



EDITORIAL

Letter from the Editor-in-Chief

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Editor-in-Chief

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This issue of *JIBS* is particularly exciting because it contains a Special Issue on “Institutions and International Business”, edited by *JIBS* Departmental Editors Witold Henisz and Anand Swaminathan. In addition to the eight papers in the Special Issue, the volume contains three additional papers on institutions and international business, each of which went through the regular *JIBS* review process. All the papers in this issue were accepted for publication under former Editor-in-Chief Arie Y Lewin. An Introduction to the Special Issue, written by Henisz and Swaminathan, follows my EIC Letter and introduces the eight papers. My comments are therefore confined to the three papers in the second part of this issue.

MNEs often have multiple subsidiaries in a host country. Does greater product diversification across the subsidiaries in a host country lead to superior performance? Using exit rates and sales growth of Japanese subsidiaries over 1990–2001 as measures of performance, Delios, Xu, and Beamish, in “Within-Country Product Diversification and Foreign Subsidiary Performance”, find that within-country product diversification is negatively correlated to subsidiary exit rates, but unrelated to subsidiary sales growth. The authors hypothesize that institutional strength of the host country should negatively moderate, while the MNE’s overall level of product diversification should positively moderate, the within-country product diversification–subsidiary performance relationship. The authors find evidence supporting both moderator hypotheses.

Firms in transition economies were faced with massive upheavals in the business environment over the 1990s as their countries transitioned from command to market economies, liberalized trade and foreign direct investment regimes, and privatized state-owned firms. Domadenik, Prašnikar, and Svenjar, in “Restructuring of Firms in Transition: Ownership, Institutions and Openness to Trade”, argue that businesses responded to these shocks by engaging in short-run defensive and long-run strategic restructuring. Using firm-level data for 1996–2000, the authors find evidence of both kinds of restructuring by 157 Slovenian state-owned firms that were privatized in 1993–1995. Firms restructured through changes in employment and investment (fixed assets, R&D, marketing, and training). The “fresh winds of competition”, brought about by opening Slovenia to world markets, induced similar restructuring behaviors by firms despite their different structural and institutional characteristics.

“Institutional Context and the Allocation of Entrepreneurial Effort”, by Bowen and De Clercq, argues that a country’s institutional environment affects the allocation of entrepreneurial effort between low-growth and high-growth activities. The authors



examine four differences in institutional characteristics (financial entrepreneurial capital, educational entrepreneurial capital, government regulation, and corruption) for 40 countries over 2002–2004. They find that financial and educational capital directed toward entrepreneurship positively affect, and corruption negatively affects, the proportion of

high-growth entrepreneurship. Since higher-growth activities increase the potential contribution of entrepreneurship to economic growth, understanding the role that institutions play in the type – as distinct from the level – of entrepreneurial activity has important implications for differences in growth rates across countries.