

# Value relevance of multinational directorship and cross-listing on MNEs national governance disclosure practices in Sub-Saharan Africa: Evidence from Nigeria

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## **Value relevance of multinational directorship and cross-listing on MNEs national governance disclosure practices in Sub-Saharan Africa: Evidence from Nigeria**

### **Abstract**

We draw on institutional isomorphism literature to develop a conceptual framework which uncovers how emerging market MNEs manage institutional tensions and complexity in corporate governance (CG) regulations within and across economic environments. Using a sample of 400 firm-year observations (2011–2015) from Nigeria, we show foreign directorship and cross-listing as significant avenues for governance isomorphism. MNEs employ these mechanisms to manage and reconcile foreign and Nigerian CG regulations whilst overcoming institutional weaknesses at home. Specifically, governance isomorphism leads to improvement of home country CG disclosures practices because of associated linkages with international CG systems through cross-listing and employment of multinational directors.

**Keywords:** Governance isomorphism; institutional isomorphism; Nigeria; cross listing (bonding); multinational directorship; corporate governance disclosure

## 1. Introduction

Before the 1990's, corporate weaknesses and self-serving managerial behaviour were largely masked by economic growth and development. As such, the concept of corporate governance (CG) received limited attention within business and policy discussions (Cadbury, 2000). This period was characterized by significant managerial use of creative accounting to show favourable performance (Dedman, 2002). Yet the failure of firms such as the Bank of Credit and Commerce International (BCCI), Polly Peck, the Maxwell Companies and Penn Central evidence the weaknesses of the then existing governance systems (Puffer and McCarthy, 2003, Shleifer and Vishny, 1997, Veasey, 1992). Further, the rapid increase in directors pay in the mid-1980's led to serious concerns about unconstrained managerial discretion at the expense of shareholders value maximization (Dedman, 2002, Shleifer and Vishny, 1997). The balance of power principally was in the hands of executive managers. Dissatisfied investors could only react to managerial behaviour and misalignment of interest by selling their shares to express lack of confidence in the firm (Cadbury, 2000). Consequently, the stock market was the principal solution to poor governance.

These weaknesses attracted the interest of various stakeholders including investors, policy makers, boards, financial markets and international organisations (e.g. IMF and World Bank). This placed CG at the centre of regulatory initiatives (Cadbury, 2000, Cuomo et al., 2016, Dedman, 2002, Holmstrom and Kaplan, 2001, Zattoni and Van Ees, 2012). This led to development of governance codes as guiding principles to ensure and clarify the responsibilities of boards and accountability of firms. The publication of Cadbury report in 1992 saw a surge in CG regulations and guidelines across the globe (Areneke, 2018). Since then, CG regulations have been utilized as popular standards to encourage firms to increase accountability and transparency (Cuomo et al., 2016). CG regulations are expected to act as safeguards against managerial inefficiencies, misappropriation of firm resources in addition to promoting and serving societal needs.

After the Asian financial crisis of the 1990s, many African economies and other emerging countries also realised they were not immune to corporate failures (Rwegasira, 2000). Hence, we have witnessed a surge in CG reforms across many emerging African economies in the last two decades. It is therefore unsurprising that good CG has been articulated as pre-requisite to reducing corrupt practices by many African governments, e.g. Kenya, Cameroon, Nigeria and Zambia and a host of other African countries. Except for South Africa, many African economies developed CG codes after the year 2000. Due to historical and institutional differences, the level of development of

CG codes differs from one country to another. In fact, CG codes in Africa and other emerging economies have been customised to be responsive to local conditions, prevailing within each country whilst maintaining global benchmarks ( for detailed review of divergence and convergence of governance codes in Africa and other emerging economies, see Schiehl and Martins, 2016, Cuomo et al., 2016, Aguilera and Cuervo - Cazorra, 2009).

Many firms in Africa and other emerging economies have embraced CG regulations as a way of improving CG practices, attract cheaper capital and reassure investors of managerial commitment to maximizing firm value (Fernandes and Ferreira, 2008). Some of the CG practices undertaken by firms to improve their CG profile includes: hiring talented directors, enhancing financial transparency and disclosure, or even developing internal CG guidelines, in addition to the country-level CG regulations (Del Bosco and Misani, 2016). Besides, various firms have in an attempt to raise their CG profile, also hired non-native directors from host countries or even traded their shares in markets with robust CG systems (Del Bosco and Misani, 2016, Temouri et al., 2016). However, the process of cross-listing and or cross border operations subjects firms to different national institutional systems and varying CG environments (Valentino et al., 2018). This is not to mention the level of CG development differs from one country to another (Gaur and Delios, 2015). This is due to differences in the institutional environments of individual countries, including local norms and culture, legal and regulatory climate, and state of economic development (Fainshmidt et al., 2016, Hearn, 2015, Sun et al., 2015).

Accordingly, the introduction of CG reforms in Africa and other emerging economies has also attracted considerable interest from scholars. However, majority of existing studies have used firms with operations within a single country to examine CG-firm financial performance nexus, mainly focussing on internal CG mechanisms such as board structure, executive compensation and CG disclosure practices (e.g. Abor, 2007, Barako et al., 2006, Ntim et al., 2012b, Sanda et al., 2005). Nevertheless, there is scant literature concerning the CG practices of African, and other emerging markets firms with operations in more than one country (hereafter 'MNEs'). Extant International Business (IB) literature suggests that MNEs are likely to adopt isomorphism strategies (Meyer et al., 2009, Salomon and Wu, 2012). To the best of our knowledge, no study has previously explored how emerging market MNEs employ isomorphic strategies in their CG compliance practices in home and host countries. Addressing this knowledge gap is particularly relevant for emerging African economies where isomorphic governance strategies can help MNEs overcome global disadvantage owing to home country institutional weaknesses.

Drawing from the preceding discussions, there is a need to understand how emerging market MNEs reconcile and engage in home country CG practices despite their multinational operations in different institutional environments which may influence such practices. Undoubtedly, there are costs and benefits associated with different CG structures optimised for the benefit of individual firms. Also, significant variation in national financial systems or structures in the host and home context makes it challenging for MNEs to manage governance practices compared to single country firms. Using Nigerian (we discuss the peculiarity of Nigeria context in a later section) MNEs as an example, this paper addresses this dearth in research. We examine how emerging market MNEs strategically appoint foreign directors and cross-list in foreign markets to manage institutional governance complexities and in the process improve home country governance compliance through institutional isomorphism (or governance isomorphism). Institutional isomorphism leads to diffusion of good CG practices from countries with the most efficient enforcement of governance guidelines to those with weaker enforcement.

Specifically, emerging market firms operating across different countries encounter idiosyncratic institutional environments (Carney et al., 2018, Mingo et al., 2018). These environments may have inconsistent formal laws and informal norms (Berkowitz et al., 2003). Hence, it is important to understand how such inconsistencies within the institutional environments of home and host countries, impacts the ability of MNEs to fulfil expectations of their stakeholders (i.e. shareholders, state, competitors, local communities, consumers and public) in their various countries of operation. We argue that, emerging markets MNEs encounter two types of governance problems, which underpin the theoretical and practical relevance of this research.

First, they operate in countries with varied normative governance institutions (institutional duality) and are required to comply with governance guidelines in these countries (governance duality). As an instance, requirements to increase accountability by putting in place specific governance structures in a host country may be costlier (cheaper) than requirements in the home country. For example, a Nigeria MNE with operations in UK will need to balance the requirement for board and audit committee independence. Nigeria CG code requires firms to have one independent director without a requirement for audit committee independence. Whereas, UK 2010 combine code requires majority of non-executive directors to be independent board members and three members of audit committee should be independent from the firm. This suggests higher cost in recruitment of independent directors to meet the UK CG regulations compared to Nigerian governance regulations. Therefore, MNEs need to manage these differences in governance requirements. They can choose not to comply with the more demanding and costly governance guidelines in the host country (e.g. in the UK and USA). This will result to a trade-off of legitimacy for cost minimisation. Conversely, they can choose legitimacy by leveraging internal (e.g. foreign directors) and external (cross-listing)

governance mechanisms to select an optimal governance structure which minimises cost. This may lead to adoption of isomorphic governance practices across different economic environments.

Second, within the home country, formal governance institutions may contrast with traditional institutions governing the management of firms (Berkowitz et al., 2003). While the former can encourage good governance practices, weak enforcement (institutional void) (Khanna et al., 2006) reinforces the latter and hence both co-exist. Nigeria is noted for strong informal institutional practices such as corruption and elitism (Adegbite, 2015, Adegbite et al., 2012, Adegbite and Nakajima, 2012, Osemeke and Adegbite, 2016). For example, recent evidence from Nigeria shows that institutional voids encourage elites to ‘invent, circumvent and corrupt institutions’ which is antithetical to initiatives for good CG practices (Nakpodia and Adegbite, 2018). We contend that such practices limits governance transparency and may affect the perception, reputation and long-term goals of MNEs in their international operations. More so, these informal practices are detrimental to African MNEs with operations in host countries with robust CG systems. For example, corruption charges in the home country may impact negatively on market valuation and reputation of MNEs in host countries (e.g. UK and USA). Therefore, emerging market MNEs must develop strategies to manage these differences between formal and traditional rules governing corporate practices.

The focus of this paper is to address how emerging market MNEs manage and mitigate the discussed institutional tensions using governance compliance/disclosure practices in the home country as a characterization of their behaviors. We theorize how emerging market MNEs adopt institutional isomorphism practices across home and host countries and critically examine their practical relevance for MNEs. We argue that emerging market MNEs manage and mitigate institutional tensions in governance regulations by implementing institutional isomorphism strategies that leads to diffusion of good governance practices from the country with the most efficient enforcement of normative guidelines to the country with weak enforcement. We show isomorphism of governance practices is diffused through two governance strategies – foreign directorship (internal mechanism) and cross-listing (external mechanism). Accordingly, we anticipate MNEs use these two mechanisms to overcome institutional voids and reconcile differences which may emerge between home and host country governance requirements. Building on this, we examine how MNEs listed in the Nigerian Stock Exchange (NSX) overcome institutional voids and governance duality by managing, engaging, reconciling and optimising CG practices as required by the Nigerian Securities and Exchange Commission (SEC) 2011 code of good CG practices.

We argue that cross-listing (external governance mechanism) promotes governance isomorphism by channelling robust governance regulations from host countries to home countries through bonding. Much of the literature on bonding hypothesis is focussed on the economic benefits

of cross-listing ( e.g. Lang et al., 2003, Lel and Miller, 2008, Miller, 1999, Reese and Weisbach, 2002). However, literature on whether bonding leads to isomorphism of governance practices between home and host countries is scant. More so, to the best of our knowledge, there has been no attempt to directly incorporate CG and IB approaches to cross-listing as an avenue for MNEs governance isomorphism which leads to diffusion of good governance compliance practices to emerging economies.

Specifically, we pursue a different approach to examine bonding hypothesis through an investigation of the direct impact of cross-listing on CG disclosure practices of emerging market MNEs. We argue that emerging market MNEs overcome home country institutional voids and governance duality challenges between host and home governance institutions, by selecting to cross-list and bond with CG practices from countries with the most efficient governance institutions. Moreover, we show that cross-listing is an effective means of reconciling governance standards between host and home countries and transferring modern governance practices from countries with strong governance regulations and enforcement to countries with weak governance enforcement. We contend that this strategy strengthens emerging market MNEs international competition in the global markets. Further, the benefits accruing from cross-listing of MNEs (i.e. enhanced monitoring, shareholder value maximisation, increase in scrutiny and monitoring) as proposed by bonding hypothesis, suggests that emerging market MNEs use this strategy to improve CG practices in the home country. By taking advantage of foreign CG listing regulations, firm-level CG quality and disclosures are enhanced through governance isomorphism.

Besides, we further observe that not all emerging market MNEs are cross-listed due to the high costs associated with cross-listing. As such, we examine the presence of foreign/non-native directors (multinational directors) within the boards of both cross-listed and non-cross-listed MNEs as an important strategic node of isomorphism between national and global CG practices. Prior IB literature suggests there are varied reasons why MNEs employ directors of different nationalities. For instance, Estélyi and Nisar (2016,pp.177) found that heterogeneous ownership, including the presence of foreign shareholders, and scope of firms' market operations were the main reasons why firms employ directors of different nationalities. Similarly, firms with large business segments and multinational operations tend to appoint directors of different nationalities to indicate to shareholders firm commitment to reducing external dependencies, liability of foreignness (LOF) and secure valuable resources (Estélyi and Nisar, 2016, Klein, 1998). This can also be interpreted as a strategic behaviour aimed at overcoming domestic competition for scarce resources in the home country.

Despite these helpful contributions, extant literature has been silent on how MNEs strategically recruit foreign directors to resolve their governance duality problem and mitigate institutional voids.

We extend prior studies and provide new evidence to fill this lacuna in IB and CG research. We argue that, MNEs recruit foreign directors to enhance governance isomorphism through diffusion of governance regulations and enforcement from countries with strong governance implementation to those with weak enforcement. MNEs also employ foreign directors' due to their broader and deeper knowledge emanating from their heterogeneous origins. This comprises diverse socio-economic, institutional, political, cultural, business and technical/professional backgrounds. These attributes avail foreign directors with the skills and knowledge to impact on governance disclosure practices in the home country. Hence, for our second proxy of internationalisation, we define multinational directors (MND) as board members who are non-natives of the firms' home country. These directors sit on the boards of MNEs in the home country and represent the multinational presence of those firms in host countries.

Using these two variables – MND and cross-listing – as proxies for internationalisation, we test whether they have a significant impact on CG disclosure/compliance practices of emerging market MNEs using data from Nigeria. In doing so, we provide evidence on how MNEs engage, reconcile and transmit international CG practices to emerging economies in addition to bypassing institutional voids at home. We also demonstrate the crucial role performed by non-native directors and cross-listing of firms as conduits for transmitting international best practices of CG into emerging economies which improves national CG practices. Therefore, our research makes several contributions to CG and IB scholarship.

First, we contribute to existing literature on CG and IB by drawing on institutional isomorphism literature to develop a conceptual framework (Figure 1) testing four hypotheses. This framework uncovers how MNEs balance institutional tensions and complexities in governance regulations within and across economic environments. Specifically, emerging market MNEs overcome governance regulatory tensions between different economic environments and mitigate home country institutional weakness through isomorphism of governance institutions from the country with the most effective enforcement of normative governance guidelines, to countries with weak enforcement of governance regulations. Second, we provide the first empirical evidence using cross-listing (bonding hypothesis) and multinational directorship as avenues for governance isomorphism which enhances home country CG practices. In this regard, we show that cross-listed MNEs disclose high-quality national CG practices as required by the home country CG code, relative to non-cross-listed MNEs. More so, MNEs with foreign directors improve their home country CG disclosures practices compared to those without such representations.

Third, we also extend the substitutability and complementary governance bundle research to multinational organisations. Extant CG literature suggests that firms do not choose a governance



mechanism in isolation, but given the costs and benefits of each governance mechanism, firms chose governance practices as a bundle ( see Aslan and Kumar, 2014, Schiehl et al., 2014, Yoshikawa et al., 2014 for detail discussion ). This has led to debate on substitutability and complementary of governance structures, popularly referred to as national governance bundle ‘NGB’ within CG literature. However, this area of enquiry is relatively new and existing literature is limited to single country firms (Aslan and Kumar, 2014, García - Castro et al., 2013, Yoshikawa et al., 2014). By testing this emerging discussion using foreign directorship and cross-listing as MNE governance structures, we reveal the circumstances under which they can be chosen as compliments or substitutes. We show that, whilst cross-listing and MNDs may be employed by MNEs as complementary strategies, in the presence of other firm-level factors such as cultural distance, MNEs may also use both mechanisms as substitutes. Specifically, MNEs may adopt institutional isomorphism strategy by choosing to recruit MNDs to bond with foreign CG systems and overcome institutional voids at home, rather than cross-list due to the possible costs associated with the latter. We contend that the choice of engaging in either (or both) strategies depends on effectiveness, costs and benefits of each.

Finally, we evidence that MNEs do not only cross-list and appoint foreign directors to enhance institutional isomorphism, but also adopt these strategies to promote local isomorphism of domestic stakeholder governance practices. Specifically, emerging economies have customised governance regulations to incorporate guidelines aimed at promoting affirmative stakeholder actions (Ntim et al., 2012b). These institutionalised stakeholder governance guidelines act as responsiveness to prevalent local realities. As such, show more contrast with those of host countries than those aimed at promoting shareholder value creation. Some authors claim that firms disclose and comply more with shareholder-oriented guidelines which has direct impact on economic returns of firms (Ntim et al., 2012a), and less with stakeholder guidelines. However, affirmative action stakeholder guidelines may not have a direct impact on firm performance but are essential to show local isomorphism (Salomon and Wu, 2012). For example, the requirement to disclose policies to counter corruption which is endemic in Nigeria (Adegbite, 2015, Akinkoye and Olasanmi, 2014) in addition to disclosure of policies and opportunities for HIV/AIDs and physically challenges persons, may not have a direct impact on firm performance but non-compliance may inflict social, environmental and political cost both nationally and internationally. This indirectly impacts on the firm’s operations and performance. We also note some of these guidelines (presented later in Table 1) are in stark contrast with those of host countries. We thus examined whether MNEs strategically engage in the disclosure of such institutionalised stakeholder governance requirements using cross-listing and foreign directorship and our results are in the affirmative.

The remainder of the paper is organized as follows. Section 2 presents our theoretical framework and hypothesis. Section 3 discusses the context of our research. Section 4 presents discussions of methods. Section 5 discusses results. Section 6 presents theoretical contributions and managerial relevance. Finally, section 7 provides a summary and conclusion.

## 2. Theory and hypothesis

### *2.1 Institutional isomorphism, international business and corporate governance diffusion*

Institutional isomorphism (DiMaggio and Powell, 1983, Meyer and Rowan, 1977) has hitherto been applied to research various aspects of CG and IB with varying degrees of contributions to literature (see for example Boxenbaum and Jonsson, 2008, Boxenbaum and Jonsson, 2017, Fainshmidt et al., 2016, Gaur et al., 2014, Greenwood et al., 2011). The institutional isomorphism perspective suggests that firms are subject to powerful institutions which constrain their activities. This subsequently results in similarity in organizational practices across different institutional environments (Pache and Santos, 2010, Greenwood et al., 2011, Gaur and Delios, 2015). Institutional isomorphism arises from policies, rules and regulations (i.e. formal institutions) as well as cultural norms and traditional values (i.e. informal institutions) in different countries which influences firm operations (DiMaggio and Powell, 1983). The other two sources of isomorphism include imitation of peer organizations' practices (Boxenbaum and Jonsson, 2017, DiMaggio and Powell, 1983, Haveman, 1993), and pressure from highly institutionalized professions such as accountants and auditors' roles and directors duties (Greenwood et al., 2002).

We draw on this literature to examine how emerging market MNEs engage and improve national CG practices through institutional isomorphism. We contend that MNEs with operations in more than one country, potentially face 'conflicting institutional demands' (Mingo et al., 2018). Such conflicts between the demands of home and host countries institutional environments have a significant impact on MNEs CG practices. In addition, recent IB research suggests that MNEs are required to comply with varied CG requirements in both home and host countries (Cumming et al., 2017, Pache and Santos, 2010). Such variations underpin the present study as they allow us to leverage institutional isomorphism perspective to uncover how MNEs engage with home CG regulations, notwithstanding their multinational dimensions. Considering this observation, the present paper sets out to examine how Nigerian MNEs manage conflicting demands between home country governance institutions and those of overseas jurisdictions where they have operations.

Specifically, some emerging economies, including Nigeria, have recently adopted codes of CG practices intended to safeguard stakeholder interests. Such CG codes are customised to meet country level needs, and thus differ from country to country (Aguilera and Jackson, 2010, pp.490). Thus, given

the heterogeneous nature of emerging economies institutional environments (Gaur et al., 2014, Gaur and Lu, 2007, Salomon and Wu, 2012, Xu and Shenkar, 2002), CG requirements in various countries where MNEs operate may occasionally be non-uniform, or even contradictory. Considering these observations, we argue that country-level variations in CG disclosure requirements and non-uniformity may shape MNEs disclosure practices in home and host countries.

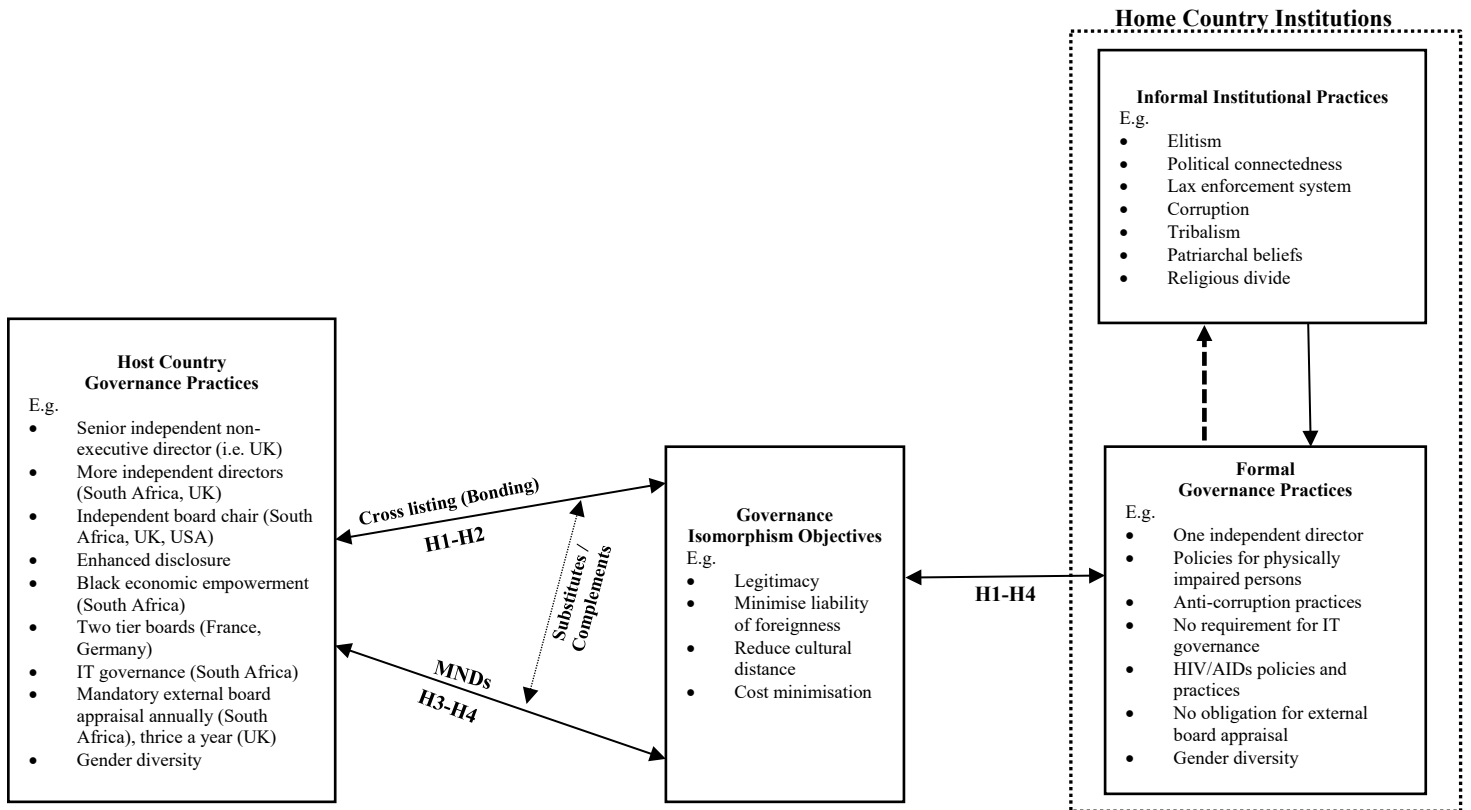
More so, extant literature argues that home countries of emerging market MNEs are characterised with weak enforcement of formal governance laws (Meyer et al., 2009) but strong informal practices which make it difficult for the former to be effective (Berkowitz et al., 2003). For example, rampant corruption has been identified as serious hindrance to ethical corporate conduct and effective CG implementation in Nigeria (Adegbite, 2015, Nakpodia et al., 2016). The possible consequences of engaging in corrupt practices in the long-run objectives of an MNE operating in developed economies with strong regulatory penalties suggest the need for overcoming informal institutional constraints. Such institutional parameters may make it difficult for emerging market MNEs to actively compete with global rivals especially when competing with firms from developed economies with strong regulatory enforcement. We argue that, to be competitive in the global market, emerging market MNEs must develop strategies to overcome institutional weaknesses within home countries.

In this paper, we theorize that emerging market MNEs overcome both weak institutional enforcement of governance guidelines and reconcile inconsistent CG regulations between home and host countries through institutional isomorphism. This subsequently leads to governance isomorphism. We define governance isomorphism as diffusion resulting either from firms importing or exporting governance practices from one country to another. Drawing on this, emerging market MNEs embark on institutional isomorphism strategy which ensures the diffusion of normative governance practices from countries with stricter regulatory enforcement to emerging markets with weak regulatory institutions (as will be discussed later, most of the listed MNEs examined in this study are cross-listed in developed markets and majority of foreign directors also come from developed economies). Accordingly, emerging market MNEs employ isomorphic governance practices which enhances diffusion of good governance practices through cross-listing (external mechanism) and recruitment of foreign directors (internal mechanism) into boardrooms. Using Nigeria as an example, *Figure 1* shows the conceptual framework which theorises how internationalisation of emerging market firms (MNEs) leads to diffusion of good governance practices to the home country through governance isomorphism.

From *Figure 1*, overseas cross-listing or presence of foreign director's acts as avenues for institutional isomorphism which leads to diffusion of CG practices across MNEs home and host

countries. By cross-listing (H1 and H2) and employing foreign directors (H3 and H4) from countries with more robust CG systems, Nigerian MNEs import best practices of CG from their overseas jurisdictions of operation (*i.e. from left-to-right of the framework*).

**Fig. 1: Conceptual framework of MNEs governance isomorphism process**



Good governance practices adopted from host countries do not only improve home country governance practices, but also counteract informal institutions (e.g. corruption, tribalism, elitisms) that impede home country governance practices (*i.e. dotted line between home country governance practices and informal institutional practices*). On the other hand, Nigerian MNEs may transmit/export good governance practices when they cross-list in countries with weaker governance institutions (*i.e. from right-to-left of the framework*).

The remaining parts of this section operationalises the above conceptual framework to develop testable hypotheses.

## 2.2. Cross-listing and national corporate governance disclosure (bonding hypothesis)

Cross listing constitutes an important strategic node of entry and legitimization of MNEs in host countries. Through cross listing, coercive regulatory powers of host countries can impact on emerging market MNEs behaviors at home. We use cross listing as an external bonding mechanism

that enables isomorphism of governance practices between home and host countries. Consequently, we contend bonding leads to diffusion of more stringent CG disclosure practices from host countries to home countries with weak enforcement institutions. Hence improving MNEs governance disclosure practices in the home country.

The bonding hypothesis of Coffee Jr (2002) suggests MNEs in developing countries with weak legal institutions, design strategies aimed at gaining the confidence of investors. Based on this premise, cross-listing, as a governance bonding strategy, avails managers of MNEs an opportunity to show investors commitment to more stringent CG disclosure regulations (Coffee Jr, 1998, Coffee Jr, 2002). Similarly, MNEs may cross-list as a bonding mechanism to show stakeholders their commitment to overcome weak regulatory enforcement and institutional quality at home by taking advantage of foreign CG listing regulations which improve firm-level CG quality in the home country (Temouri et al., 2016).

Similarly, bonding hypothesis suggests cross-listing enables managers of MNEs with a bonding mechanism to build trust with investors and demonstrate their commitment to sound CG disclosure practices. This also assist in bypassing informal institutions in the home country and may increase market valuation in both home and host markets (Siegel, 2009). Therefore, cross-listing avails MNEs the opportunity to benefit from CG regimes in countries of secondary listing (e.g., MNEs cross-listed in the USA or UK markets may benefit from strong CG regulatory enforcement). This, in turn, improves MNEs CG disclosure practices. As such, the bonding hypothesis suggests MNEs cross-list as a bonding mechanism with more demanding CG disclosure requirements ( see, Charitou et al., 2007, Coffee Jr, 2002, Lel and Miller, 2008) which enhances home country CG disclosures. Ceteris paribus, bonding hypothesis posits since cross-listed MNEs may be subject to strong investor protection regulations in host markets, they will have better CG disclosure practices than their non-cross-listed counterparts. Construing from bonding hypothesis, cross-listed MNEs are subject to more rigorous CG requirements, which enhances their ability to comply with home country CG regulations.

Notwithstanding, critics of bonding hypothesis argue the costs associated with bonding activities, such as cross-listing, outweigh the benefits of enhance CG practices (Gozzi et al., 2006, Gozzi et al., 2008, Licht, 2004). According to Licht (2004), the main reasons for cross-listing includes access to cheaper sources of finance and enhanced visibility of the issuer (the cross-listed firm). Licht (2003;p.142) argues that, improvement in CG practices is a second-order consideration, whose objective is either to deter issuers of shares from accessing better-regulated markets or encouraging market regulators to allow foreign issuers of shares to avoid more demanding CG regulations. Similarly, Leuz (2006) contends that, the quality of cross-listed firms CG disclosure practices does

not suggest bonding hypothesis as cross-listed firms, especially in the USA, are allowed considerable flexibility in preparing their financial reports. Sun et al. (2015) further notes that, outward movement of MNEs, through cross-listing, can be in part; an escape route from burdensome CG regulations. Consistent with the latter argument, MNEs may escape onerous domestic CG regulations through cross-listing, suggesting that such firms may be less likely to comply with home CG regulations.

Even so, studies which have investigated cross-listing and firm economic performance nexus have demonstrated consistency with the bonding hypothesis. For example, for cross-listed firms originating from countries with weak investor protection, scholars have reported larger stock reactions (Miller, 1999), higher firm valuation (Doidge et al., 2004), increased financial analysts scrutiny (Lang et al., 2003), better environmental information (Bailey et al., 2006), increased access to external finance (Reese and Weisbach, 2002), and termination of CEO due to poor performance (Lel and Miller, 2008). In contrast, other studies have shown ineffectiveness of bonding hypothesis. For example, Siegel (2005) found that US CG laws are rarely enforced against cross-listed firms. These studies have contributed in our understanding of the significance of cross-listing across various dimensions but have so far not examined how emerging market MNE cross-list as a strategy to bond, promote governance isomorphism and enhance governance disclosure practices in the home country.

We contribute to advance extant literature by uncovering cross listing (bonding) as a channel for institutional isomorphism (governance isomorphism) of governance practices across countries which leads to enhanced governance disclosures in emerging economies. We fill this gap in literature using insights from an interesting and unique institutional environment – Nigeria. Prior research has reported (e.g. Litvak, 2007) that firms from poorly regulated economies cross-listed in developed markets experience higher benefits than costs due to better credit ratings, due to compliance with more stringent laws. Therefore, emerging market MNEs cross-list to align their CG and disclosure practices with those of overseas markets, which may have more stringent governance institutions than those required by home regulators. Consequently, cross listing subjects MNEs to foreign governance requirements which may be costly but more stringent than those of the home country. MNEs have the choice to adopt these more stringent governance regulations or reject them. However, the latter choice may not be in the interest of emerging markets MNEs because it subjects them to possible penalties, political costs and possibility of losing cognitive legitimacy in the host country.

We argue that coercive pressures in country of secondary listing pushes MNEs to comply with governance regulations in the host country. This leads to various benefits including legitimacy, mitigation of liability of foreignness, access to government contracts and societal resources in addition to avoiding penalties from host country regulators. For example, it may be more challenging and costlier for cross listed MNEs in Nigeria to comply with the requirements for majority of board

members to be independent (e.g. in UK and South Africa), or appointment of senior independent director (e.g. UK). This is because Nigerian SEC code recommends boards to be composed of one independent director but no requirement for senior independent board member. However, compliance with this governance requirement due to coercive pressures in the host country improves compliance with Nigerian governance laws and may lead to adoption and diffusion of international good governance practices to Nigeria. Consequently, bonding leads to isomorphism of good governance practices from host to home country. Therefore, cross listed Nigerian MNEs will have more robust governance practices compared to non-cross listed MNEs. More so, experience in adopting onerous governance requirements in countries of secondary listing which may be costly and in contrast with those of home country suggest, cross listed emerging market MNE's are more likely to comply with less demanding home country governance practices.

Furthermore, home countries of emerging market MNEs are characterized by weak governance institutions which leads to weak enforcement of governance regulations (institutional voids). Consequently, formal governance regulations may contrast informal practices in the home country. For example, the Nigeria SEC requirements for firms to develop anti-corruption policies and code of ethics are in contrasts with a culture of rampant corruption (Adegbite, 2015, Adegbite et al., 2012, Adegbite and Nakajima, 2012, Osemeke and Adegbite, 2016). This is evident from the number of corporate scandals linked to corruption, including the 2007 Cadbury Nigeria and the 2008 Halliburton scandals (Adegbite and Nakajima, 2012). The tradition of corporate corruption in Nigeria is attributed to failure of regulatory authorities to enforce laws and regulatory guidelines. The weak regulatory enforcement allows elites and politicians to coerce firms to adopt unethical practices which limits the adoption of instituted governance regulations (Nakpodia and Adegbite, 2018). This institutional void and negative informal institutions pose a significant challenge to emerging market MNEs who potentially suffer from negative preconception especially from investors and stakeholders in host countries. Therefore, emerging market MNEs have to trade-off between formal and unethical informal governance institutions.

Emerging markets MNEs overcome this paradox through cross-listing in other capital markets (especially in developed markets) which allows them to bond to more stringent CG regulations. Bonding improves and reinforces home country CG regulations. Specifically, due to their experience, cross-listed emerging market MNEs are aware of the disadvantages they face in their international operations due to perceptions of powerful influences of negative home country institutional practices (e.g. corruption, fraud, elitism) and weak regulatory enforcement. For example, the 2007 Cadbury Nigeria, 2008 Halliburton and 2009 Siemen scandals had an adverse effect on the reputation, valuation and legitimacy of these firms in countries where they are cross-listed. Accordingly, emerging markets MNEs are likely to adopt good governance practices from countries

of secondary listing which limits the likelihood of engaging in negative informal practices and avoid the adverse effects this may have on their market valuation, reputation and legitimacy in the host country. This enables cross listed MNEs to bypass weak enforcement at home and limit the influence of informal traditions in circumventing compliance with home country governance regulations. Therefore, compared to non-cross listed MNEs, bonding enables cross listed MNEs to diffuse good governance practices from countries of secondary listing which enhances governance compliance in the home country. Thus, bonding leads to improvement of governance practices at home through governance isomorphism (see H1, from left to right as shown in figure 1). We therefore hypothesise that:

*H1: Ceteris paribus, MNEs that cross-list can mitigate institutional governance complexities, diffuse and improve governance disclosure practices, in line with integrated provisions of home country CG code, compared to MNEs that do not cross-list.*

As noted earlier, emerging economies have customised governance regulatory guidelines to incorporate provisions to enhance affirmative stakeholder actions (Ntim et al., 2012b). We contend these institutionalised stakeholder governance guidelines are in contrast with those of host countries compared to provisions with the purpose of aligning the interests of management and shareholders. For example, Nigeria SEC 2011 code requires firms to disclose policies to counter corruption and HIV/AIDS and other diseases. These provisions and other related stakeholder requirements (discussed later) are essential from a policy perspective to encourage local isomorphism of domestic stakeholder governance practices. Hence, we examine how MNEs engage with these governance practices.

Drawing from legitimacy literature, cross-listed MNEs are better placed to disclose stakeholder requirements to reduce liability of foreignness (LOF), political, social and environmental costs. As such, MNEs international exposure to more stringent stakeholder requirements enhances compliance to home country affirmative action CG requirements. We thus posit that, due to their experience, cross-listed MNEs have strong incentive to provide disclosures regarding stakeholder inclusive practices as this indicates they are adapting to institutional peculiarities in both home and host countries. In this regard, through cross-listing, MNEs bond to stringent foreign stock markets institutional stakeholder requirements which helps improve home country stakeholder CG practices and disclosures. In doing this, they show investors and other institutional stakeholders (including central and local government, regulators, communities and employees) their commitment to providing transparent information, improving the lives of local people and promoting local isomorphism.

On the other hand, cross-listing subjects MNEs to various stakeholder disclosure requirements of different countries, which may be potentially incompatible. Thus, cross-listed MNEs



may choose not to apply specific country-level stakeholder CG requirements, due to concerns that disclosing such practices in other countries may be costly. For an instance, the requirement to adopt black economic empowerment (BEE) affirmative action in South Africa incorporated in King II CG code and enacted in the 2008 Companies Act suggests that a Nigerian MNE cross listed in South Africa must adopt these practices or incur political and social costs. For example, Dangote cement company which is a family owned MNE will have to sell its shares at a discount to black South African investors to meet the BEE ownership threshold. This may affect the ownership of Dangote cement since regulations in Nigeria allow 100% of ownership by individuals and/or families. But failure to adopt this affirmative action by Dangote cement may lead to high political costs because BEE compliance is linked to government contracts. Therefore, cross-listed Nigerian MNEs must develop strategic responses to such conflicting stakeholder affirmative action demands, in order to gain legitimacy both in home and host country.

More so, adopting formal stakeholder affirmative regulations for societal benefits may be detrimental to the pursuit of private benefits by politicians and powerful elites and hence they may resist and subvert the implementation of such practices. In addition, some of the stakeholder requirements in home countries may be in contrast with informal traditions. For example, the requirement to disclose HIV/AIDS and other diseases policies and practices may contrast with informal norms of confidentiality and secrecy. On the other hand, failure to improve compliance with this regulation may be interpreted negatively by shareholders and stakeholders, in both host and home countries subsequently exposing the firm to economic, political and social costs. In addition, adopting this affirmative stakeholder governance guidelines will potentially make Nigerian MNEs more attractive to socially conscious investors, who may prefer to invest their money in firms that prioritize social good alongside financial earnings. This may enhance the reputational bonding of emerging market MNEs in host countries of cross-listing.

We argue that emerging market MNEs are cross-listed in foreign markets with either implicit or explicit normative/formal rules governing stakeholder engagement. Failure to engage with these rules may lead to regulatory actions, political and social costs. In addition, these countries have strong non-governmental interest groups and stakeholders especially in the UK and USA, who may influence MNEs actions towards stakeholder engagement. For example, a study by Bancel and Mittoo (2001) evidences that firms from Europe disclose more stakeholder information when they cross-list in the USA.

We postulate that, to gain legitimacy, mitigate liability of foreignness, reduce political and social cost in host countries, cross-listing coerces emerging market MNEs to adopt and bond with stakeholder regulations which are more onerous and may be in contrast with home country

requirements. In addition, host countries of cross-listing have stakeholders with different intensities of institutional pressure which improves their experience of dealing with stakeholder demands. Through bonding and experience of dealing with onerous stakeholder demands in secondary capital markets, compliance to less demanding home country affirmative stakeholder action is enhanced. We argue that cross-listing enhances local isomorphism in line with home country stakeholder disclosure requirements. Furthermore, cross listing enhances local isomorphism in line with home country stakeholder disclosure directly and indirectly through bonding to stringent foreign market norms, mitigate exposure to risk of litigation for non-conformity, reduce LOF (especially in countries like UK and USA) and access to critical government contracts (especially in South Africa). This coerces MNEs to reconcile, adopt, diffuse and improve affirmative stakeholder governance practices between home and host countries compared to non-cross-listed MNEs. This consequently leads to isomorphism of stakeholder practices of cross listed MNEs and improves engagement with stakeholder regulatory practices in the home country compared to non-cross listed MNEs (see H2, from left to right as shown in figure 1). Hence, we hypothesize that;

*H2: Ceteris paribus, MNEs that cross-list mitigate institutional governance complexities, diffuse and improve governance disclosure practices, in line with stakeholder provisions of the home country CG code, compared to MNEs that do not cross-list.*

### **2.3 Multinational directorship and national corporate governance disclosure**

IB literature has discussed the significance of hiring multinational directors (MNDs) to enhance board advisory, monitoring and resource capabilities. This is because, working in home and host countries avails MNDs first-hand knowledge of international markets (Adams et al., 2010, Giannetti et al., 2015, Hahn and Lasfer, 2016, Masulis et al., 2012). Consequently, MNDs develop and tap from their contacts and experience in international markets to advise firms and improve on CG practices. Following from Adams et al. (2010), Masulis et al. (2012), we observe that MNEs employ MNDs because they can provide valuable information and support to MNEs operations and CG practices in both home and host countries. As MNEs move into international markets, they face both LOF and liability of newness (LON) in unfamiliar political landscapes, new regulatory requirements, institutional environments, cultural and social norms (Li et al., 2016, Masulis et al., 2012). To reduce these uncertainties and to gain legitimacy in foreign markets, MNEs employ MNDs with knowledge of their home or regional economies. These directors also have close networks with local businesses, social and political climate. Li et al. (2016) observe that employing MNDs is a legitimate strategy to enhance firm legitimacy in its international operations. Similarly, Dauth et al. (2017) posit that directors with transnational experience are less likely to use discretion in financial reporting.

Foreign directors possess valuable cognitive competences that improve the board's problem-solving capabilities. In addition, MNDs can draw on their experience and knowledge to cope with CG complexities between home and host countries, and thus are likely to increase the quality of CG disclosures. Dauth et al. (2017;p.75) notes that, international directors are better placed to assess the probability of default, which enhances the accuracy of firm financial disclosures. We argue that MNEs employ MNDs because they are better placed to improve MNEs monitoring and advisory on CG disclosures. In addition, MNDs can potentially introduce new best practices in CG in the home country owing to their exposure to other governance institutions. Due to their international exposure and experience of different governance institutional environments, MNEs employ MNDs because they can cope better with challenges originating in the home country institutional realities and CG landscape, eventually boosting MNEs CG disclosure quality.

According to research findings by Oxelheim et al. (2013), Oxelheim and Randøy (2003), the inclusion of foreign directors from countries with Anglo-American CG system signals that an MNE is committed to transparency in CG disclosures. We suggest the appointment of at least one foreign director in the board of an MNE, especially individuals from countries with more robust CG systems and institutional environment, enhances the efficiency of the board and reduce home country institutional constraint. This consequently improves CG practices and disclosures in the home country. Similarly, from an agency theory perspective, international directors can curtail earnings management and managerial opportunism (Masulis et al., 2012). MNEs employ foreign directors to sit on their boards to provide the firm with strong monitoring, resources, and assurance of high quality reporting on CG practices. More so, due to their familiarity with different CG systems and institutional environment, MNEs employ MNDs because they can quickly understand other foreign CG standards, which assist in reconciling and improving on disclosure to the home country CG standards. Consistent with this antecedent, MNDs help to improve firms' governance disclosure practices because they have greater knowledge and experience to detect and act on non-compliance with home country CG code.

Nevertheless, other schools of thought have argued that MNDs are ineffective monitors. For example, Knyazeva et al. (2010) argue there is substantial cost associated with foreign directors, due to the need to attend board meetings in home countries of MNEs. Accordingly, the geographical distance of foreign directors makes it costly and time consuming to attend board meetings. This may hinder their ability to effectively monitor, control and advice MNEs on CG matters (Masulis et al. (2012). Masulis et al. (2012) contend that, it is easier for home directors to attend board meetings and contribute to monitoring of managers. This is because local directors do not have the burden of travelling and/or security concerns. Similarly, Hahn and Lasfer (2016) posit that local directors are more likely to have time and energy, as well as cheaper transportation to attend board meetings and

monitor firm CG practices, compared to MNDs. In line with this rationale, directors from different countries may be less likely to have familiarity and knowledge of current CG developments/practices in the home country of MNEs. The absence of MNDs in the home country suggest they may be less acquainted with home country CG code, and as such less likely to monitor its compliance.

The preceding discussion indicates that foreign directors may bring a mix of benefits and costs to firms. Likewise, some studies have reported this mix impact. For example, Masulis et al. (2012) reported that MNDs make better cross-border acquisition. Similarly, the findings of Estélyi and Nisar (2016) demonstrate, boards members with diverse nationalities positively affect firm's international market operations and operating performance. On the other hand, Masulis et al. (2012) findings show MNDs have poor board meeting attendance, less sensitivity in linking CEO turnover to performance, high CEO compensation, high likelihood of intentional financial misreporting and poorer firm performance. Similarly, Hahn and Lasfer (2016) reported that foreign directors are associated with few board meetings and lower shareholder returns. We contend that despite the concomitant benefits and costs associated with MNDs, their overall effect on disseminating good CG practices from one country to another remains an interesting empirical gap to examine.

Accordingly, our paper is unique from existing CG and IB literature which has mainly examined the impact of MNDs on economic returns, or board meeting attendance. We provide new insights by measuring the direct impact of MNDs in reconciling national CG and international governance complexities. We thus contribute to comparative institutionalism perspective in IB and CG scholarship from a less discussed institutional context – Nigeria. Specifically, we contend that MNEs are aware of the need to conform to regulatory and normative rules of doing business in different countries of operation. Therefore, MNEs employ MNDs due to their expertise, exposure and experiences of different governance institutions and environments to assist in overcoming institutional void whilst reconciling and improving home country CG disclosure practices. For example, international directors are less likely to involve in corruption practices. More so, the presence of MNDs on corporate boards limits the ability of powerful elites and politicians in subverting formal governance practices which leads to enhanced governance disclosures.

Furthermore, due to their experience of different governance institutions, MNDs are well placed to reconcile conflicting governance regulations between home and host countries. The difference between South Africa King III regulation for IT and black empowerment governances which is contrary to Nigeria SEC 2011 governance regulations serves as such an example. We contend that due to international experience, MNDs from South Africa can help to mitigate these differences by influencing firms to adopt these governance regulations to gain legitimacy in South Africa. Thus, MNEs that adopt these practices (albeit inconsistent with regulations in Nigeria) will

have more enhance governance disclosures beyond those required by regulators in the home country compared to MNEs that do not. More so, because MNDs have experience of more stringent governance regulations in host countries, they are likely to transfer similar behaviors to the home country. In doing so, MNDs leverage their experience and knowledge of good governance practices from host countries and diffuse this practices to the home country. Finally, foreign directors from more advanced governance institutions may diffuse good governance practices to less advanced governance environments, especially when institutional differences between host and home countries are high (Miletkov et al., 2017) This leads to governance isomorphism between host and home country (see H3, from left to right as shown in figure 1) and improvement of home country governance practices. Therefore, we hypothesize that;

*H3: Ceteris paribus, MNEs that employ multinational directors mitigate institutional governance complexities, diffuse and improve governance disclosure practices, in line with integrated provisions of the home country CG code, compared to MNEs who do not employ multinational directors.*

Besides, literature suggests that foreign directors of MNEs perform a critical role in safeguarding the interests of their stakeholders. As an illustration, Estélyi and Nisar (2016) observe that MNDs can influence the quality of stakeholder CG disclosures, whilst arguing that director nationality is a significant yet distinctive source of individual directors competence. This suggests that directors originating from or having worked in CG environments with high stakeholder CG disclosure levels, are likely to require similar quality of disclosures in the home country especially as it encourages local isomorphism of stakeholder governance initiatives. Due to the resource links of foreign directors, knowledge and expertise in stakeholder requirements across different institutional environments, they are employed by MNEs to reconcile and improve stakeholder disclosure practices in the home country consequently showing adaptation to local realities in the home country. Moreover, MNEs employ MNDs due to their exposure and awareness of the need to conform to societal norms and overcome negative informal norms which are detrimental to the firm's operations nationally and internationally. Hence MNDs are better placed to use their experience from past interactions to monitor MNEs stakeholder CG practices in the home country and diffuse good stakeholder affirmative practices from host to home country.

Furthermore, MNEs may encounter varied and sometimes inconsistent and or contradictory stakeholder CG regulations in different countries due to differences in economic institutions. We argue that this institutional variability makes it challenging and costly for MNEs to engage in stakeholder practices across different institutional environments. Accordingly, MNEs recruit non-native directors who possess understanding of these institutional differences in stakeholder CG regulations across countries. These foreign directors bring their experience and expertise from host countries and across other economic institutions to overcome weak enforcement at home whilst

encouraging local isomorphism by reconciling and improving on home country stakeholder governance disclosure. Furthermore, MNDs have experience of dealing with different degrees of external and internal pressures to adopt a range of stakeholder governance inclusive regulations which are deemed as efficient in a specific national context. This enhances MNDs ability to reconcile stakeholder governance pressures between host and home country and in the process, diffuse good governance practices from strong regulatory enforcement countries to countries with weaker regulations and enforcement (see H4, from left to right as shown in figure 1). This improves stakeholder governance disclosure practices of firms who employ foreign directors compared to firms who do not employ foreign directors. We hypothesis that;

*H4: Ceteris paribus, MNEs that employ multinational directors mitigate institutional governance complexities, diffuse and improve governance disclosure practices, in line with stakeholder provisions of the home country CG code, compared to MNEs who do not employ multinational directors.*

### 3. Home country institutional environment

#### 3.1 Nigeria's economic and governance environment

Nigeria provides an interesting context for this study because of various factors. First, Nigeria recently overtook South Africa as the biggest economy in Sub-Saharan Africa (Barungi, 2014). This thus makes Nigeria an attractive destination for foreign direct investment, and a prospective gateway for foreign investors seeking to tap into Africa's other burgeoning markets, with high commercial and business potential. Second, Nigeria is the biggest producer of oil in Africa, and one of the largest oil exporting countries globally. It also has various other thriving economic sectors which dominate Africa's economic trade, including cement production, construction, sugar, manufacturing, telecommunication, financial and business services. This makes Nigeria's economy very appealing for investment, particularly to foreign investors seeking business opportunities in new frontier markets. The scale of Nigeria's economy, together with its growth momentum, suggests that it needs continuous supply of capital whose accessibility is dependent on satisfaction of providers of capital that, adequate safeguards for their resources are in place. Third, Nigeria has instituted pro-market reforms aimed at aligning the country with global economic order (Ahunwan, 2002). This includes liberalization of the banking industry and privatization of previous government-owned enterprises, with a view to encourage private investment and eliminate heavy state presence in markets.

Furthermore, Nigeria has the highest population of all 54 African countries, and comprises people from over 500 ethnic tribes (Nakpodia et al., 2016). Such highly varied demographic and multicultural nature of Nigeria's population poses a dynamic underlying institutional environment. This includes diverse and potentially conflicting cultural values and traditions. Nigeria's CG code

calls for firms to pay due regard to the cultural diversity in the country, as captured in its provisions as follows: “[Firms] should demonstrate sensitivity to Nigeria’s social and cultural diversity and should as much as possible promote strategic national interests as well as national ethos and values without compromising global aspirations where applicable” (Nigeria SEC, 2011 , section 28.1,pp.34). This implies Nigerian MNEs have a duty to reconcile “foreign” CG standards with requirements in the home country. In addition, firms operating in remote regions of the country, or those inhabited by minority ethnic groups, are also expected to take affirmative action to enhance the welfare of communities living in their area of operations. Fifth, Nigeria suffers from serious socio-economic challenges, which further complicate its business environment. For instance, rampant corruption in both the public and private sectors pose a significant challenge for firms operating in the country. In this regard, Nigeria’s CG code recommends that firms should treat “*corruption as a major threat to business and development*” (Nigeria SEC, 2011 , section 28.2, pp.34).

Collectively, the above factors, both the potential of Nigeria’s economy and her various institutional fragilities, avail a unique setting for examining how MNEs with origin in countries with such challenging institutional backgrounds engage in national CG practices. This also provides a good opportunity for examining the consistency of theoretical predictions, developed mainly through research carried out in developed countries, within an emerging economy context.

Finally, the SEC CG code of 2011 emphasises sustainable business practices by requiring firms to adopt triple bottom line reporting. The 2011 CG code also incorporates stakeholder and shareholder disclosure requirements, in addition to standard CG requirements, such as: risk-based internal audit, approval of non-executive directors’ remuneration by shareholders, alternative dispute resolution, whistle-blowing procedures, insider-trading laws, CG committee, board evaluation and performance. In addition, Nigeria’s SEC code requires firms to report on institutional stakeholder peculiarities, including: social, ethical, cultural diversity, corruption, strategies for HIV/AIDS management and other diseases, and environmental reporting. The latter disclosure requirements are likely to differ from those expected in other countries (discussed in the next sub-section) where Nigerian MNEs have operations, and or are cross-listed. As such, CG disclosure practices of MNE’s in Nigeria are contingent on how they leverage and reconcile differences between SEC 2011 CG regulations and those of host countries to improve disclosure quality.

### ***3.2 Comparison between Nigerian CG regulations versus overseas locations of operation and cross-listing***

The discussion in this section analyses key features of CG codes of countries where Nigerian MNEs have operations. Table 1 summarizes the main CG disclosure requirements between Nigeria’s SEC 2011 CG code, South Africa 2009 King III report and UK 2010 Combined Code. It provides

comparison between Nigeria's CG code and those of South Africa and UK, where majority of Nigeria's MNEs have overseas affiliation. In this regard, Nigeria further provides an interesting context for examining how MNEs engage in national CG practices considering the potential differences, which exist between home-country CG provisions and those of overseas locations where they operate and are cross-listed. A closer look, therefore, into the way MNEs reconcile any such differences can shed light on how CG practices in the home country are impacted. South Africa and UK are the two countries where most Nigerian MNEs have operations and are cross-listed and serve as the main countries of origin of non-native directors serving on boards of Nigerian firms.

*[Insert Table 1 about here]*

As illustrated in Table 1, some CG requirements are common across all three countries CG codes. Such provisions include requirements for: (i) unitary board structure, (ii) majority of board members to be non-executive directors, (iii) separation of chair and CEO roles, (iv) internal audit function as well as an audit committee of the board and (v) self-regulation. These similarities serve as threshold criteria for legal and reputational bonding of Nigerian MNEs within cross-listed markets – South Africa and UK. This is because the respective countries corporate statutes, in addition to the CG codes, have certain requirements for companies listed in their stock markets. Besides, prospective investors are also likely to have minimum CG expectations for the firms they invest in, usually consistent with the state of CG in each country.

Notwithstanding, there are various areas where Nigeria's CG code's requirements exhibit unique and significant differences. For instance, as noted earlier, Nigeria's CG code requires firms to make stakeholder disclosures concerning how they address the major pandemics affecting the country's population, including HIV/AIDs, malaria and other major diseases. This is different from South Africa's CG code requirements, which require only disclosures about HIV/AIDs, while the UK CG code contains no such requirements. This presents an additional CG obligation for Nigerian MNEs. Second, Nigeria's CG code requires firms to disclose anti-corruption efforts and employment of disabled persons. At the same time, none of the other two CG codes – South Africa 2009 King III Report and UK 2010 Combined Code – requires firms to make such disclosures. Third, Nigeria's CG code emphasizes the need for firms to treat all shareholders equally. This is important in protecting minority shareholder's rights which are argued in literature to be at risk due to concentrated ownership of firms which is prevalent within emerging economies (Young et al., 2008).

More so, Nigeria's CG code deviates from South Africa 2009 King III and UK 2010 Combined Code in its recommendations with regards to the composition and structure of boards of directors. As an instance, Nigeria's CG code requires firms to have at least one independent non-



executive director on boards. On the other hand, South Africa 2009 King III requires majority of directors to be independent non-executive directors, while UK 2010 Combined Code recommends at least half of the board. Also, South Africa 2009 King III and UK 2010 Combined Code recommend board chairs to be independent non-executive directors, while Nigeria's CG code does not make any specification. Nigeria's CG code is also silent about the external evaluation of boards compared to South Africa 2009 King III and UK 2010 Combined Code, which recommend annual and triennial evaluation, respectively. Thus, Nigerian MNEs with international operations in South Africa and or UK are likely to have more independent boards and undertake external board evaluations relative to non-cross-listed firms. In this regard, Nigerian MNEs serve as important channels through which international best practices of CG are transmitted into the country, hence boosting national CG practices.

Despite Nigeria's economic growth and governance policies as highlighted above, the country still suffers from poor management of firms. Notwithstanding the normative rules to encourage firms to adopt good CG practices, Nigeria has hostile and strong informal institutions which limits any attempt to encourage good governance practices (Adegbite, 2015). Weak, and lack of willingness to enforce normative governance guidelines re-enforces the prevalence of unscrupulous informal practices such as corruption with its negative concomitant consequences. In fact, weaknesses in enforcing normative governance guidelines has led to corporate failures in the past. For example, in 1995, several directors and CEOs of Nigerian banks were arrested for non-performing loans that were allocated to themselves, their families and friends (Ogbechie, 2010). More so, bad CG practices led to corporate fraud and failure including the 2007 Cadbury Nigeria and the 2008 Halliburton scandals (Adegbite and Nakajima, 2012). Indeed, poor CG has accounted for the failure of many firms in Nigeria.

Albeit significant regulatory reforms in the past few decades, corruption continues to be the principal issue hindering effective governance practices in Nigeria. Informal institutions which do not encourage ethical conduct coupled with enshrined corruption have promoted bad governance practices which acts as an obstacle for successful implementation of CG regulations. It is imperative therefore to examine how institutional contingencies and interplay within the governance system in this context, affects MNE governance practices. Specifically, the issues posed by Nigeria's economic and governance institutions represents an emerging market wide phenomenon in sub-Saharan Africa. Hence, Nigeria provides an interesting context within emerging economies to understand how MNE develop strategies to overcome regulatory weaknesses at home whilst promoting good governance practices. We therefore use Nigeria as peculiar environment to explore how emerging market MNEs develop isomorphic governance strategies to reconcile home and host country's governance institutions whilst overcoming institutional disadvantages at home.

## 4. Methods

### 4.1 Sample selection

From the development of hypotheses, our sample exclusively consists of MNEs. Data for the independent and dependent variables were manually collected from the annual reports of the studied MNEs, and was obtained from respective company websites, Nigeria Stock Exchange (NSX) and Africa-markets.com. The data for control variables were collected from the annual reports and triangulated with those from DataStream. Data for cultural distance was extracted from Hofstede datasets. The study sample is drawn from 80 MNEs listed on the Nigeria Stock Exchange (NSX) for the period 2011-2015. The choice of 80 listed MNEs and five-year period was due to data availability, representativeness and completeness for all the listed firms included the study. More so, 2011-2015 periods are suitable because the SEC 2011 CG in Nigeria was implemented before this period and therefore firm disclosure can only be measured in the post-implementation era. Moreover, five-year data set with both cross-sectorial and time series properties can assist in ascertaining if the perceived sectorial disclosures of MNEs are consistent over time. Finally, using listed firms and 5-year period is consistent with prior studies, which have typically researched listed firms covering a 5-year period (e.g. Henry, 2008, Ntim et al., 2012b).

To ensure a representative sample of the selected 80 listed MNEs, we first adopted a random sampling strategy where the resulting sample size generated 400 firm's years. In addition, stratified quota sampling technique ensured a representative sample from all major industries as listed in the NSX. This generated a mixture of both small and large MNEs to increase generalization and reduce sample bias. The sample consist of 19% of MNEs which are cross-listed and 81% of MNEs which are not cross-listed. Similarly, 47% of the MNEs have at least one foreign director and 53% have no foreign director.

Contrary to previous CG studies in Nigeria which have used only non-financial firms (e.g. Akinkoye and Olasanmi, 2014) or financial firms (e.g. Olayiwola, 2010), our study includes both financial and non-financial firms. Whilst financial firms are argued to be subject to more scrutiny than non-financial firms, we included these firms in our sample for several reasons. First, financial firms represent more than a quarter of listed firms in Nigeria, and therefore represent a large segment of the corporate institutions in the country. Second, many financial firms in Nigeria have been involved in financial scandals and poor governance practices in the past. In fact, poor CG and entrenched corruption levels are argued to have accounted for the failure of many financial firms in Nigeria (Ogbechie, 2010). For example, several directors and CEOs of Nigerian banks were arrested for poor CG practices including allocating loans to themselves, families and friends (Ogbechie, 2010) which generated high stock of non-performing loans for these banks. More so, our preliminary

analysis comparing whether any mean differences exist between financial and non-financial MNEs showed the absence of any statistically significant differences in firm level individualities. Finally, (as will be discussed later) we control for firm industry fixed effects to capture industry level individualities peculiar to financial firms. Table 2 summarizes the sample selection procedure.

*[Insert Table 2 about here]*

From table 2, the industrial composition of MNEs in the sample of 80 in descending order includes: 31 (17%) Financial firms, 16 (9%) firms from Consumer Goods /Agriculture industry, 12 (6%) firms from Consumer Services and Health Care industry, 9 (5%) from Natural Resources/Oil and Gas/Utilities, 6 (4%) Industrials/Conglomerates firms and 6 (4%) from ICT/Real Estate industry. The total sample size constitutes 45% of listed firms actively trading in the NSX as at 31/12/2015.

The composition of the selected listed MNEs includes firms listed in both developed and emerging markets. Approximately 19% of the MNEs sampled are cross-listed. Most of the cross-listed MNEs are quoted in London Stock Exchange (LSE) and Euronext Paris (26.5% each). This is followed by 20% in Johannesburg Stock Exchange (JSE), 6.75% each in New York Stock Exchange (NYSE), Ghana Stock Exchange (GSE) and, SIX Swiss Exchange. In addition, 6.75% of the cross-listed firms have listing in both LSE and Frankfurt Stock Exchange. We did not observe any cross-listing switching behavior amongst the sampled MNEs (i.e. either to cross-listing or delisting in any foreign market) within the sampled period. Therefore, we do not expect possible fixed effects because of switchers. Majority of our sampled cross-listed MNEs are in the financial industry (46.67%), followed by industrial/conglomerate and natural resource/oil and gas with 20% each and 13.33% agriculture/consumer goods. ICT/real estate, health care and consumer goods have zero cross-listed firms.

In addition, the sample size includes 29% of MNEs operating in developed economies including UK, USA, France, Germany, Switzerland and Netherlands. 71% of the sampled MNEs have operations only in Africa (including South Africa, Ghana, Cameroon, Togo, and Sierra Leone). Amongst the MNEs operating in developed markets, 50% operate in UK, 24% in France, 9% each in USA and Germany and 4% each in Netherlands and Switzerland. In relation to firms operating in African economies, approximately 51% have presence in South Africa. In addition, 60% have operations within the West African Economic Region (ECOWAS). Interestingly, all the sampled MNEs operating in developed markets also have operations in African. Majority of foreign directors of above 70% are either from UK, US, France or South Africa. By industrial split, agriculture/consumer goods had the highest percentage of foreign directors (27%) followed by industrial/conglomerate (22%), ICT/real estate (17%), health care and consumer goods (15%), natural resource/oil and gas (11%) and financials (8%).

## *4.2 Measures*

### *4.2.1 Dependent variable (s)*

The first dependent variable for our study is the Nigeria integrated CG disclosure index (NICGI) composed of 75 CG provisions required for listed firms to disclose as stated in the SEC 2011 code of good practices in CG. In line with prior research which developed coding schemes for country level CG provisions (Ntim, 2013a, Ntim, 2013b, Black et al., 2006), we employed a binary coding scheme where a firm is awarded a score of '1' for disclosure of each of the 75 CG provisions in their annual report otherwise zero ('0'). Hence a firm's total disclosure score for the year ranges from a minimum of zero (0%) indicating no disclosure to 75 (100%) indicating full disclosure to SEC 2011 code of good practices in CG.

Similarly, for our second dependent variable stakeholder CG disclosure index (Stakeholder-NICGI), composed of fourteen institutional inclusive actions stakeholder requirements of SEC 2011 CG code, which is part of the 75 SEC 2011 CG disclosure provisions. These fourteen provisions capture stakeholder contextual provisions aimed at meeting the expectations of local stakeholders. These requirements include firm's disclosure on: (i) HIV/AIDS and malaria, and other diseases; (ii) dealings with stakeholders (iii) outcome of stakeholder dealings; (iv) stakeholder communication; (v) health and safety; (vi) employment equity; (vii) board gender diversity; (viii) staff diversity and number; (ix) physically challenged persons; (x) social investment policy; (xi) laws and standards; (xii) dealing with environmental issues; (xiii) code of ethics; (xiv) corruption policy. Similarly, stakeholder provisions scores (Stakeholder-NICGI) vary from zero (0%) to 14 (100%).

### *4.2.2 Independent variables*

Our two proxies of MNEs governance structures include cross-listing and multinational directorship (MND). We define multinational directors (MNDs) as board members who are not nationals of the home country (Nigeria) but sit on the boards of listed firms in the home country and represent the multinational presence of MNEs in host countries. It is measured as the percentage of non-Nigerian nationals to the total board size. We measure cross-listing as a dummy variable "1" if a firm is listed in another stock market, otherwise "0".

### *4.2.3 Control variables*

We expect that firm's disclosure of CG requirements of SEC 2011 CG code can be impacted by other variables other than our two independent variables. To avoid omitted variable bias, we controlled for several variables that can affect firm CG disclosure practices. First, considerable research in CG scholarship has shown association between CG disclosure and firm performance (

e.g. Henry, 2008, Ntim et al., 2012b), we therefore control for firm's performance using Return on Capital Employed (ROCE).

Differences in informal and formal institutions such as culture, norms and regulations between home and host countries create both advantages and disadvantages to MNEs (Bhaumik et al., 2018, Contractor et al., 2016). Specifically, we expect that MNEs operating in developed host countries have cultural distances, which may be more different from host countries in emerging African economies, which can introduce country fixed effects. We therefore control for difference between developed and emerging economy operations and listing. We control for developed market listing (DDM\_Listing) using a dummy variable indicating "1" if an MNE is listed in a developed market otherwise zero. We observe that not all MNEs who operate in develop markets are cross-listed in these markets. Consequently, we control for developed market operation (DDM\_Operation) with a dichotomous variable indicating "1" if an MNE has operations in a developed market otherwise zero. Finally, we use Hofstede six dimensions of national culture and apply Kogut & Singh CD-index formula to calculate average cultural distance (CD). For MNEs with considerable operations in many countries, we select cultural distance of the host country with the highest cultural distance value. For example, if an MNE has operations in Cameroon and UK, and the CD in the latter is 2.263 and the former is 0.193, we select the CD value for UK.

More so, firm size has been posited (e.g. Estélyi and Nisar, 2016, Hearn, 2015), to affect firm CG practices and hence we control firm size using total assets (TA) and sales growth (S-Growth). Furthermore, board characteristics is contended to affect how firms relate to CG disclosures (e.g. Ntim et al., 2012b) we hence control for board individualities using CEO duality (DUAL) and percentage of non-executive directors (NED). Firm gearing is hypothesized to be a substitute CG structure that reduces agency cost (Jensen and Meckling, 1976, Jensen, 1986) and can therefore substitute CG disclosure practices of firms. We hence control for gearing (GEAR). Recently, IB research (e.g. Aguilera and Crespi-Cladera, 2016, Del Bosco and Misani, 2016) has evidence that ownership structure influences disclosure practices of firms. We control for ownership structure using institutional and director ownership. We measure institutional shareholding as the percentage of shares owned by institutional shareholders to the firm share value. Director shareholding is measured as the percentage of shares owned by board of directors to the firm share value.

Literature suggests that the size of an audit firm is essential in determining CG systems, quality of annual reports and firm valuation (El Ghouli et al., 2016, Ntim, 2013b). We expect audit firm size (AFS) to impact on the quality of annual reports and CG quality. For example, larger firms tend to use big four audit firms who are perceived as trustworthy (El Ghouli et al., 2016). We control AFS with a dummy variable "1" if a firm is audited by top big four audit firms (i.e.

PricewaterhouseCoopers, Deloitte Touche Tohmatsu, KPMG and Ernst and Young), otherwise zero. Finally, consistent with prior research (e.g. Li et al., 2016, Ntim et al., 2012b), we posit that industry and firm year fixed effects impacts on CG disclosure practices and as such control for both using six industry dummies (INDUS) and five year dummies (YD). Table 3 summarizes our measurement of variables.

[Insert Table 3 about here]

### 4.3 Regression methods

#### 4.3.1 OLS equation

Over time, firms differ in opportunities and challenges, which they face. We therefore argue that MNDs and cross-listing dynamically impacts on MNEs compliance with national CG provisions and, may have simultaneous impact on each other and/or change over time. For instance, ceteris paribus, the need to comply with CG requirements or poor disclosure of CG provisions in a previous year may push MNEs to recruit foreign directors in subsequent years. In this case, CG disclosures causes increase in the recruitment of foreign directors. Therefore, examining the impact of MNDs on CG disclosures may generate bias OLS estimates. Our study addresses possible endogeneity problems by testing the degree to which our OLS estimates may be sensitive or not to bias interpretations. Consistent with prior CG studies (Roberts and Whited, 2012, Wintoki et al., 2012, Barros et al., 2013, Trujillo-Ponce, 2013), we address this using 3SLS estimation. Specifically, before performing a 3SLS regression, we conducted a pooled OLS regressions to compare with results of 3SLS estimates.

Hence our pooled OLS regression is stated as;

$$CGI_{it} = \delta_{it} + \beta_1 MND_{it} + \beta_2 CROSS-LIST_{it} + \beta_3 DDML_{it} + \beta_4 DDMO_{it} + \beta_5 CD_{it} + \beta_6 ROCE_{it} + \beta_7 TA_{it} + \beta_8 S-GROWTH_{it} + \beta_9 DUAL_{it} + \beta_{10} NED_{it} + \beta_{11} GEAR_{it} + \beta_{12} INST\_SH_{it} + \beta_{13} D\_SH_{it} + \beta_{14} AFS_{it} + \sum_{t=1}^n \beta_{15} INDUS_{it} + \sum_{t=1}^n \beta_{16} YD_{it} \dots \dots \dots (1)$$

Where *CGI* is the Nigeria corporate governance index (NICGI) and Stakeholder CG index (Stakeholder-NICGI) score. MND and CROSS-LIST are the independent variables; multinational directorship and cross-listing respectively. Dummy developed market listing (DDML), dummy developed market operations (DDMO), cultural distance (CD), return on capital employed (ROCE), total asset (*TA*), sales growth (*S-GROWTH*), CEO duality (*DUAL*), percentage of NEDs (*NED*), gearing (*GEAR*), institutional shareholding (*INST\_SH*), director shareholding (*D\_SH*), audit firm size (*AFS*), industry dummies (*INDUS*) and year dummies (*YD*) are the control variables.

### 4.3.2 Three stage-least square equation (3SLS)

The use of single equation regression models as specified in equation 1 above may lead to spurious coefficients due to interdependence between variables (e.g. Agrawal and Knoeber, 1996, Beiner et al., 2006). The existence of two MNEs CG structures in this research depicts that the use of one structure may be dependent on complementary or substitute use of the other to be effective. We note that cross-listing of MNEs may lead to the recruitment of MNDs and vice-versa. Or MNEs may choose to recruit MNDs to bond to foreign CG institutions rather than to cross-list. This suggests MNEs can complement or substitute the two mechanisms. Therefore, a mixture of the two MNEs governance variables may lead to maximization of optimal CG structures that improves CG disclosures. More so, there may be possible interdependence between our dependent and explanatory variables. For example, the need to improve CG disclosure can coerced MNEs to cross-list or recruit MNDs.

We employ a 3SLS method used by prior research (Denis and Sibilkov, 2009, Estélyi and Nisar, 2016, Ntim et al., 2015a, Zellner and Theil, 1962). We derive a system of two simultaneous equations that allows simultaneous interdependencies between cross-listing, MND and CG disclosure by permitting each of these variables to simultaneously affect each. To be certain that 3SLS is appropriate, we use Durbin-Wu-Hausman test to first examine the existence of endogenous simultaneous links between MND, cross-listing and CG disclosure (see Beiner et al., 2006 for detailed discussion of the process). The results reject the null hypothesis of no endogeneity at 1% ( $p \leq 0.001$ ). Hence, we developed the following two simultaneous equations with MND and cross-listing as dependent variables in equation 2 and 3 respectively.

$$\text{MND}_{it} = \delta_{it} + \beta_1 \text{CGI}_{it} + \beta_2 \text{CROSS-LIST}_{it} + \beta_3 \text{CNI}_{it} + \beta_4 \text{BUSY}_{it} + \beta_5 \text{DDML}_{it} + \beta_6 \text{DDMO}_{it} + \beta_7 \text{CD}_{it} + \beta_8 \text{ROCE}_{it} + \beta_9 \text{TA}_{it} + \beta_{10} \text{S-GROWTH}_{it} + \beta_{11} \text{DUAL}_{it} + \beta_{12} \text{NED}_{it} + \beta_{13} \text{GEAR}_{it} + \beta_{14} \text{INST\_SH}_{it} + \beta_{15} \text{D\_SH}_{it} + \beta_{16} \text{AFS}_{it} + \sum_{t=1}^n \beta_{17} \text{INDUS}_{it} + \sum_{t=1}^n \beta_{18} \text{YD}_{it} \dots \dots \dots (2)$$

$$\text{CROSS-LIST}_{it} = \delta_{it} + \beta_1 \text{CGI}_{it} + \beta_2 \text{MND}_{it} + \beta_3 \text{BSZ}_{it} + \beta_4 \text{SGL}_{it} + \beta_5 \text{CETHICS}_{it} + \beta_6 \text{DDML}_{it} + \beta_7 \text{DDMO}_{it} + \beta_8 \text{CD}_{it} + \beta_9 \text{ROCE}_{it} + \beta_{10} \text{TA}_{it} + \beta_{11} \text{S-GROWTH}_{it} + \beta_{12} \text{DUAL}_{it} + \beta_{13} \text{NED}_{it} + \beta_{14} \text{GEAR}_{it} + \beta_{15} \text{INST\_SH}_{it} + \beta_{16} \text{D\_SH}_{it} + \beta_{17} \text{AFS}_{it} + \sum_{t=1}^n \beta_{18} \text{INDUS}_{it} + \sum_{t=1}^n \beta_{19} \text{YD}_{it} \dots \dots \dots (3)$$

To conduct a 3SLS, we need to find instrument (s) that correlates highly with foreign directorship and cross-listing respectively but are uncorrelated with CG disclosure except through the variables we have controlled for in our estimation (Estélyi and Nisar, 2016). In the context of this study, economic reasoning suggests there could be varied factors that impacts the behavior of foreign directors. Extant literature suggest director interlocks (networks) can enhance the practices of firms (Estélyi and Nisar, 2016, Larcker et al., 2010, Ntim et al., 2015b). For example, directors interlock with other firms may improve their knowledge, human and

social capital which can act as resource to boardrooms. Hence foreign directors interlock can impact on their knowledge and expertise. Thus, our first instrument for foreign directorship is MNDs interlock with boards out of the home country. We contend that cross national interlock (international interlock) provides foreign directors with human capital from host countries and or other countries of directorship. Hence, we control for MND average cross-national interlock (CNI).

Our second instrument is director meeting attendance (BUSY). IB research has shown that, due to their non-presence in home countries, foreign directors have low board meeting attendance. For example, Masulis et al. (2012) show a negative association of MNDs and meeting attendance. Conversely, if MNDs attend board meetings, they can contribute more to boardroom discussions and will be able to impact on the firm CG practices. Therefore, MNDs may be enthusiastic enough to overcome the challenges of distance and attend board meetings (Estélyi and Nisar, 2016 pp.182). This is because board meeting attendance means MNDs will have the opportunity to monitor and share information with the board. Hence, we expect a positive relationship between MND meeting attendance and foreign directorship. Contrary to Estélyi and Nisar (2016) and Masulis et al. (2012) who measured board meeting attendance with one indicating less than 75% attendance (non-attendance) in year, otherwise zero (attendance); we measure attendance with a value of one indicating 75% attendance and zero indicating non-attendance.

Cross-listing is instrumented by two variables, that is, host country corporate ethics (CETHICS) and sales growth (SGL). Extant literature has shown the level of business ethics in a country influences firm corporate practices (Licht, 2004). Similarly, good corporate system enhances firm listing laws and encourages ethical behavior of firms (Lel and Miller, 2008). More so, strong ethical standards in a country attracts rather than repel firms to cross-list. We measure country of secondary listing corporate ethics using World Economic Forum (WEF) Global Competitive Index (GCI) values for corporate ethics. We hypothesise that corporate ethics in the country of secondary listing affects regulatory severity on listed firms and will attract foreign firms especially emerging market firms who wish to bond with stringent corporate ethics. Second, sales growth in a host country motivates firms to cross-list to make their presence stronger and improve market share which increases revenue generation. For example, increase in aggregate demand from a host country implies a higher asset price which provides firms with incentive to list in the host country (Portes and Rey, 2005). We measure sales growth in country of secondary listing as year-on year sales growth.



However, for our selected instrument to be considered as valid instruments for MNDs and cross-listing, they need to meet two econometric conditions. First, they should sufficiently correlate with MND and cross-listing. For example, corporate ethics and sales growth in country of secondary listing should strongly correlate with cross-listing whilst cross-national interlock and foreign director meeting attendance should correlate highly with MND. From the correlation results in appendix 1, the selected instruments correlates strongly with each of the respective instrumented variables. Second, the instruments should not correlate with the error terms in equation one. Specifically, SGL and CETHICS can only correlate with governance disclosure through its impact on cross-listing. Similarly, CNI and BUSY must not correlation with governance disclosure except via MND. Appendix 1 shows no correlation between the instruments and the error terms indicating that the second order condition is met. Hence, we can use these variables in respective estimation of equation 2 and 3. In addition, we conducted Hansen-Sargan test to check for over identification and examine if our included instruments meet the exclusion restriction condition. Our results show they do with p-values greater than 0.35 which suggest we cannot reject the null hypothesis that our instruments for both equations are exogenous.

Consistent with prior research (e.g. Brown et al., 2011, Estélyi and Nisar, 2016, Ntim, 2013a, Ntim et al., 2015a, Ntim et al., 2015b), we include governance disclosure, our independent variables of interest (cross-list in equation 2 and MND in equation 3) plus controls in equations 2 and 3 respectively. Specifically, MND is predicted by the two instrumental variables in addition to CG disclosure, cross-listing and control variables in equation 2. On the other hand, cross-listing is predicted by the two instrumental variables, CG disclosure, multinational directorship, board size and extraneous variables in equation 3.

## **5. Results**

### **5.1 Descriptive statistics & correlation results**

Descriptive and correlations statistics are reported in table 4 and 5. Table 4 shows descriptive and correlation results between all variables. Whereas table 5 shows comparative descriptive for both the quality of integrated CG disclosures (NICGI) and the quality of stakeholder CG disclosure (Stakeholder-NICGI) between cross-listed and non-cross-listed MNEs and MNEs with multinational directorship (MND) and those without MNDs.

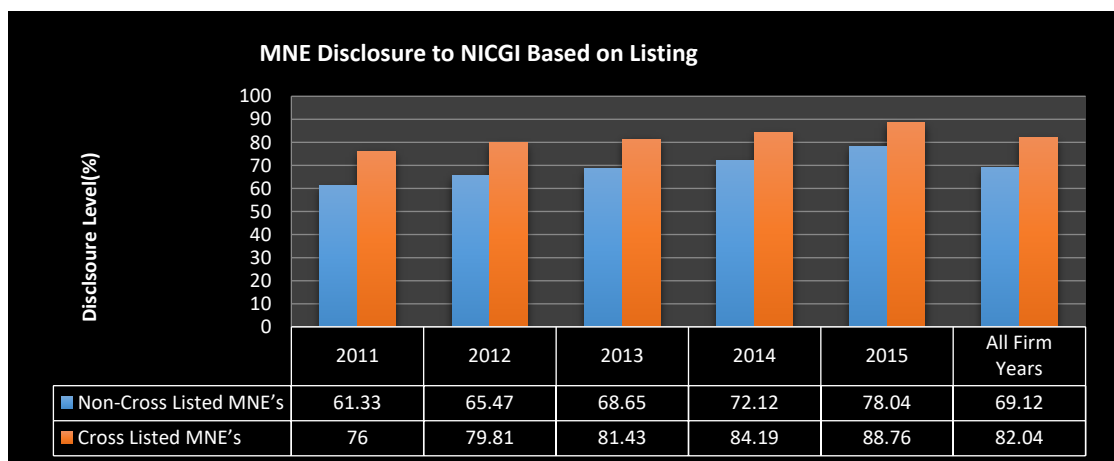
*[Insert Table 4 and 5 about here]*

The descriptive results in table 4 shows that on average, listed MNEs in Nigeria disclose or comply with approximately 71% of SEC 2011 CG code with minimum disclosure of 16% and maximum of 99%. This shows a wide variation in CG disclosure among the

selected firms. Similarly, firm disclosure to stakeholder provisions (Stakeholder-NICGI) show mean disclosure of approximately 66% with a maximum of 100% disclosure and a minimum of zero disclosure (0%). This suggest that, despite the increasing trend to meet stakeholder expectations, some listed Nigerian MNEs do not involve in stakeholder engagement practices whereas others are in full compliance to the expectations of SEC 2011 CG code of good practice. As noted earlier, average cross-listing indicates that 19% of MNEs in the sample are cross-listed. The average presence of multinational directors indicates that 15% of Nigeria boards are made up of foreign directors with a maximum of approximately 71%. This result indicate that, except for USA, the average presence of foreign directors in Nigerian boards is higher than those reported by Estélyi and Nisar (2016;p.191) for 30 countries in including South Africa, Kenya and Zimbabwe. This suggests that listed MNEs in Nigeria on average employ more foreign directors than most firms in developed and developing economies.

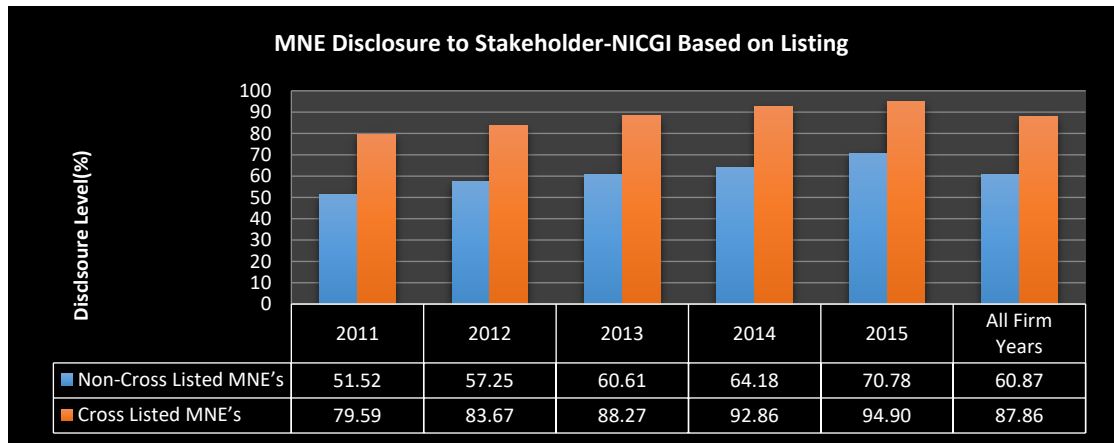
Comparatively (table 5) and shown on figure 2, both cross-listed and non-cross-listed MNEs show an increasing trend of quality CG disclosure (NICGI) in Nigeria from 2011-2015. However, cross-listed MNEs show higher quality CG disclosure than non-cross-listed MNEs with average disclosure of 82% for the former compared to 69% for the latter with significant ( $p < .001$ ) mean variation of 12.92%. These higher quality CG disclosures recommend cross-listing as a bonding strategy chosen by MNEs to manage governance complexities and improve CG disclosure practices in the home country.

**Fig 2:**  
Disclosure to Nigeria CG regulation (NICGI) between cross-listed and non-cross listed MNEs



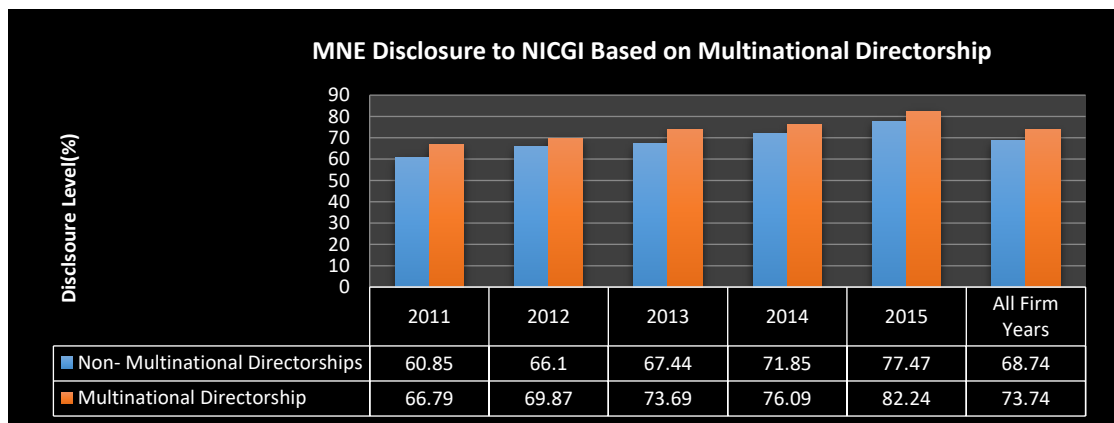
Similarly, as shown in figure 3, cross-listed MNEs show similar high average disclosure than non-cross MNEs with respect to quality domestic stakeholder affirmative action CG disclosures with a mean of 87.86% compared to 60.87%. Both groups show significant ( $p < .001$ ) mean variations of 26.99%.

**Fig 3:** Disclosure to affirmative action stakeholder CG regulation (Stakeholder-NICGI) between cross listed and non-cross listed MNEs



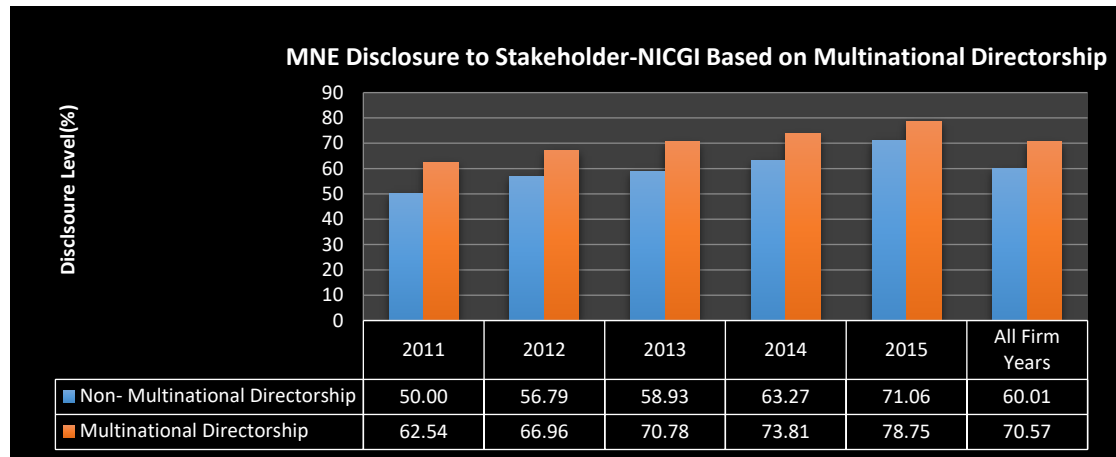
Akin to cross-listing, MNEs with multinational directorship (MND) disclose higher quality CG practices (NICGI) than MNE without such representation (see figure 4). On average, MNEs who employ MNDs disclose or comply with approximately 74% of SEC 2011 CG provisions whereas MNEs with non-MNDs disclosure is at 69% with statistical significant ( $p < .001$ ) difference of 5%.

**Fig 4:** Disclosure to Nigeria CG regulation (NICGI) between MNEs with multinational directors and non-multinational directors



Interestingly, as shown on figure 5, MNEs who employ MNDs comply (disclose) with approximately 71% of affirmative action stakeholder CG requirements (Stakeholder-NICGI). But MNEs who do not employ MNDs comply (disclose) with 60% of institutional stakeholder engagement in the home country with a statistical significant ( $p < .001$ ) mean contrast of 10.58%.

**Fig 5:**  
**Disclosure to affirmative action stakeholder CG regulation (Stakeholder-NICGI) between MNEs with multinational directors and non-multinational directors**



## 5.2 Empirical results

Before we present our hypothesis testing results, we first discuss the results based on the interdependence between MND, cross-listing and CG disclosure as summarised on table 6. To begin with, both NICGI and Stakeholder-NICGI significantly and positively affects cross-listing and multinational directorship suggesting that they are complements. Ceteris paribus, increase in corporate governance disclosure improves cross-listing and multinational directorship.

*[Insert Table 6 about here]*

Interestingly, in the presence of other firm level individualities including cultural distance, MND and cross-listing show an inverse relationship indicating that, MNEs may use both mechanisms as substitute. This suggest that, ceteris paribus, MNEs may strategically chose to recruit MNDs to adopt governance isomorphism practices across economic environments rather than cross-list due to the costs associated with the latter. Accordingly, MNEs can chose any of the mechanisms to export good CG practices and improve on home country CG disclosure depending on which is more effective, less costly and beneficial. Finally, MND and cross-listing show significant dependence on secondary listing in developed markets and cultural distance. This implies, MNEs listing in developed market is a strong factor determining MNEs ability to cross-list and or recruit foreign directors. Similarly, as cultural distance between home and host countries increases, MNEs are more likely to employ international directors and secondary list in the host country.

Results for our hypotheses are reported in table 7. The results of our regression of interest: 3SLS estimation are reported in column 2 and 3, while pooled OLS estimates are

reported in columns 4 and 5 respectively. Model 1 shows the effect of MNDs and cross-listing on the CG disclosure index (NICGI). Model 2 reports the impact of MNDs and cross-listing on stakeholder CG disclosure index (Stakeholder-NICGI). Specifically, NICGI is the dependent variable in Model 1 and test hypothesis 1 (cross-listing-NICGI association) and hypothesis 3 (MND-NICGI association). Model 2 test hypothesis 2 (cross-listing - Stakeholder-NICGI association) and hypothesis 4 (MND-Stakeholder-NICGI association).

*[Insert Table 7 about here]*

As hypothesized, cross-listing has a significant positive impact on the quality of integrated CG disclosure of MNEs. The effect is statistically significant ( $p < 0.001$ ) in the 3SLS estimate. This significant result is consistent with those reported for pooled OLS estimates (column 4). This therefore supports hypothesis 1 suggesting that; *ceteris paribus*, cross-listed MNEs due to bonding with secondary market CG requirements, are associated with and committed to high quality country level CG disclosure as required by home CG laws. Similarly, cross-listing impacts positively and significantly on domestic stakeholder governance requirements. This result is robust across 3SLS (column 3) and pooled OLS (column 5) estimates and significant at 1% ( $p < .001$ ). This finding supports hypothesis 2 indicating that cross-listed MNEs are committed to increasing domestic stakeholder governance disclosure. This implies by bonding through cross-listing in foreign markets with strong institutional stakeholder engagement requirements, governance isomorphism improves home country stakeholder inclusive requirements. It also suggests that cross-listing enables MNEs to adopt institutional stakeholder governance practices.

Similar to cross-listing, we hypothesized that MNEs employ multinational directors (MNDs) (due to their broader knowledge, experience and expertise of different institutionalized CG systems) to reconcile and improve CG disclosure whilst overcoming institutional voids in MNEs home country. This proposition is supported with statistical significance ( $p < 0.05$ ) for our 3SLS estimation (column 2). The 3SLS result is similar to the significant results reported for pooled OLS estimate in column 4. Hence hypothesis 3 is supported suggesting that MNEs due to their international operations employ foreign directors who possess expert knowledge of CG practices from different economic institutions/context to enhance MNEs home country CG disclosure practices and bypass home country institutional constraint. Similarly, the positive significant impact of MNDs on affirmative stakeholder CG requirements for 3SLS (column 3) supports hypothesis 4. This result is consistent with those reported for pooled OLS (column 5) estimate. The significant impact of MNDs on home country stakeholder CG provisions indicates that, though MNEs operate in different countries with sometimes contradictory stakeholder CG requirements; they recruit foreign directors who are experienced,

knowledgeable and experts of different institutional stakeholder CG practices. These foreign directors leverage these skills to reconcile differences across economic environments and improve on MNEs home country stakeholder CG requirements.

### *5.3 Robustness tests*

For robustness, even though 3SLS improves the efficiency of 2SLS as it controls for cross-correlations in the residuals of equations 1 to 3, for confirmatory purposes, we re-estimated our results using 2SLS and our findings remain unchanged (see columns 4 and 5 on appendix 2).

Furthermore, some scholars have observed that CG research results are plagued with endogeneity problems (e.g. Lu et al., 2009, Schultz et al., 2010, Pham et al., 2011, Di Miceli da Silveira et al., 2010, Roberts and Whited, 2012, Wintoki et al., 2012, Barros et al., 2013). As emphasized by Wintoki et al. (2012), it may not be possible for scholars to observe whether causation between variables as reported in CG scholarship based on OLS and 3SLS estimation is dynamic given that past values of the dependent variable can impact on future values of independent variables. Albeit 3SLS has controlled for “simultaneity” and unobserved firm-specific heterogeneity, it does not control for sensitivity to present and past firm specific peculiarities. For example, poor disclosure with home CG regulations in a previous year may coerced MNEs to cross-list as a bonding mechanism to more stringent CG environment and or recruit foreign directors to improve subsequent disclosures. This may introduce dynamic endogeneity in OLS and 3SLS estimation.

To ensure our results are not sensitive and are robust to this form of endogeneity, we re-estimated equation 1 using Arellano and Bond (1991), Arellano and Bover (1995), Blundell and Bond (1998) dynamic system GMM which has been shown (e.g. Flannery and Hankins, 2013,pp.16) to be more robust in controlling for dynamic endogeneity, unobserved heterogeneity, simultaneity and second order serial correlation. Dynamic system GMM estimation (shown in columns 2 and 3 on appendix 2) confirms our reported results and suggest our findings are robust.

## **6. Discussion**

We have demonstrated in this study that MNEs strategically cross-list and recruit multinational directors to improve the quality of country level integrated CG disclosure and affirmative stakeholder practices through governance isomorphism. Our results indicate that, through bonding with country of secondary listing governance institutions, MNEs diffuse governance institutions which improves governance disclosure in the home country. We show cross-listed

MNEs disclose higher quality CG practices than non-cross-listed MNEs. In addition, due to their expertise, experience and knowledge of good CG practices from other economic institution, multinational directors can mitigate institutional governance complexities, diffuse and improve home country integrated and domestic stakeholder CG practices. Finally, we show that MNE that employ MNDs disclose more quality home country CG practices compared to MNEs that do not employ MNDs.

### *6.1 Theoretical Contributions*

Our study makes several important contributions to IB and CG literature. First, majority of CG studies have investigated CG-firm performance nexus ( e.g. Agrawal and Knoeber, 2012, Dahya and McConnell, 2007, García - Castro et al., 2013, Goncharov et al., 2006). As such limited attention has been devoted to MNEs, which are significantly different from single country firms in that, they are faced with different CG regulations in different countries, which may be conflicting with those in their home country (Gaur et al., 2014, Gaur and Lu, 2007, Meyer et al., 2009). Drawing on institutional isomorphism, we develop a theoretical framework and test four hypotheses for analyzing how MNEs mitigate governance complexities at home and abroad (see figure 1). Our suppositions provide opportunities for further development of institutional isomorphism perspective within IB and CG scholarship. Specifically, we show that emerging market MNEs adopt institutional isomorphic practices from countries with strong governance regulations to emerging markets with weak enforcement of governance practices (governance isomorphism) (H1 and H3). Specifically, emerging market MNEs transmit good governance institutions to emerging economies while bypassing informal institutions at home through recruitment of foreign directors and cross-listing in countries with more stringent governance regulations (from left to right on our conceptual framework i.e. figure 1).

Second, emerging economies have developed governance guidelines beyond shareholder value maximization to incorporate institutional and societal needs. We note that MNEs do not solely use cross-listing and foreign directorship to enhance institutional isomorphism but also to promote local isomorphism (Salomon and Wu, 2012) which shows local adaptation with domestic stakeholder CG practices. Specifically, emerging market MNEs manage competing institutional pulls in societal needs between home and host countries through secondary listing (H2) and nationality diversity in boardrooms (H4). We contend that this local adaptation helps to reduce institutional weaknesses especially when institutional practices includes limiting unethical business conducts such as corruption. More so, through a mimetic isomorphic process, local firms (that is firms operating only in the home country) may

be pressured to adopt governance practices of MNEs especially when they see benefits of local adaptation to affirmative stakeholder actions.

Third, our findings strengthen the theoretical understanding of bonding hypothesis and expand the works of other researchers ( e.g Bailey et al., 2006, Coffee Jr, 2002, Doidge et al., 2004, Lang et al., 2003, Lel and Miller, 2008, Miller, 1999, Temouri et al., 2016). However, distinct from prior research, our findings move beyond the traditional cross-listing-firm performance association and offer new insights. Specifically, we conceptualize bonding as a mechanism for institutional isomorphism. We contend emerging market MNEs use cross-listing to mitigate governance complexities which allows diffusion of good governance disclosure practices from countries with stringent CG institutions to those with weak enforcement by adopting governance isomorphism strategies. This improves national CG disclosures of MNEs, especially within emerging economies with weak governance institutions.

Finally, we extend IB and governance literature within the complementary and substitute debate on governance bundles. Complementary and substitute governance research has been limited to single country firms (Aslan and Kumar, 2014, García - Castro et al., 2013, Yoshikawa et al., 2014). We contribute to extend this literature to include multinational firms. We contend that, there are costs and benefits associated with each MNE governance strategy. Accordingly, we show that both cross-listing and MND can be employed by MNEs as complementary and substitute strategies to enhance home country CG disclosure practices. We particularly demonstrate that, in the presence of firm and country level peculiarities including cultural distance, MNEs may use both strategies as substitutes. Our findings imply that, due to possible weak regulatory and enforcement of laws in emerging markets, their MNEs may strategically chose to recruit foreign directors to bond to more stringent foreign CG systems and institutions rather than cross-list due to the possible cost associated with secondary listing. Equally, MNEs can strategically select either of the two structures to bond and augment home country CG disclosures contingent on which is more effective, less costly and beneficial.

## *6.2 Managerial relevance*

Our study has managerial relevance for emerging markets MNEs that are continuously seeking to gain legitimacy in their operations (Gaur and Delios, 2015, Gaur et al., 2014, Temouri et al., 2016) in host and home countries with respect to their committed to transparency and practice of good CG. Our results reveal that emerging markets MNEs can mitigate governance complexities at home and across different economic environments through



governance isomorphism by bonding to more stringent governance institutions. This is an important strategy for enhancing MNEs CG practices in the home country and gaining legitimacy into their international operations. Furthermore, our study provides emerging market MNEs with incentive and motivation to employ foreign directors to combine with home directors to mitigate governance complexity while diffusing good governance practices to home countries with weaker governance enforcement. As our results suggest, appointing MNDs with knowledge and international experience can improve the quality of MNEs national CG practices. In addition to adapting to the “institutional rules of the game” MNEs can strategically leverage and reconcile institutional CG differences between home and host countries through cross-listing and appointment of MNDs. Finally, our research evidences the ability for MNEs to substitute both strategies to improve CG practices. MNEs can chose either to cross-list or recruit foreign directors to improve home country CG practices depending on firm level individualities, cost/benefit analysis, effectiveness and relevance.

### *6.3 Limitations and future research*

Our research caveats suggest directions for future research. First, while our theoretical arguments are not context specific with significant and robust results which should apply to emerging markets, however, single country studies such as ours may limit cross country generalization (Sun et al., 2015). Further research can replicate our study in a multi-country comparative context (Areneke et al., 2017). For example, comparative study on how South African and Nigeria MNEs engage in national CG disclosure practices using our two MNEs strategies (cross-listing and multinational directorship) is an empirical gap which would be interesting to explore. This will be helpful in validating our theoretical and empirical contributions.

Second, comparing how emerging market firms engage in both host and home country CG requirements is also a potential area for research. Our study concentrates on how MNEs engaged in CG practices in the home country. However, comparative disclosure of MNEs host country CG requirements with those of the home country can increase our understanding of whether MNEs CG disclosure practices are consistent across economic environments.

## **7. Conclusion**

We have argued that institutions are important and each country’s formal and informal institutions shape their CG regulations and practices. Consequently, we employ institutional isomorphism perspective and argue that MNEs are distinct from non-MNEs in that; they are expected to adapt to CG regulations in both host and home economies, which may be dissimilar

and or contradictory to each other. More so, emerging markets MNEs face institutional constraints due to weak enforcement of formal institutions at home which perpetuates the prevalence of negative informal institutions. From this perspective, we develop and test four hypotheses and thereby uncover how MNEs bypass home country institutional weaknesses whilst adapting and reconciling different CG practices using home country CG disclosure requirement as a lens.

Our findings reveal two MNEs CG strategies namely cross-listing and multinational directors, as channels employed to bypass institutional constraints at home whilst ensuring they are complying and adapting CG practices in line with those required by home country regulators. This suggests that emerging market MNEs governance practices are mechanisms for institutional change. We contend these firms can encourage the emergence of new institutional governance practices through governance isomorphism. Accordingly, this positive influence on governance practices may generate institutional change in emerging economies which may reduce the burden of institutional fragilities whilst leading to co-evolution of governance practices and emergence of new resilient normative institutions. The theoretical framework and proposition we have developed and tested provide opportunities for continued understanding of how MNEs overcome institutional weaknesses, reconcile and improve national CG disclosure practices through cross-listing and appointment of multinational directors and are, agents of institutional change in governance practices in emerging economies.

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**Table 1: Summary comparison of corporate governance disclosure requirements in Nigeria with South Africa 2009 King III and UK 2010 Combine Code**

<b>Corporate Governance Requirements</b>	<b>SA (2009) King III</b>	<b>Nigeria SEC (2011) CG code</b>	<b>UK 2010 Combined Code</b>
		<b>Board of Directors</b>	
Board structure	Unitary board	Unitary board	Unitary board
Board composition	Majority of non-executive directors	At least 5 members	Majority of non-executive directors
Independent non-executive directors	Majority of NED	At least one	At least half of the board
Leadership duality	Separate Chairperson and CEO	Separate Chairperson and CEO	Separate Chairperson and CEO
Chairperson independence	Independent non-executive director	Not specified	Independent non-executive director
Chairperson	Not specified	Not specified	Chairman of only one firm, not executive or current CEO
Chairman election	Annually	Not specified	Not specified
Senior director	Not Covered	Not specified	Independent non-executive director
NEDs rotation	A third should rotate every year	At least once in three years	Not specified
Executive directors (EDs)	Minimum of two	No definite number	No definite number
Board meetings	At least Quarterly	At least Quarterly	Frequently/Regularly
Board committees	Audit, remuneration & nomination	Audit, remuneration and governance	Audit, remuneration & nomination
Performance assessment	Report board appraisal process	Perform annual evaluation	Perform annual evaluation
External evaluation	Annually	Not specified	Triennial
Director/insider share dealings	Prohibits insider trading	Prohibits insider trading	Not specified
		<b>Risk management, Internal Audit and Control: Risk management</b>	
Internal audit function	Create internal audit function	Create internal audit function	Create internal audit function
Internal control system	Create internal control systems	Establish a risk management committee	Create internal control systems
Accounting and auditing: Auditing	Internal audit function and audit committee	Internal audit function and audit committee	Internal audit function and audit committee
Audit committee composition	At least 3 and all must be NEDs	At least one member should be financially literate	At least 3 independent NEDs and at least one member should be financially literate
Relationship with shareholders	Not specified	Equitable treatment of all shareholders irrespective of the amount of shareholding	Sufficient meetings and enter dialogue based on a mutual understanding of objectives and goals.
Institutional shareholder's engagement	Not specified	Not specified	Dialogue base on mutual understanding of objectives
		<b>Integrated Sustainability Reporting</b>	
Environment	Environmental reporting	Environmental reporting	Not specified
IT Governance	Establish IT governance framework	Not specified	Not specified
Alternative Dispute Resolution (ADR)	Disclose ADR	Not specified	Not specified
Health and safety	Health and safety	Health and safety	Not specified
Affirmative/employment equity	Equality in employment	Inclusive action	Not specified
Black empowerment	Black empowerment	Not specified	Not specified
HIV/AIDS and diseases	HIV/AIDS	HIV/AIDS, malaria and others	Not specified
Dealing with Corruption	Not specified	Disclose anti-corruption efforts	Not specified
Physical challenged persons	Not specified	Disclose on employment of physical challenged persons	Not specified
Stakeholder relationship	Disclose stakeholder engagement and outcomes	Disclose engagement with communities and stakeholders	Not specified
		<b>Compliance and Enforcement</b>	
Compliance model	Apply or explain and voluntary or self-regulation	Comply or explain and voluntary or self-regulation	Comply or explain and voluntary or self-regulation
Compliance enforcement bodies	Board, institutional investors and other stakeholders	Boards, shareholders, regulators	Board, institutional investors and other stakeholders
Kind of corporate governance	Inclusive stakeholder CG	Inclusive and affirmative action stakeholder CG	Shareholder oriented CG

Compiled from Nigeria SEC 2011 CG Code, South Africa 2009 King III Report & UK 2010 Combined Code

**Table 2:**  
**Industrial composition of sampled MNE's**

Industrial composition of companies available to be sampled	No. of listed firms in each industry	Percentage (%) of total population	Final no. of stratified quota sample	Final Sample percentage of total listed population	Final sample percentage (%) of industrial sample
Financials	57	30.3%	31	17%	54%
Industrials /Conglomerates	27	14.4%	6	4%	22%
Natural Resources /Oil and Gas /Utilities	19	10.1%	9	5%	47%
Consumer Services /Health Care	34	18.1%	12	6%	35%
Consumer Goods/Agriculture	33	17.6%	16	9%	48%
ICT/Real Estate	18	9.6%	6	4%	33%
Total population	188	100%	80	45%	

**Table 3**  
**Definition of variables and measurements**

SEC 2011 CG disclosure variables (dependent variables)	
NICGI	Binary variable which takes a score of "1" or "0" if a firm discloses any of the 75 CG provisions of the SEC 2011. A firm's total disclosure score for the year will range from zero (0%) indicating no disclosure to 75 (100%) indicating full disclosure
Stakeholder-NICGI	Binary variable which takes a score of "1" or "0" if a firm discloses any of the 14 stakeholder CG provisions of the SEC 2011. A firm's total disclosure score for the year will range from zero (0%) indicating no disclosure to 14 (100%) indicating full disclosure.
MNE governance variables (independent variables)	
Multinational Directorship (MND)	Percentage of non-Nigerian board members to the total board size
Cross Listing (CROSS-LIST)	A dummy variable "1" if a firm is listed in another stock market, otherwise "0"
Control variables	
DDM_Listing (DDML)	A dummy variable "1" if a firm is listed in a developed stock market, otherwise "0"
DDM_Operations (DDMO)	A dummy variable "1" if a firm has operations in a developed economy, otherwise "0"
Cultural Distance (CD)	Measure of cultural distance based on application of Kogut & Singh CD-index formula using Hofstede six dimensions of national culture.
Return on Capital Employed (ROCE)	Percentage of earnings before interest and tax (EBIT) divided by capital employed.
Total Asset (TA)	Firms total asset
Sales Growth (S-GROWTH)	Percentage change of current year's sales minus previous year's sales divided by previous year's sales
Non-Executive Directors (NED)	Percentage of non-executive directors (NED) to the total board size
CEO Duality (DUAL)	Dummy variable "1" CEO/chairman role are held by separate persons, otherwise "0"
Gearing (GEAR)	Percentage of total debt to total equity
Institutional Shareholding (INST_SH)	Percentage of institutional shareholding to the total shares of a firm
Director Shareholding (D_SH)	Number of shares held by directors (both executive and non-executive) to the total shares of a firm as a percentage
Audit Firm Size (AFS)	A dummy variable "1" if a firm is audited by top big four firms (i.e. PricewaterhouseCoopers, Deloitte Touche Tohmatsu, KPMG and Ernst and Young) otherwise "0"
Industry Dummies (INDUS)	Six industry dummies for the classification of industry. Dummies includes: Agriculture /Consumer Goods (AGCG) , Financials (FN) , Consumer Services / Health Care (CGHC), Industrials /Conglomerates (IND) , ICT /Real Estate (ICT) and Natural Resources /Oil and Gas /Utilities (NROL)
Year Dummy (YD)	Dummy variables representing each year of the sample period for 2011 to 2015 inclusive.

**Table 4**  
**Descriptive and correlation statistics**

Variables	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. NICGI	71.38	16.71		.897***	.162***	.321***	.230***	.423***	.409***	.091*	.533***	-.002	.155***	-.066	.241***	-.030	-.031	.396***
2. Stakeholder-NICGI	65.59	26.41	.883***		.209***	.392***	.337***	.526***	.494***	.148***	.589***	.035	.134***	-.111**	.241***	-.076	-.081†	.467***
3. MN Directorship	15.25	18.62	.151***	.215***		.240***	.212***	.375***	.373***	.172***	.197***	-.109**	-.170***	.193***	.020	.512***	.305***	.258***
4. Cross-Listing	0.19	0.39	.293***	.394***	.232***		.831***	.683***	.630***	.132***	.468***	.113***	-.180***	-.079	.198***	.100**	.017	.345***
5. DDM_Listing	0.14	0.45	.210***	.334***	.230***	.831***		.629***	.565***	.173***	.334***	.072	-.244***	-.155***	.072	.050	.006	.287***
6. DDM_Operations	0.29	0.35	.386***	.519***	.358***	.685***	.629***		.845***	.261***	.585***	.081*	-.126**	-.137***	.179***	.107**	-.032	.456***
7. Cultural Distance	0.87	0.96	.395***	.513***	.337***	.649***	.601***	.933***		.297***	.607***	.047	-.047	-.189***	.183***	.108**	.025	.479***
8. ROCE	12.82	23.22	.130***	.192***	.156***	.122***	.141***	.244***	.268***		.091*	.057	-.129***	-.039	-.168***	.147***	.103**	.244***
9. Total Asset	2.70	46.89	.084*	.072	.010	.111**	-.016	.087*	.028	.006		.158***	-.002	-.157***	.517***	.016	-.083*	.503***
10. Sales Growth	8.99	20.51	-.023	.013	-.072	.084*	.069	.075	.051	.102**	-.002		.042	-.076	.149***	-.118**	-.161***	.044
11. CEO Duality	.98	0.131	.140***	.125**	-.182***	-.180***	.224***	-.126***	-.050	-.135***	.008	.019		.201***	.070	-.059	-.162***	-.096**
12. NED	71.32	12.31	.018	-.077	.204***	-.082*	-.157***	-.142***	-.145***	-.053	.073	-.039	.221***		-.213***	.124**	.125**	-.087*
13. Gearing	40.38	39.11	.212***	.250***	-.026	.204***	.073***	.182	.177***	-.105**	.082*	.137***	.105**	-.212***		-.045	-.070	.248***
14. Institutional Shareholding	52.54	22.87	-.075	-.076	.466***	.098**	.043	.114**	.118**	.088*	.015	-.063	-.063	.143***	-.062		.411***	.142***
15. Director Shareholding	26.75	27.70	.004	-.033	.333***	.046	.021	.024	.022	.048	.077	-.076	-.156***	.110**	-.057	.476***		.148***
16. Audit Firm Size	0.66	0.47	.397***	.480***	.196***	.345***	.287***	.456***	.475***	.237***	.040	.043	-.096**	-.087*	.260***	.148***	.213***	

\*\*\*, \*\*, \* denotes Pearson Parametric and Spearman non-parametric correlation significance at 1%, 5% and 10% respectively. Spearman correlation coefficients are reported at the top right corner of the table and Pearson correlation coefficients are reported at bottom left corner of the table. Total asset is in billions of Naira. NICGI is the Nigeria corporate governance index composed of 75 provisions and Stakeholder-NICGI composed of the 14-contextual stakeholder inclusive provisions-based SEC 2011 corporate governance code. DDM\_Listing and DD\_Operations are dummies for develop market listing and develop market operations respectively.

**Table 5**  
**Comparative corporate governance disclosure descriptive between MNEs**

<b>Nigeria corporate governance disclosure index (NICGI)</b>								
Variables	Observations	2011	2012	2013	2014	2015	All firm years	Mean Comparison
Non-Cross Listed MNE's	325	61.333	65.474	68.646	72.121	78.04	69.123	12.915***
Cross Listed MNE's	75	76	79.81	81.429	84.19	88.762	82.038	
Non- Multinational Directorships	211	60.854	66.1	67.444	71.848	77.47	68.743	5.000***
Multinational Directorship	189	66.797	69.867	73.697	76.089	82.243	73.737	
<b>Nigeria stakeholder corporate governance disclosure index ( Stakeholder-NICGI)</b>								
Non-Cross Listed MNE's	325	51.515	57.251	60.606	64.177	70.779	60.866	26.991***
Cross Listed MNE's	75	79.59184	83.673	88.265	92.857	94.898	87.857	
Non- Multinational Directorship	211	50	56.785	58.928	63.265	71.062	60.008	10.580***
Multinational Directorship	189	62.543	66.964	70.779	73.809	78.746	70.568	

**Table 6**  
**Determinants of MND and cross listing**

VARIABLES	MND (equation 2)		Cross listing (equation 3)	
NICGI	0.686*** (0.0827)		0.0207*** (0.00229)	-
Stakeholder-NICGI	-	0.508*** 0.058	-	0.0176*** (0.00214)
Cross Listing	-11.20*** (3.852)	-7.220** (3.660)	-	-
Multinational Directorship (MND)	-	-	-0.00266*** (0.000897)	-0.00532*** (0.00106)
Cross-national Interlock (CNI)	2.605*** (0.116)	2.364*** (0.123)	-	-
Board Meeting Attendance	9.835*** (0.948)	9.556*** (0.917)	-	-
Host Country Corporate Ethics (CETHICS)	-	-	0.0249* (0.0144)	0.0173 (0.0162)
Sales Growth in Country of Secondary Listing (SGL)	-	-	0.0481*** (0.00697)	0.0557*** (0.00780)
DDM_Listing	9.524*** (2.927)	4.157 (2.793)	0.545*** (0.0475)	0.437*** (0.0546)
DDM_Operations	-0.745 (2.619)	-6.461** (2.718)	-0.119 (0.0941)	-0.290*** (0.101)
Cultural Distance (CD)	0.765 (1.190)	2.132* (1.210)	0.0114 (0.0369)	0.0736* (0.0415)
ROCE	-0.0177 (0.0190)	-0.0359* (0.0198)	-0.00121** (0.000560)	-0.00202*** (0.000637)
Total Asset	-1.84e-09 (8.84e-09)	-3.74e-09 (8.91e-09)	3.78e-10 (2.56e-10)	3.72e-10 (2.76e-10)
Sales Growth	0.0548*** (0.0204)	0.0461** (0.0201)	0.000674 (0.000604)	0.000469 (0.000647)
CEO Duality	-16.26*** (3.744)	-23.90*** (4.162)	-0.637*** (0.107)	-0.980*** (0.137)
Percentage of NED	0.0213 (0.778***)	0.112*** (0.671***)	-0.00114 (0.0250***)	0.00179 (0.0286***)
Board Size	-	(0.208)	-	(0.00716)
GEARING	-0.0141 (0.0128)	-0.0209 (0.0127)	0.000942*** (0.000334)	0.000863** (0.000361)
Institutional Shareholding	0.0883*** (0.0234)	0.111*** (0.0243)	0.00333*** (0.000672)	0.00452*** (0.000787)
Director Shareholding	0.00182 (0.0169)	0.0269 (0.0168)	-0.000176 (0.000512)	0.000612 (0.000541)
Audit Firm Size	-8.483*** (1.221)	-11.35*** (1.421)	-0.181*** (0.0354)	-0.311*** (0.0490)
Industry Dummies	Included	Included	Included	Included
Year Dummies	Included	Included	Included	Included
Constant	-24.47*** (4.128)	16.04* (9.395)	-0.513*** (0.121)	0.0506 (0.127)
Observations	400	400	400	400
R-squared	0.682	0.448	0.312	0.119

\*\*\*, \*\*, \* denotes significance at 1%, 5% and 10% levels respectively. Robust mean square standard errors (RMSE) are in parentheses (). NICGI is the Nigeria corporate governance index composed of 75 provisions and Stakeholder-NICGI composed of the 14-contextual stakeholder inclusive provisions-based SEC 2011 corporate governance code. DDM\_Listing and DD\_Operations are dummies for develop market listing and develop market operations respectively.

**Table 7**  
**Multinational directorship, cross listing and national governance disclosure relations**

VARIABLES	3SLS Estimation		OLS Estimation	
	(Model 1)	(Model 2)	(Model 1)	(Model 2)
Cross Listing	19.10*** (6.398)	18.31** (8.772)	6.620** (3.034)	8.704** (4.370)
Multinational Directorship (MND)	0.137** (0.0542)	0.321*** (0.0747)	0.179*** (0.0462)	0.350*** (0.0665)
DDM_Listing	-12.90** (5.101)	-7.213 (7.004)	-4.929 (3.160)	-1.184 (4.552)
DDM_Operations	3.432 (4.823)	15.44** (6.645)	-0.440 (4.383)	10.33 (6.313)
Cultural Distance (CD)	1.001 (2.197)	-1.655 (3.028)	3.616* (2.039)	0.806 (2.937)
ROCE	0.0393 (0.0333)	0.0885* (0.0459)	0.0716** (0.0306)	0.119*** (0.0440)
Total Asset	1.60e-09 (1.63e-08)	5.18e-09 (2.25e-08)	-1.28e-09 (1.41e-08)	-3.05e-09 (2.03e-08)
Sales Growth	-0.0672* (0.0357)	-0.0749 (0.0493)	-0.0283 (0.0326)	-0.0348 (0.0470)
CEO Duality	27.42*** (6.233)	51.39*** (8.590)	18.70*** (5.662)	40.28*** (8.156)
Percentage of NED	0.0428 (0.0662)	-0.124 (0.0913)	0.0763 (0.0597)	-0.0687 (0.0861)
GEARING	0.00993 (0.0227)	0.0246 (0.0312)	0.0265 (0.0189)	0.0362 (0.0272)
Institutional Shareholding	-0.172*** (0.0390)	-0.273*** (0.0538)	-0.109*** (0.0361)	-0.188*** (0.0520)
Director Shareholding	0.00612 (0.0308)	-0.0407 (0.0425)	-0.0220 (0.0290)	-0.0775* (0.0418)
Audit Firm Size	8.895*** (1.828)	17.87*** (2.519)	9.028*** (1.629)	18.49*** (2.346)
Industry Dummies	Included	Included	Included	Included
Year Dummies	Included	Included	Included	Included
Constant	38.56*** (6.817)	16.04* (9.395)	42.44*** (6.488)	21.59** (9.345)
Chi2	169.94***	331.31***	-	-
F-Stat	-	-	14.35***	20.63***
R-squared	0.275	0.449	0.467	0.558
Observations	400	400	400	400

\*\*\*, \*\*, \* denotes significance at 1%, 5% and 10% levels respectively. Robust mean square standard errors (RMSE) are in parentheses (  
 (>). Dependent variable in model 1 (NICGI) is the Nigeria corporate governance index composed of 75 provisions based on Nigeria SEC 2011 corporate governance code. Stakeholder-NICGI is the dependent variable in model 2 which composes of the 14-contextual stakeholder inclusive provisions-based on SEC 2011 corporate governance code. DDM\_Listing and DD\_Operations are dummies for develop market listing and develop market operations respectively.

**Appendix 1:**  
**Correlations MND, cross listing, instrumental variables and standards errors**

	1	2	3	4	5	6	7	8
1. Multinational Directorship (MND)								
2. Cross Listing	0.196***							
3. Cross National Interlock (CNI)	0.913***	0.191***						
4. Meeting Attendance (BUSY)	0.763***	0.179***	0.683***					
5. Sales Growth Secondary Listing (SGL)	0.107*	0.642***	0.102**	0.088*				
6. Corporate Ethics (CETHICS)	0.363***	0.660***	0.297***	0.301***	0.424***			
7. NICGI Standard Error	-0.001	-0.019	-0.015	-0.013	-0.023	0.019		
8. STAKENICGI Standard Error	-0.003	-0.020	-0.003	-0.024	-0.056	0.023	0.853***	

\*\*\*, \*\*, \* denotes significance at 1%, 5% and 10% levels respectively.

**Appendix 2:**  
**Dynamic system GMM and 2SLS estimation of multinational directorship, cross listing and national governance disclosure relations**

	Dynamic System GMM		2SLS Estimation	
	Model 1	Model 1	Model 2	Model 2
L. NICGI	0.655*** (0.056)	-	-	-
L. Stakeholder-NICGI	-	0.598*** (0.078)	-	-
Cross Listing	3.419*** (1.386)	0.087** (0.042)	18.92*** (6.530)	17.07* (9.000)
Multinational Directorship (MND)	0.049*** (0.016)	3.764*** (1.341)	0.137** (0.055)	0.319*** (0.076)
DDM_Listing	-2.750*** (1.326)	-0.366 (1.681)	-12.79** (5.204)	-6.375 (7.173)
DDM_Operations	-0.862 (1.423)	2.564 (2.410)	3.460 (4.916)	15.65** (6.775)
Cultural Distance (CD)	0.462 (0.675)	0.296 (1.512)	1.005 (2.240)	-1.627 (3.087)
ROCE	0.019 (0.023)	0.102*** (0.038)	0.0392 (0.034)	0.088* (0.047)
Total Asset	-0.000 (0.000)	-0.000 (0.000)	1.73e-09 (1.66e-08)	6.07e-09 (2.29e-08)
Sales Growth	0.033* (0.018)	-0.042 (0.041)	-0.067* (0.037)	-0.074 (0.050)
CEO Duality	5.584* (2.989)	10.898* (6.223)	27.39*** (6.354)	51.17*** (8.757)
Percentage of NED	-0.042 (0.033)	-0.108* (0.064)	0.043 (0.068)	-0.122 (0.093)
GEARING	-0.005 (0.009)	0.025 (0.015)	0.010 (0.023)	0.027 (0.032)
Institutional Shareholding	-0.019 (0.018)	0.037 (0.028)	-0.171*** (0.040)	0.272*** (0.055)
Director Shareholding	0.013 (0.011)	-0.003 (0.017)	0.0062 (0.031)	-0.040 (0.043)
Audit Firm Size	4.835*** (0.939)	8.331*** (1.482)	8.894*** (1.863)	17.86*** (2.568)
Industry Dummies	Included	Included	Included	Included
Year Dummies	Included	Included	Included	Included
Constant	21.888*** (3.543)	18.093* (10.763)	38.56*** (6.948)	16.01* (9.576)
F-Stat	129.65***	129.65***	11.67***	22.73***
R-squared	-	-	0.276	0.450
AR (1) test (p-value)	.002	.002	-	-
AR (2) test (p-value)	.811	.811	-	-
Hansen test of over-identification (J) (p-value)	.775	.775	-	-
Diff-in-Hansen tests of exogeneity (p-value)	.998	.998	-	-
Observations	320	320	400	400

\*\*\*, \*\*, \* denotes significance at 1%, 5% and 10% levels respectively. Robust mean square standard errors (RMSE) are in parentheses (). Dependent variable in model 1 (NICGI) is the Nigeria corporate governance index composed of 75 provisions based on Nigeria SEC 2011 corporate governance code. Stakeholder-NICGI is the dependent variable in model 2 which composes of the 14-contextual stakeholder inclusive provisions-based on SEC 2011 corporate governance code. DDM\_Listing and DD\_Operations are dummies for develop market listing and develop market operations respectively. The Arellano–Bond test statistic (AR1) and (AR2) follows an asymptotic normal distribution, with null (H0): No autocorrelation of order v in the differenced errors. By creation the residual values in first differences AR (1) can be correlated, however no serial correlation should exist in the second difference AR (2). The Hanson test of over-identification (J-Statistic) follows a chi-squared distribution with (1-r) degrees of freedom with 1 indicating the number of moment conditions whereas r are the parameters to be estimated; with a null (H0) = moment conditions are specified correctly (i.e. instruments in the dynamic system GMM are valid). Diff-in-Hansen tests of exogeneity has a null (H0) = instruments in the system GMM equation levels are exogenous.