CALL FOR PAPERS: Special issue of Journal of International Business Studies

THE ROLE OF FINANCIAL AND LEGAL INSTITUTIONS IN INTERNATIONAL CORPORATE GOVERNANCE

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Nature of the Special Issue

Financial and legal institutions play key roles in facilitating governance through monitoring and mitigating information asymmetries, thereby enhancing international business and economic growth. Legal scholars emphasize that auditors, financial analysis, and banks serve as reputational gatekeepers that strongly influence capital market development (Coffee, 2002). Economists observe that legal institutions, such as courts and regulatory agencies, influence corporate finance and financial development by supporting private contractual arrangements (Beck and Levine, 2008). Yet, the development of financial and legal institutions varies widely across countries and political regimes. In this special issue, we seek to encourage diverse international business approaches to help foster the discourse on the relative importance of financial and legal institutions for corporate governance in different economies around the world. Further research is warranted on exactly how these institutions influence asymmetric information problems, how financial and legal institutions work in tandem and apart, and the differences in mechanism effectiveness in dissimilar economies and political regimes.

The law and finance literature highlights the importance of strong financial and legal institutions in promoting access to finance, economic development and growth. For example, stronger securities regulatory systems facilitate initial public offerings (La Porta et al., 1997, 1998, 2006), the spawning of new entrepreneurial start-ups (Klapper et al., 2006; Cumming and Knill, 2012) and growth in emerging markets (Senbet and Ncube, 1997; Allen et al., 2005; Bekaert et al., 2005). The success of these corporate endeavors, however, largely depends on the ability of corporate governance systems to mitigate agency problems and other governance conflicts specific to the particular economy (Shleifer and Vishny, 1997; John and Senbet, 1998; Gompers et al., 2003). Research shows that institutions may not only shape the nature of dominant governance problems in different countries, but also influence the efficacy of firm-level governance solutions (Chahine et al., 2012).

Recent work demonstrates that legal institutions by themselves fail to explain problems with corporate governance and more generally economic development in many markets around the world, such as
China (Allen et al., 2005), India (Allen et al., 2012) and African countries (Allen et al., 2013). The success of certain countries, and the continued lack of success of others, remains largely unexplained on the basis of current understandings of the difficulties in separating ownership and control. In countries such as China, which often lack strong Western-style legal institutions and governance regulations, financial intermediaries establish other governance mechanisms that facilitate access to finance and economic growth.

Politics potentially distorts the role that legal and financial institutions play in corporate governance and skew the desired outcomes. Two dimensions within which politics can enhance or diminish the benefits that legal and financial institutions can provide in corporate governance around the world are: 1) the political economy of financial regulation (see, e.g., Rajan and Zingales, 2003), and 2) the value of political connections (among others, Fisman, 2001; Faccio et al., 2006; Claessens et al., 2008). Studies document that firms benefit from political connections, yet the impact on the international business aspects of corporate governance remains unclear as does the net or aggregate impact on industry growth.

We invite contributions to this special issue on the role of financial and legal institutions in corporate governance around the world. Our goal in this special issue is to integrate the strengths of finance, law, and international business scholars to gain insights into resolving asymmetric information and the associated governance problems in international business.

Topics

Submissions are encouraged from scholars that use different theoretical and empirical approaches to understand corporate governance, financial intermediation and growth in emerging and developed markets with an emphasis on finance, law and in politics. While not exhaustive, the following list suggests possible issues that would be appropriate to address in this special issue:

- How do financial and regulatory constraints impact strategy and growth in private versus public firms across different markets and/or over time?
- What influences regulatory competition across various economies? For instance, given that countries compete on corporate taxes, listing requirements, governance regulations, and court systems, how does regulatory competition effect FDI, or more broadly, international business?
- How do firms adapt their governance mechanisms and capital raising strategies in uncertain political and regulatory environments in different markets?
- What legal and/or political factors insulate firms in times of crisis? Do these differ across foreign and local firms?
- What is the role of financial regulation in spurring or discouraging international business and economic growth in emerging versus developed markets?
- What is the relative impact of political connectedness in different contexts in conferring special advantages to certain sectors of the economy or politically favored firms? For example, do political connections vary in their importance/effectiveness in countries with different financial and legal institutions?
- How important are property rights to financing innovation and international entrepreneurship? For instance, does the importance of property rights affect the types of financing activities in emerging and developed markets? How do differences in property rights influence sources of funding for innovative activities?
How has the globalization of the IPO market and evolving regulation of exchanges around the world influenced international business and economic development in different countries?

What patterns exist in disclosure policy, earnings management and accountability problems around the world and how do these patterns impact international business?

How is the investor landscape changing? For example, what is the governance impact of private equity investors, hedge funds, sovereign wealth funds and other financial intermediaries?

Does the political economy of international financial regulation influence how different firms raise capital in a global economy?

This Special Issue will provide an opportunity for JIBS to reach out to a wider audience that has traditionally been associated with the leading economics and finance journals. By publishing this Special Issue, JIBS will not only acknowledge the significant contribution of the "law and economics" perspective to international business research, but it will also send a strong signal that the journal wants to be an outlet of choice for top scholars working in the international economics, finance and comparative law areas.

Submission Process

All manuscripts will be reviewed as a cohort for this special issue. Manuscripts must be submitted in the window between August 17, 2015, and August 31, 2015, at http://mc.manuscriptcentral.com/jibs. All submissions will go through the JIBS regular double-blind review process and follow the standard norms and processes.

For more information about this call for papers, please contact the Special Issue Editors or the JIBS Managing Editor (managing-editor@jibs.net).

Cass Business School Workshop: Emerging Markets International Business

Cass Business School, in cooperation with JIBS, is pleased to host an international research workshop on "The Role of Financial and Legal Institutions in Corporate Governance" in February 2016, in conjunction with this special issue. The workshop will provide an opportunity for authors whose work has been shortlisted for the JIBS Special Issue. Experienced and distinguished scholars will serve as discussants to facilitate the development of the papers. There will be scholars interested in attending as general participants.

Details on the workshop will be forthcoming in 2015.

References


Special Issue Editors

Douglas Cumming J.D., Ph.D., CFA, is a Professor of Finance and Entrepreneurship and the Ontario Research Chair at the Schulich School of Business, York University, Canada. He teaches the MBA course “Venture Capital and Private Equity”. His research interests include venture capital, private equity, hedge funds, mutual funds, entrepreneurship, and law and finance. He is a Co-Editor of Entrepreneurship Theory and Practice and Finance Research Letters, and has been a guest editor for 12 special issues of top journals. He has published over 110 articles in leading refereed academic journals in finance, management, and law and economics, such as the Academy of Management Journal, Journal of Financial Economics, Review of Financial Studies, Journal of International Business Studies and the Journal of Empirical Legal Studies. He has received a number of academic best paper awards, such as the Ido Sarnat Best Paper Award from the Journal of Banking and Finance, and a best paper award from the Bank of Canada. He is the coauthor of Venture Capital and Private Equity Contracting (Elsevier Academic Press, 2nd Edition, 2013), and Hedge Fund Structure, Regulation and Performance around the World (Oxford University Press, 2013). He is the Editor of the Oxford Handbook of Entrepreneurial Finance (Oxford University Press, 2013), the Oxford Handbook of Private Equity (Oxford University Press, 2013), and the Oxford Handbook of Venture Capital (Oxford University Press, 2013). His work has been reviewed in numerous media outlets, including The Economist, The New York Times, Canadian Business, the National Post, and The New Yorker. He is a research associate with a number of institutions around the world, including Capital Markets CRC (Sydney), Cambridge University ESRC Center for Business Research (Cambridge UK), and the Center for Financial Studies (Frankfurt). Also, he has consulted for a variety of governmental and private organizations in Australasia, Europe, and North America.

Igor Filatotchev is Professor of Corporate Governance and Strategy and Associate Dean at Cass Business School, City University London, and Director of Centre for Research on Corporate Governance at Cass. He is also a Visiting Professor at Vienna University of Economics and Business. He earned his PhD in Economics from the Institute of World Economy and International Relations (Moscow, the Russian Federation). His research interests are focused on corporate governance effects on entrepreneurship and strategic decisions; sociology of capital markets. Key research programmes currently in progress include analysis of resource and strategy roles of corporate governance; corporate governance life-cycle; and a knowledge-based view on governance development in entrepreneurial firms and IPOs. He has published more than one hundred refereed academic papers, in addition to numerous books and book chapters, in the fields of corporate governance, entrepreneurship and strategy including publications in leading academic journals such as Academy of Management Journal, Academy of Management Perspectives, Strategic Management Journal, Journal of International Business Studies, Organization Science, California Management Review, Journal of Management Studies and Journal of Management. Most recently he edited "Corporate Governance and the Business Life-cycle" (2010), London, New York: Edward Elgar, and co-edited "The Oxford Handbook of Corporate Governance" (2013), Oxford: OUP. He is an Associate Editor of Journal of Management Studies. Before joining JMS editorial team he was an Associate Editor of Corporate Governance: An International Review.

April Knill Ph.D., is the Gene Taylor/Bank of America Professor of Finance at Florida State University. Before joining Florida State University, she was a consultant for the Development Research Group at the World Bank in Washington, DC. Her research interests include international finance, venture capital, and the intersection between law, finance and politics. She has published in journals such as Journal of Business, Journal of International Business Studies, Journal of Corporate Finance, Journal of Financial Intermediation, Journal of Comparative Economics and Financial Management. She has received the Dean's Emerging Scholar Award as well as the Center for International Business Education & Research and Financial Management Association Award for the Best Dissertation in International Finance.

Lemma W. Senbet is the Executive Director of African Economic Research Consortium (www.aercafrica.org) and on leave from the University of Maryland as the William E. Mayer Chair Professor of Finance. Prior to Maryland and AERC, Lemma Senbet was a distinguished professor at the University of Wisconsin-Madison and held the Charles Albright Endowed Chair. Professor Senbet
has achieved global recognition for his extensive and widely cited contributions to corporate and international finance, which have appeared in such premier journals as Journal of Finance, Review of Financial Studies, and Journal of Business. He has received numerous recognitions for his impact on the Finance profession. He has been elected twice as director of the American Finance Association and is a past president of the Western Finance Association. In 2000, he was inducted into the Financial Economists Roundtable, a distinguished group of world-wide financial economists who have made significant contributions to finance and apply research to current policy debates. In 2006, Professor was inducted Fellow of the Financial Management Association International in recognition of his career-long distinguished scholarship. In 2005, Prof Senbet was awarded an honorary doctorate by Addis Ababa University, Ethiopia's flagship university and his alma mater. Additional professional recognitions for Professor Senbet came from editorial appointments. He has been appointed to over a dozen journal editorial boards, including extended tenures with the Journal of Finance (12 yrs), Journal of Financial and Quantitative Analysis (6 yrs), and Financial Management (18 yrs). In 1999 he was named executive editor of FM and served two terms until 2005. In 2006 he was named Editor (Finance), JIBS, and he served five years. Prof Senbet has supervised numerous doctoral students who have gone on to become professors at leading institutions, such as Carnegie Mellon, Dartmouth, Vanderbilt, Minnesota, Florida, etc. Two of his former doctoral students are now Dean at Carnegie Mellon and Chief Economist of the US Securities and Exchange Commission, respectively. Prof Senbet has advised the World Bank, the IMF, the UN, African Development Bank, and various governmental and private agencies in USA, Canada, and Africa on issues relating to financial sector reforms and capital market development. Regarding his role in the US financial industry, Prof Senbet was a director of Fotris Funds and is currently an independent director for the Hartford Funds.

David M. Reeb holds the Mr. and Mrs. Lin Jo Yan Professorship of Banking and Finance and is a Professor in the Department of Finance at National University of Singapore (NUS) Business School. He also serves as an Editor at the Journal of International Business Studies, a Senior Fellow of the Asian Bureau of Finance and Economic Research (ABFER), and the Director of Business Doctoral Programs in NUS Business School. Dr. Reeb's research focuses on corporate finance but also encompasses financial disclosure choices and delves into international business. His most recent publication documents how symptoms of insider trading increase after regulators, such as the Federal Reserve or the FDA, gain access to private information about the firm. Dr. Reeb's research appears in the most influential academic journals in accounting, finance, law, and management (Journal of Finance, Journal of Financial Economics, Journal of Accounting and Economics, Accounting Review, Administrative Science Quarterly, Journal of Law and Economics, and the Journal of International Business Studies). This research generates thousands of citations, leading to features in the Wall Street Journal, BusinessWeek, The Economist, Forbes, the Financial Times, the International Herald Tribune, Inc Magazine, SmartMoney, MSNBC, CNN, Bloomberg TV, and several other major newspapers and business magazines in the US, Canada, Europe, Australia and Asia.