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RESEARCH NOTE

Economic impact of COVID-19 across national boundaries: The role of government responses

Omrane Guedhami[1,2], April Knill[1], William Megginson[3,4] and Lemma W. Senbet[5]

[1] *University of South Carolina, Columbia, USA;* [2] *SKK Business School, Sungkyunkwan University (SKKU), Seoul, Korea;* [3] *University of Oklahoma, Norman, USA;* [4] *UIBE (Beijing), Beijing, China;* [5] *University of Maryland, College Park, USA*

Correspondence:
O Guedhami, University of South Carolina, Columbia, USA
e-mail: omrane.guedhami@moore.sc.edu

Abstract
This Research Note provides an assessment of the burgeoning interdisciplinary literature surrounding the COVID-19 pandemic and its impact on both individuals and firms, with a particular focus on the heterogeneity in government responses and their implications for international finance and IB research. In particular, we discuss disparities in vaccine distribution, government policy responses, and impacts in low-income versus high-income countries, as well as lessons learned from the pandemic. We describe an important source of data in this area and provide ideas for future research.
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INTRODUCTION

COVID-19 is a crisis of epic proportions. The ongoing responses, primarily from governments around the world, have been commensurately dramatic. Multilateral institutions, including the International Monetary Fund (IMF) and the World Bank, have also responded, as have knowledge producers, particularly data providers/suppliers and analysts. Government responses worldwide have varied considerably, but have included such measures as limiting unnecessary travel, restricting access to work and educational locations that would involve close proximity to others, and, in some cases, compelling citizens to shelter in place. Where government responses were less restrictive, many business owners took measures to keep employees and customers safe, as well as to shield themselves from potential liability. These measures, however necessary, caused dramatic (albeit temporary) economic contractions. Moreover, the traditional tools that governments can use to "fix" economic crises (e.g., interest rate policy) provided limited remedies, since this crisis was not born from more typical financial or monetary system crises, but rather from an unprecedented health pandemic.

Further complicating matters, COVID-19 has had a swift, profound, and diverse impact on almost all facets of life, affecting

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both individual firms and the global economy simultaneously. Some multinational firms, such as Delta Airlines and the French automaker, Renault, were devastated (at least initially) and required government bailouts; others, such as Amazon and large tech firms, have flourished. These are dramatic effects of the pandemic, particularly in its earlier stages, but whether they will last into the longer future is yet to be determined. However, the disparate impact can be partially explained by industry-specific factors.

There are other, surprising, factors at play. Guedhami, Knill, Megginson, and Senbet (2022), for example, find that the internationalization of the firm (its degree of multinationality) has created a valuation discount during this crisis. This discount, relative to domestic-only firms, has many influences, particularly supply chain issues and international sales disruptions, but also ill-timed and *ex post* excessive investments in human capital, research and development, and fixed assets, which are more complex for multinational firms. Focusing on the banking sector, Duan, El Ghoul, Guedhami, Li, and Li (2021) show that the COVID-19 pandemic increased systemic risk around the world, mainly through stricter government policy response. They also find that differences in formal banking regulations and informal institutions help explain the adverse impact of the pandemic shock on systemic risk.

Other differences in how the pandemic has impacted companies are related to the timing of a country's first case and the corresponding responses by its respective governments (Megginson & Fotak, 2020). The timing of the pandemic's impact was based not only on the spread of the virus to individual countries, which was staggered, but also on the deep economic contractions caused by sharp reductions in trade volume, tourism, remittances, hospitality, and capital flows, which affected most countries immediately through the interconnected global economy. Indeed, the economic impact was felt in some countries, particularly in Africa, before their first documented case (Heitzig, Ordu, & Senbet, 2021).

The global pandemic has thus affected firms in a broad swath of international economic and trade activities, as outlined by the Congressional Research Service. In this regard, it is instructive to examine the efficacy of various government policies, as well as the impact of twin economic and health crises, which had not been well studied before. We acknowledge the difficulty of making any credible assessments of policy outcomes and policy recommendations with so little time having passed. This area provides fertile ground for a burgeoning literature as concerns about developing countries continue to mount, given their limited fiscal capacities and weak healthcare and digital infrastructures.

In this Research Note, we provide an assessment of the economic impact of COVID-19 across national boundaries. We focus on the variety and severity of government responses, and how these responses impacted public health and economies, from the perspective of businesses and households. We highlight the economic effect, although we recognize that a primary channel is the health effect. We look at differential responses between advanced and low-income countries, as well as differential effects on industries and sectors. We discuss how the adverse economic impact of government responses led to a narrowing of fiscal space for many countries along with increasing debt vulnerabilities, especially for low-income countries, with particular responses by multilateral agencies, such as the IMF and the World Bank, through debt suspensions and restructurings (Augustin, Sokolovski, Subrahmanyam, & Tomio, 2022; Heitzig et al., 2021).

Our Research Note is unique. Although we offer a new perspective, it is less about the state of existing research in a particular area of international business studies than about a novel area of research born from the COVID-19 pandemic. Indeed, most of the guidance in the academic literature surrounding twin crises is about banking and currency crises (Glick & Hutchison, 2000; Kaminsky & Reinhart, 1999). While there exists research on the health effects of economic crises, mostly examining mental health effects (Karanikolos, Mladovsky, Cylus, Thomson, Basu, Stuckler, Mackenbach, & McKee, 2013), research on simultaneous economic and health crises is lacking because we have not experienced a pandemic of this severity since the Spanish Flu in 1918. Thus, the need for research on the various ways these twin crises can impact firms, investors, global

markets, and the economy is not only obvious but critical, as governments and business leaders struggle to stave off widespread business failures. Our goal here is, therefore, to stimulate innovative research that will generate new theoretical and empirical insights into the effects of twin health and economic crises on – and the resilience of – firms, investors, and markets around the world.

A COMMON PROBLEM WITHOUT A COMMON SOLUTION

The COVID-19 pandemic has strongly reinforced awareness of global interconnectedness. The effect of the pandemic has spared no one. In fact, low-income countries, particularly those in Sub-Saharan Africa (SSA), were hit hard economically even before the virus appeared on their shores (Heitzig et al., 2021). This premature impact was a consequence of openness and globalization. Notably, SSA economies are dependent on trade with higher-income countries (particularly the US, the EU, and China), as well as on foreign direct investments and remittance flows. Thus, economic shocks traveled from high-income to low-income countries prior to the transmission of the virus itself (Ramelli & Wagner, 2020). Some firms and industries were likewise impacted ahead of any confirmed cases among their employees due to economic linkages with other regions.

Given this unprecedented and universal challenge, a reasonable expectation might be that policies and government responses would be globally coordinated to assure aggregate global social welfare. Unfortunately, political economy considerations, sociocultural differences, and free ridership, as well as short-sightedness, have hindered an effective global response to the virus (see, e.g., Oh & Oetzel, 2022).

Chief among the remarkable achievements since the beginning of the pandemic has been the record-breaking speed of the development and dissemination of vaccines. Pharmaceutical firms, such as BioNTech, Moderna, Pfizer, and SinoVac, produced highly effective vaccines and treatments in record time. Nevertheless, regarding delivery and distribution, glaring disparities surfaced between high- and low-income countries. Mass distribution of vaccines occurred in high-income countries, but it was too little and slow in low-income countries. Indeed, by July 2021, just over 50 million doses had been supplied to Africa for a population estimated to be just under 1.4 billion. Correspondingly, by August 2021, for example, only 1.2% of the SSA population was vaccinated (Miguel & Mobarak, 2021). The potentially adverse effect of millions of people remaining unvaccinated will unfortunately be globalized. As we note, no one is spared.

GOVERNMENT RESPONSES AND POLICY INDICATORS

The rapid spread of COVID-19 fueled an extraordinary range of initial responses from governments worldwide. To contain the toll from infections and deaths, many governments responded by locking down economic activities and mobility. According to the IEA Global Energy Review, in April 2020, about 4.2 billion people, or 54% of the global population, representing almost 60% of global GDP, were subject to full or partial lockdowns. Measures included travel bans, closures of educational institutions, bans on public gatherings, the institution of contact tracing, restriction of access to workplaces, etc. Simultaneously, governments implemented stimulus packages and innovative social safety nets to mitigate the enormous consequences of these actions on economic and health livelihood associated with the unprecedented slowdown in economic activities, including job losses. Such drastic measures also included necessary emergency investments in healthcare facilities.

The Government Response Tracker

The extent and heterogeneous nature of government responses to the pandemic fueled equally rapid responses from knowledge producers to systematically track them. In particular, researchers at the Blavatnik School of Government at the University of Oxford launched a comprehensive tracker, the Oxford Coronavirus Government Response Tracker (OxCGRT). Below, we provide the key features of this extremely valuable global panel database.

OxCGRT is continuously updated and provides readily usable and comparable information on a variety of government policy measures and interventions. A systematic set of cross-national and longitudinal measures has been compiled from 1 January 2020 onwards. The response tracker focuses on countries but also offers information on sub-jurisdictions. It captures government policies or responses for about 180 countries, which are recorded in ordinal or continuous scales for 19

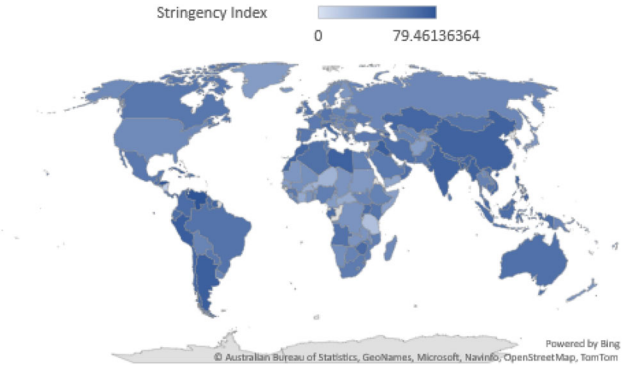


Figure 1 Diversity in government response to the COVID-19 pandemic. This figure is a heatmap using data for the Stringency Index between March 2020 (the inception of the pandemic) and December 2021. Data from the Oxford Coronavirus Government Response Tracker (OxCGRT) were collected by researchers at the Blavatnik School of Government at the University of Oxford. OxCGRT defines the Stringency Index as the strictness of 'lockdown style' policies that governments instituted to affect the behavior of its citizens in an effort to contain the virus. The index is the average of all of OxCGRT's ordinal containment and closure policy indicators, plus an indicator recording public information campaigns. (Source: https://www.bsg.ox.ac.uk/research/covid-19-government-response-tracker).

policy areas. These policies and interventions are provided daily for a standardized series of indicators.

This dataset provides an opportunity for researchers and policymakers to investigate the impact of government policy responses on the containment and prevention of the pandemic, as well as its impact on economic and social welfare. The data have considerable flexibility and allow groupings of policy responses under broader categories. One example of these groupings is found in the three classes of response policies: containment and closure; economic; and health systems. Indicators for containment and closure include school closures, workplace closures, bans on public events, restrictions on gathering sizes, public transport closures, stay-at-home requirements, restrictions on internal movement and gatherings, and restrictions or bans on international travel. Similarly, economic policy indicators include income support, household debt relief, and a variety of fiscal measures. Health policy-related indicators include contact tracing, public information campaigns, investments in healthcare and facilities, and investments in vaccine resources. Figure 1 provides a heat map that illustrates the diversity in the overall stringency of government response between March 2020 and December 2021.

Positive Externalities of the Tracker

Transparency, comparability, and legibility are emphasized in the design of OxCGRT. It provides open access data in a user-friendly and time-series format. The project is a vital resource for research aimed at enhancing our knowledge of the wide-ranging economic and social effects of the pandemic. Equally important, it has a distinct potential to generate and promote evidence-based economic and social policies, i.e., those not guided by heuristics. Thus, the tracker provides a significant positive externality with regard to knowledge generation and policymaking regarding this epic crisis of our time. In fact, it is already being used in a variety of disciplines to answer the burning questions surrounding the pandemic. Published examples include Nelson (2021) and Liu, Shahab, and Hoque (2022).

Quick Observations

Several notable observations emerge from the tracker data. The early days of the pandemic showed remarkable commonality in government policy responses around the globe, led by China and the more advanced economies. It appears that countries were learning from neighbors, in a version of herding behavior. March 2020, for example, showed remarkable clustering.

The clustering dissipated in later months as government responses diverged. Countries moved at different speeds to implement policy responses. A prominent example is enacting travel restrictions, which varied widely. For instance, the US banned visitors from certain countries, while Argentina and India closed their borders altogether. Thus, in general, there has been no uniformity in policies or their implementation. Even when policies exhibited similarities, they still varied substantially in stringency. China has offered the most extreme example of policy divergence, in that it was still enforcing a "Zero-COVID" lockdown policy in late 2022, even as almost all other countries have moved to "living with" COVID as an endemic – rather than pandemic – disease.

Likewise, countries varied in terms of their success in limiting the spread of the virus and preventing deaths. These differences are generally attributable to differences in policies (Hale et al. 2020). In fact, there is evidence that lower government stringency and slower response times have

been associated with more deaths, attesting to the positive value proposition for non-pharmaceutical government responses. The flip side of this, however, is that the lasting economic damage of government policy responses also seems to be positively related to their severity.

ECONOMIC CONSEQUENCES OF GOVERNMENT POLICY

In reality, the pandemic is a triple shock phenomenon: supply shock, demand shock, and financial shock. And to that we can add one more: public health shock. Hence, the scale of the aggregate shock is unprecedented (Triggs & Kharas, 2020). Almost overnight, the entire globe faced great challenges that called for "outside the box" responses.

The economic consequences of the rapid spread of COVID-19 and the resulting government responses have been wide-ranging and felt across labor, capital, and financial markets, as well as by firms and households. Central to these responses are disruptions in supply chains and the stringency of measures such as lockdowns and social distancing. These measures, beginning in March 2020, had the desirable outcome of driving down virus infection rates.

However, they also had the undesirable effect of contributing to severe economic slowdowns (see, e.g., König & Winkler, 2021). Although these slowdowns were ultimately short-lived, their impacts were far reaching and profound in the earlier months of the pandemic. In particular, the consumer services industry was adversely affected by the demand shock caused by quarantines and business closures, and the resulting unemployment (Bartik, Bertrand, Cullen, Glaeser, Luca, & Stanton, 2020). Moreover, lockdowns and social distancing greatly impaired the ability of firms to produce goods and services (Brinca, Duarte, & Faria-e-Castro, 2020), which led to an economic recession of a magnitude not witnessed in the modern era. In the US, according to the National Bureau of Economic Research, the economy recorded its steepest quarterly drop in GDP on record, a decline of 32.9% in the second quarter of 2020 (Bauer, Broady, Edelberg, & O'Donnell, 2020). Firms responded with record-breaking capital issuance. Corporations raised almost US$10 trillion in new stock and bond issuances in 2020, with almost $1 trillion in stock alone. This is vastly higher than the previous record of $8.5 trillion. In fact, the US alone issued just under $2.5 trillion. Correspondingly, share repurchases in 2020 fell dramatically from pre-pandemic levels as firms conserved cash to withstand the economic fallout from the pandemic. Access to capital was clearly a key factor in the ability of firms to survive the dramatic shocks to demand and supply, and to maintain their essential approach to conducting business (Guedhami et al., 2022).

However, there is some evidence that the adverse economic impact of the pandemic varied with the stringency and efficiency of government responses (Duan et al., 2021; Gormsen & Koijen, 2020; Guedhami et al., 2022). Table 1 provides evidence consistent with this. Using the OxCGRT, we show that average economic indicators, such as exports to GDP and imports to GDP, are significantly less for countries with greater-than-median responses relative to those that have less-than-median responses. Average GDP per capita for countries with greater-than-median responses was likewise lower, albeit not significantly so. It is noteworthy, however, that impacts on GDP per capita can take some time to be felt. Lockdowns and containment measures were shown to be strictest in China, India, and Italy. The economies of these countries witnessed sharp declines, but later rebounded quite well. In fact, the Chinese economy experienced 2.3% growth by the end of 2020, relative to 2019 (Crossley & Yao, 2021). It is interesting to note that the early projections of economic contractions were so dire, in part because of the uncertainty over vaccine development. Countries that developed vaccines and used them efficiently saw their economies recover, particularly in 2021. These included the US, UK, Israel, and China.

In contrast with the few countries that recovered quickly, however, the global economic picture at the end of 2020 remained somewhat grim. The early projections by international financial institutions were ominous. The World Bank forecasted a 5.2% decline in global GDP in 2020 relative to 2019. The OECD's forecast was even worse: a decline of between 6 and 7.6%, depending on the emergence and severity of COVID-19 variants. The IMF was somewhat less pessimistic, with a projected decline in global GDP of 4.4%. This was influenced partly by advanced countries lifting lockdowns and putting into place unprecedented fiscal and monetary responses and a variety of stimulus packages.

Ultimately, the global decline in GDP for 2020 was not far from these projections. It declined by about 4% in 2020 (IMF, 2020), far larger than corresponding annual declines in past decades (IMF, 2020). This is in contrast to the 2% global

Table 1 Stringency of government response and economic indicators

Country	GSI	Ln(GDPpc)	Exports/ GDP	Imports/ GDP	Country	GSI	Ln(GDPpc)	Exports/ GDP	Imports/ GDP
High stringency countries					*Low stringency countries*				
Albania	55.20	8.58	0.23	0.37	Afghanistan	41.49	6.25		
Algeria	60.13	8.10	0.18	0.28	Andorra	38.22	10.53		
Angola	58.33	7.40	0.38	0.19	Aruba	45.17	10.06	0.57	0.73
Argentina	71.37	9.06	0.17	0.14	Austria	47.07	10.79	0.51	0.49
Australia	55.85	10.85	0.24	0.20	Barbados	45.28	9.70	0.30	0.37
Azerbaijan	65.48	8.35	0.36	0.36	Belarus	24.92	8.79	0.61	0.58
Bahamas	63.40	10.11	0.25	0.34	Benin	37.84	7.16	0.20	0.25
Bahrain	55.19	9.92	0.73	0.67	Bermuda	45.51	11.59	0.50	0.22
Bangladesh	66.01	7.73	0.10	0.16	Bosnia and Herzegovina	46.82	8.71	0.35	0.48
Belgium	51.22	10.72	0.80	0.79	Brunei	38.32	10.22	0.57	0.53
Belize	57.69	8.29	0.44	0.56	Bulgaria	41.09	9.22	0.55	0.54
Bhutan	63.93	8.01	0.30	0.46	Burkina Faso	36.08	6.75		
Bolivia	67.20	8.05	0.20	0.25	Burundi	11.84	5.45	0.05	0.22
Botswana	50.93	8.76	0.31	0.46	Cambodia	44.18	7.34	0.61	0.62
Brazil	57.37	8.83	0.17	0.16	Cameroon	42.07	7.34	0.15	0.18
Canada	55.79	10.67	0.29	0.31	Central African	39.56	6.18	0.15	0.34
Cape Verde	58.28	8.03	0.25	0.60	Cote d'Ivoire	38.36	7.75	0.22	0.20
Chad	54.59	6.48	0.27	0.42	Croatia	43.31	9.56	0.42	0.49
Chile	62.67	9.49	0.32	0.27	Czech Republic	44.78	10.04	0.71	0.64
China	68.27	9.25	0.19	0.16	Democratic Republic of the Congo	44.39	6.30	0.29	0.30
Colombia	63.19	8.58	0.13	0.20	Denmark	45.65	11.02	0.55	0.48
Congo	51.62	7.55			Djibouti	46.23	8.08	1.16	1.07
Costa Rica	54.39	9.41	0.32	0.29	Dominica	37.05	8.85		
Cuba	60.61	9.16	0.08	0.08	Eritrea	0.00			
Cyprus	53.17	10.23	0.76	0.78	Estonia	36.38	10.05	0.71	0.71
Dominican Republic	63.24	8.89	0.18	0.26	Faeroe Islands	33.13	11.10	0.48	0.49
Ecuador	58.91	8.64	0.22	0.20	Fiji	50.17	8.54	0.27	0.43
Egypt	53.74	8.18	0.13	0.21	Finland	38.73	10.80	0.36	0.36
El Salvador	63.59	8.24	0.26	0.44	Ghana	41.69	7.72	0.21	0.18
Eswatini	56.22	8.14	0.45	0.42	Greenland	34.61	10.91	0.36	0.49
Ethiopia	56.48	6.84	0.07	0.17	Guam	0.00	10.45	0.06	0.58
France	54.29	10.57	0.28	0.30	Haiti	45.09	7.15	0.08	0.30
Gabon	61.89	8.84	0.48	0.23	Hungary	48.48	9.69	0.79	0.77
Gambia	52.81	6.63	0.08	0.38	Iceland	39.40	10.99	0.34	0.35
Georgia	59.76	8.36	0.37	0.57	Iran	48.18	7.92	0.21	0.26
Germany	51.81	10.74	0.43	0.38	Japan	32.57	10.59	0.16	0.16
Greece	54.51	9.78	0.32	0.40	Kiribati	19.35	7.32		
Guatemala	64.05	8.43	0.17	0.25	Laos	34.97	7.87		
Guinea	52.02	6.98	0.59	0.41	Latvia	42.08	9.78	0.60	0.59
Guyana	61.80	8.85			Lesotho	48.99	6.96	0.40	0.88
Honduras	71.77	7.79	0.35	0.51	Liechtenstein	43.43			
Hong Kong	55.32	10.74	1.76	1.74	Lithuania	43.68	9.92	0.74	0.64
India	66.23	7.57	0.19	0.19	Luxembourg	42.73	11.66	2.05	1.72
Indonesia	54.65	8.26	0.17	0.16	Macao	29.51	10.58	0.62	0.59
Iraq	64.68	8.43	0.27	0.29	Madagascar	47.81	6.17	0.21	0.30
Ireland	56.54	11.36	1.31	1.09	Malawi	45.18	6.46		
Israel	58.05	10.70	0.28	0.23	Mali	39.93	6.76	0.31	0.36
Italy	64.67	10.37	0.30	0.26	Malta	45.75	10.27	1.49	1.37
Jamaica	63.99	8.45	0.24	0.41	Mauritania	39.17	7.44	0.40	0.51
Jordan	58.29	8.36	0.24	0.42	Mauritius	29.82	9.06	0.30	0.49
Kazakhstan	64.21	9.12	0.30	0.26	Namibia	43.54	8.33	0.33	0.43

Table 1 (*Continued*)

Country	GSI	Ln(GDPpc)	Exports/ GDP	Imports/ GDP	Country	GSI	Ln(GDPpc)	Exports/ GDP	Imports/ GDP
Kenya	57.86	7.53	0.10	0.18	Netherlands	49.96	10.87	0.78	0.67
Kuwait	65.68	10.12			New Zealand	36.52	10.64	0.22	0.22
Kyrgyz Republic	58.73	7.08	0.31	0.52	Nicaragua	12.47	7.55	0.42	0.47
Lebanon	59.42	8.24	0.28	0.59	Niger	23.91	6.34	0.10	0.26
Liberia	54.41	6.40			Norway	41.73	11.12	0.32	0.33
Libya	70.57	8.94			Papua New Guinea	42.56	7.92		
Malaysia	55.87	9.25	0.61	0.55	Poland	47.84	9.66	0.56	0.49
Mexico	57.39	9.04	0.40	0.38	Puerto Rico	0.00	10.36		
Moldova	52.68	8.42	0.27	0.50	Romania	49.95	9.47	0.37	0.41
Monaco	55.25	12.07			Russia	49.33	9.23	0.26	0.20
Mongolia	59.54	8.31	0.58	0.55	San Marino	41.64	10.73	1.64	1.40
Morocco	61.82	8.03	0.35	0.43	Senegal	41.32	7.29	0.21	0.39
Mozambique	51.60	6.11	0.30	0.73	Serbia	49.40	8.95	0.48	0.57
Myanmar	62.44	7.28	0.29	0.26	Seychelles	31.87	9.41	0.77	1.00
Nepal	65.91	7.05	0.07	0.34	Sierra Leone	35.85	6.23	0.15	0.36
Nigeria	54.15	7.65			Singapore	48.54	11.01	1.82	1.50
Oman	63.46	9.58	0.44	0.37	Slovak Republic	45.51	9.87	0.85	0.85
Pakistan	54.51	7.21	0.09	0.17	Slovenia	50.02	10.15	0.78	0.69
Palestine	66.28	8.08	0.15	0.52	Solomon Islands	31.13	7.72	0.28	0.36
Panama	63.87	9.43	0.40	0.34	Somalia	34.20	6.08	0.17	0.84
Paraguay	62.27	8.51	0.34	0.29	South Korea	49.43	10.36	0.36	0.33
Peru	67.47	8.72	0.22	0.21	Sri Lanka	47.44	8.21	0.16	0.23
Philippines	65.83	8.10	0.25	0.33	Sudan	50.19	6.42	0.00	0.00
Portugal	54.25	10.01	0.37	0.39	Sweden	49.01	10.86	0.45	0.40
Qatar	60.76	10.82	0.49	0.41	Switzerland	42.29	11.37	0.62	0.54
Rwanda	61.23	6.67	0.19	0.36	Syria	49.51			
Saudi Arabia	57.21	9.91	0.26	0.26	Tajikistan	37.36	6.75	0.17	0.38
South Africa	54.27	8.64	0.28	0.23	Tanzania	23.23	6.98	0.14	0.15
South Sudan	53.13				Thailand	46.01	8.88	0.52	0.46
Spain	56.27	10.21	0.31	0.29	Timor-Leste	31.83	7.27	0.69	0.94
Suriname	58.93	8.50			Togo	46.83	6.82	0.23	0.32
Trinidad and Tobago	59.52	9.63			Tonga	40.21	8.44	0.19	0.62
Turkey	53.61	9.05	0.29	0.32	Tunisia	44.53	8.19	0.38	0.46
Uganda	61.08	6.71	0.15	0.22	Turkmenistan	40.81			
Ukraine	53.14	8.23	0.39	0.40	UAE	50.41	10.50	0.93	0.69
United Kingdom	56.91	10.62	0.28	0.28	US Virgin Islands	0.00	10.59	0.39	0.76
United States	56.16	11.05	0.10	0.13	Uruguay	40.20	9.64	0.25	0.21
Venezuela	68.00				Uzbekistan	50.85	7.47	0.24	0.38
Vietnam	57.74	8.17			Vanuatu	34.55	7.98	0.17	0.44
Zimbabwe	60.82	7.10	0.37	0.39	Yemen	31.51	6.45	0.06	0.45
					Zambia	39.02	6.89	0.47	0.33
Average	59.29	8.73	0.33	0.38		38.90	8.78	0.46	0.52
Difference (High–Low)							0.83	0.01	0.00

GDP decline during the 2009 recession. In fact, by some estimates, the COVID-19 pandemic resulted in the largest global economic decline since the Great Depression (IMF, 2020). At the same time, the pandemic wiped out jobs. In the US, total non-farm employment fell by 20.5 million in April 2020 alone [Bureau of Labor Statistics (BLS), 2020] which, according to BLS, was the largest monthly drop since the Current Employment Statistics first recorded employment figures in 1939.

Furthermore, although the pandemic and associated economic shutdown created a crisis for all workers, it was most deleterious for women, non-white workers, lower-wage earners, and less-educated workers.

At a microlevel, the pandemic had an adverse economic impact on firms and industries, but differentially. Globally, the most dramatic industrial sector "losers" were aerospace and airlines, which prompted some rich governments to sponsor bail-outs of these industries. According to Davis, Hansen, and Seminario-Amez (2021), other "losers" were firms whose performance depended on the sale of products or services normally consumed when people are commuting to work, shopping, or vacationing. Examples include brick-and-mortar retail, energy supply, residential construction, hospitality, real estate investment trusts, and restaurants. More generally, firms across many industries were also severely affected by supply chain disruptions. As of this writing (November 2022), many are still suffering, and the end of such disturbances remains uncertain. This significant lingering effect of the pandemic has contributed to elevated inflation rates in many countries, and is causing firms to reconsider how and where they source key inputs to the products they sell. We speak to these effects later.

Of course, there were "winners" too, particularly technology firms – such as Amazon, Microsoft, and Zoom – and vaccine producers such as Pfizer and Moderna. Other "winners" were firms selling items and services that consumers use at home, such as basic foodstuffs, video games, and web-based services, and firms that provide cloud computing, electrical equipment, and semiconductors.

Social Safety Net and Stimuli

Many governments worldwide, including those of low-income countries, executed stimulus packages and strengthened social safety nets to protect firms and households alike against pandemic-related shocks. In the US, for example, the fiscal policy response took two main forms: support to small businesses and support to households, focusing on the unemployed. This led to a massive package of emergency legislation, the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act (March 2020), which provided direct support totaling hundreds of billions of dollars to businesses and households.

Along with the Families First Coronavirus Response Act (March 2020), the CARES Act provided an unprecedented, albeit temporary, level of government support to households and businesses. It included stimulus checks for households based on income, expanded eligibility for unemployment insurance, tax refunds, food assistance, student loan forbearance, and suspensions of foreclosures and evictions. Empirical evidence shows positive outcomes from this extensive government support for households and the unemployed in terms of increased spending and economic growth (Casado, Glennon, Lane, McQuown, Rich, & Weinberg, 2021).

A particularly innovative program in the CARES Act was support for the protection of payroll at small businesses. The Paycheck Protection Program (PPP) initially allocated $349 billion for loans to small businesses (Hamilton, 2020). An added feature was that the loans would be forgiven conditional on businesses retaining workers, hence protecting employment. This very popular and initially oversubscribed program provided critical support for small businesses in the early months of the pandemic (Hamilton, 2020).

The PPP grabbed the attention of economic researchers. Empirical evidence has been somewhat mixed on how well it worked to preserve employment. It seems that the most established small businesses, particularly those offering professional as well as scientific and technical services, ultimately received the largest share of PPP loans (Humphries, Neilson, & Ulyssea, 2020). There is less evidence of an employment retention effect for relatively low-wage earners (Chetty, Friedman, Hendren, Stepner, & the Opportunity Insights Team, 2020). Another issue was an access gap created because private banks served as intermediaries for the disbursement of government PPP loans (Granja, Makridis, Yannelis, & Zwick, 2022). Businesses with pre-existing relationships with these banks were more likely to obtain rapid disbursement of funds (Bartik et al., 2020).

FINANCIAL MARKET IMPACT OF GOVERNMENT RESPONSES

Stock Market Reaction: "Fear of the Unknown"

When COVID-19 first surfaced, there was little information about its evolution and consequences. Put differently, we did not know what we did not know. There is an interesting early exploratory study that uses the theory of market fear. Heuristically, this theory suggests that the market overreacts, and then corrects itself over time with new

information as we learn more about what we do not know. Phan and Narayan (2020) identify 25 countries most affected by COVID-19 in terms of infections and deaths, and study their stock market reactions to government responses.

Admittedly, their study is descriptive and exploratory. It is not an econometric analysis, nor even an event study. However, in the earliest days of the pandemic, when little was known, this study provided a useful foundation for further analysis. Examining the stock market reactions in 25 countries, they find some interesting patterns. The landmark event was the date the World Health Organization (WHO) declared COVID-19 a pandemic (March 11, 2020); 24 of the 25 stock markets reacted negatively, with a range of –0.10% (Turkey) to –7.95% (Brazil).

This result is obviously an aggregate picture, but it is instructive to look at the stock market reactions to specific government responses, such as announcements of travel bans, stimulus packages, and lockdowns. With respect to travel bans, 12 of the 25 stock markets (France, Germany, UK, China, Turkey, Belgium, Netherlands, Switzerland, Portugal, India, Sweden, and Poland) registered a positive effect on the announcement day, with a range of 0.26–5.01%. For 6 of the remaining 13 countries, the effect for travel bans was less negative than for the WHO COVID-19 declaration. Collectively, this suggests that travel bans were either perceived as beneficial, in about 75% of the countries, or their imposition was partially anticipated – yielding a muted announcement-period market response. The authors suggest that, for some of the remaining countries, the travel bans may have been too late. Finally, lockdowns and stimulus package announcements resulted in positive stock market reactions for 7 and 11 countries, respectively.

Market Impact of Government Responses and Multinationality

Guedhami et al. (2022) use the COVID-19 shock to revisit a longstanding question in the IB and finance literature, namely, the value of multinationality specifically during crisis periods. Their study focuses on the relative valuation effect of the pandemic between multinational corporations (MNCs) and their comparable domestic counterparts (DCs) based on cross-country stock market data and government responses from around the globe. The authors argue that multionationality contributes to firm value through financial (e.g., access to foreign markets) and real aspects (e.g., supply chains, R&D, physical capital) of the cross-country scope of the firm (Gande, 2009). Drawing on IB and international finance theories (e.g., Berger, El Ghoul, Guedhami, & Roman, 2017; Berger & Ofek, 1995; Denis, Denis, & Yost, 2002; Errunza & Senbet, 1981, 1984), the authors identify the costs and benefits of internationalization and argue that the value of multinationality depends on the aggregate impact of four theories: *imperfect global capital markets theory*, *internalization theory*, *managerial objectives theory*, and *industrial diversification discount theory*. Importantly, they propose that extreme shocks, such as COVID-19, can alter the trade-off between the benefits and costs of multinationality. Their evidence indicates a significant valuation gap favoring domestics during the onset of the pandemic. This 'surprising' evidence suggests that the pandemic sharply reduced the benefits of internationalization, mainly by restricting access to real factors – an upside of globalization. This valuation gap was observed in regions worldwide (see Figure 2). The effect underscores one of the darker sides of financial globalization, which came to light in the wake of COVID-19.

Do government responses matter to this MNC valuation gap? Extending the base case analysis by exploring differences in government responses in scope and strength suggests that they do. The gaps vary across countries based on the relative strengths and stringency of the responses to COVID-19. In particular, during the crisis period, the gap between MNCs and their counterpart DCs widened with the strength of government responses. However, the effect is not one-size-fits-all when it comes to response type. Guedhami et al. (2022) find that certain responses had more pronounced effects, e.g., school and workplace closures, restrictions on public gatherings, and international travel. Their findings suggest that the stringency of government response is partly responsible for the real factors (e.g., international supply chains) becoming a liability during the pandemic crisis.

Overall, the findings of Guedhami et al. (2022) imply a dark side associated with globalization during a tail risk event. These novel findings from a twin crisis setting, economic and healthcare, challenge a large theoretical and empirical literature on the positive valuation impact of internationalization (e.g., Errunza & Senbet, 1981, 1984; Gande et al., 2009; Mansi & Reeb, 2002), including during the 2008–2009 financial crisis period (e.g., Chang, Kogut, & Yang, 2016; Mihov & Naranjo, 2019). The evidence suggests that the valuation effects of

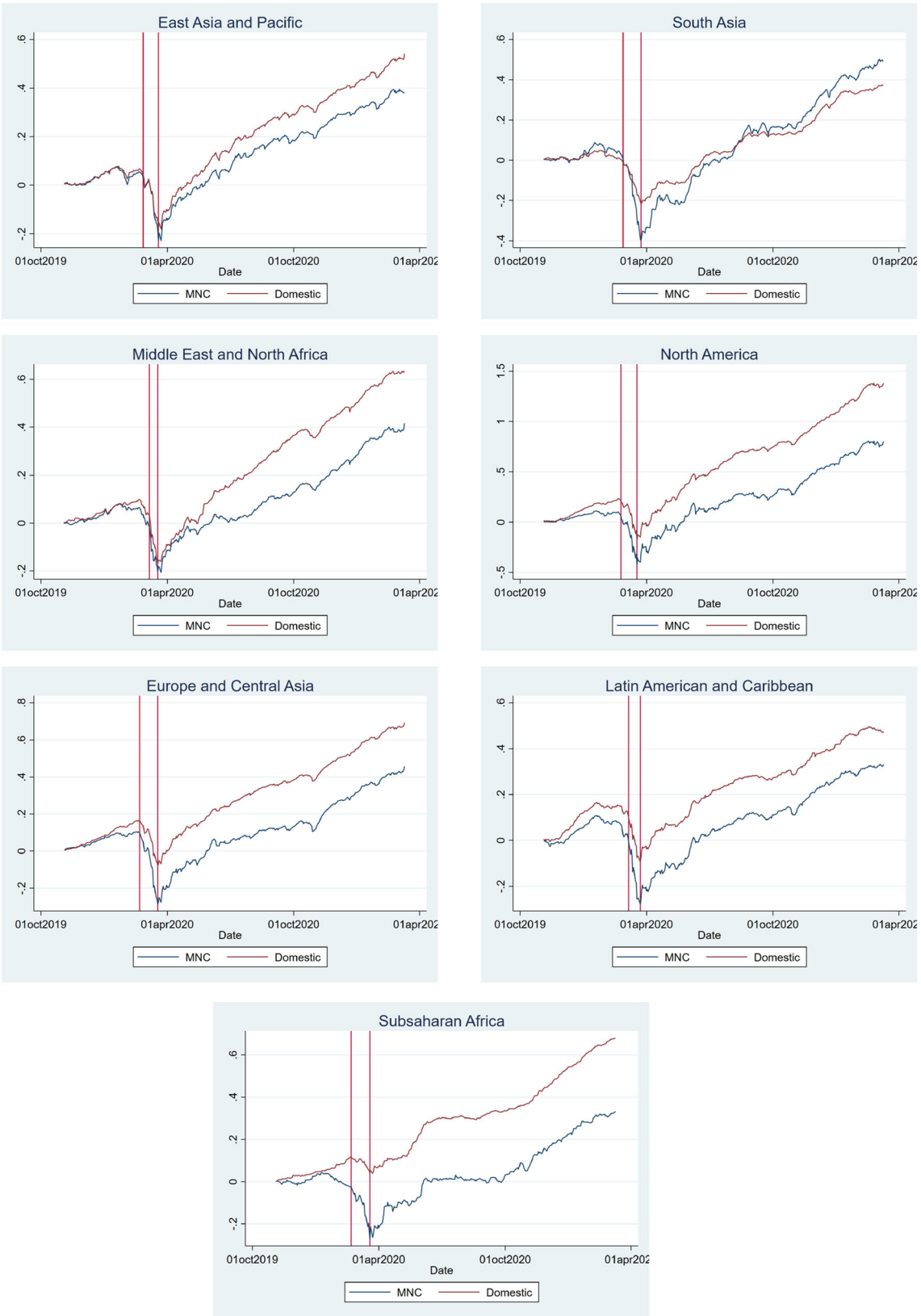


Figure 2 MNC and DC value by region before, during, and after COVID-19.

multinationality can be reversed during a tail event of the pandemic proportion. While the internationalization discount during the COVID-19 pandemic does not appear to be temporary, because MNCs do not fully recover in the post-crisis period (Guedhami et al., 2022), the findings warrant more research on the factors contributing to the resilience of MNCs during unexpected tail events and their implications on the theory and empirics of internationalization.

DIFFERENTIAL IMPACT AND LOW-INCOME COUNTRIES: THE CASE OF AFRICA

The adverse economic impact of COVID-19 on businesses and households across low-income countries has been immense. This Research Note takes a particular look at the low-income countries in SSA. Here is the context. Often the dark side of Africa crowds out any positive news in international media. Yes, African countries face enormous economic and social challenges, but, on the bright side, prior to the pandemic SSA they registered sustained growth over 25 years, with seven economies among the fastest growing in the world. This is not accidental but the product of years of massive reforms of both real and financial economies in Africa. Moreover, global partnerships, including those with China, the EU, and the US, were at the center of the African growth renaissance. In fact, prior to the pandemic, Africa had emerged as a key player in the global economy and was receiving increasing attention for mutually beneficial economic partnerships. The recent advent of the African Continental Free Trade Area, the largest trading bloc in the world in terms of the number of member countries, was a key development. It ushered in a new era of trade and regional integration – and further integration into the global economy (Eabisa, 2020).

Enter COVID-19. After a slow start, the pandemic spread rapidly through the continent. The adverse economic consequences were felt immediately, mainly due to economic spillovers from shocks to Africa's main trading partners. For example, the livelihoods of Ethiopian garment workers were negatively impacted by a sharp decline in global demand for their products. This happened despite relatively few COVID-19 cases and soft lockdown policies in Ethiopia (Meyer, Prescott, & Sheng, 2022).

Regionally, the direct and indirect effects of the pandemic resulted in a 1.9% contraction in GDP (IMF, 2020) for Africa. This was attributable to the combined effects of shocks to trade volume, service industries such as airlines and aerospace, tourism and hospitality industries, remittance flows, and disruptions to supply chains. Because China is the largest trading partner of Africa, the decline in Chinese exports resulted in shortages of basic consumer goods. This was particularly damaging to vulnerable consumers and small-time traders, who make up the lowest-income segments of the economy.

As for exports, crude oil already faced a huge demand shock prior to the pandemic. However, COVID-19 led to a 39% decline in demand during April 2020 from the pre-pandemic levels (Heitzig et al., 2021). Therefore, oil exporting SSA countries – Nigeria, Cameroon, Angola, Chad, Gabon, Republic of Congo, and Equatorial Guinea – were hit badly. African countries are, however, cross-sectionally diverse in terms of products for external trade, so not everyone was hurt by the price declines that accompanied the demand shock. Indeed, oil-*importing* countries enjoyed a windfall from price declines. Moreover, gold-exporting countries saw increases of as much as 30% in the price of their primary export.

In recent years, there has been good news in SSA in the area of remittance flows. They have become the largest source of international capital flows, ahead of foreign direct investment and official development assistance. It is striking that remittances into developing economies have remained a stable source of capital flows, despite shrinkages in other categories (World Bank, 2021). Indeed, remittances continued to grow by about 2.3% per year during the pandemic in SSA (Heitzig et al., 2021). Overall, it is gratifying that remittances have remained stable, even growing, at this critical juncture.

Finally, while tourism and hospitality are a vital source of economic growth for many countries in SSA, this sector was damaged badly by the pandemic. In particular, for island states, such as Mauritius and the Seychelles, tourist arrivals dwindled to a fraction of their pre-pandemic levels. This was particularly detrimental for employment, as tourism is the largest source of jobs. African airlines with a global reach – including Ethiopian Airlines, South African Airways, and Kenya Airways – were also immediately hit by COVID-19 travel

restrictions and border closures. In March 2020 alone, African airlines lost $4.4 billion in revenue.

Shrinking Fiscal Space and Debt Burden: How Has the World Responded?

The pandemic shocks to the economies of low-income countries in Africa, and the government expenditures in response to these crises, led to large revenue shortfalls (Heitzig et al., 2021). After the initial shocks, it turns out that the pandemic had spared SSA from the high levels of infection and death seen in other regions of the world. As of April 2021, SSA accounted for just 3% of the world's cases and 4% of its deaths. One theory that explains the low level of cases/deaths is based on SSA's population – the youngest worldwide – as well as the rapid and pre-emptive lockdowns and restrictions put in place in March 2020. However, government responses amplified the dwindling revenue and fiscal space stemming from the economic shocks, as discussed earlier. On average, SSA economies collected 13.6% less revenue than projected in 2020 (Heitzig et al., 2021). The pandemic ended up amplifying the revenue loss. This deteriorating fiscal space greatly contributed to debt vulnerabilities by impairing the capacity for debt servicing. It turns out that, pre-pandemic, many African countries were already on the verge of a debt crisis.

Another positive development in recent years has been that many African countries have begun accessing international credit markets (e.g., Eurobonds issuance and syndicated bank loans) at arm's length. Therefore, they were able to access diverse sources of external borrowing. China has become by far the largest bilateral creditor of the region.

One of the most troubling issues, however, is that, at the onset of the pandemic, 9 countries were already in debt distress and 11 faced high distress risk (IMF, 2020). Heitzig et al. (2021) find that the pandemic worsened the African debt situation. Using the IMF projections, they find that SSA experienced a 4.5% increase in "pandemic debt" – the uptake of debt beyond IMF projections. The associated debt servicing costs imposed huge pressure on SSA countries, already at the mercy of dwindling public finances, as discussed earlier. How have the international partners of SSA responded to the unsettled African debt situation? The IMF, World Bank, African Development Bank, the African Union (AU), and the G-20 all responded by mitigating the debt-related costs and risks facing low-income countries, including those in SSA. The G-20 includes an African country, South Africa. The World Bank's Debt Service Suspension Initiative (DSSI) called for a moratorium on debt repayments to participating bilateral creditors through December 2020 (later extended through December 2021; see World Bank, 2021). Of the world's 73 eligible low-income countries, 38 are in Africa.

We next provide a summary of the various response initiatives. On April 1, 2021, the Common Framework for Debt Treatment beyond DSSI went into effect. It builds on DSSI by creating a framework to handle debt treatments on a case-by-case basis and engage the private sector on terms as favorable as official creditors. Details are provided in Table 2.

ECONOMIC AFTERMATH AND OTHER GLOBAL FACTORS

Ultimately, the adverse economic shocks were not as long-lasting as first feared. Some countries, particularly the US, witnessed dramatic economic recoveries, fueled largely by government fiscal support, stimulus packages, and widespread vaccination, which opened up economies with pent-up demand for in-person services. The economic rebound worldwide far exceeded expectations, based on Congressional Budget Office (2021) data. Unfortunately, this remarkable recovery has been accompanied by rising inflation. The economy of the US, for example, surpassed its pre-pandemic level of GDP in the second quarter of 2021. It was the first country in the G-7 to recoup all the real GDP lost to the pandemic. A comparative picture of the change in GDP between 4th quarter 2019 and 3rd quarter 2021 for all G-7 countries is shown in Table 3.

The economic recovery has been uneven across sectors and countries. Employment creation remains weak in low-income countries, even lower than pre-pandemic projections (United Nations, 2022). In fact, according to Liu Zhenmin, Under-Secretary-General of the UN's Department of Economic and Social Affairs, "the pandemic will continue to pose the greatest risk to an inclusive and sustainable recovery of the world economy" (United Nations, 2022). Moreover, the monetary policy responses in advanced economies in response to rising inflation, and hence rising interest rates, are likely to amplify the unsustainability of external debt burdens of low-income countries.

The war in Ukraine adds to the many headwinds. Apart from the humanitarian crisis and destruction of infrastructure, it has greatly amplified fuel and

Table 2 Responses from bilateral and multilateral institutions *Source:* Heitzig, Ordu, & Senbet, (2021)

Institution/ organization	Membership	Instrument
G-20	20 richest industrialized and emerging countries	The Common Framework for Debt Treatments Debt Service Suspension Initiative (DSSI: implemented by IMF): debt payment moratorium owed to participating bilateral creditors. 73 low-income countries eligible; 38 in Africa. Expired on December 31, 2021.
IMF	190 countries	The Catastrophe Containment and Relief Trust: debt relief for 23 of Africa's poorest countries through April 2021 (totaling about $400 million).
World Bank	189 countries	Benefiting 33 African countries as part of its global financing for health, economic, and social programs ($160 billion globally).
African Development Bank	Anchored in Africa; 81 member countries, including non-regionals (e.g., US)	Established a $10 billion COVID-19 Response Facility.
Paris Club	Bilateral countries in the Paris Club: originally 11 countries, currently 20	Partners in DSSI and Common Framework
China	Bilateral	Partner in DSSI and Common Framework
Private creditors	Bilateral	Free ridership; not completely on board

Table 3 GDP Growth for G-7 countries between 4th quarter 2019 and 3rd quarter 2021 *Source:* Center for American Progress (Jan. 2022)

Canada	France	Germany	Italy	Japan	UK	USA
− 1.4%	− 0.1%	− 1.1%	− 1.3%	− 1.9%	− 1.5%	+ 1.4%

food crises around the globe, coupled with ever-increasing inflation (OECD Economic Outlook, 2022). Low-income countries are particularly devastated by this geopolitical event. Moreover, the Ukraine crisis is likely to slow growth even in advanced economies and will continue for the foreseeable future (as of this writing).

Additional difficulties exist with supply and demand that will continue to pose challenges for households, firms, and, more broadly, governments. Climate change, for example, poses continuing threats – such as droughts, floods, and hurricanes – that can each affect the pricing of products, like fuel and food crops. Labor shortages are also an ongoing problem for many industries, including airlines, which are, as of this writing, struggling to keep up with demand that has rebounded over the summer of 2022. Finally, the response of central banks around the world to worrisome inflation levels has led to looming fears of recession. This is particularly problematic as many of the headwinds from the pandemic linger and new threats emerge.

The challenges facing the business world since the advent of COVID-19 are unparalleled. Despite the impressive flexibility that surviving businesses have shown throughout the pandemic, the storm has not fully passed, even as we are entering the endemic phase of the global health crisis. Indeed, by some accounts, another set of challenges is just over the horizon. It is important to continually take stock of what we have learned over the past couple of years to prepare for future challenges and opportunities.

IMPLICATIONS OF THE HEALTH AND ECONOMIC CRISES ON INTERNATIONAL BUSINESS: LESSONS AND IMPLICATIONS

The global health crisis has affected virtually every business worldwide in dramatic and unforeseen ways. In some cases, it has altered how firms do business, or has forced permanent changes in their structures.

Although pandemics are rare, the COVID-19 pandemic is unlikely to be the last one, perhaps even in our lifetime. As such, we have found it

instructive to review how government responses affected firms in various industries, stages, and countries, and consider the hard lessons learned as a consequence of these responses. Some major industries have had their financial prospects blighted, while others have been dramatically enhanced. To ensure that history does not repeat itself, corporate leaders should explore how to make their firms more resilient to global crises, as well as government responses to them, and learn how to excel in the face of them.

The pandemic has fundamentally changed the way many corporate leaders approach doing business. Some of this is due to the nature of the pandemic, and some stems from navigating government responses. The wisdom of some strategies of multinational firms, such as an international supply chain (Guedhami et al., 2022), which was considered a hedge against country-specific or regional crises, is being reevaluated based on the last two years. We must determine which have proven to be the best defensive strategies against COVID-induced disruptions – diversified supply chains, more robust supply chains (inventory management), geographic diversification, increased spare capacity, enhanced technology, greater cash holdings, a combination thereof, or other policies. In other words, how can MNCs re-strategize to ensure resilience?

An important dimension to this question is the debate regarding whether disruptions to the global economy and the operations of MNCs caused by the pandemic are transient or long-lasting (Ciravegna & Michailova, 2022; Contractor, 2022). The idea is that, if these disruptions are temporary, as Contractor (2022) argues, then just minor adjustments to corporate strategies would be adequate. However, if these disruptions are the 'new normal', changes would likely be fundamental and long term (Buckley, 2022). A third alternative is that the frequency of transient disruptions, as in natural disasters, should receive long-term consideration. This big-picture outlook of repeated short-term impacts is noteworthy, since Oh and Oetzel (2022) argue that managers can plan ahead for natural disasters using strategies, such as forming partnerships that can help remedy supply chain disruptions, assessing areas where the firm is particularly vulnerable in the wake of a natural disaster, establishing a natural disaster response plan, and purchasing insurance for operational disruption. Such risk management and long-term plans are important because incomplete information and subjectivity mid-crisis can lead to irrational managerial decision-making (Verbeke & Yuan, 2005).

It is with this background and context that we discuss three key strategies that MNCs should adopt.

MNCs should remain flexible: Research has shown that firms that can respond to changes in their business environment and political uncertainty relatively quickly can benefit more from first-mover advantages and temporary opportunities, and avoid costly adjustments when challenges arise. Flexibility in both transient and long-term crises can be attained through corporate governance (Lehn, 2021), structural and managerial leadership adaptations (Kano, Narula, & Surdu, 2022), and/or through an institutional structure that allows for rapid changes in how business is conducted, particularly online (Liu, Peng, Wei, Xu, & Xu, 2021). A case in point is Ethiopian Airlines, the largest African airline with global reach. It reallocated its resources to cargo business while the bulk of the passenger fleet was grounded in the wake of COVID-19. It converted 25 passenger aircraft into cargo planes. According to the CEO, the airline dealt with the pandemic without seeking government bailout, unlike other industry giants (e.g., Emirates). The airline benefited from its pre-COVID diversification strategy that included cargo business but with the passenger business being core. This pre-emptive diversification strategy allowed it to move fast, not only to cope with the crisis but also to grab an opportunity to deliver COVID-19 equipment to about 70 destinations throughout Africa and beyond.

MNCs should strive to optimize corporate policies to take advantage of the staggered impact of the pandemic in different countries: An example of this can be seen in AB InBev, a large multinational brewing company. It was able to finance a shift in production from COVID-19 hot spots to areas with relatively fewer cases, which minimized the negative impact of the pandemic. With these smart decisions about financing, production, and sales, the company performed better in 2021 than in 2019.

MNCs should reorient supply chains to make them more impervious to crises that are global: The impact of the pandemic on long supply chains has revealed unforeseen vulnerabilities in how MNCs source materials or products. Whether due to entire countries shutting down production facilities, imbalances between global demand and supply, or bottlenecks at ports, supply chain failures have

been identified as a major source of firm value loss during the pandemic. According to McKinsey & Company, the average firm loss due to supply chain disruptions is 42% of annual revenue.

Potential solutions include structural changes, e.g., closer relationships between suppliers and buyers, adopting alternative suppliers, at least for the most critical materials, and sourcing materials from different countries (Contractor, 2022). Despite the benefits of these strategies, adopting these decisions likely also involves steep costs. The costs facing MNCs can be impacted by economies of scale, coordination costs (multiple subsidiaries across countries, which may involve different cultures, labor laws, taxation, regulations, transparencies, capital markets developments), and transportation, which may mean higher consumer prices. Kano et al. (2022) further emphasize the instrumental role of managerial governance adaptations in ensuring global value chain resilience, especially when structural reconfigurations are costly or infeasible.

CONCLUDING THOUGHTS AND FUTURE RESEARCH IN INTERNATIONAL BUSINESS AND FINANCE

The seriousness of the first global pandemic in over a century, and the associated structural changes and fractures (Buckley, 2022) in the world economy, provide a fertile ground for testing existing theories and addressing important research questions, and hence contribute to extending the IB research agenda (e.g., Hartwell & Devinney, 2021; Oh & Oetzel, 2022). In their insightful perspective, Oh and Oetzel (2022: 232) argue that, although natural disasters, such as the COVID-19 pandemic, are not new, they differ from other types of crises and disasters along several dimensions. These include the increasing likelihood of more frequent and more impactful natural disasters (e.g., those related to climate change), the potential for cascading disasters, and the need for MNCs to evaluate and mitigate their effects. The authors highlight the challenges in applying core IB theories to explain MNCs' disaster risk management strategies, and, thus, the importance of reevaluating/extending the IB scholarship to account for the unique characteristics of natural disasters. Such work will not only push the boundaries of what we know about international finance and business but also potentially better guide business leaders, who right now are navigating uncharted territory. Indeed, some work is already focusing on developing potential solutions for government leaders (Arner, Barberis, Walker, Buckley, Dahdal, & Zetzsche, 2021; Hafiz, Oei, Ring, & Shnitser, 2020).

With the full extent and scale of the pandemic's impact on firms, global markets, and the world economy still unfolding, some finance and IB scholars believe that a 'new normal' may be emerging. This new normal could lead to changes in the organization and configuration of MNCs (e.g., location and internalization decisions) and could threaten global economic integration and globalization (e.g., Ciravegna & Michailova, 2022). Guedhami et al (2022) show that relative valuations of multinational versus purely domestic firms have already been altered to favor the latter, although it is unclear whether this multinational discount will be permanent. Uncertainties about the length and depth of the health crisis, related geo-political and economic effects, and the resurgence of economic nationalism and protectionism are fueling perceptions of risk and volatility in financial markets and corporate decision-making (e.g., Baker, Bloom, Davis, & Terry, 2020; Buckley, 2022; Ciravegna & Michailova, 2022). In contrast to Ciravegna and Michailova (2022), Contractor (2022: 163-164) argues that these risks appear to be marginal rather than fundamental, and can be mitigated by MNCs through more sophisticated technologies, alternative cross-border business strategies, and better diversification of input sources. He concludes that more globalization is needed and expected in the post-pandemic world. On the other hand, as discussed earlier, there is new evidence documenting the dark side of globalization based on the differential valuation effects of MNCs and their domestic counterparts (Guedhami et al., 2022). The bright story from the study is that countries with better financial development are more likely to weather the dark side of globalization, which advocates the development of well-functioning financial systems in emerging and low-income countries.

Current and future research will be an important part of identifying and amplifying the lessons learned during the pandemic that will help fortify MNCs for crises (pandemics or otherwise) that are quite likely to occur in the future (e.g., Oh & Oetzel, 2022). An abundance of papers inspired by the pandemic, both working and published, aim to enhance our knowledge in this context. Nevertheless, the list of unanswered questions remains long. Below are some of the unexplored research questions we recommend for future research.

Potential Research Questions on MNC Strategies in a Post-Pandemic World

The short- versus long-term effects of the pandemic

As outlined above, whether the effects of the pandemic on the global economy are temporary or long-lasting is subject to debate among IB scholars. Therefore, more research is necessary in this area.

- Does withstanding a pandemic require unique managerial skills for MNCs? Do CEO characteristics (e.g., managerial ability, generalists versus specialists, cultural heritage) affect MNC performance?
- How has the crisis affected the correlation structure of global financial markets? What are the ensuing effects on the costs and benefits of diversification for MNCs and international investors?
- Price and Adu (2022) find that cross-border trade was a factor in the transmission of COVID-19 in the early days of the pandemic. What are the effects of the pandemic on longer-term international capital and trade flows, such as foreign direct investment (outflow and inflow) and exports/imports?
- Ciravegna and Michailova (2022) argue that the pandemic has increased inter- and intra-country inequalities. How does inequality, exacerbated by the crisis, impact multinational firms?

Factors contributing to building resilience

As outlined, the flexibility of MNCs to either transient or long-term shocks is an important topic for IB scholars to explore, as future crises, whether they be health- or climate-related, are likely to occur.

- Does organizational capital make MNCs more resilient or more vulnerable during crises, as it makes raising external financial capital more difficult?
- Luo (2022) finds that digital connectivity helps firms be more resilient in a globalized world. What other factors can insulate MNCs from pandemic-related demand and supply shocks?
- Is there an optimal footprint of the firm (e.g., operations or supply chain) that allows for the benefits of internationalization while protecting the firm from disruptions stemming from crises?

Factors reflecting a more fractured and less globalized world

Guedhami et al. (2022) suggest that there is a dark side of globalization that happens in tail risk events. Further, Buckley (2022) highlights that firms will need to operate in a more fractured, less globalized world. Specifically, he notes that "Whilst there is a great deal of theory on international integration – across nations and industries – there is little theory of disintegration. It cannot be assumed that disintegration is a mirror image or inverse." Contrasting these two papers, Contractor (2022) argues that the effects of the pandemic are transient (related to the previous research theme) and that *more* globalization is needed, not less. Given the lack of consensus in this area of the literature, IB researchers should consider how firms can navigate in a business world that may be more segmented, either due to economic protectionism or in response to (and in planning for future) repeated crises, or, conversely, may be even more globalized. Research in this area could include:

- What roles have advanced technology and global integration played in the survival of MNCs in emerging versus developed markets?
- How important is financial inclusion to economic growth in different economies?
- What is the comparative significance of different notions of distance – such as cultural, geographic, language, and legal – in various markets during the COVID-19 crisis?

Other pandemic-related research

Given the novelty of the COVID-19 pandemic, and notwithstanding the burgeoning literature that has ensued, there remain plenty of pandemic-related topics for IB researchers to explore:

- Does national culture (collectivism/individualism, trust in government) affect the severity of the health crisis and, as a consequence, the economic impact?
- What is the role of the political economy in financial regulation in spurring international business and economic growth during the crisis?
- What are the implications of the pandemic for the emerging debate on stakeholder capitalism?

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this article was done while April Knill was at Florida State University.

NOTES

[1]In this regard, the Oxford Coronavirus Government Response Tracker (OxCGRT) (2020) has become the gold standard, a real-time data repository that provides huge opportunities for data mining and analytics surrounding COVID-19.

[2]https://fas.org/sgp/crs/row/R46270.pdf.

[3]https://www.bbc.com/news/56100076.

[4]https://www.statista.com/statistics/1224168/total-population-of-africa/.

[5]https://www.nature.com/articles/s41562-021-01079-8.

[6]https://ourworldindata.org/policy-responses-covid.

[7]The economic contraction during the Great Depression was considerably worse if measured from peak to trough across the economic event in its entirety. Moreover, as we discuss later in this piece, the more advanced economies, including the US, rebounded faster than predicted.

[8]https://www.federalreserve.gov/data/corpsecure/current.htm.

[9]https://www.wsj.com/articles/buybacks-hit-record-after-pulling-back-in-2020-11639263140.

[10]https://www.bls.gov/opub/mlr/2021/article/covid-19-ends-longest-employment-expansion-in-ces-history.htm#:~:text=In%20April%2C%20employment%20plummeted%2C%20dropping,series%2C%20which%20originated%20in%201939.&text=Then%2C%20however%2C%20a%20job%20recovery,by%204.8%20million%20in%20June.

[11]For example, Barber, Jiang, Morse, Puri, Tookes and Werner (2021) find that women and faculty with young children saw their research productivity fall during the early days of the pandemic.

[12]https://www.wsj.com/articles/companies-cut-orders-build-up-inventory-as-supply-disruptions-continue-11653048000.

[13]See also https://www.usatoday.com/story/news/2020/07/22/coronavirus-handful-american-companies-strike-gold-amid-pandemic/5477904002/, and https://www.ft.com/content/844ed28c-8074-4856-bde0-20f3bf4cd8f0.

[14]Duan et al. (2021) study the resilience of the banking sector to the pandemic in 64 countries and explore the role of government response policy. They argue that the spread of the virus led governments around the world to adopt containment measures (e.g., social distancing, lockdowns, and business shutdowns) that resulted in negative economic effects on firms (decline in revenue and creditworthiness) and households (unemployment and income loss). These in turn had adverse effects on banks' profitability, solvency, and capital. Consistent with this conjecture, they find that the intensity of the pandemic affects the stringency of government response, resulting in an increase in systemic fragility.

[15]As of this writing (November 2022), the fortunes of oil-producing countries have reversed, with windfall gains which are now fueled by the Ukraine crisis. The misfortunes are on oil importers.

[16]https://www.aasa.za.net/news-industry-affairs/africa-news.html.

[17]https://ourworldindata.org/coronavirus.

[18]On the dark side, the cost of borrowing and debt servicing costs have gone up considerably, further exacerbated by the Ukraine crisis and the tight US monetary policy accompanied by rising dollar interest rates.

[19]https://fortune.com/2022/07/02/delta-american-united-pilot-shortage-flight-cancellations-pandemic-demand-summer-travel/.

[20]Africa Business (July 2020): https://african.business/2020/07/economy/ethiopian-airlines-moves-from-passengers-to-cargo-as-pandemic-bites/.

[21]https://www.wsj.com/articles/how-a-beer-giant-manages-through-waves-of-covid-around-the-world-11624830297?mod=Searchresults_pos16&page=1.

[22]https://www.mckinsey.com/business-functions/operations/our-insights/rethinking-operations-in-the-next-normal.

[23]The success story of Ethiopian Airlines in quickly shifting resources to cargo business by converting passenger planes when the latter were grounded in the wake of the pandemic has been attributed to the leadership qualities of the dynamic CEO (Africa Business, July 2020). However, at this stage, it is speculative and requires rigorous research inquiry.

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ABOUT THE AUTHORS

Omrane Guedhami is the C. Russell Hill Professor and Professor of International Finance at the University of South Carolina. He was recognized among scholars who have made the most significant contributions to *JIBS* in the first 50 years. His current research focuses on corporate governance, corporate social responsibility, accounting, and formal and informal institutions and their effects on corporate policies and firm performance. His publication record includes more than 100 peer-reviewed articles published in leading academic, including the *Journal of Financial Economics*, *The Accounting Review*, *Journal of Accounting Research*, *Journal of Accounting and Economics*, *Journal of International Business Studies*, *Journal of Financial and Quantitative Analysis*, *Review of Finance*, *Management Science*, *Contemporary Accounting Research*, *Accounting, Organizations, and Society*, *Journal of Financial Intermediation*, and *Journal of Business Ethics*, among others. He has received numerous research distinctions and prestigious awards, including the CIBER/FMA Best Dissertation in International Finance Case Award and the Moskowitz Prize for Socially Responsible Investing. His research is influential and widely cited. He has more than 15,000 Google Scholar citations. He is ranked among the top 25 most prolific and influential authors on corporate governance between 2001 and 2020. He serves as Editor for major academic journals, including *Contemporary Accounting Research* and *Journal of Business Ethics*.

April Knill is BPF Moore Fellow and Professor of International Finance at the University of South Carolina. Before joining Florida State University, she was a Professor of Finance at Florida State University and a consultant for the Development Research Group at the World Bank in Washington, DC. She is a graduate of the University of Maryland

at College Park. Dr. Knill currently serves as a Consulting Editor at the *Journal of International Business Studies* and an Associate Editor at *Global Finance Journal*. Her research interests include international corporate finance, venture capital, and the intersection between law, finance, and politics. Professor Knill has published in journals such as *Journal of International Business Studies*, *Journal of Financial and Quantitative Analysis*, *Review of Finance, Journal of Business*, *Journal of Corporate Finance*, *Journal of Financial Intermediation*, *Financial Management*, and *Journal of Comparative Economics*, among others. Her research has received numerous awards including the Dean's Emerging Scholar Award and the CIBER/FMA Award for the Best Dissertation in International Finance. Professor Knill has served as a Guest Editor at both *Journal of International Business Studies* and *Journal of Corporate Finance* and has recently been elected by her peers to be the Vice President of Programs for the Eastern Finance Association (EFA). She will serve as the President of the EFA from April, 2022 through April, 2023.

William L. Megginson is Professor and Price Chair in Finance at the University of Oklahoma's Michael F. Price College of Business and Visiting Professor at the University of International Business & Economics (Beijing). He is also Area Editor for the *Journal of International Business Studies*. From 2002 to 2007, he was a voting member of the Italian Ministry of Economics and Finance's Global Advisory Committee on Privatization. During spring 2008, he was the Fulbright Tocqueville Distinguished Chair in American Studies and Visiting Professor at the Université-Paris Dauphine. Professor Megginson's research interest has focused in recent years on the privatization of state-owned enterprises, sovereign wealth fund investments, energy finance, and investment banking principles and practices. He has published refereed articles in several top academic journals, including *Journal of Economic Literature*, *Journal of Finance*, *Journal of Financial Economics*, *Journal of Law and Economics*, *Review of Financial Studies*, and *Journal of Financial and Quantitative Analysis*. His research has been downloaded over 70,000 times from the Social Sciences Research Network and cited over 26,000 times (according to Google Scholar).

Lemma W. Senbet is the William E. Mayer Chair Professor of Finance at University of Maryland and former Executive Director/CEO of African Economic Research Consortium, with research interests spanning corporate finance, international finance, and financial sector reforms and development, which have appeared in such journals as *Journal of Finance*, *Review of Financial Studies*, *Review of Finance*, *JIBS*, etc. He has received numerous recognitions for his impact on the profession. He was twice elected director of the American Finance Association and past President of Western Finance Association. He is Fellow of Financial Management Association International for his career-long distinguished scholarship. He was inducted into Financial Economists Roundtable, a distinguished group of world-wide financial economists. He has held associate editorships and editorial positions at over a dozen journals, including the *Journal of Finance* and *JIBS*. Professor Senbet has advised the World Bank, IMF, UN, and agencies around the globe on financial sector reform issues, and has served on the Board of Hartford Funds. He has been on the Nominating Group for the Nobel Prize in Economic Science. He is a member of the Brookings AGI Distinguished Advisory Group and of the Independent Council of Economic Advisors (appointed by the Ethiopian PM). Prof Senbet has been elected Fellow of the Academy of International Business.

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