of International Business/Global Strategy relate to very different literatures. Second, we show that both fields would indeed offer substantial and relevant novel perspectives to each other. Third, we develop various pathways for a more intense integration of both literatures. Given the relevance of both International Business/Global Strategy and Finance perspectives for business practice, we strongly believe that a more intense integration also bears substantial implications for managers. This is as much of the knowledge developed in International Business/Global Strategy and finance did not fully transfer into the respective other field.

1. INTRODUCTION

Global strategy, economics and finance scholars have developed a significant body of research focused on the international mobility of capital, labor and goods. Although prior studies have identified a number of factors that may affect global strategy both at the headquarter and subsidiary levels of a multinational company (MNC), this research largely considers corporate finance and strategic management as two separate domains associated with the process of firm internationalization (Cumming et al., 2017). However, the processes of internationalization of product and factor markets are increasingly intertwined. For example, Gu et al. (2018) and Lindorfer, d´Arcy & Puck (2016) provide evidence that foreign capital market entry is often associated with a firm entering product markets in the host country, and vice versa. In finance, research on the motivation, processes and governance mechanisms that are associated with MNCs entering international markets is so far rather limited. We believe such research can draw from a variety of theoretical perspectives and research traditions in international business (IB)/Global Strategy. Likewise, IB studies focused on a product market entry and theories of MNCs often pay little attention to financial constraints that the firm's process of internationalization is associated with.

With this paper, we intend to contribute to a stronger integration of research on international corporate finance and global strategy. We argue that both fields offer substantial novel perspectives, models, and theories to each other that have the potential to enrich our theoretical understanding of relevant phenomena on both sides. We start our paper with a quantitative exploratory analysis of the journal landscapes in management, finance, and IB/Global Strategy literatures. We perform bibliometric analysis of journal publications between 2010 and 2016 and show that papers published in the two domains of finance and global strategy relate to very different underlying literatures which, so far, had a limited scope for an overlap. While scholars have already emphasized a separation between strategic analysis and financial analysis (e.g., Mudambi, 1998), we believe to be first to provide a systematic empirical evidence pointing out a limited integration of the two fields. Subsequently, we conduct a qualitative review of the two literatures. We, first, highlight how contributions originating from the field of corporate finance have influenced theory and research in the field of Global Strategy. Second, we review how theory and findings from the field of global strategy have contributed to research in the domain of finance. We structure our reviews differentiating between core perspectives taken in the respective field: more micro (e.g., firm-level, strategic, organizational) and more macro (institutional, environmental, country-level) perspectives in the field of IB/Global Strategy, and corporate finance and asset management perspectives in the field on finance. Providing the qualitative review helps us to show that, despite limited integration, both domains might strongly benefit from integrating further knowledge and findings from the respective other.

Based on our findings from the literature we subsequently discuss various specific areas where future research might benefit from a stronger integration of the two disciplines. For the field of global strategy, we discuss how findings and perspectives from the fields of capital structure and capital markets may enhance our theoretical understanding of relevant phenomena such as market entry, entry mode, or headquarter-subsidiary relations. For the field of corporate finance, we debate how findings and concepts from the areas of institutions and distance, regional perspectives, outsourcing and offshoring, and knowledge about the mobility of governance might contribute to theory in the field of finance. For both sides, as we argue, there may be numerous relevant contributions from the respective other side, with strong potential for theory development. We also reflect on the methodological differences between the two fields and discuss how global strategy and finance can provide distinctive contributions to a methodological "toolkit" applied in the context of MNC's strategy and finance.

We end our perspective with mapping a pathway for further integration and discuss different ways how to better connect the two fields and their different research perspectives. By doing so, we hope to contribute not only to an intensified discussion and interaction between the two domains, but also to the development of more holistic and comprehensive theories exploring the nature of MNCs.

2. A REVIEW OF CROSS-BORDER CONTRIBUTIONS

We start this section with a quantitative exploratory analysis of the journal landscapes in management, finance, and IB/Global Strategy literature to provide quantitative evidence on the current connectedness of the two research areas using a bibliometric analysis of journal publications between 2010 and 2016. We analyze all articles that were indexed in ISI between January 1, 2010 and December 31, 2016 in a set of leading journals and focus on journal publications in three different broader domains: management, finance and international business/global strategy. The management group in our investigation consists of *Academy of Management Journal*, *Academy of Management Review*, *Administrative Science Quarterly*, *Management Science*, *Organization Science*, and *Strategic Management Journal*. In the finance cluster, we consider *Journal of Finance*, *Journal of Financial Economics*, *Journal of Corporate Finance*, and *Review of Financial Studies*. In the IB/Global Strategy category, we include *Journal of International Business Studies*, *Journal of World Business*, *Global Strategy Journal*, *International Business Review*, and *Journal of International Management*[1]. Overall, we have 7,291 published papers in the sample.

We are interested in the degree to which there three groups of journals are connected by publications they reference in the papers published. This will provide evidence about how far the three groups relate to similar underlying concepts, theories, and perspectives. To investigate this, we compute the bibliographic coupling between the articles published in the journals listed above. The degree to which two articles are considered coupled depends on the number of references that appear in the reference lists in both articles (Kessler, 1963); that is, the percentage of references that is shared between two articles. If two articles reference a paper titled "Global Strategy and Finance" this will count towards their degree of coupling. If one article "Global Strategy" cites an article "Finance", and the article "Finance" cites the article "Global Strategy", this will not count towards coupling, because they do not cite the same article. The latter example would be a case of a cross-reference, which is not what we investigate here. We have chosen this methodology because, in cross-referencing, the degree to which articles are related will depend on the standing of the journal they are published in (as authors tend to cite papers published in well-ranked journals), which makes a comparison across fields with different numbers of top-ranked journals difficult. Rather, we compute the average association strength between articles published in different outlets (Van Eck & Waltman, 2007). This coefficient represents the ratio of coupling links between nodes (i.e., the journals) over all coupling links between one node and all other nodes, normalized for the total number of possible links. It takes the maximum value of one for a pair of journals that reference exclusively the same publication outlet, and a minimum of zero for a pair of journals that have no references to a common

[1] As the number of journals in non-finance areas is relatively high, we also considered a restricted sub-set of top ranked journals. Robustness checks with different sets of journals provide comparable results.

publication outlet. These numerical operations result in a symmetric matrix representing the coupling strength between pairs of journals. Computations for this illustration are performed using the *normalizeSimilarity()* command in the *bibliometrix* package (Aria & Cuccurullo, 2018) in an *R 3.4.2* distribution. We plot this matrix below in Figure 1. Darker fields represent stronger coupling, brighter fields less coupling. The diagonal is set to zero.

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Figure 1 shows the resulting average coupling between articles in management, finance and IB/Global Strategy journals. The illustration shows that the three groups of journals indeed form rather distinct ecosystems of publications. There is very strong coupling among finance journals, while there is very little coupling between finance and any other journals. An exception to this is Management Science, which, very much in line with the positioning of the journal and intended subject diversity of its editorial team, seems to be connected to all three fields to some degree, but mostly to finance journals. There is some overlap between the IB/Global Strategy and the management groups, but coupling across groups is substantially lower than coupling within those groups. There is particularly little coupling between the IB/Global Strategy category and the finance category. This bibliometric analysis, thus, shows that IB/Global Strategy journal publications published between 2010 and 2016 appear to relate to substantially different underlying theoretical domains than papers published in finance journals. We will return to this important point further in the paper. Here we would like to emphasize that this appears to be to a certain extent natural and welcome as it reflects the conceptual and theoretical specifics of the respective domain. Nevertheless, we find this result to be a straightforward illustration of the limited conceptual integration between the two fields of IB/Global Strategy and finance. In addition, we perceive this limited integration as rather astonishing given the strong theoretical inspirations each domain has provided to the other in the past, as we will illustrate below.

In the following parts, we review several contributions that span the borders of finance and IB/Global Strategy literature. We differentiate between contributions from finance to IB/Global Strategy and the other way around. While we believe the literature reviewed here is highly relevant for both fields, we by no means claim that this is a complete review of such contributions. Rather, we build the review section in such way that it provides a basis for expansion as we move forward to propose new and deepened avenues of investigation and further research. As the papers reviewed below span the boundaries of fields, it is hard to pinpoint their contribution and origin to the one or the other side of an imaginary boundary line between finance and IB/Global Strategy research. The criterion for inclusion therefore has to be whether there is a contribution in either one or the other field. We mainly use journals in which individual papers are published as an indicator whether we are looking at an IB/Global Strategy paper that is also relevant for finance or the other way around. As highlighted above we structure our review differentiating between more micro (firm)/more macro (environment/institutions) perspectives in IB and corporate finance/asset management in finance. As some topics can be connected with more than one field over time (e.g., exchange rate risk can be associated with both asset management and corporate finance) we place the topic in the section that has triggered the initial conceptual transfer.

2.1 Finance contributions to global strategy and international business research

A major constraint for the cross-fertilization and integration of finance and IB/Global Strategy research were the conflicting paradigms that research in the respective fields was based on

(Agmon, 2006a). In addition, economics, finance, and accounting are often considered as single-paradigm fields with strong cross-fertilization, while management and IB are traditionally gravitating towards using multi-theoretic perspectives (Mudambi et al., 2013). However, in the early 2000s, both sides have started opening up to approaches that differ from the traditional foundations of the fields (Agmon, 2006b). In the following sections, we review the literature based on the structure we developed above. Interestingly, relevant integration did only take place in one of the four possible fields: corporate finance research has made significant contributions to more micro perspectives in IB. At the same time, relevant transfer from the area of asset management and significant contributions to more macro perspectives in IB/Global Strategy remain missing (see Figure 2).

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Figure 2 is near here

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2.1.1 Managing risk in the MNC

From our perspective, two fields in the IB/Global Strategy risk management domain have specifically benefitted from finance theory: exposure management and real option theory. Exposure management in relation to exchange rate volatility represents a central element in IB/Global Strategy research, as exchange rate considerations have long been high on the agenda of concerns of decision makers in MNCs (Rodriguez, 1981). IB/Global Strategy scholars in this domain draw strongly on theory and findings from the field of finance. As we know from the integration of the literature streams, there are two dominant hedging strategies that MNCs can employ: financial and operational hedging (Allayannis, Ihrig, & Weston, 2001a). Financial hedging using derivative instruments has consistently been found to be a tool heavily employed by MNCs (Allayannis & Ofek, 2001, Guay, 1999). The more international operations a firm maintains, the more use it makes of financial hedging instruments (Allayannis, Ihrig, & Weston, 2001b). Use of hedging tools is also positively related to growth opportunities in firms (Géczy, Minton, & Schrand, 1997) and performance of an MNC (Allayannis & Weston, 2001). Operational hedging has a more complex relationship with firm strategy. In general, operating in foreign markets does not necessarily reduce foreign exchange exposure. Yet, in conjunction with financial hedging methods, the combination of the two approaches increases firm value (Allayannis, Ihrig, & Weston, 2001c). While the topic has somewhat moved out of the current focus of IB/Global Strategy research, it has created substantial impact in these fields. Research in IB/Global Strategy, for example, has integrated exchange-rate reasoning to enhance our theoretical understanding of international pricing decisions (Clark, Kotabke & Rajaratnam, 1999), forecasting (Giddy & Dufey, 1975), or the value distribution of industries (Luehrmann, 1991).

Real option theory which is grounded in research on financial options (Myers, 1977), has also substantially contributed to progress of the research of the MNC´s decision making under uncertainty (Li & Rugman, 2007). However, it has to be recognized that research in finance addresses options in the context of financial investment portfolio decisions, while in the field of IB/Global Strategy the main thrust of the real option theory is associated with the firm's strategic decisions. Financial options provide their holders the right to sell or buy stocks at a predetermined price for a predetermined time-period. Thus, financial options allow their holders to pursue opportunities with significant upside potential while containing downside risks. The transfer of this concept to the field of IB/Global Strategy generated relevant new theoretical understanding of MNC behavior. That is because the decision-making process regarding internationalization is characterized by high uncertainty, which provides positive and negative ramifications for companies (Kulatilaka & Perotti, 1998). Internationalization, thus, is a right, but not an obligation, of a firm. This is equivalent to a call option (Pindyck, 1991) and the international network of a firm therefore can be considered as a set of such call options (Kogut & Kulatilaka, 1994a). Both for the network (Fisch, 2008) and for individual decisions regarding internationalization steps, real option theory has provided useful insights for IB/Global Strategy literature. The decisions between joint venture and acquisition as means to enter a market (Kogut, 1991), as well as between acquisition and greenfield investment have been explained and evaluated using real option theory (Brouthers & Dikova, 2010, Gilroy & Lukas, 2006). The recommendations resulting from real option theory have also been found to have positive influence on firm performance (Brouthers, Brouthers, & Werner, 2008).

2.1.2 Capital structure and global strategy in the MNC

Because of its relation to the ability to raise further capital, a firm's capital structure is a decisive factor in strategic planning. It is, thus, a domain with strong relevance for both financial and IB/Global Strategy theories. While core theoretical understanding usually stems from the domain of finance, IB/Global Strategy research was specifically interested in international boundary conditions of financial theories.

In the international context, capital structure theories have provided mixed, but insightful results. However, contributions are unanimous in their assessment that capital structure influences global strategy decisions – and vice versa. This resulted in a substantial amount of contributions, both in finance and IB/Global Strategy outlets. Fatemi (1988) suggests that internationalization yields a diversification benefit that firms can use to increase their leverage.

On the contrary, Reeb, Kwok, & Baek (1998) maintain that firms have to reduce leverage when they internationalize because foreign markets reduce firm advantages that are based on superior knowledge about a market. Mansi & Reeb (2002) support this reasoning. They show that usually firms use higher discount rates when evaluating international investment projects and that domestic firms usually carry more debt than MNCs. Kwok & Reeb (2000) further contextualize the relationship between capital structure and firm decision making when they distinguish between investments from developed in developing countries from investments that go in an opposite direction. Lindner, Müllner & Puck (2016) use both the diversification and the liability arguments and build a comprehensive model of how institutional factors affect capital structure. In sum, capital structure research, while originating from the field of finance, has provided substantial insights into strategic decision making of the MNC.

2.1.3 Financial constraints to global governance

Corporate governance emerges as a research field in IB/Global Strategy as a consequence of the internalization decision where transaction costs are found to be lower for internalized control (Hennart, 1988). In a world where subsidiaries are playing larger roles in the context of the MNC (Andersson, Forsgren, & Holm, 2002, Birkinshaw & Hood, 1998) and consequently increasing bargaining power of subsidiaries (Mudambi & Navarra, 2004), MNCs need to use the full toolbox of governance mechanism to design an efficient organization (Bowe, Filatotchev, & Marshall, 2010). Research and knowledge originating from the field of finance has significantly increased our understanding of such governance decisions and the surrounding managerial decisions. A first stream of research has focused on financial constraints to governance. For example, Yamin & Golesorkhi (2010) show that growth constraints are imposed upon SMEs by a lack of access to financing. Consequently, small and medium-sized firms resort to leasing and factoring as additional financing tools to support growth (Beck & Demirguc-Kunt, 2006). Only when the banking system in the respective country markets develops far enough, SMEs go back to traditional forms of financing. Such findings complement IB/Global Strategy research as they provide theory on the boundary conditions and mechanisms of global governance decisions.

In addition to constraints that are imposed on governance by financing needs or access to capital in emerging markets, firms can also pursue active and reactive finance-driven strategies (Oxelheim, Randøy, & Stonehill, 2001a) in the domains outlined by the OLI framework (Dunning, 1998, Dunning, 1980). Financial strength can be seen as a special form of economies of scale and scope of MNCs that have headquarters in countries with liquid financial markets (Dunning, 1993). Exchange rate fluctuations and natural hedges against them can be strong drivers of decisions about where to internationalize to (Kogut & Kulatilaka, 1994b). Finally, financial agency cost might be a reason why firms choose to internalize operations in a foreign country (Oxelheim, Randøy, & Stonehill, 2001b).

2.1.4 Financial structure and international corporate governance

In their seminal review of corporate governance research in finance, Shleifer & Vishny (1997) 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, finance studies has broadened up 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 tunnelling-defined by Johnson et al. (2000) as the expropriation of corporate assets or profits leads to an enhanced capability of the firm to raise external capital (Aggarawal, Klapper & Wysocki, 2005). Gompers, Ishi & Metrick (2003) and Bebchuck, 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.

Recent finance studies have indicated that internationalisation strategies are also associated with information asymmetries and substantial risks, especially when firms invest in emerging markets with less developed legal and business environments. As a result, specific FDI decisions may be related to risk preferences and decision-making horizons of managers and other main shareholder constituencies, as suggested by agency theory (Bris & Cabolis, 2008). Managers derive private benefits from international diversification that may exceed their private costs (Denis, Denis & Yost, 2002). Thus, managers may pursue international diversification, even if it reduces shareholder wealth. Supporting evidence is provided by the value discount estimated in many event studies of geographically-diversified firms (Jiraporn et al., 2006). Therefore, internationalization may be associated with a cost-benefit trade-off, and corporate governance factors may affect its specific organizational outcomes. Cumming et al. (2017) provide a comprehensive outline how agency-grounded corporate finance perspective on corporate governance has provided a significant impetus to corporate governance research in the context of internationalization decisions.

2.2 IB/Global Strategy contributions to finance

The core idea of IB/Global Strategy literature that firms do not operate in a borderless environment (e.g., Beugelsdijk & Mudambi, 2013) has only recently been adopted in finance. While finance research recognized frictions between different segments of financial markets, national borders have not been conceptually integrated into core finance theories for a long time. Calls for this recognition of national market boundaries made by IB/Global Strategy scholars, however, go back at least to Buckley & Casson (1976) and Rugman (1980). With a paradigm change in financial economics, the basis for stronger integration was laid in the beginning of the 2000s. For a long time, modern finance theory was based on equilibrium assumptions summarized as complete and perfect markets (Fama & Miller, 1972). Recently, financial contracting theory (Hart, 2001) has to some extent replaced equilibrium paradigms to incorporate fragmented financial markets. “Deals” between contractors are in the focus of research in financial contracting literature, which brings finance theory decisively closer to IB/Global Strategy literature, particularly in (but not limited to) the context of transaction cost economics (Williamson, 1979, Williamson, 1991). This paradigm change has led to significant contributions of central IB/Global Strategy perspectives to the field of finance. Most specifically, IB/Global Strategy’s more macro perspectives and understanding of the relevance of national boundaries, culture-specific drivers of market structure and managerial behavior, and IB/Global Strategy theory of institutional distance, its dimensions and consequences, created a wealth of new insights in the financial domain. We highlight some of those contributions below. At the same time, more micro firm-level perspectives from IB/Global Strategy have hardly been transferred to the finance field (see Figure 2).

2.2.1 Institutions, culture and capital market structure

National culture and institutions influence on market structure, a core element in IB/GS research for long time, has only recently entered into the world of finance literature – yet, with substantial impact. Research on investor protection across markets, for example, has clear connections with long standing arguments from the field of IB/Global Strategy. The discussion of investor protection differences among different markets is largely based on the seminal article of La Porta et al. (1998), who capture investor protection on a national level. Their contribution, strongly related to IB/Global Strategy's understanding of the national (regulatory) institutional environment, has created substantial impact in the domain of finance with more than 10,000 citations in Google Scholar. Cull & Xu (2005), among others, build on their work and argue that the protection of property rights and the degree to which contracts are enforceable are key drivers of reinvestment and firm development. The development of capital market institutions, such as stock markets, is also found to be a strong determinant not only of firms' access to equity capital, but also to debt (Giannetti, 2003).

Further, cultural determinants of capital market structure have been integrated in existing financial theory. Stulz & Williamson (2003), for example, propose that religion, as a contributor to national culture, is a key determinant of investor protection: countries with Protestantism as a dominant religion protect their investors more than catholic countries. This relationship, they argue, is moderated by trade openness, another phenomenon frequently discussed in the IB/Global Strategy literature. The authors further find that not only investor protection laws but also their enforcement is also influenced by religion. The influence of religion on finance is further investigated in the context of Islamic finance (Alam Choudhury & Al-Sakran, 2001), where a distinct and culture-specific capital market has developed. Both cultural and institutional perspectives thus created novel frameworks and better theoretical understanding of international financial market structure.

2.2.2 Institutions, culture, and fragmentation of capital markets

Beyond the structure of capital markets, institutional and cultural perspectives also created novel and more detailed insights into phenomena related to the fragmentation of capital markets. The "home bias" in capital markets had long bothered finance scholars (Cooper & Kaplanis, 1994, Kang, 1997). The consequence of the home bias, an empirical observation that financial investors prefer to hold securities that are traded in exchanges close to their home, leads to fragmentation of capital markets around the globe (Anderson et al., 2011 and Ke, Ng, & Wang, 2010). Distance and institutional perspectives helped finance scholars to develop a more detailed understanding of the phenomenon. (Coval & Moskowitz, 1999), for example, relate the home bias to differences in political system, exchange rate regime, and national culture. Grinblatt & Keloharju (2001) show that distance, language, and culture determine to large extent what stocks investors hold. This provides a relevant contribution to financial theory as the resulting market fragmentation leads to suboptimal allocation of funds and inefficient pricing mechanisms (Brennan & Subrahmanyam, 1996). Investors, thus, hold a suboptimal amount of foreign stocks, which leads to less diversification than in a globally integrated capital market.

2.2.3 Foreignness and performance on foreign financial markets

Somewhat related to investor behavior across markets, IB/Global Strategy perspectives also contributed to theory development on ratings and performance of foreign firms on local stock markets. While international listings in general have been found to increase the equilibrium price of stocks (Alexander, Eun & Janakiramanan, 1988), foreign firms are confronted with higher cost of capital, lower liquidity, and less analyst coverage (Blass & Yafeh, 2001a) than similar local firms when listing abroad. IB/Global Strategy scholarship contributed to this stream by providing theoretical reasoning for this phenomenon based on a liability of foreignness that firms face in capital markets (Bell, Filatotchev & Rasheed, 2012). To overcome this liability, firms have to invest heavily into capabilities that aid them in overcoming information asymmetries and an unfavorable investor-base in the foreign country. Finance researchers have further documented the consequences of foreignness for bond ratings. (Atilgan et al., 2015) provide evidence that firms from foreign countries structurally receive worse ratings, even when controlling for a large set of firm characteristics. They argue that the underlying reason is raters' unfamiliarity with foreign firms – clearly connected with the liabilities of foreignness in IB/Global Strategy theory. As rating agencies' customers punish unpredicted default more than wrongly predicted default (Beaver, Shakespeare, & Soliman, 2006), rating agencies tend to assign lower ratings to firms who they are less familiar with. More recent studies in corporate finance provide evidence that investor bias extends beyond equity markets. For example, Gu et al. (2017) evaluate whether firms incur liability of foreignness when attempting to raise debt capital abroad. They use multiple conceptualizations of institutional distance to capture the extent to which distance may contribute to investor bias in debt markets. Based on a sample of 361 firms from 45 countries over a 24 year time period, they find that institutional distances lead to increased cost of debt for firms that issue bonds abroad.

3. INTEGRATING PERSPECTIVES

The brief quantitative and qualitative reviews above provide overwhelming evidence how fruitful albeit limited the existing attempts to integration of perspectives have been. The IB/Global Strategy domain has benefited from concepts originating from the domain of finance to improve the theoretical understanding of risk in the MNC, the relevance of capital structure for MNC strategizing, and financial drivers of governance decisions. At the same time, theory and concepts strongly rooted in IB/Global Strategy theory and reasoning have contributed to a better understanding of capital market structures, capital market fragmentation, and performance on international financial markets. Nevertheless, integration between domains is limited. As can be seen from our figures, there appears to be no significant transfer from the asset management domain to the field of IB/Global Strategy at all. In addition, transfer from the area of corporate finance is largely limited to the more micro domain in IB. At the same time, finance research has only integrated some elements from the more-macro dimension of IB research – but hardly any knowledge from more-micro perspectives in IB. Further, as indicated by our bibliometric analysis, despite examples of a fruitful integration, the quantity of concepts and ideas crossing the boundaries of the fields remains very limited. In the two subsequent sections we, therefore, develop specific research suggestions with regard to how further theoretical and conceptual perspectives from one field may lead to fruitful theory development or expansion in the respective other. We specifically focus on the empty areas in the two-by-two matrix we suggest. At the same time, we indicate some common areas where integration has already started. By no means do we claim this list of topics to be complete. However, as we will highlight below, we see specific value stemming from potential integration in the areas we propose.

3.1 New finance perspectives on relevant IB/Global Strategy topics

In this section, we point out perspectives that researchers take in the finance domain and apply them to topics that might be interesting for IB/Global Strategy research. Relating to the two-by-two matrix we developed, we differentiate between two different streams in financial research: corporate finance research and research on investment and financial markets from the field of asset management. We believe that an integration provides a structured frame for our endeavor as it helps us to differentiate between the sources of capital and the use of the capital for investment strategies – a differentiation in line with the structure of our review.

3.1.1 Capital structure in the MNC

We see an opportunity to venture deeper into the connection between capital structure and relevant IB/Global Strategy phenomena. Specifically, we see a room to apply a broader definition of capital structure and do not solely focus on the relationship between equity and debt but also include the geographical distribution of financing.

As outlined above, capital structure is a key factor for the firm's strategic planning and actions, and the existing contributions in both IB/Global Strategy and finance highlight its importance in the context cross-border transactions. Nevertheless, findings remain somewhat inconclusive. While some studies suggest and find that internationalization yields a diversification benefit, leading to increased leverage (Fatemi, 1988), other studies suggest and find the opposite (Reeb, Kwok, Baek, 1998). While Kwok and Reeb (2000) provide a first explanation for these opposing effects in different samples based on a distinction between emerging and developed markets, we perceive further theory development in this area as a relevant addition to existing IB/Global Strategy theory. Developing further insights into the relationship might specifically help the IB/Global Strategy field to develop a better understanding of the drivers and consequences of international diversification. As every step in firm internationalization changes how firms are confronted with country specific risk on the one hand, and diversification opportunities on the other hand, firm capital structure, as it reflects both dimensions, could complement existing theories in the field of IB/Global Strategy to explain both the drivers and consequences of diversification.

Taking this logic down to the level of single internationalization steps may also provide further explanatory power to existing perspectives and theories in the field of market selection or entry mode. Outcomes of market selection decisions and decisions on entry mode lead to different degrees of risk exposure in a market, as entries into institutionally weaker countries are associated with higher risk (Boddewyn & Doh, 2011 and Heidenreich, Mohr & Puck, 2015) and because the firm's risk exposure increases with stronger commitment to a market (Contractor, Woodley & Piepenbrink, 2011). As capital structure has been shown to be a cognitive anchor for decision makers in firms (Fama & French, 2004 and Lindner, Müllner & Puck, 2016), firm capital structure can, thus, be assumed to be both an enabler and constraint for decisions on market entry and entry mode – potentially increasing the explanatory power of existing IB/Global Strategy theories and perspectives.

Another area where we see room for a better integration of the capital structure theory with IB research lies in the locus of financing and its relation to MNC international strategy. Firms have been shown to use financing opportunities across different markets, both with regard to equity (Domowitz, Glen & Madhavan, 1998) and debt (Gozzi, Levine & Schmukler, 2010). This geographical diversification of financing is driven by the availability and cost of capital in different markets (King & Segal, 2008), and it provides subsidiaries with a potential new role that so far received little to no attention in the field of IB/Global Strategy. Besides being active in the local product markets, subsidiaries, by providing access to a foreign capital market, may play a strong role in the financing structure of an MNC. We believe that integrating this role of subsidiaries as financing vehicles into existing IB/Global Strategy research on headquarter-subsidiary relations (e.g., Ambos, Asakawa & Ambos, 2011) provides an interesting avenue for future analysis. While existing research in this field largely relates to product markets, nonfinancial resource-based, or institutional explanations of the distribution of power between MNC headquarters and subsidiaries (e.g., Birkinshaw, 1996), the provision of access to an attractive financial market may be another important factor to consider when analyzing structure and processes of the headquarter-subsidiary relationships.

3.1.2 Asset management and MNC strategy

We suggest at least four promising avenues for future research in relation to international capital markets. First, we see an interesting potential in the recent findings related to the fragmentation of capital markets. Relaxing the assumption of an efficient global capital market, scholars from the field of finance and IB/Global Strategy provided relevant insights into how financial markets are fragmented across countries (O'Hara & Ye, 2011). Such fragmentation is, among other factors, the result of regulations, information asymmetries, or national-level investor preferences (Anderson et al., 2011 and Ke, Ng & Wang, 2010). While regulation and information asymmetries received attention in the IB/Global Strategy literature (e.g., Cuervo-Cazurra, 2012; Filatotchev at al., 2007 and Stevens & Makarius, 2015), research on investor preferences is rather scarce, and here we see interesting potential implications for IB/Global Strategy research. If, as suggested by financial literature on fragmented capital markets, different return characteristics are expected in different countries, performance itself cannot be considered as a universal construct. The optimal perceived Sharpe-ratio (i.e., the perceived optimal relationship between risk and expected return on an investment) will thus vary across countries depending on investors' country-specific risk-taking behavior and loss aversion. This ultimately means that MNCs from different countries or firms with investors from different countries may have different risk-taking and performance expectations. Such differing expectations might subsequently be reflected in the internationalization strategy of a firm, be it a market selection, speed of internationalization, or entry mode, among others. IB/Global Strategy theories in those domains may thus benefit from an integration of the market fragmentation perspective.

A second avenue lies in the connection between capital- and product market internationalization. As stated above, firms have been shown to use financing strategies (both equity and bonds) across borders. Recent research has shown that such international financing is connected with a firm's FDI activities (Lindorfer, d`Arcy & Puck, 2016), indicating spillover effects between the two markets. However, we know little about the nature and potential contingencies of this relationship and why some firms co-locate while others do not. Specifically research on international market selection may benefit from venturing deeper into the nature of information spill-overs between global markets for products, capital and labor.

Third, we want to highlight the potential relevance of signaling in capital markets for theory development in IB. Finance perspective (e.g. the capital structure theory) claims that many firm-level decisions are determined by which signal they send to capital markets (Pagano, Röll & Zechner, 2002). Firms, thus, pursue specific strategies not only because they are most efficient and effective at a certain point in time, but also as they intend to signal specific information to market participants. This perspective might deliver novel insights to market selection theory in IB/Global Strategy, as firms may choose markets because they convey a specific signal by doing so. For example, there might be countries that lend themselves to signaling innovativeness (e.g. Israel), dedication to good governance (e.g. the UK and US) or growth (e.g. China). While scholars in general management and strategy made major progress in integrating signaling perspectives, there is – so far – little application in the field of IB/Global Strategy as of today.

Lastly, we see an opportunity to connect research from the field of finance with IB/Global Strategy perspectives by assessing the comparative performance of national stock markets.

Finance research highlights two relevant characteristics of stock market performance. First, investors on stock markets include institutional conditions in a market in their assessment of listed firms, and, second, stock markets are relatively efficient in interpreting information (Hotchkiss & Ronen, 2002). Stock markets, thus, provide an interesting reflection of a country's expected future development – both economically and institutionally. Indicators of institutional quality frequently applied in the field of IB/Global Strategy have often been criticized for numerous reasons. If a degree of information efficiency of stock markets is assumed, comparative stock market performance might provide an interesting starting point to assess anticipated changes in institutional/economic quality in a market. If a country's stock market performs better than comparable other stock markets, this might indicate expected institutional and economic improvement in the longer run. Analyzing the comparative development of stock markets may thus support firms in choosing markets to enter, or entry modes. It might also allow them to make necessary adjustments when an internationalization step is in execution. Testing this empirically might reveal interesting insights into the decision making process of internationalization and may add to existing theory on internationalization strategy.

3.2 New IB/Global Strategy contributions to finance

In this section, we highlight how existing concepts and constructs from the IB/Global Strategy may be of use to advance finance theory. Again, we do not assume this to be a comprehensive account, we rather build on the brief literature review above and further highlight areas where we would perceive an integration as particularly fruitful. Following our review of different research perspectives above, we, first, propose extensions to research in areas where a first integration has been achieved (institutions and distance). We subsequently propose new pathways for areas with limited integration in the past, specifically stemming from more micro-level research in the field of IB/Global Strategy (regional strategies, outsourcing & offshoring, and mobility of global governance).

3.2.1 Institutions and distance

Cross-national distance is a core concept in IB/Global Strategy research as it incurs substantial costs (e.g. through information asymmetries) and creates specific values (e.g., diversification opportunities) in international business transactions (Verbeke, van Tulder & Puck, 2018). From spatial distance (e.g. Ragozzino & Reuer, 2011) to regulatory distance (e.g. Henisz, 2000) to cultural distance (e.g. Kogut & Singh, 1988), the IB literature has covered many dimensions of distance that result in costs or create potential value in international transactions. Empirical evidence from the field strongly supports the relevance of distance for individual decision-making and behavior (Busenitz, Gomez & Spencer, 2000), and firm level strategy (Brouthers & Hennart, 2007). While literature in finance has started to address the relevance of institutional dimensions (e.g, their quality or the level of development) for financial transactions (La Porta et al, 1998), we see only limited application of the institutional frameworks at the cross-country level.

There are at least three areas where an integration of the distance perspective may increase the explanatory power of existing research in finance. First, we see an opportunity in research on portfolio diversification. In finance, diversification literature has treated entering new industries or new countries largely as discrete steps (Griffin & Karolyi, 1998 and Lessard, 1996). Institutional distance may provide an interesting tool to assess quantitatively how different industries and countries are. As increasing distance implies increasing difference, one can assume that the correlation of returns reduces with increasing distance, thus making more distant markets more attractive for the purpose of diversification. Adding distance as an indicator for difference between markets may thus be able to provide further explanatory power to the diversification puzzle.

Second, we see benefit of a potential integration of the institutional perspective into the research on liquidity of capital markets. IB/Global Strategy research has provided strong evidence that markets are a reflection of informal institutions, particularly culture (Holmes, Miller & Hitt, 2013). Specifically important in the context of the capital market liquidity is that the structure of formal national institutions is, thus, partially a consequence of culture-specific perception towards risk and uncertainty (as uncertainty avoidance has been frequently claimed to be a dimension of culture, Hofstede, 2003 and House et al., 2004). Findings from the field of finance suggest that investment behavior and the liquidity of bonds are associated with investors' risk perception of a respective bond (Adler & Solnik, 1974; Damodaran, 2003; Ericsson & Renault, 2006 and Huang & Huang, 2012). If a nation's formal and informal institutions drive risk perception, including them into the analyses of the liquidity of financial markets may thus add to the explanatory power of existing models in the field of finance. Increasing explained variance in such settings would be important as the liquidity of a bond is strongly connected with a potential default (less liquid bonds default more frequently).

Third, elements of institutional theory, specifically the relevance of national-level isomorphism, can be extended to the field of finance. Research in the field of IB/Global Strategy has shown that firms imitate strategies of national incumbents to achieve legitimacy in foreign markets (e.g., Guillén, 2002). Given the rich data on financial markets, investment strategies of foreign firms in capital markets may provide an interesting opportunity to develop a very detailed picture of such strategies and to expand the theory to another field. It may simultaneously help to provide a more detailed explanation of investment strategies outside an investor's home-market, advancing the explanatory power of existing financial research by integration of a theoretical perspective on the cross-country level.

3.2.2 Regional perspectives

While finance research tends to assume the existence of well-integrated international capital markets, IB research mainly focusses on the country level. On this level of analysis, major theories of the global strategy field, such as internalization theory (Buckley & Casson, 1976) and institutional theory (Kostova, Roth & Dacin, 2008) have been applied to analyze consequences of country-level characteristics on firm level outcomes. Over the last decade, this research has been complemented with further perspectives focusing on the regional level (Rugman & Verbeke, 2004). Despite some criticism of the interpretation of existing results on this level (e.g., Mudambi & Puck, 2016), there appears to be an agreement that the regional level matters for MNC structure and strategy. The relevance of the regional context, i.e. the overarching characteristics of a bundle of geographically close countries, has indeed been shown to influence firm behavior beyond and above the characteristics of countries. Finance scholars over the last years started to reflect on the relevance of national level determinants for decisions on financing and investment (see above), and, thus, move away from the assumption of efficient market and full information (Fama, 1970) in their analyses and findings (e.g., Choudhry & Jayasekera, 2014). Influences of the regional level, however, remain, to the best of our knowledge, unexplored.

We see an interesting avenue for future research in the application of the "regional perspective" to many relevant financial questions, as studies from the field of IB/Global Strategy, at least implicitly, suggest that regional boundaries create investment barriers, such as information asymmetry or behavioral uncertainty. One specifically interesting area may be related to the analysis of the home bias of investment (Coval & Moskowitz, 1999). Here, the regional perspective may help to provide a more precise picture of the structure of home-biased investments by extending the logic of the effect to the regional level. Another interesting area may be in the domain of cross-listings. Research has shown that, besides financial reasons such as liquidity, some national capital markets attract cross-listings of specific firms as such a cross-listing sends positive signals to potential business partners in the local product market (Blass & Yafeh, 2001b). This line of reasoning might further improve in explanatory power when analyzing the phenomenon on the regional level: a firm may, for example, list on a country's stock exchange also because it considers market opportunities in other countries in the same region. Future research may, for example, explore how far signals of such a cross-listing reach within a region or what determines the selection of a specific financial market in a regional setting.

3.2.3 Outsourcing and offshoring of corporate financing activities

We also see a substantial opportunity to integrate rich IB/Global Strategy literature on outsourcing and offshoring (see Schmeisser, 2013, for a review) with the field of finance. The cross-border configuration of value chain activities both within and outside firm boundaries has been a central theme in IB/Global Strategy research for decades, but there are also important opportunities in terms of finance applications.

Both outsourcing and offshoring are frequently observed phenomena in the area of finance. However, actors in financial markets differ significantly in the degree they make use of outsourcing and offshoring and how they configure their value chain. Firms, for example, tend to centralize corporate finance functions in corporate headquarters. However, their bonds are usually issued through offshore financing vehicles. Many large MNCs such as car manufacturers have in-house banks that provide financing for consumers. At the same time, they do cooperate with external banks to develop financing opportunities. It seems reasonable to assume that outsourcing and/or offshoring of these activities may provide opportunities to improve access to capital, to markets, or generate efficiencies.

However, research that connects geographical and legal (within or outside firm boundaries) configurations of value chain activities in the field of finance with outcomes such as, for example, cost of capital, financial risk, or access to capital, is scarce. Findings from the field of IB/Global Strategy on drivers and consequences of offshoring and outsourcing may thus help to better explain the financial consequences of specific organizational configurations of actors in financial markets. While there is no single theory that addresses the outsourcing/offshoring phenomenon holistically, IB/Global Strategy research still provides a number of strong contributions how to address this question. Scholars may build on the co-evolutional (Lahiri & Kedia, 2011) or resource-based perspectives (Lewin, Massini & Peeters, 2009) to better explain the emergence of the phenomenon as well as its consequences.

3.2.4 International business and "mobility of global governance"

An integration of the mainstream IB research with institutional theory provides new interesting dimensions to the discussion of corporate governance, a key research area in corporate finance domain, in relation to the governance mobility across national borders. Given the predominant focus in extant finance 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 and ultimately performance. The underlying assumption in the vast majority of governance papers 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. However, Cumming et al. (2017), Aguilera et al. (2006), Schlegelmilch & Robertson (1995) and other authors 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, unlike studies in finance and economics, IB research considers corporate governance as an endogenous, socially embedded mechanism that may be highly responsive to various institutional 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 (Cumming et al., 2017). Specific governance mechanisms can even cross national regulatory boundaries and become adopted by firms in other jurisdictions.

Therefore, contrary to the universalistic predictions of agency-grounded research in finance, 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. Drawing from prior IB studies, Cumming et al. (2017) focus on four related channels through which corporate governance may be internationally mobile: (1) international mergers and acquisitions, (2) foreign ownership, (3) foreign political connections, and (4) foreign directors on boards of local companies. Overall, the recognition of corporate governance mobility presents an important opportunity for further theory building in the contest of both IB and finance research as this 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, Filatotchev & Aguilera, 2014). While finance theorists predict that regulative institutions put pressure on firms to compete for resources on the basis of economic efficiency, IB studies strongly indicate that institutional pressures may also compel firms to conform to expected social behaviour and demands. 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 broader stakeholders' interests, and societal expectations in a particular country (Filatotchev & Stahl, 2015).

4. CONCLUSIONS

In this paper, we analysed quantitatively and qualitatively how research in the domains of finance and IB/Global Strategy contribute to each other. We first provided a bibliometric analysis of the finance and IB/Global Strategy literature, with a specific focus on cross-referencing. As we found, both literature exist largely independently from each other, with very little reference to concepts, theories, or ideas developed in the respective other domain. At the same time, our subsequent short qualitative review provides strong evidence that interactions of the two fields in the past has led to important theoretical contributions in both domains. Consequently, we argue that a stronger interaction between domains in the future can also be of substantial value for both sides, and we develop a number suggestions for future research in both fields. This includes potential contribution from the field of finance to the field of IB/Global Strategy, and vice versa.

However, we believe that stakeholders in both domains can do more do promote a fruitful dialogue between the domains. Potential measures could be the development or stronger promotion of specific forums for interaction, such as joint conferences or journals, tracks at core conferences (such as SMS/AIB/EIBA or AFA/EFA), and special issues focused on possible overlaps of the two domains. Some helpful recent developments in this area have taken place including special issues on the interface between IB and finance in International Business Review (2010), Journal of International Management (2016), Journal of International Business Studies (2017), and Journal of Corporate Finance (2018 forthcoming), but, as we have discussed above, there is a lot of room for relevant additional research. We also encourage journals and journal editors in both fields to be open for contributions relating to or building on ideas from the respective other field.

To conclude, this paper provides evidence how fruitful ideas from IB/Global Strategy and finance have been to the respective other field in the past – and how limited the integration of the two fields currently is. To stimulate a more intense integration, we developed a number of starting points for future research in the overlap of finance and IB/Global Strategy. We believe that such intensified cooperation has strong potential to enhance our theoretical understanding of relevant phenomena in both domains and hope that this paper helps to intensify interaction between the fields.

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FIGURE 1 Average Coupling Between Journals

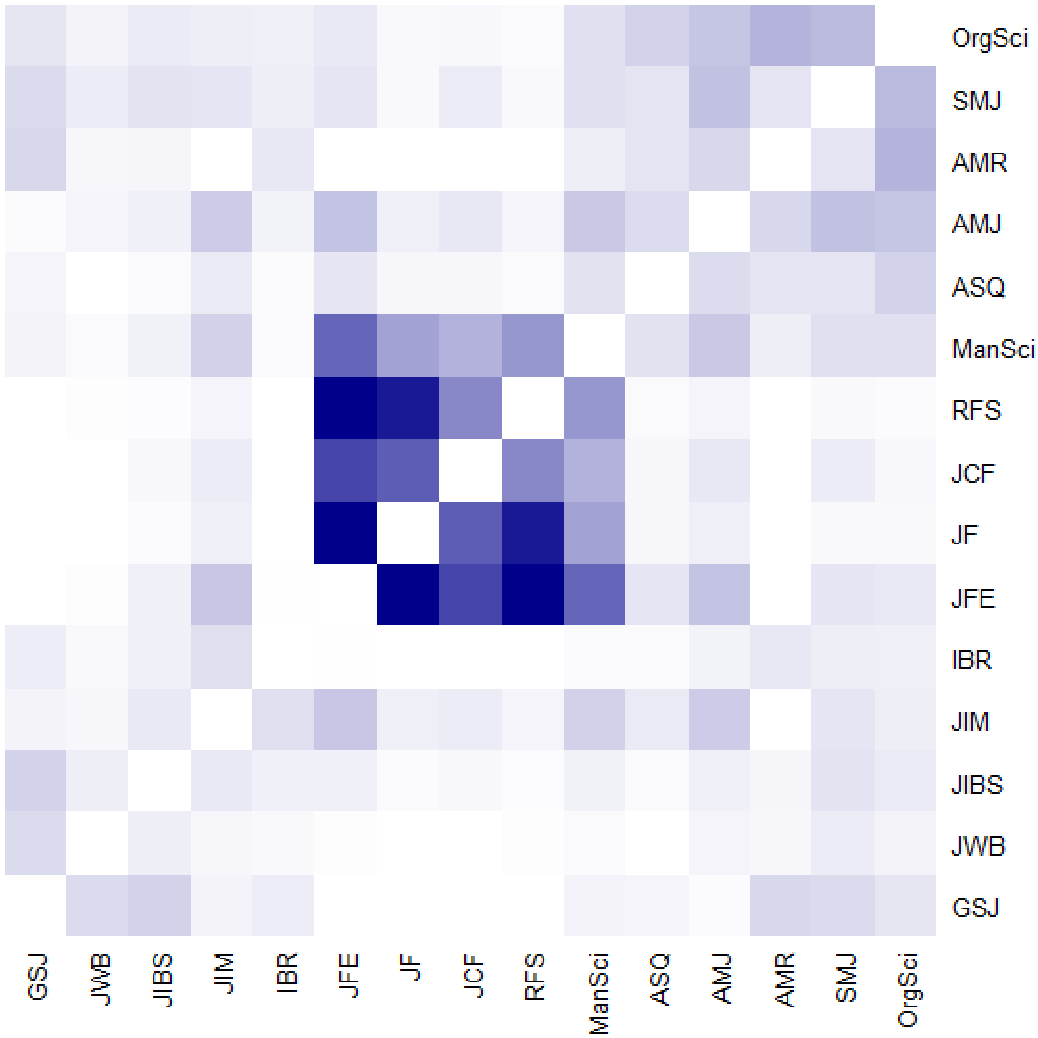

Figure 1: Average coupling between articles published in journals between 2010 and 2016. Darker fields represent stronger coupling. Journals included are the Global Strategy Journal (GSJ), the Journal of World Business (JWB), the Journal of International Business Studies (JIBS), the Journal of International Management (JIM), the International Business Review (IBR), the Journal of Financial Economics (JFE), the Journal of Finance (JF), the Journal of Corporate Finance (JCF), the Review of Financial Studies (RFS), Management Science (ManSci), Administrative Science Quarterly (ASQ), the Academy of Management Journal (AMJ), the Academy of Management Review (AMR), the Strategic Management Journal (SMJ), and Organization Science (OrgSci).

FIGURE 2 Contributions of finance research to the domain of IB/Global Strategy (*in italics*) and contributions of IB/Global Strategy research to the domain of finance (**in bold**)

	ASSET MANAGEMENT	CORPORATE FINANCE
MORE MICRO IB/GLOBAL STRATEGY PERSPECTIVES		*Managing risk in the MNC* *Capital structure and global strategy in the MNC* *Financial constraints to global governance* *Financial structure and international corporate governance*
MORE MACRO IB/GLOBAL STRATEGY PERPSECTIVES	**Institutions, culture and capital market structure** **Institutions, culture and fragmentation of capital markets**	**Liability of foreignness and performance on foreign financial markets**

Note that we relate to the perspective that started the cross-fertilization. Topics might have crossed the boundaries of our categories over time. In line with the common tradition in finance literature, we refer to "asset management" research as finance research rooted in macroeconomics, and to "corporate finance" research as finance research rooted in microeconomics.