



## EDITORIAL

# Letter from the Editor-in-Chief: The how and the impacts of going international

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This issue of *JIBS* consists of eight articles, seven of which were originally submitted under former Editor-in-Chief Arie Y. Lewin and then transferred to my editorial team, and a research note. Three topics are covered under the general research question of *the how and the impacts of going international*: international entrepreneurship, cross-border acquisitions and cultural/human resource management (HRM) implications of going international.

Entrepreneurship has been defined as the identification and exploitation of previously unexploited opportunities. Often, additional funding is needed to bring new opportunities to market, so entrepreneurs turn to venture capitalists. Scholars tend to think of venture capitalists as local firms that provide financing for new businesses (e.g., through loans, angel investors and initial public offerings (IPOs)). However, “Understanding global flows of venture capital: Human networks as the ‘carrier wave’ of globalization,” by Madhavan and Iriyama argues that venture capital has now become a cross-border activity. The authors contend that industry drivers for globalization are both economic and network based. Economic pressures cause venture capital to be drawn to large economies and correlated with cross-border investment flows. Socio-cultural drivers are generated by transnational technical communities that form a “community of practice,” creating intensive, trust-laded interactions that facilitate cross-border venture capital flows. Examining US outbound venture capital flows for 1982–2002, the authors find support for both the economic and network arguments.

One of the major activities of venture capitalists is helping entrepreneurs launch an IPO. An IPO can be a springboard for rapid internationalization of sales by the newly listed firm. “R&D, internationalization and growth of newly listed firms: European evidence” by Filatotchev and Piesse investigates the growth of foreign sales by newly listed firms in the UK, Germany, Italy and France during 1985–2004. The authors find that R&D intensity is positively correlated with internationalization of newly listed firms. Both R&D and export intensities are positively related to overall sales growth.

The next three articles examine cross-border acquisitions. Chari and Chang in “Determinants of the share of equity sought in cross-border acquisitions” argue that foreign firms will seek a lower equity share if the acquisition involves adverse selection hazards in valuation, post-acquisition costs related to cultural distance, unbundling costs of selling non-desired assets and the real-options



costs of commitment with exogenous uncertainty. Reus and Lamont examine the performance of cross-border acquisitions, arguing in "The double-edged sword of cultural distance in international acquisitions" that cultural distance has a double-edged impact, raising post-acquisition integration costs but providing learning opportunities. Lastly, "Cross-border acquisitions and firm value: An analysis of emerging-market multinationals" by Aybar and Ficici explores the performance of cross-border mergers and acquisitions (M&As) when the acquirer is an emerging market firm (EMF). Using event study methodology, the authors find that cross-border acquisitions on average destroy (not create) value for EMF investors, based on a sample of 433 M&As with EMF acquirers over 1991–2004. These two articles by Reus & Lamont and Aybar & Ficici suggest that exploring the "when, why, where, how and for whom" questions as to whether cross-border acquisitions create or destroy value is an important topic that requires more exploration by international business scholars.

The last three articles and the research note focus on culture and HRM issues. The first by Fischer and

Mansell, "Commitment across cultures: A meta-analytical approach," reports two sets of meta-analyses of employee commitment across cultures, using a three-level hierarchical linear modeling (HLM) technique. Since three-level HLM is rare in international business research, a very useful appendix explaining the method is included with the article. The second article, by Law, Song, Wong and Chen, on "The antecedents and consequences of successful localization," investigates the motives for, and impacts of, replacing expatriate managers by local employees. The third, by Beck, Kabst and Walgenbach, "The cultural dependence of vocational training," argues that vocational training by MNE subsidiaries reflects both the expectations of the MNE headquarters and local needs in the host-country subsidiary. The issue concludes with a research note, "Preferred leadership prototypes of male and female leaders in 27 countries," by Paris, Howell, Dorfman and Hanges. The note argues that preferred leadership prototypes differ between male and female leaders, and vary across industry, country and culture. In general, female managers prefer more participative, team oriented and charismatic leadership qualities than do male managers.