

## **Special Issue: Corporate Governance and Accountability in Multinational Enterprises**

Deadline for Submissions: March 31, 2004

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The importance of corporate governance and accountability in multinational enterprises (MNEs) has never been more evident than today, following the debacles of some large MNEs, corporate accounting scandals, and drastic deflation of market values in the U.S. and elsewhere in the world. Current attempts at legislative and organizational reforms to achieve better governance in many MNEs seem to be a precursor to companies worldwide looking beyond the “earning game”. MNEs now have to deal with more demanding global shareholders and stakeholder groups who seek greater disclosure and more transparent explanation for major decisions, escalating pressure to run global businesses in the best interests of these highly demanding international stakeholders.

There has been relatively little research on corporate governance and accountability in MNEs. Corporate governance represents the relationship among stakeholders that is used to determine and control the strategic direction and performance of organizations. Accountability is a key element as well as requirement for corporate governance, fortifying the latter in such a way that it provides a transparent template for governing critical decisions, procedures, and activities. Although external regulations are one part of the answer to improved governance, the prime responsibility for good governance and accountability lies within the company rather than outside it.

Research on strategy has extensively addressed governance issues such as internal mechanisms (e.g., ownership concentration, board member participation, and executive compensation), managerial opportunism, and ethical behavior. Nevertheless, our understanding of these issues in the context of MNEs remains limited and their link with accountability has not been adequately explored. The MNE is a richer yet more complex setting to study these issues since it deals with a larger number of cross-border stakeholders whose interests are frequently contradictory, faces more difficulties in controlling decision-makers in globally dispersed yet differentiated business units, and encounters greater pressure in the balance between headquarters governance and local adaptation and between accountability and efficiency.

To advance research on these issues along the theme of governance and accountability in MNEs, this special issue invites theory development and empirical study papers that address this theme from various perspectives. Below is a sample of topics:

- How do we define the interrelationship between governance and accountability in the context of an MNE? In what ways does accountability facilitate governance? Because governance is used to monitor and control managers' strategic decisions, how do the global reporting system and the accounting-based control improve such monitoring and control processes? Is transparency the common key to increasing both accountability and governance? If so, how can transparency be improved in an international setting?
- What are the internal and external governance mechanisms used to direct and control structural and strategic decisions across different levels (corporate, regional, divisional, and national) of the units within the MNE? To what degree are the conventional mechanisms such as ownership concentration, board member participation, and executive compensation applicable to MNEs? What are additional mechanisms unique to MNEs, especially to their regional, divisional, and national units? Along the increasing decentralization, in what roles the formal and informal control mechanisms such as output, bureaucratic, cultural, and information controls may stimulate MNE governance? Are the mechanisms and structure of corporate governance also influenced by the type of international strategy?
- How global corporate reporting and global corporate governance could be improved to establish greater accountability? Should the whole corporate reporting system be seen as a supply chain composed of company executives, boards of directors, information distributors, independent auditing firms, third-party analysts, standard setters, and market regulators? Should we adopt globally accepted accounting principles to enhance MNEs' accountability? In what ways should an MNE's reporting system reveal not merely conventional items in the financial statements but also real corporate values, risks, and uncertainties? What steps should be taken to improve internal auditing for better accountability?
- What are the internal conditions within an MNE that foster corporate governance and accountability? How do governance and accountability relate to corporate culture, organizational design, or strategic vision? Do ethical codes of conduct nourish accountability and governance? How are governance and accountability related to motivation, leadership and group processes at both headquarters and offshore affiliates?
- What are the external conditions that act as a restraint on the design of corporate governance and accountability? To what extent should an MNE's corporate governance be flexible to meet the national adaptation requirement and differentiated to satisfy different strategic roles played by different subsidiaries? Are the current frameworks such as the integration-responsiveness balance, parent-subsidiary relations, the information

processing, and subunit autonomy designs relevant to illustrating the external and internal antecedents of governance and accountability systems?

- Can we observe some differences across nations in the use of corporate governance and accountability? How do such differences impact the design of an MNE's globally coordinated governance mechanisms and reporting system?
- How is governance or accountability associated with MNE performance? State-of-the-art corporate governance brings benefits to MNEs, but may also introduce impediments to growth (e.g., lengthened due-diligence procedures). Likewise, there might be some tension between accountability and efficiency (e.g., heightened overhead). So can we validate the net positive effect of improved governance or accountability and see how they affect different aspects of firm growth and performance?
- How should MNEs balance or prioritize interests (including competing claims and conflicting rights) of different global stakeholders? Can the stakeholder theory be applied to explain this balance? As many of MNEs' strategic business units are becoming financially independent, thus resulting in multi-tier agencies within a firm, how do we define and diagnose the agency relationship and related opportunism hazards? In what ways may we revise the agency theory to elucidate the multi-tier agency phenomenon? If compensation of these multilevel CEOs needs to be predominately performance-driven, what should be critical criteria by which the performance of different levels of CEOs is appraised?
- Since corporate governance covers the moral, ethical, and value framework under which a firm makes decisions, can we establish a path of the relationship between governance/ accountability and ethical decision behaviors? Can we verify the impact or outcome of such behaviors? How should an MNE build an effective system to ensure the compliance of a globally harmonized code of business conduct and ethics?

Our aim is to publish a number of creative and innovative theoretical and empirical articles that would promote our understanding of corporate governance and accountability in MNEs. We especially encourage contributions that provoke new theoretical or analytical frameworks or provide novel applications of existing theories. Manuscripts that bridge or integrate different perspectives or disciplines are strongly encouraged.

The deadline for submission is March 31, 2004. Authors should prepare manuscripts in accordance with [JIM's Style Guide for Authors](#). Authors should electronically submit papers to the guest editor. For those who cannot electronically submit, please send the guest editor one hard copy and one diskette copy (in MSWord). Please direct any questions to the guest editor (Yadong Luo, Department of Management, School of Business Administration,

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