Dead firms: causes and effects of cross-border corporate insolvency

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Abstrak

In general lines, insolvency is a state in which the debtor is proven unable to pay corporate creditors. In this volume, we aim to explore the contemporary causes and effects of corporate cross-border insolvency (CCBI). The specificity of this state occurs when the debtor’s assets or liabilities are located by virtue of being crossborder in more than one country, or if the debtor is subject to the jurisdiction of courts from two or more countries (UNCITRAL, 2014). In the realms of international business, CCBI could be mediated by events experienced during the internationalisation of the firm, which may encompass a loss of capital, loss of revenue and loss of credit. Problems that ‘drag on’ over an extended period of time are often exacerbated by a tangled web of interconnected occurrences, like credit problems resulting promised payments that never happen, accumulating unpaid bills and the snowballing effect of the situation that impacts upon the firms credit both at home and abroad. The potential for small events to compound and morph in firms that control and manage production establishments located in two (or more) countries is greater than the same potential for those that keep a domestic profile (Teece, 1985 ; UNCITRAL, 2014). If unaddressed, these ‘business, as usual’ issues reach a point where a viable organisation is transformed into a dead firm.