Accounting and Business Research

ISSN: (Print) (Online) Journal homepage: www.tandfonline.com/journals/rabr20

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To cite this article: Salvador Carmona, Igor Filatotchev, Jan Hendrik Fisch & Gilad Livne (2024) Integrating contemporary accounting and international business research: progress so far and opportunities for the future, Accounting and Business Research, 54:4, 369-391, DOI: 10.1080/00014788.2023.2271295

To link to this article: https://doi.org/10.1080/00014788.2023.2271295

Published online: 12 Dec 2023.

Accounting and Business Research, 2024
Vol. 54, No. 4, 369–391, https://doi.org/10.1080/00014788.2023.2271295

Routledge
Taylor & Francis Group

Integrating contemporary accounting and international business research: progress so far and opportunities for the future

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To date, the accounting and international business (IB) research fields have been developing rather independently, although some cross-discipline fertilisation is emerging. This paper aims to illustrate the conceptual and empirical bridges between the two disciplines. Specifically, we highlight how contributions originating in either field have influenced theory and research in such diverse areas as corporate governance, risk management, taxation and strategic decision making in multinational enterprises (MNEs). Further, we identify examples where attention by accounting researchers to the IB literature has resulted in innovative research, including studies focusing on control systems and financial reporting in MNEs. Based on our discussion of the state of mutual contributions between the disciplines, we highlight various areas where future research could benefit from further integration of the accounting and IB literatures.

Keywords: multinationals; corporate governance; financial reporting; strategic decision making; sustainability

1. Introduction

International Business (IB), economics, accounting and finance scholars have developed a significant body of research focused on the international mobility of capital, labour and goods. Although prior studies have identified several factors that may affect operational and strategic decisions, both at the headquarter and subsidiary levels of multinational enterprises (MNEs), this research generally considers accounting and international management as two separate domains associated with the process of firm internationalisation, as emphasised by Cumming et al. (2017). Specifically, the IB perspective suggests that firms' strategies in the global market are underpinned by their internal resources and capabilities, as well as the cost of

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interactions in the global market. Yet, the assessment of internal resources, and how firms value opportunities that present themselves, are also a function of accounting practices that they deploy. Lindner et al. (2016) argue that this critical aspect of strategic decision-making process has long played a subordinate role in the IB literature.

To date, the accounting and international business research fields have been developing rather independently, although some cross-disciplinary fertilisation is emerging (e.g. Filatotchev et al. 2020). This Forum in ABR provides examples of papers that speak to academics in the two areas. Alsahali et al. (2023) link board attributes traditionally explored in the IB literature with the accounting literature on the choice of assurance providers for sustainability disclosures. They explore the context of MNEs' information environment by analysing whether this relation is moderated by the economic, legal, and social environment of the firm, a key question within the IB literature. Banti et al. (2023), also in this Forum, build on a core IB framework associated with 'liability of foreignness' (LOF) in their investigation of foreign IPOs in the US and how LOF affects liquidity of the newly listed firm's shares. In line with prior IB studies, the authors provide evidence that the IPO firm's home country institutions attenuate this relation. In addition to introducing the papers in this Forum, our main objective is to outline areas of engagement between so far largely independent fields of research and suggest further avenues for mutual integration between the two disciplines.

The IB literature is primarily concerned with strategic dimensions of internationalisation of businesses, such as market entry, service and product expansion, as well as international governance mechanisms, and comparing domestic and foreign actors. Therefore, IB-grounded studies may be greatly enriched by areas of accounting research that focus on means and quality of production of information for useful decision-making through management control systems, environmental accounting, corporate reporting, managerial reporting incentives, the role of auditors and accounting quality, and the usefulness of accounting standards and regulation in the global context. In recent years, due to the increasing globalisation of businesses and the role that accounting issues play within these processes, cross-disciplinary influences are emerging both in practice and research. For example, Beuselinck et al. (2019) draw attention to complex aspects of earnings management in MNEs. Further, Xie et al. (2022) report that listed Chinese firms that were required to converge to IFRS experienced a significant increase in their exports vis-à-vis their private counterparts that did not have to comply with such accounting standards. This type of research is encouraging as well as indicative of substantial scope for cross-field fertilisation.

The integration of global capital markets has made it easier for firms to access capital outside of their home countries. Research on the motivation, processes, supporting mechanisms, and accounting problems, such as earnings management, that firms experience while entering international capital markets is limited so far. We believe such research can draw on a variety of theoretical perspectives and research traditions both in international business and accounting. Likewise, IB studies focused on product market entry and theories of MNEs often pay little, or no attention, to differences in accounting practices and taxation that the firm's process of internationalisation is associated with (Rego 2003, Oats and Tuck 2019).

With this paper we aim to contribute to a stronger integration of research on accounting and IB. We argue that these fields offer substantial novel perspectives, theories, and research methodologies to each other that have the potential to enrich our theoretical understanding of relevant phenomena on both sides. We first highlight the extent to which contributions originating in the fields of accounting and IB have influenced theory and research in diverse areas of the two disciplines. For example, we discuss how research on accounting and accountability has improved our understanding of corporate governance in the global context. We explore the impact of accounting research on such IB perspectives as taxation and risk management in MNEs, and how this research has contributed to our understanding of strategic decision making in MNEs. We also provide examples of whether and how theory and findings from the field of IB have been integrated with accounting research. Specifically, we review accounting research focusing on control systems and financial reporting in MNEs and note the paucity of cross-referencing. We believe this is unfortunate. Nevertheless, we identify and discuss examples where attention by accounting researchers to the IB literature has resulted in innovative research. We stress that it is not our objective to provide a comprehensive account of various overlapping streams of research between accounting and IB. Instead, our focus is on the most prominent mutual influences that, in turn, give momentum to the emergence of important sub-fields and relevant literatures.

Based on our discussion of the state of mutual contributions between the disciplines, we subsequently discuss various specific areas where future research might benefit from an integration of IB and accounting. For example, we discuss how the accounting perspective on corporate governance could be incorporated into contemporary IB research that to a large extent is using the behaviour (agency theory) grounded view of corporate governance. For the field of accounting, we debate how findings and concepts from the areas of institutions and institutional distance, regional perspectives, and international CSR, might contribute to accounting research. For both sides, as we argue, there exist numerous relevant contributions from the respective of the other side, with strong potential for theory development. We end by mapping a pathway for further integration and discuss different ways 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 comprehensive theories exploring the nature of multinational enterprise.

2. 'Crossing the divide': examples of engagement between IB and accounting

In the following sections we review what we see as core areas of engagement between the two fields that span the borders of accounting and IB literatures. While we believe that contributions discussed here are highly relevant for both fields, we do not claim that this is a complete review of such contributions. Rather, we build this section in such way that these examples of cross-fertilisation provide a basis for expansion as we move forward to propose new and deepened avenues of investigation and further research. Specifically, we focus on research areas where IB and accounting scholars have engaged in collective research efforts when exploring aspects of corporate governance, operational flexibility, and the firm's institutional and information environments in the context of internationalisation. Table 1 helps to map out these sub-fields to provide readers with an overview of various research areas we would like to address. As the investigations 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 line between accounting and IB fields.

2.1. *Corporate governance*

A major constraint to the cross-fertilisation and integration of accounting and IB research streams is related to the conflicting paradigms that research in the respective fields is based on (Agmon 2006). In the early 2000s, researchers started opening up to approaches that differ from the traditional foundations of the fields. For example, the notions of accountability and effective internal controls that play an important role in the accounting field have exerted a significant impact on research on corporate governance in various IB contexts (Filatotchev et al. 2020). In their seminal review of corporate governance research in finance, Shleifer and

Table 1. 'Crossing the divide': engagement between IB and accounting.

Research areas	Examples of mutual engagement	Opportunities for future integration
Corporate governance	• Research on accountability and effective internal controls in MNEs. • Impact of governance factors on management earnings forecasts, accounting quality and sustainability reporting assurance in MNEs. • Tax avoidance by global firms.	• Exploring the effectiveness of endogenous co-evolution of governance and accounting systems in different organisational and institutional contexts. • Integration between behavioural and contractual perspectives on corporate governance. • Analysis of corporate governance mobility across national borders.
Operational flexibility	• Multinationality as arbitrage potentials between an MNE's foreign locations. • Convergence/divergence of management accounting and control practices between headquarters and subsidiaries.	• Better understanding of how management accounting and control practices develop across countries and industries. • Economic crises as a significant driver of management accounting change. • Multinationality – performance interface.
The firm's institutional environment	• Impact of culture and business traditions on management control systems in MNEs. • Institutions and management accounting practices from an international perspective.	• Exploration of 'Institutional embeddedness' of strategy, governance and control in the MNEs and their subsidiaries. • Analysis of the drivers and constraints of management and accounting practices across countries and regions.
Sustainability and environmental reporting	• Effectiveness of sustainability reporting practices by MNEs.	• Improved understanding about the operationalisation of environmental, social and governance (ESG) activities. • How ESG-focused strategies affect reporting, incentives, and auditing • Distribution of social risks along the global supply chain.
The firm's information environment	• Information transparency disclosure in MNEs • Accounting quality of global firms.	• Interface between corporate governance mechanisms in MNEs and accounting quality encompassing segment disclosures and voluntary disclosures. • Further research om how accounting affects management incentives in MNEs and their set-up of operations. • How an MNE's structure affects what and how much is disclosed.
Liability of foreignness	• Extending the LOF to capital markets. • The impact of LOF on management earnings forecasts and accounting quality.	• The extent to which corporate governance mechanisms, including reporting and auditing in MNEs, are capable of mitigating or exacerbating the LOF.

Vishny (1997, p. 738) 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, accounting studies have broadened IB scholars' understanding about the effectiveness of governance by considering it as a process-driven function that facilitates value creation. These processes develop over time across countries and within firms (Armstrong et al. 2010). The financial impact of accountability and effective 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 internal controls and managerial accountability to minority shareholders, which minimises the chance of managerial tunnelling – defined by Johnson et al. (2000) as the expropriation of corporate assets or profits – lead to an enhanced capability of the firm to raise external capital (Aggarwal et al. 2005). Gompers et al. (2003) and Bebchuk et al. (2009) provide important metrics for the robustness of governance at the firm level and find that well-governed firms have higher firm value, profits, and sales growth. The accounting and finance literatures also suggest that good governance leads to an increase in financial performance (Falconieri et al. 2019) and prevents adverse accounting practices such as earnings management (Fan et al. 2021), among other factors.

Research methodologies and frameworks suggested by accounting scholars have been utilised by IB researchers – see, for example, Li et al. (2019) on the interface between country-level institutions and management earnings forecasts and Li et al. (2022) on accounting quality in MNEs. Prior research indicates that internationalisation strategies are also associated with information asymmetries and substantial risks, especially when firms invest in emerging markets with less developed legal environments and dubious accounting standards and practices. As a result, specific foreign direct investment (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 and Cabolis 2008). Managers derive private benefits from international diversification that may exceed their private costs (Denis et al. 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) and the observation of Oesterle et al. (2013) that MNEs' degree of internationalisation depends on the concentration of ownership in a non-linear way: internationalisation is high for both dispersed and concentrated ownership, whereas it is low for intermediate levels of ownership concentration.

There are increasing efforts to integrate IB and accounting perspectives in corporate governance research. Alsahali et al. (2023) in this issue investigate how the monitoring quality of the board of directors is associated with the choice of assurance providers and whether this relation is moderated by the economic, legal, and social environment of the firm. Using a large multi-industry, multi-country sample, they find that board monitoring quality is positively associated with the choice of a Big-4 assurer. They also find that the likelihood of sustainability reporting assurance, as well as the choice of a Big-4 or an engineering firm as an assurer, is higher in countries with strong economic and legal environments. This is a clear example of research opportunities that the integration between the two perspectives provides, and we will explore this further in the following parts of the paper.

2.2. *Taxation and the MNE*

Taxation issues in general, and tax avoidance by global companies in particular, represent another important area of engagement between the IB and accounting fields. As a consequence of operating in several tax jurisdictions, MNEs can take advantage of beneficial tax rates (Ting and Gray 2019) using mechanisms such as transfer pricing (income shifting) and shell companies (Akhtar et al. 2019). Accounting researchers have studied tax avoidance from several perspectives, but often focusing on a single country. For example, Dyreng et al. (2008) examine long-run measures of tax avoidance in a sample of US firms, while Dyreng et al. (2013) find that US firms locate subsidiaries in the US state of Delaware to reduce taxes. However, there is also extant research looking at transfer pricing (see also a review by Hanlon and Heitzman 2010). In a more recent study, Richardson et al. (2021) find that the cost of capital is positively related to income shifting by US MNEs to lower tax countries. This suggests that investors regard income shifting as a risky endeavour. The authors attribute this finding to equity incentives that are related to both risk-taking and tax aggressiveness (Rego and Wilson 2012).

Accounting researchers have also been naturally interested in the link between managerial reporting discretion and tax avoidance. One idea is that managers are incentivized to lower reporting quality when they take tax-avoiding measures to hinder detection by tax authorities. Consistent with this idea, Hanlon (2005) shows that tax avoidance measures are associated with lower earnings persistence.

The IB literature has also examined tax-related issues, including changes in domicile to foreign countries with lower tax rates (Reyes-Peña et al. 2022), a strategy known as tax inversion, which also complicates the distinction between US and foreign MNEs (Hanlon and Heitzman 2010). Fisch and Schmeisser (2019) find that MNEs tend to upgrade local operations in response to tax advantages, in an effort to reap the benefits of multinationality. However, on average, they do not seem to benefit from this practice of international tax arbitrage. Opaque disclosures of regional profits can nevertheless help MNEs mask income shifting activities and avoid public scrutiny. Consistent with this idea, Akamah et al. (2018) find a greater degree of aggregation in segment reporting in MNEs operating in tax havens.

Naturally, incentives that affect tax avoidance are closely related to the tax system firms must follow. Kohlhase and Pierk (2020) show that effective tax rates decrease in MNEs that experience a shift from worldwide tax system to territorial tax system. Perhaps it is not surprising that IB scholars have advocated a shift to global taxation system (McGaughey and Raimondos 2019). This is an example of how the two disciplines working together may not only generate novel research streams but also offer policy advice to the regulators in the context of globalisation.

2.3. *Operational flexibility, management accounting and control in the context of global strategy*

Accounting research has not only complemented but also advanced established IB theories, especially the framework of operational flexibility. This framework conceptualises the benefits of multinationality as arbitrage potentials between an MNE's foreign locations (Kogut 1985, Allen and Pantzalis 1996). The accounting literature can improve IB studies' application of this framework as insights from accounting research help specify arbitrage potentials from a tax planning perspective (Marques and Pinho 2016) and investment incentives in host countries (Fisch and Schmeisser 2019). This is the case, for example, for operational foreign exchange rate exposure, which is a strategic risk with financial implications, since the locations in which a firm operates determine how the firm is exposed to competitive pressure from competitors in different currency areas (Allayannis et al. 2001). Accounting scholars found that locating subsidiaries in other currency areas open opportunities for natural hedging, transfer pricing and capital allocation (De Simone et al. 2017). Here we observe a dialogue between both disciplines, where studies from accounting and economics (Allayannis et al. 2001, De Simone et al. 2017) and IB (Pantzalis et al. 2001, Fisch and Puhr 2022) discuss the effectiveness of operational flexibility as an instrument to safeguard an MNE's operations from exchange rate fluctuations as compared to the instrument of financial hedging.

Research on operational flexibility in IB has long emphasised that control of foreign subsidiaries is crucial for MNEs. As noted by Sageder and Feldbauer-Durstmüller (2019), the design of management and control systems of MNEs depends on both internal factors (e.g. organisational structure, relationship between headquarters and subsidiaries) and external factors (e.g. culture, market requirements). As management accounting practices could diverge across jurisdictions and, in turn, this could affect the alignment of control practices between headquarters and subsidiaries, accounting research has conducted comparative studies to examine the determinants of convergence/divergence of such practices by companies from around the world.

Shields (1998) showed that the driving forces for convergence of management accounting and control practices are: competition, similar operating technologies, easy diffusion of management accounting techniques, homogenisation of management accounting education, the rise of global consulting firms, and the enforcement of consistent practices by MNEs across their subsidiaries. Van der Stede (2003) used data from 153 business units within 37 firms headquartered in Belgium to examine the role of one type of business-unit contingency (national culture) with respect to corporate firm-level effects (corporate parent effects) on the design of management control and incentive systems. He found a dominant role of corporate effects, which suggests that management control and incentive systems tend to be uniformly implemented within firms rather than to reflect local business-unit conditions. However, although management accounting and IB research examine quite similar issues (see Salter and Niswander 1995), cross-referencing seems rare in published papers in the management accounting and IB literatures (Stendahl et al. 2021). Therefore, future research adopting this inter-disciplinary approach may enhance understanding on the diffusion and implementation of management accounting and control practices in MNEs.

2.4. *Institutional perspective on the MNE*

The institutional perspective has long occupied a prominent place as one of the core building blocks of the contemporary IB field. Here we see another area of engagement between IB and accounting scholars. For example, building on institutional theory to examine convergence in management accounting practices, Brandau et al. (2013) analysed cross-sectional field study data from a set of manufacturing companies in Brazil and Germany. They found support for the notion of convergence in management accounting processes as consequence of pressures created by the adoption of International Financial Reporting Standards (IFRS) and the pursuit of legitimacy. They observed a greater *internal* use of IFRS-based measures. Furthermore, they showed that firms in their focal countries tend to adopt residual income and discounted cash flow valuation techniques that are popular among Anglo-American MNEs. This notwithstanding, Granlund and Lukka (1998) indicate that international convergence of management accounting systems mainly intends to improve operational, not strategic, effectiveness. Therefore, appropriate systems are helpful for control and decision-making purposes. However, the role attributed to them is of a supporting nature only.

In their comprehensive review of the literature on management control systems in MNEs, Sageder and Feldbauer-Durstmüller (2019) found that culture and business traditions in the host country may complicate the transfer of control mechanisms to subsidiaries due to lack of acceptance of foreign systems, such as performance measurement. In addition to cultural dimensions, they observed that market requirements and legal and political conditions play a significant role for the effective adaptation of control mechanisms to subsidiaries. Furthermore, and compared to firms headquartered in Europe, their Taiwanese and Japanese counterparts stress the standardisation of operations and exert intense process control over subsidiaries. As noted by Sageder and Feldbauer-Durstmüller, prior research shows that the focus and relative weight of non-financial measures vary between countries as well as the long-term orientation in investment decisions. Drawing on a sample of Finnish-based MNEs, Kihn (2007) found that business unit headquarters' (HQ) emphasis on financial controls generally improved short-term profitability in the business units to a greater extent than an emphasis on non-financial or action accountability controls, whereas behavioural controls had a smaller positive effect. However, Dossi and Patelli (2010), using a sample of Italian subsidiaries of foreign companies, showed that the inclusion of non-financial perspectives in performance management systems contributes to strategic alignment of international organisations by supporting learning and dialogue between HQs and subsidiaries.

Taken together, extant research suggests that the drivers of convergence in management systems dominate those of divergence (Endenich 2014). Nonetheless, and as already noted by Shields (1998), convergence affects terminology and techniques and much less the purpose of management accounting and control systems, which in turn may diverge across industries both within and between nations. It should also be noted that the use of similar reporting standards (e.g. IFRS) helps in the adoption of performance measures that rely on financial figures because this makes them comparable across countries (Sageder and Feldbauer-Durstmüller 2019). Further research examining management accounting practices from an international perspective could focus on different settings (e.g. emerging economies), the impact of financial, political crises, technology and markets on MNEs. It could also adopt well-established theoretical frameworks in international business (e.g. institutional sociology).

2.5. *Sustainability and environmental reporting*

In recent years both literatures have turned attention to sustainability issues, perhaps alarmed by reports such as the one of the United Nations (UN) published in 2019, which provides compelling evidence of the unprecedented decline of the ecosystem (United Nations 2019, He et al. 2022). The global implications of climate change are central to the mission of the UN and, in its agenda for sustainable development, the UN adopted 17 goals and a performance framework of 169 targets and 232 indicators (United Nations 2015). Overall, this signals an awareness that globalisation and 'global sustainability is not possible without equity in the access to economic and environmental resources' (Bebbington et al. 2021, p. 7), and this underpins actions like the Global Reporting Initiative (https://www.globalreporting.org) that aims at the integration of social, economic and environmental indicators in sustainability reports. As far as the accounting profession is concerned, these initiatives play an active role in embracing sustainable development goals (e.g. the Institute of Chartered Accountants in England and Wales, the International Federation of Accounting; Bebbington and Unerman 2018). The IB literature has also been aware of the climate-change challenges (Ghauri et al. 2021), and opportunities, MNEs face (Kolk and Pinkse 2008). More recently, Maksimov et al. (2019) argue that MNEs need to 'integrate green competences into the organizational core', which is likely a greater organisational challenge in MNEs than in single-country entities. It is likely that an agreed-upon sustainability reporting system can help in developing such competencies.

Environmental accounting illustrates how investigations in this area have engaged with the international business literature to examine the global implications of climate change on accounting practices. For example, Comyns (2018) relied on a fruitful combination of institutional theory and international business research to examine greenhouse gas reporting practices by MNEs. Rather than employing a single categorisation of MNEs, Comyns used Ghoshal and Bartlett's (1990) classification of MNEs (e.g. global, multi-domestic to global, and transnational) to conduct a case study of three MNEs that fit in this categorisation: ExxonMobil (global), Royal Dutch Shell (multi-domestic to global) and BP (transnational). Comyns (2018) suggested that different typologies of MNEs implement different standardisation of greenhouse gas practices across the headquarters and subsidiaries, and this in turn may affect reported data quality. Accordingly, she found that global MNEs (ExxonMobil and Royal Dutch Shell) adopted standardised procedures throughout the organisation. In contrast, BP, a transnational MNE, adopted a more decentralised approach to carbon management, which left carbon reduction decisions to the discretion of local management, and this posed additional problems for the transnational firm to standardise its reporting practices. As noted in Section 3, further investigations can enhance understanding about the operationalisation of environmental, social and governance (ESG) activities as well as about the distribution of social risks along the supply chain.

2.6. *Information environment in MNEs*

As discussed above, attempts to systematically link attributes of corporate governance in IB and accounting have been challenging (Larcker et al. 2007). The IB literature has paid much attention to allocation of production and distribution systems in MNEs, referring to internalisation theory perspective (Buckley and Strange 2011) and, increasingly, to the agency theory perspective (Filatotchev and Wright 2011, Aguilera et al. 2019). A major strand of research in the IB literature is comparative corporate governance, which examines country-level institutions and their effects on MNEs. An accounting perspective places more emphasis on a firm's contractual arrangements and its corporate information environment (Armstrong et al. 2010). However, a significant area of mutual engagement has emerged in relation to the information environment (both internal and external) associated with global strategies of the MNEs. For example, Cannizzaro and Weiner (2018) build on accounting research on voluntary disclosures as they look at state ownership and foreign direct investment. Specifically, they examine transaction level voluntary disclosures about foreign direct investments in the oil and gas industry and compare these disclosures between state-owned enterprises (SOE) and publicly-held firms. They argue that since not all firms in their sample follow international accounting standards, or otherwise comparable accounting rules, using firm-level measures of disclosure is not meaningful. SOEs are also subject to political pressure that may shape firm-level disclosures. In contrast, when the unit of analysis is a single investment, such comparisons are possible because the investment disclosures are purely voluntary, and this overcomes ownership selection bias. They find that public ownership increases transaction transparency (i.e. the quality of the voluntary disclosure). Although this is an interesting result, it is not entirely clear that the focus on transaction level is free from selection bias in the decision to voluntarily disclose. Their results in fact suggest such a bias is present. Cannizzaro and Weiner also stop short of assessing what the consequences of transaction transparency may be. For example, do SOEs benefit from reduced transparency and are there positive economic consequences for withholding transaction-level information?

Li et al. (2022) speculate that accounting quality is lower in foreign firms cross-listed in the US, if they have more subsidiaries in offshore financial centres with weak legal institutions. Their paper is motivated by the need to understand how corporate governance operates in MNEs, an interest shared by the IB literature, but perhaps more so by the accounting and finance literatures.[1] Drawing on measures for accounting quality developed in the accounting literature, Li et al. find evidence consistent with the 'corporate governance arbitrage' hypothesis but it is not entirely clear what may be the channel through which accounting quality is affected. For

[1]For a review of the literature on corporate governance from an IB perspective see Aguilera et al. (2019).

example, what accounting standards are used by these subsidiaries? It is also unclear what role offshore auditors play and whether regulators, such as the PCAOB, inspect these auditors (and if they do, what effect these inspections have). Later in the paper, we elaborate on how further research may enhance understanding about the relationship between accounting quality and voluntary disclosures in MNEs.

In terms of internationalisation and the firm's information environment, both IB and accounting scholars have focused on the following question: Do firms become more or less opaque when they expand internationally? This may be motivated by need to avoid government and regulatory scrutiny as well as minimise competitors' attention. On the other hand, if expansion requires infusion of new capital, this may incentivise better disclosures. Luo and Tung (2007) argue that internationally expanding emerging market firms can commit to better accounting by asking rating agencies to rate their public debt or employ auditors from global auditing networks. Better financial information, in turn, increases investor trust and the flow of capital needed to fund the expansion. Consistent with this idea, Bae et al. (2013) find that credit rating initiations for emerging market firms are associated with more conservative reporting. Hope et al. (2008) show that firms in countries characterised by more secretive cultures are less likely to select a Big-4 auditor. However, as these firms expand internationally, the effect of home culture is diluted leading to a greater choice of Big-4 auditor.

One concern with these studies is that they focus on a single dimension (e.g. rating initiation, auditor-selection), although there may be other changes taking place contemporaneously. For example, when emerging market firms initiate rating agency coverage, they may also adjust corporate governance arrangements, including inter-alia changes to the audit committee, pay arrangements (and, hence, reporting incentives), and board composition. More research is therefore needed to understand what drives observed changes and to be able to speak more confidently about causation rather than statistical associations.

2.7. *Liability of foreignness: going beyond product markets*

The IB literature is increasingly turning its attention to the concept of Liability of Foreignness (LOF). Zaheer (1995, p. 343) defines LOF as 'all additional costs a firm operating in a market overseas incurs that a local firm would not incur.' Consistent with this view, Gu et al. (2019) suggest that institutional distance leads to an increased cost of debt, suggesting that institutional characteristics of the country of origin determine the LOF experienced by firms. Although accounting researchers have largely overlooked this concept, some papers build on the concept of LOF. Filatotchev et al. (2020) examine earnings management in foreign IPOs listed in the US. Their findings suggest that the SEC monitors foreign IPOs based on perceptions of foreignness whereby monitoring is positively related to LOF. As a consequence, IPOs that suffer less from LOF manage earnings to a larger extent. Banti et al. (2023) in this Forum also study foreign IPOs in the US but turn attention to how LOF affects liquidity in this market. They find that the market in foreign IPOs is less liquid than domestic (US) IPOs. Although this is consistent with LOF, certain home country institutions attenuate this relation. The IPO setting is particularly interesting because it represents a context where a foreign firm commits to another country's rules (e.g. the USA) in order to circumvent adverse effects of domestic institutions and overcome LOF. This bonding to the USA (Coffee 1999, 2002, Stulz 1999, Siegel 2005) is supposedly stronger than in cross-listed firms because the latter need to obey two or more set of rules and laws (in the home country and USA). Although both Filatotchev et al. (2020) and Banti et al. (2023) find inconsistent evidence with full bonding, and that LOF cannot be eliminated, further research could identify corporate governance mechanisms in MNEs that are capable of reducing LOF.

These studies clearly show that the LOF framework initially originated within the IB field may benefit from theoretical influences coming from accounting scholars. Specifically, the aforementioned studies strongly argue for shifting focus from considering the LOF mainly in product markets towards investigating aspects related to capital markets and information environments of the MNEs, as we argued earlier. Again, we will return to this in Section 3.

3. Opportunities for future research

In the previous section we provided some important examples of research areas where IB and accounting scholars have engaged in collective research efforts when exploring aspects of corporate governance, operational flexibility, the firm's institutional and information environments, among others, in the context of internationalisation. We selected these areas because they underpin further opportunities for an inter-disciplinary theory building and development of more comprehensive research frameworks. Having reviewed relevant findings in both the accounting and IB literatures that sit at the intersection of the two disciplines, here we outline further research opportunities.

Beyond singular examples of cross-fertilisation as outlined above, similar phenomena are often studied in the two literatures without cross-referencing, and mutual recognition. One negative outcome of these theoretical 'silos' is that the speed with which knowledge is developed overall is reduced because of this lack of acknowledgement of the work made in the other areas. We contend that the most significant negative outcome of poor conceptual integration is that new opportunities for knowledge and understanding of complex phenomena and mechanisms may not be fully exploited. Corporate governance research is a good example of the opportunities for truly inter-disciplinary theory building driven by deeper integration of IB and accounting frameworks.

3.1. *Integrating behavioural and contractual perspectives*

The IB studies are very much grounded within the principal-agent perspective and focus on behavioural aspects that affect the resolution of agency conflicts (e.g. managerial incentives, board monitoring, shareholder activism etc.). Typically, accounting research also relies on the principal-agent framework but pays greater attention to the effects of a firm's contractual arrangements on its corporate information environment. Christensen et al. (2016), for example, discuss how incomplete contract theory broadens our understanding of both the role accounting information plays in contracting and the mechanisms through which efficiency gains are achieved. Yet, it is not only contracts and reporting rules that matter in agency conflicts. Armstrong et al. (2010) argue that both formal and informal rules evolve together over time to define the nature and extent of agency conflicts and their resolution mechanisms. That is, certain contractual arrangements and financial reporting choices work more efficiently within certain business environments. As a result, one should not expect to see firms converging to a single dominant type of corporate governance structure, compensation contract, debt contract, or financial reporting system. Instead, one expects to observe heterogeneity in these mechanisms that is a function of firms' characteristics and external environments. The authors suggest departing from focusing on the development of a 'good governance toolkit' towards exploring the effectiveness of endogenous co-evolution of governance and accounting systems in different organisational contexts. Therefore, future inter-disciplinary research could integrate behavioural (i.e. informal) and contractual perspectives and clarify that there is no ideal or standard package of good governance but a variety of options that affect organisational outcomes, such as performance, internationalisation, and innovation, among others.

3.2. *Governance, accountability and legitimacy*

Another promising avenue for future interdisciplinary research is associated with the notion of ‘institutional embeddedness’. Specifically, IB research has relied on institutional sociology to investigate the drivers and constraints of management practices across countries and regions. This strand of research, we contend, provides useful insights into management accounting research adopting an international perspective. For example, on investigations addressing the change in management accounting practices when companies venture into overseas factor and product markets (Cumming et al. 2017), or on research examining the extent to which management accounting practices may be considered an endogenous, socially embedded mechanism that is significantly affected by institutional pressures (Filatotchev and Nakajima 2014).

More recent sociology-grounded research in IB suggests that governance and accountability are products not only of coordinative demands imposed by markets, but also of rationalised norms legitimising the adoption of appropriate governance practices (Bell et al. 2014). This perspective focuses less on the individual efficiency outcomes of structural organisational characteristics that are at the core of the 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’. IB 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 behaviour and demands from a wider body of stakeholders. In other words, the organisational capacity 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 both IB and accounting perspectives. First, the firm’s quest for legitimacy may lead to changes in its corporate governance and accounting 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. As a result, accounting scholars would need to rise to the challenge of developing sustainability indicators to be used both in external reporting and in the governance processes. For example, a system of remuneration that involves not only financial performance benchmarks, but also factors associated with longer-term sustainability and climate change may be an important governance factor contributing to the organisation’s long-term survival (Cohen et al. 2023). However, developing such a reporting framework faces several practical and theoretical challenges (Stolowy and Paugam 2023, Wagenhofer 2023). Similar challenges apply to companies wishing to introduce wider performance criteria and definitions of risk into their risk-management systems that use non-financial indicators.

An integration of the mainstream IB research with accounting and institutional theory provides interesting new dimensions to the discussion of *corporate governance mobility* across national borders. Traditional IB studies have identified how different forms of institutional distance may affect the way MNEs tap into international factors markets and develop their strategies in terms of global diversification of their product and services. Given that extant research predominantly focuses on internal, organisational aspects of corporate governance, there is limited prior work on potential roles of the firm’s institutional and information environments in terms of their impact on the link between governance factors, international business strategy and ultimately performance. Therefore, contrary to the universalistic predictions of agency-grounded research in finance, different social, political and historic macro-factors may lead to the institutionalisation of very different views of firms' role in society as well as what strategic actions and their outcomes should be considered as acceptable.

3.3. *International challenges to management accounting systems*

Further inter-disciplinary research could significantly enhance our understanding of how management accounting and control practices develop across countries and industries. Despite the wealth of knowledge in this area, further investigations of MNEs and subsidiaries established in developed and emerging economies would add to our understanding of the convergence/divergence mechanisms. Dávila (2019) suggests that changes in technology and markets present new challenges for management accounting and control systems and, arguably, this may affect the convergence/divergence of such systems especially in MNEs. For example, improvements in computing power (e.g. big data, artificial intelligence, machine learning) may exert a significant impact on both cost behaviour and profitability analyses relying on qualitative data sources such as social media, internal reports, and customer feedback. As Dávila also notes, changes in the macro-economy such as the evolution of the industry away from manufacturing into services and the knowledge economy as well as the emergence of IT platforms (e.g. Amazon) that create markets for transactions to happen provide good research opportunities for investigations adopting a cross-disciplinary approach to management accounting and international business.

Furthermore, economic crises constitute a significant driver of management accounting change (Endenich 2014). Therefore, research examining the effects of macro-crises (e.g. the COVID-19 pandemic and its impact on virtual work, hospitality industry; war in Ukraine and supply chain management) on MNEs, and how this affects the organisation of work, product portfolio, and access to overseas markets, may advance knowledge about the determinants of management accounting and control practices in MNEs.

By focusing on disclosure as well as on mandatory reporting (Christensen et al. 2021), accounting research on ESG has addressed CSR (Haji et al. 2023), environmental (Bebbington, Larrinaga et al. 2021), and carbon practices (He et al. 2022). However, cross-fertilisation between international business and accounting research could enhance extant knowledge in some relevant areas. Therefore, research examining governance and governmentality in the supply chain could draw on accounting (Gibassier and Alcouffe 2018) *and* international business contributions (Golgeci et al. 2021). In a similar vein, investigations focusing on non-listed firms could capitalise on accounting (Hsiao et al. 2022) *and* international business contributions (Isensee et al. 2020). And research on natural disasters could draw on a combination of accounting (Oesch and Urban 2022) *and* international business investigations (Oh and Oetzel 2022). Furthermore, future research could deepen our understanding of social areas (e.g. social accounting, accounting for sustainable development). The area of social accounting is particularly critical, but relatively scarce. Paraphrasing Bebbington (2009, p. 189), the social dimension of ESG could also be considered 'politically plastic' and, although it is a well-established public policy goal, many different actions could be described as 'social' (Twentyman et al. 2021, Filatotchev et al. 2022).

Haniffa and Cooke (2005) examine the impact of culture and governance on social disclosures; in their examination of corporate social reporting in annual reports of Malaysian corporations, they used the ethnic background of directors and shareholders as a proxy for culture and the board composition, multiple directorships, and type of shareholders as measures of corporate governance. Ortas and Gallego-Álvarez (2020), drew on a panel of 2696 companies distributed in 30 countries and seven economic sectors over the period 2002–2014 to investigate the role of CSR performance as a potential mechanism for reducing firms' likelihood of engaging in tax aggressiveness. In doing this, they addressed the multidimensional nature of CSR performance by analysing the links between its three components: social, environmental, and governance. Concerning the measurement of the social dimension, and drawing on Bansal (2005), they argued that it should encompass the health, safety and well-being of employees as well as the social dialogue with stakeholders that participate in corporations' decisions processes. They found that the higher the level of firms' social performance, the lower their tax aggressiveness. However, and as noted by Filatotchev et al. (2022, p. 59), 'the quest for acceptable metrics continues' and this in turn poses opportunities for further research in this area.

The wider contexts of MNEs (e.g. emerging, developed countries) provide a significant impact on social and environmental accounting practices. As noted by Antonini et al. (2020), sustainability reporting boundaries affect the definition of social risks along the supply chain, and this is particularly relevant for firms spreading their supply chain across emerging economies. Furthermore, natural disasters make multinational companies adjust voluntary disclosure and, as noted by Oesch and Urban (2022), the likelihood and frequency of management forecasts increases in regions where firms operate subsidiaries. Focusing on emerging market firms, Golgeci et al. (2021) observe that lack of resources, capabilities, awareness, and internal organisational structures affect the adoption of environmental practices. Therefore, examination of the broad settings of MNEs in developed economies and emerging markets, and how such conditions are portrayed in sustainability reports, constitute promising areas for further research. In a similar vein, and as powerful constituencies supporting global governance (Kahler 2018), examination of the role of nongovernmental organisations and MNEs in the enforcement of global environmental reporting as well as their relationships with national governments concerning local environmental accounting regulation would add to extant research on the internationalisation of accounting standards.

3.4. *Segment disclosures*

MNEs operate in different countries and across several lines of business. Current accounting standards require disclosures of industrial operations under segment reporting. Disclosures of geographic segments were required for some years, but now they are voluntary in nature. One insight drawn from accounting and management research is that managers focus on what is measured. This could lead to perverse reporting incentives broadly, but also specifically in segment reporting. For example, managers may underreport important segments to conceal problems and private information (Berger and Hann 2003, 2007). The implication is that what is disclosed under accounting rules, may affect, and be affected by, internal structures and strategies adopted in MNEs. There is a paucity of research in IB, for example, on how product and market entry strategies relate to information provided, or information concealed, in segment reporting. Therefore, how and to what extent the MNEs tailor their foreign/industrial entry/exit strategies and internal structures to circumvent segment disclosure requirements represents a relatively underexplored field. As an MNE evolves, internal information flows likely change, and this should in principle affect segment reporting. Thus, as global strategies change, the quantity and quality of segment reporting is expected to change as well. However, there is also little research on the link between adoption of business strategies in MNEs and the effect of this adoption on segment reporting.

Exploring the interdependencies between segment reporting and business strategies in MNEs can be greatly helped when accounting rules change in a fundamental way. If such a change affects strategy and internal structures, researchers can establish a causal effect from segment reporting to MNEs structure and business more safely. Such an opportunity arose when US and international accounting standards changed in a rather profound way. Specifically, accounting standards from 1997 (SFAS 131 in the US) and 2009 (IFRS 8 internationally) require alignment between segment reporting and internal reporting structures (e.g. Berger and Hann 2007, Aleksanyan and Danbolt 2015).[2] Studies of SFAS 131 adoption find that under SFAS 131 more business segments are reported than under the previous standard (e.g. Berger and Han 2003) and observe an increase in the range of segment reporting (Ettredge et al. 2006). The evidence also suggests that more business segments are identified under IFRS 8, but potentially with fewer line items (Nichols et al. 2013, Bugeja et al. 2015). Aleksanyan and Danbolt (2015) also find that IFRS 8 disclosures differ in quantity and quality relative to previous standards. While this evidence suggests that segment reporting has changed, it is not clear if overall the change improved information used both internally and externally. Hope et al. (2009) show that the valuation of foreign earnings is positively related to the change in number of segments reported under SFAS 131 relative to the previous standard. To the extent that more segments are reported under SFAS 131, their evidence is consistent with improved external information environment. However, other research provides some troubling evidence. For example, the adoption of SFAS 131 and IFRS 8 resulted in the reporting of fewer geographical segments, as firms rather focus on business segments (Herrmann and Thomas 2000, Leung and Verriest 2015). That is, information that may be particularly important in MNEs could be lost because it is not mandated under accounting rules and hence not produced internally. There is only limited evidence on the effects of this reduction in information on MNEs. Hope et al. (2006) suggest that the reduction in reporting of geographical segments does not affect analysts' ability to accurately forecast earnings. They do not, however, investigate implications for internal uses of this reduction in information.

Although segment reporting should now be based on internal reporting procedures, effects may work in the opposite direction. Specifically, managers have discretion about what they disclose in segment reporting even under the new standards (e.g. Bugeja et al. 2015), and they may therefore change internal reporting procedures. At present, we have limited knowledge about such internal reporting and evaluation effects. If too little disclosure is required, or little information is voluntarily provided by managers, the financial statements will be opaque, and so managers may be able to conceal poor strategic implementation. Incentives to withhold information also arise because detailed disclosures about performance in various markets are of prime interest to competitors and regulators. It is an open question therefore how competitive pressures combine with reporting discretion to influence MNE performance and valuations.

3.5. *Voluntary disclosures and non-GAAP disclosures*

There is a wealth of research on voluntary disclosures, a full review of which is beyond the scope of this paper.[3] This literature is relevant to the accounting-IB intersection because, as discussed in the section on management accounting and control, control mechanisms (e.g. performance measures) in MNEs, which underpin corporate governance, employ non-financial measures. We will discuss, as an example, a particular type of voluntary disclosures. In recent years the accounting literature has turned attention to a particular class of voluntary reporting, namely non-GAAP reporting (e.g. Black et al. 2021, Chen et al. 2021). This focus is motivated by the increasing trend among companies to voluntarily report measures of earnings that depart from the audited earnings. Typically, non-GAAP earnings exceed audited earnings as managers

[2]This is known as the *management approach* to segment reporting.
[3]For such a review see, Beyer et al. (2010). Dechow et al. (2010) discuss voluntary disclosures in the context of reporting quality.

exclude certain expenses and costs from the earnings figure at their discretion.[4] Accounting research has established a link between corporate governance and the quality of non-GAAP earnings, suggesting that stronger governance disciplines the reporting of non-GAAP earnings (Frankel et al. 2011). Although non-GAAP earnings are voluntary and are down to managerial discretion, there is body of evidence suggesting that analysts find non-GAAP earnings as credible (e.g. Bradshaw and Sloan 2002), and that they are particularly useful to investors in loss-making firms (Leung and Veenman 2018). At the same time, non-GAAP earnings are less conservative and timely than their GAAP counterparts (Ribeiro et al. 2019), consistent with strong managerial discretion in reporting non-GAAP figures. There is some evidence that boards were hesitant to use non-GAAP earnings in CEO retention decisions before the SEC introduced stricter rules on how non-GAAP earnings are reported (Jarva et al. 2019).[5] Guest et al. (2022) find that CEOs of firms that report high non-GAAP earnings relative to GAAP earnings receive unexplained higher compensation. This suggests that managerial private benefits are associated with aggressive reporting of non-GAAP earnings. This evidence therefore raises the concern that boards may be over-relying on non-GAAP earnings as a measure of managerial performance.

However, there is limited research on voluntary disclosures in the IB literature. Hope et al. (2009) focus on voluntary disclosures of geographic segments, which are not required by SFAS 131, but they do not address departures from GAAP. Therefore, it is an important research question how non-GAAP measures are used across subsidiaries in MNEs, both for internal and external reporting purposes, and whether they are equally accepted across international subsidiaries. For example, both IB and accounting researchers need to explore whether the extent to which non-GAAP earnings exceed GAAP earnings is caused by the breadth and complexity of the international operations.

3.6. *Multinationality and performance*

A core area of research in the IB literature explores the links between multinationality and performance (M-P). For example, Contractor et al. (2003) argue that there are three stages to internationalisation and find that the M-P relation is nonlinear and varies across the three stages. In particular, costs related to LOF (discussed below) weigh on profitability in the first and early stage. In the second stage, benefits to internationalisation begin to materialise as experience from gradual expansion is gained leading to economy of scale. At this stage the MNE can generate increasing profits from foreign operations. In the last stage, when the MNE expands beyond the optimal point, possibly owing to managerial empire building, the MNE generates decreasing returns to international expansion. A similar horizontal S-shaped M-P relation is documented by Lu and Beamish (2004) for Japanese MNEs. Based on an information-cost model, Fisch (2012) suggests that the horizontal S-shape is a generalised form of different kinds of shapes observed by previous studies. By varying firm-specific and contextual factors, the information-cost model can explain not only S-shaped but also (inverted) U-shaped findings on the M-P relation. However, non-linear findings like these are only proposed by studies that use profit as performance construct. The findings of studies using firm value as performance construct are, by contrast, mostly linear (Allen and Pantzalis 1996, Lee and Makhija 2009).

We contend that IB scholars may usefully deploy accounting research when exploring the M-P relation's dependence on the performance construct. For example, future IB and accounting

[4]Hence, some call non-GAAP earnings 'earnings before bad stuff.'
[5]These stricter rules, known as Regulation G, require more accurate reconciliation of non-GAAP earnings to GAAP earnings (see, Jarva et al. 2019).

research may explore the M-P relation's dependence on the performance construct. A theory that explains it will need to include both the accounting and the capital market perspectives. Specifically, the usefulness of accounting numbers has long been at the centre of modern accounting research since Ball and Brown (1968) and Beaver (1968). Accounting researchers are particularly interested in which accounting variables can successfully predict performance but have paid little attention to international expansion. An intersection of the two literatures can explore several questions. First, can accounting information predict performance in MNEs and does such predictive ability, if any, vary with multinationality? Second, can good prior performance and/or a strong balance sheet predict international expansion and its outcomes? Are there fundamental signals, in the spirit of Piotroski (2000), that predict successful international expansion? Despite the wealth of knowledge about LOF in the IB field, its relationship with accounting provides interesting opportunities for new insights. In this respect, further research could explore how LOF affects reporting quality outside the US, its effect on auditor selection, predictability of future performance, analyst following and possible LOF bias in analyst following. Bell et al. (2014) suggest that firms can reduce their LOF, in particular in foreign capital markets, by adhering to high governance standards, including adoption of international accounting and reporting standards.

4. Concluding remarks

An integration between IB and accounting research, both as an opportunity and as a necessity, presents significant challenges to conventional wisdom in academic research and theory development. Prior studies have made some progress in bringing the two disciplines closer together, particularly in the fields of information transparency and reporting in MNEs, the impact of taxation and institutional differences across countries, but there is still a long road ahead. In an attempt to further integrate the two literatures, we suggest a number of promising avenues for future research on the interface between accounting and IB. We show how integrating IB and accounting perspectives on corporate governance can lead to a multi-disciplinary perspective useful for other fields such as sociology, economics and finance. By joining forces when exploring issues related to environmental and social impacts, as well as their assessment and reporting, the two disciplines can make significant contributions to the current debates on factors ensuring organisational sustainability. We outline other areas of future engagement between the two disciplines, and we argue that, to the extent that linking accounting and IB research fields provides fertile grounds not only for testing existing theories but also for developing newer ones, these endeavours are likely to greatly enrich our understanding of economic, financial, and managerial aspects of an enterprise in a global context.

Acknowledgements

We thank Mark Clatworthy, Juan Manuel Garcia Lara and Edward Lee for helpful feedback on an earlier draft.

Disclosure statement

No potential conflict of interest was reported by the author(s).

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