Can Globalized Board Room Help with Cross-Listing? The Effects of U.S. Directors on Cross-Listed Foreign Firms

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Abstract

This study examines the impact and effectiveness of U.S. independent directors on the board of cross-listed foreign firms. About 53% of foreign firms appoint U.S. independent directors before they come to U.S. market and we find that these firms with U.S. directors are able to gain higher increase in value through cross-listing than firms without. The impact of U.S. directors on value is strongest for firms from weak investor protection countries, consistent with the idea that U.S. directors are effective monitors. We also find that foreign firms with U.S. directors are better acquirers in both domestic and cross-border M&As and are less likely to receive class action lawsuits.

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I. Introduction

What role do foreign directors play when firms are going global? Recently, more and more firms are adopting foreign independent board of directors on their board. Masulis, Wang, and Xie (2011) document that 13% of large U.S. institutions now have foreign directors; many of them are appointed to help companies expanding into foreign markets. At the same time, ADR foreign firms have also been trying to use U.S. directors to help them establishing on U.S. exchanges. Unlike foreign directors in U.S. firms, which tend to focus on advisory roles, the foreign firms cross-listing on U.S. stock exchanges often cite corporate governance as one of the goals to adopt foreign directors. However, despite their prevalence, few studies have examined the impact and effectiveness of those foreign directors.

In this study, we focus on this interesting class of directors, specifically U.S. independent directors on the board of cross-listed foreign firms. Unlike local independent directors documented by Dahya, Dimitrov, and McConnel (2008), literature is less clear on what benefits U.S. directors can offer to the cross-listed foreign firms besides advising. On one hand, firms from countries with weaker investor protection than U.S. may benefit from having U.S. directors on board as they may improve the monitoring and overall corporate governance of the firm, similar to what Aggarwal, Erel, Ferreria, and Matos (2010) find with institutional investors from

stronger investor protection countries. On the other hand, recent research by Masulis, Wang, and Xie (2011) document that foreign directors face many obstacles that can cause them to be inefficient monitors. They find that some Korean companies are struggling with low attendance rate of foreign outside directors. Given these arguments, whether the benefits of U.S. directors on foreign firms outweigh the cost as monitors needs more empirical investigation.

Another problem faced by cross-listing foreign firms is that the benefits of having U.S. directors as monitors may be reduced once the firm is subject to the strict U.S. disclosure and investor protection regulations. Studies by Bris and Cabolis (2008) and Dahya, Dimitrov, and McConnel (2008) argue that country and firm level corporate governance mechanisms are substitutes of each other and show that the benefit of independent directors disappear in countries with strong investor protection regulations. If this applies to cross-listed firms, adopting U.S. directors will not be able to help foreign firms capture more benefits from cross-listing. On the other hand, if the improved outside regulation associated with cross-listing actually compliments and enhances the importance of having good firm level corporate governance, as argued by Aggarwal, Erel, Stulz, and Williamson (2009) , then U.S. directors will actually increase the benefits of cross-listing if they are good monitors.

Given those conflicting views, the objective of this paper is to empirically examine the impact of U.S. directors on cross-listed foreign firms. More specifically we are trying to address the following questions: What is the impact of independent U.S. directors on foreign firm value? Do U.S. independent directors increase the benefits foreign firms gain from cross-listing? Does the impact of independent U.S. directors on foreign firms come more from advisory role or monitoring role?

Our analyses are based on a sample of 245 cross-listed foreign firms on US stock exchange from 30 countries in the period of 2000-2009. Out of the 245 firms, 129 firms (53%) have appointed at least one U.S. independent director in the sample period. We find that on average, the presence of U.S. independent directors increase the value of foreign firms. The value of the firms with U.S. directors, measured by Tobin's Q, is 25 percent higher than firms without such directors. We conduct several robustness tests to control for any potential endogeneity problems in our estimation, including firm-fixed effects, 2-stage least squares (2SLS), and propensity score matching combined with difference in difference testing for firms changed their U.S. director status, and we find our results still hold after these tests.

We also examine the announcement returns for U.S. director appointments by cross-listed foreign firms. After carefully filtering out confounding events, we are able to identify 35 such events with available stock price information. Consistent with the idea that U.S. directors bring net benefits to the firm, we find that the 3-day and 5-day cumulative abnormal returns are both positive and significant around the appointment announcements. Foreign firms from civil law countries and countries with weak investor protection countries experience more consistent positive announcement returns.

Next we explore whether having U.S. independent directors on board at the time of cross-listing help the firm gain more benefits from coming to U.S. markets. We test this hypothesis by including a sample of non-cross-listed foreign firms from the same 30 countries. We find that consistent with Doidge et al. (2009), cross-listed firms, regardless of U.S. director status, enjoy a value premium compared to firms that are not cross-listed. However, we find that the value premiums for cross-listed firms with U.S. directors are more than twice as large as cross-listed firms without U.S. directors. The pattern is similarly striking when we examine the value

premium of cross-listed firms before they actually cross-listed onto U.S. market. While cross-listed firms tend to have higher value than non-cross-listed firms before they come to U.S., the value premium for foreign firms with U.S. independent directors increased by 37% after cross-listing; firms without U.S. independent directors only experienced a 12% increase in value premium after cross-listing. The results from these tests suggest that the presence of U.S. directors significantly increase the benefits enjoyed by cross-listed firms when they come to U.S. exchanges.

We further investigate whether such impacts of U.S. directors are due to their advisory role or monitoring role. We break our sample of firms by their home country's level of investor protection and examine which cross-listed firms are more likely to be affected by having U.S. independent directors on board. We find that the increase in value premium for cross-listed firms documented in previous tests is primarily driven by firms from weak investor protection countries. Foreign firms with U.S. directors from weak investor protection countries experienced a 23% increase in value premium after cross-listing, the increase is also much higher than cross-listed firms without U.S. directors from the same countries. In contrast, the presence of U.S. directors on foreign firms from strong investor protection countries, while contributing to higher firm value in general, do not further increase the value premium significantly after cross-listing. We believe the results indicate that the primary impact of U.S. directors is due to better monitoring and that the monitoring role of U.S. director is enhanced by the strong investor protection in the U.S. market.

Finally, we conduct two more tests to investigate the channels through which U.S. independent directors increase firm value. First we examine whether firms with U.S. directors make better acquisitions and whether their impact is limited to M&As with U.S. targets only.

We find that acquirer announcement returns are significantly higher in deals where the acquirer has U.S. director on board. This positive impact of U.S. director is present in both M&As with U.S. targets and M&As without U.S. targets. The result further supports the idea that the primary benefit of U.S. directors in foreign firms is through improving monitoring. Second, we examine the relationship between having U.S. directors and the likelihood of getting private class action lawsuits. We find that cross-listed foreign firms without U.S. directors are more likely to get lawsuits. This result also provides some further support to our point that US directors contribute to firm value mainly through monitoring function.

This paper makes several contributions to the literature. First our study contributes to the growing literature on the role of foreign directors and their impact on firm performance (Masulis et. Al. (2013) and Daniel, McConnell, and Naveen (2014)). The previous studies have primarily focused on foreign directors on U.S. firms; our study is, to our knowledge, the first to investigate the impact on foreign firms. By showing that U.S. directors on foreign firms mainly play a monitoring rather than advisory role, which is in direct contrast to previous findings regarding foreign directors on U.S. firms, our paper adds to the literature by expanding our understanding of how the roles of foreign directors change depends on the level of outside corporate governance.

Second, the paper contributes to the stream of literature that examines the relationship between country-level and firm-level governance. Our study's finding present additional evidences to the current debate on whether country level and firm level corporate governance mechanism are complements or substitutes (Bris and Cabolis (2008), Aggarwal, Erel, Stulz, and Williamson (2009), Durnev and Kim (2005), and Dahya, Dimitrov, and McConnel (2008)). The result that improved country level corporate governance associated with cross-listing actually

increases the significance of the monitoring role of U.S directors provide support to the argument that firm and country level protection are complements of each other.

Lastly our paper adds to the cross-listing literature on factors that affect cross-listing premium. Studies find that cross-listing premium is related to greater visibility of the firm (Baker, Nofsinger, and Weaver (2002)), home country level of investor protection (Doidge, Karolyi, and Stulz (2004)), and size of U.S. investor base (King and Segal (2007)). Our results suggest that firm level corporate governance mechanisms also play an important role in influencing the benefits of cross-listing.

The remainder of the paper is organized as follows. Section II describes sample construction and present summary statistics. Section III examines the value impact of U.S. directors. Section IV explore the sources of the value impact. Section V concludes.

II. Sample Construction and Summary Statistics

A. Sample Selection

To study the impact of U.S. directors on cross-listed foreign firms, I create a sample of foreign firms that listed on a major US stock exchange since the year 1996. The list of cross-listing firms is collected from the Bank of New York and Citibank and verified with NYSE and Nasdaq. Since I am interested in the U.S. director information, I include only Level 2 ADRs and Level 3 ADRs in the sample. Firms that list via Level 1 ADRs (OTC stocks) or Rule 144a are subject to little or no SEC disclosure requirements and do not provide consistent information on their board and ownership characteristics to be included the sample. We also exclude cross-listed firms from countries with very similar culture to U.S. which make it hard to distinguish U.S. and non-U.S. directors, in our case we exclude United Kingdom, Canada, and Australia

cross-listed firms from our sample. Lastly we require the firms to have complete documentation with SEC in order for us to search for board characteristic information. After these criteria, we are able to collect U.S. director and other board and ownership information for 245 cross-listed firms from 30 countries.

B. Identification of U.S. Independent Directors in Cross-listed Foreign Firms

Director and board information for cross-listed foreign firms is not available in more commonly used database such as the IRRC (now RiskMetrics) Directors Database. To collect the board and ownership information, we examine the Form 20-F with the SEC and gather the information from Section 6 (titled Directors, Senior Management and Employees) and Section 7 (titled Major Shareholders and Related Party Transactions) of this form. Section 6 allows us to identify independent, inside, and grey directors for each cross-listed firms. Following the literature, we define independent director as outside directors who are not the following: former employees, family members of current employees, dominant shareholder (owning 10% or more shares), people related to dominant shareholder (family member, employee, representatives), and individuals with disclosed conflicts of interest such as outside business dealings with the company, and interlocking director relationship with the CEO. Inside directors are defined as employees of the company and grey directors are anyone who's not inside or independent directors.

Once we identified independent directors, we check the country of the director's current primary employer (or most recent employer if retired/unemployed), we use the company's headquarter location to determine its country location. We initially define an independent director as U.S. director if the country of the primary employer is U.S. To have a more strict

definition of U.S. directors, we also record the country of the local office that the director works in for his current employer (or most recent employer if retired/unemployed), then we define the director as local U.S. director if the primary employer is a U.S. company and the director is working in the office in U.S.

In addition to director information, we also collect information on other board characteristics such as board size, CEO Chairman duality, whether the firm has a nomination committee, and whether the CEO is on the nomination committee. For ownership characteristics, we use Worldscope in addition to 20-F to trace the ultimate dominant shareholder of the company, the voting rights of each level of the ownership, and the final cash flow rights of the dominant shareholder.

C. Summary Statistics

Out of the 245 cross-listed foreign firms we have in our sample, 129 firms have directors whose primary employer is U.S. company (FID), and 90 firms have directors whose employer is U.S. company and the directors also work in U.S (Local FID). Table I provides the distribution of the number of firms by FID status from each country of domicile. Besides China, there is no large clustering of firms. In general, firms from Asian countries are more active in cross listing in the US, followed by European countries. Regarding firms with U.S. directors, we find that European countries have the highest percentage of firms with U.S. directors, while the distributions of FID firms vary among Asian and South America countries.

Table II reports the summary statistics of some key financial and governance variables for firms with U.S. independent directors (FID firms) and firms without U.S. directors (No FID firms) based on firm year observations. We also report the statistics for firm years with directors

whose employer is U.S. company and the directors also work in U.S (Local FID firms). We find that firms with U.S. directors on average have 61.6% of their board as independent directors; this number dropped to 44.5% for firms without U.S. directors. 63% of our sample FID firms have nomination committee and only 40% of No FID firms have nomination committee. No FID firms tend to have more entrenched dominant shareholder with average 35.6% voting rights versus 31% for FID firms. Surprisingly, larger percentage of FID firms has CEOs who are also chairmen of the board compared to No FID firms. Collectively these results seem to suggest that firms with better corporate governance mechanism are more likely to appoint U.S. independent directors. Regarding financial variables, we find that firms with U.S. directors tend to be larger, have higher percentage of foreign sales, and higher Tobin's Q. We find similar patterns when we compare Local FID firms to No FID firms.

III. Value Impact of U.S. Directors

A. Does U.S. Director lead to higher value among cross-listed Firms?

In this section we examine the value impact of having independent U.S. directors on the board of directors for cross-listed foreign firms. Previous research has provided mix signals on the role of foreign directors. On one hand, U.S. directors may provide both necessary advisory and monitoring help to foreign firms that cross-list on U.S. market to enhance their value. On the other hand, long distance and culture difference may render U.S. directors as ineffective monitors and the cost may outweigh the benefit similar to what Masulis, Wang, and Xie (2011) find with U.S. firms. Absent any definitive prediction that can be made from theoretical consideration, the issue of the impact of U.S. directors on the cross-listed firms' value must await empirical analyses. To conduct this analysis, we use the sample of cross-listed firm years that

we are able to collect director information on, which includes 1165 firm years from 245 companies.

Table III presents the results of the estimation using Tobin's Q as a measure of firm value in pooled OLS regressions. Tobin's Q is defined as total assets minus book value of equity plus market value of equity. The main interest variables are FID and Local FID. FID is an indicator variable that equals to 1 if the cross-listed firms have at least one independent director whose primary employers are U.S. companies. Local FID is more strict where the indicator variable only equals to 1 if the independent directors whose primary employers are U.S. companies also work in the local offices in U.S (not a in a foreign office of the company). We define independent directors as outside directors who are not the following: former employees, family members of current employees, dominant shareholder (owning 10% or more shares), people related to dominant shareholder (family member, employee, representatives), and individuals with disclosed conflicts of interest such as outside business dealings with the company, and interlocking director relationship with the CEO.

For control variables we include both firm level corporate governance variables and financial variables. Corporate governance variables include percentage of independent directors, board size, the voting rights of the dominant shareholder, difference in cash flow rights and voting rights of the dominant shareholder, indicator variable for CEO Chairman duality, whether the firm has a nomination committee, and whether the CEO is on the nomination committee. We define a shareholder as dominant shareholder if he has more than 10% of the total shares of the firm after taking into account the ownership structure of all other shareholders in the firm. If there are two or more dominant shareholders, we pick the one with the most voting rights. We also control the following financial variables: firm size, sales growth rate, leverage, ROA, R&D,

and global industry Tobin's Q. Size is the natural logarithm of total assets, Sales growth is the geometric average of sales growth rate in the past two year, leverage is short-term debt plus long-term debt scaled by assets, and Global industry q is the median global industry's Tobin's Q.

Model 1 of Table III shows the result of the impact of FID on firm value. We find that the presence of FID has a significant and positive impact on Tobin's Q. On average, firm value for companies with FID is 28.9% higher compared to cross-listed firms without U.S. directors; and the coefficient is significant at 5% level. In Model 2, we include more firm level corporate governance variables in the regression and we find very similar results. The influence of U.S. directors on firm value is even more significant when we limit U.S. directors to only Local FID in Model 3 and 4. Cross-listed firms with Local FID have 43.7% higher Tobin's Q compared to firms without, and the coefficients are significant at 1% level.

The signs on control variables are largely consistent with what documented in literature. Among firm level board characteristics, only the indicator variable of whether CEO is on nomination committee is statistically significant; the coefficient is negative and significant at 5% level. The signs are other board and shareholder characteristics are largely consistent with what we expect though they are insignificant. Higher percentage of independent directors and having a nomination committee lead to higher firm value while larger board size, higher difference in cash flow rights and voting rights, and higher control of the firm by the dominant shareholder lead to lower firm value. The only exception is CEO Chairman duality, which we find to be positively associate with firm value though insignificant. For firm level financial variables, we find that higher sales growth rate, ROA, R&D spending, and industry Tobin's Q are linked with higher firm value, while larger firms and firms with higher leverage tend to have smaller firm value. These results are all consistent with previous findings.

Overall, the results in this section show that having U.S. directors on cross-listed foreign firms is overall beneficial. This impact of FID on firm value in our sample is in contrast to what Masulis et al (2011) find with foreign directors on U.S. firms and suggests that for cross-listed foreign firms, the benefit of having U.S. directors actually outweigh the cost. In later sections of the paper, we will explore the sources of these benefits.

B. Robustness Tests

A problem with the presence of U.S. directors is that the decision to adopt U.S. directors may not be random but rather affected by firm level factors. For example firms with better corporate governance may be more likely to have U.S. directors on board. To control for this endogenity issue associated with the presence of FID, we conducted several econometrics tests in this section.

The first one we examine is firm fixed-effects regression. Firm fixed-effects regression allows us to control for firm level time-invariant factors, reducing the concerns for omitted variable problem. However, in our case the firm-fixed approach may suffer the problem of lack of power due to the fact that only a small amount of firms changed their status regarding the presence of U.S. directors in our sample period. This is similar to the problem in existing literature regarding firm-fixed effects on slow-changing variables such as ownership structure (Zhou (2001)). With this problem in mind, we conduct the test and report the result in Model 1 in Table IV. Similar to what we find in previous section, we find that change in FID status is positively associated with Tobin's Q. Even though the coefficient is not significant, it still has a T stat of 1.48. The test provides some additional evidence to our findings that the presence of U.S. directors actually adds value to cross-listed firms.

The second test we conduct is to combine propensity score matching with the difference in difference analysis for cross-listed firms that changed their FID status in the sample period. For each firm in our sample that changed their FID status, we find a matching firm each year employing the propensity score matching technique that Heckman, Ichimura, and Todd (1997, 1998) developed. Specifically, for each firm's observation both before and after the FID status changed, we find an observation from firms who never have U.S. independent directors (our control sample) with the closest propensity score matched on firm and country characteristics. The propensity score is determined by estimating a logit model where the dependent variable is an indicator variable that equals 1 for firms changed their FID status. The variables in the model are the same variables from Table III, in addition we control for industry factors as well as the type of dominant shareholder. Each year we then match each firm's observation to the "nearest neighbor" control sample observation. To avoid bad matches and significant loss of observations, we set the tolerance level on the maximum propensity score distance (caliper) to 0.01 and we do not remove a matching observation from the sample once it has been used as a match. For the 40 firms in our sample that changed their FID status, we find matching firms for 25 of them.

Once we have the matching samples, we compare the firm value difference between our sample firms who changed their FID status and their matching firms with no FID, in both pre-changing period and post-changing period. We then conduct F-test to see if the value difference has changed between two periods. The test result is reported in Model 2 in Table IV. FID equals to 1 for firms with U.S. directors on board and the coefficient on this variable represents the difference in value between matching firms and firms who have FID either before or after they changed their FID status. No FID is a dummy variable that equals to 1 for firms do not have U.S. directors either before or after they changed their FID status. We find compared to the

matching firms, firms who gained FID enjoy a premium of 20% while before they have U.S. directors they were at a discount of 17%. We perform F-tests to determine the equality of the two coefficients and the test rejects the null hypothesis that the value differences in the two periods are equal at 5% level.

Lastly we use an instrumental variable (IV) approach and estimate the Tobins's Q in a two-stage least square regression. We construct two instrument variables. First is a dummy variable that equals to 1 if the firm's headquarter city has a major international airport (defined as having flights to at least 4 major international cities) while the firm does not have foreign sales. The second is the amount of foreign sales a firm has scaled by total assets. The intuition is that firms are more likely to attract U.S. directors if the companies either have international experiences or are relatively easy to travel to.

The first stage probit model, where the dependent variable is the FID indicator, is reported in Model 3 in Table IV. We find that both foreign sales and access to international airport is positively and significantly related to the presence of FID. Thus the variables satisfy the validity requirement. The results for the second stage regression where FID indicator variable is replaced by the instrumental value from first stage is reported in Model 4. We find the results are consistent with what we find earlier.

Overall, the results in this section confirm the findings of the previous section. We show that the U.S. directors have a positive impact on firm value and the influence is not due to endogeneity issues.

C. U.S. Director and Cross-listing Premium

Previous section shows that in general, having U.S. directors adds value to foreign firms. In this part of the paper, we examine whether having independent U.S. directors on board of directors actually increases the benefits of cross-listing. Extant literature on cross-listing has establishes that cross-listing on U.S. exchanges enhances the value of foreign firms. Foerster and Karolyi (1999) find an increase in stock price around cross-listing period and Doidge, Karolyi, and Stulz (2004) document an increase in firm value after cross-listing. Many of the studies attribute this increase in value to the bonding hypothesis advanced by Coffee (1999) and Stulz (1999), which believes that foreign firms cross-listed on major U.S. stock exchanges will have better corporate governance than non-cross-listed firms from the same country because of the stronger country level legal regime and institutions of U.S.

Given this context, how will having U.S. directors affect the benefits of cross-listing for foreign firms? Besides any potential advisory help that U.S. directors may provide to foreign firms after cross-listing, the impact will also depends on whether increase in country level corporate governance enhances or diminishes the monitoring benefits of U.S. directors. Recent research on corporate governance has been trying to examine if country level corporate governance plays a substitution or complimentary role to firm level corporate governance and there are currently two conflicting views on this topic. Bris and Cabolis (2008) argue that firm and country level investor protection are substitutes of each other and supports the argument with the impact of firm specific governance provisions and country level legal rules on the premiums of cross-border acquisitions. Similarly, Dahya, Dimitrov, and McConnel (2008) find that higher percentage of independent directors no longer adds to firm value in high level investor protection countries. However, Aggarwal, Erel, Stulz, and Williamson (2009) finds that firm-level and country-level corporate governance mechanisms are actually complement to each other and show

that firms benefit more from firm-level governance investments when institutional developments are strong. Consistent with this debate, having U.S. directors will not add too much value to cross-listing besides the advisory benefits if firm and country level investor protection are substitutes. On the other hand, U.S. directors will be able to add significantly more value to foreign firms after cross-listing if firm and country level investor protection are compliments and U.S. directors do provide better monitoring to foreign firms.

To examine the impact of U.S. directors to cross-listing benefits, we conduct a new test where we include both cross-listed firms and non-cross-listed foreign firms in the sample and investigate whether the value premium for cross-listed firms post-cross-listing increases more for firms with U.S. directors. Table V reports the results of a pooled OLS model where the dependent variable is Tobin's Q and the main interest independent variables are indicator variables for cross-listed firms with FID (FID) and cross-listed firms without FID (No FID). The sample includes 58297 firm year observations from 11393 firms with over 100 million assets. Model 1 in Table V shows the baseline regression where we only include the two cross-listing type dummy variables (Cross-listed firms with FID and Cross-listed firms without FID) along with the same financial variables in previous section. Similar to previous findings regarding cross-listing premium, we find that the coefficients on both type of cross-listed firms are positive and significant. Moreover, consistent with the idea that FID enhances the benefits of cross-listing, we find that the coefficient on FID firms is much higher than the coefficient estimate on No FID cross-listed firms. The value premium for FID cross-listed firms is 40.3% and the premium for No FID cross-listed firms is 17.5%, and the difference is statistically significant.

In Model 2 we include two additional variables, FID Pre-listing and No FID Pre-listing, to control for any value premium enjoyed by cross-listed firms in their pre-cross-listing period.

FID Pre-listing equals to 1 for firm years by FID cross-listed firms before they cross-list and No FID Pre-listing equals to 1 for firm years by cross-listed firms without FID before they cross-list. We find that both the coefficients on FID Pre-listing and No FID Pre-listing are positive though not statistically significant, FID Pre-listing has higher coefficient compared to No FID pre-listing (0.152 versus 0.053). Also we find that the premium difference between FID cross-listed firms pre and post cross-listing is more than twice as large as the premium difference for cross-listed firms without FID. Model 3 adds some additional firm level corporate governance variables in the regression. We include interaction variables between cross-listing dummy (equals to 1 for cross-listed firms) and firm level ownership and board characteristics, which includes include percentage of independent directors, board size, the voting rights of the dominant shareholder, and difference in cash flow rights and voting rights of the dominant shareholder. We find that the addition of those corporate governance control variables do not affect the results on the presence of U.S. directors, the coefficient on FID cross-listed firm is still positive and significant and the difference between coefficients FID and No FID remain quite large and significant. Among the newly added control variables, we find that cross-listed firms where dominant shareholder has high voting rights tend to experience lower increase in value premium after cross-listing, the impact is significant at 1% level.

D. U.S. Director Appointment and Announcement Return

To further investigate the value impact of U.S. directors on foreign firms, we collect a sample of announcements of U.S. director appointments and examine the stock market reactions to those announcements. Masulis, Wang, and Xie (2011) find that announcement of foreign directors by U.S. companies tend to generate negative announcement returns, if U.S. directors on cross-listed

foreign companies actually bring net positive value to the firm, we should expect positive announcement returns.

To collect the sample, we search Factiva and Lexis-Nexis to find the company announcement of U.S. directors joining the board. We focus on independent announcements rather than initial disclosures through proxy statement filings since proxy statements tend to contain other information that may confound our results. To avoid any concurrent corporate events that may influence stock market reactions to U.S. director announcement, we check and ensure that our announcement sample is not contaminated by corporate events such as earnings announcement, management turnover, and acquisitions. After these criterias, we are able to identify 41 announcements; out of those 35 of them have sufficient stock price information available for the calculations of announcement returns.

To calculate the announcement returns, we use both the 3-day cumulative abnormal return over the event window (-1, +1) and the 5-day CAR (-2, +2) surrounding the announcement. To estimate the three day CAR, we collect the daily return data from DataStream and use the equally-weighted market portfolio of the acquirer's home country as the market index. We then use the standard event study technique with an estimation period of 201 days preceding the announcement (days -210,-11). The date of the first press release is designated the announcement day (day 0).

The results of the analysis are reported in Table VI Panel A. Despite the small sample size, we find that firms with U.S. director announcement generally experience positive announcement returns both in the 3 day window and the 5 day window. Average 3-day CAR is 2.4% and average 5-day CAR is 3% for firms with U.S. director announcements, both numbers are significant at 10% level. The medium for both CAR measures are also close to the mean

announcement returns. The findings are consistent with our previous results which shows that U.S. directors on average bring net benefit to the foreign firms that are cross-listed on U.S. exchanges.

In Table VI Panel B, we further break down the 5-day CAR of our sample by groups based on the legal origin and level of investor protection of the firm's home country. We use the anti-director index from LLSV (1998) and the anti-self-dealing index from Djankov et al. (2008) to measure the level of investor protection. We find that the mean announcement return are positive and similar across both legal origin and level of investor protection groups, however medium announcement returns are only positive for firms from civil law countries, and countries with weak investor protection. The standard deviation in CAR is also smaller for firms from civil law and weak investor protection countries, as a result the average 5-day CAR is only significant (at 10% level) for firms from those type of countries, indicating that those firms benefit more consistently from adopting U.S. directors.

Overall, the results support the idea that cross-listed firms with U.S. independent directors derive more benefits from cross-listing on U.S. exchanges. What remains unclear is whether such benefits are due to the advisory role or monitor role played by U.S. directors. We are going to explore this issue in the next section.

IV. Sources of the Value Impact

A. U.S. directors and Investor Protection of the Home Country

The first test we conduct to investigate the source of the beneficial impact of U.S. directors on foreign cross-listed firms is to examine whether such beneficial impact vary by the level of

investor protection of cross-listed firms' home country. If the contribution to cross-listing premium by U.S. directors is due to higher monitoring benefits and the complimentary relationship between firm and country level investor protection, we should expect such increase in value premium to be strongest for firms from countries with weak investor protection laws. If on the other hand, the contribution is mainly from advising, then home country level of investor protection will not matter as much.

We use three proxies for the degree of investor protection. LLSV (1998) argue that countries with civil (common) law have the weakest (strongest) level of investor protection. Accordingly, we separate our sample based on the legal origin of the domestic country. As the second measure of the degree of minority shareholder protection, we use the anti-director rights index. Finally, we use the anti-self-dealing index from Djankov et al. (2008). This index measures a country's ability to protect minority shareholders and prevent the tunneling of corporate resources through legal means. We hypothesize that managers in countries of civil-law origin, or with either a low (i.e. below the median) anti-director rights or anti-self-dealing index have weak investor protection and are more likely to expropriate cash for personal benefits. Firms from these countries benefit more from cross-listing on the US exchange.

Table VII reports the estimation results of Tobin's Q regression for firms from strong (weak) investor protection countries. The first two columns in Table VII split the sample based on anti-director rights. Consistent with the hypothesis that better monitoring by U.S. directors increases cross-listing benefits, we find that the increase in value premium for cross-listed firms is the highest for firms with FID presence from weak investor protection countries. The value premium for those firms post-cross-listing is at 43.6%, significant at 1% level, while the premium before-cross-listing is only at 15.6% and insignificant. For cross-listed firms without

FID from weak investor protection countries, the value premium is at 20.1% post-cross-listing (5% significance) and 6.3% pre-cross-listing and insignificant. For cross-listed firms from strong investor protection countries, we find that firms with FID generally have higher value compared to firms without FID. However cross-listing itself did not add significant value to foreign firms compared to pre-cross-listing period regardless whether the firm has FID presence or not. Results are similar when we separate the sample based on anti-self-dealing or legal origin. Cross-listed firms with FID from either high index or common-law countries do not experience significant increase in value premium compared to pre-listing-period. In contrast FID firms from low index or civil law countries are able to increase their value premium compared to non-cross-listed firms after they cross-list, the increase in value premium is higher than cross-listed firms without U.S. directors on their board of directors.

Collectively, the results confirm that U.S. directors are more beneficial for cross-listed firms from weak investor protection countries, where concerns for agency problems are higher. The findings support the arguments that U.S. directors in foreign firms add to firm value through providing better monitoring and such benefit is more valued as outside investor protection regulation and institution framework improve, consistent with the idea that country and firm level investor protection mechanism complement each other.

B. U.S. Directors and M&A Performance

In this section, we examine what impact do U.S. directors have on cross-listed foreign firms' direct investment decisions such as mergers and acquisitions. We focus on M&A decisions because M&A activity has been widely studied in corporate governance literature and is regarded as having the potential for significant conflict of interest between shareholders and

managers. Studies such as Masulis, Wang, and Xie (2007) and Chen, Harford, and Li (2007) also find that firm level corporate governance can have an impact on the quality of such investments. Additionally, foreign directors have been shown in past studies to provide knowledge and insights to firms to help them make more informed investment decisions involving foreign markets, particularly in decisions such as cross-border acquisitions. Thus studying the M&As decisions will allow us to further explore and identify what kind of benefits U.S. directors provide to foreign cross-listed firms. If U.S. directors mainly offer advisory help to foreign firms, we should only observer significant impact of U.S. directors on the performance of M&As with U.S. targets. On the contrary, if foreign firms adopt U.S. directors for the more stringent monitoring they offer, we should expect U.S. directors to have an impact on all M&As' performance regardless of target location.

Information on mergers and acquisitions by our sample cross-listed firms from 2000 to 2007 are extracted from Security Data Corporation (SDC), and deals below $1 million are discarded. Following Wang and Xie (2009), we include completed acquisitions of majority interests only (i.e. acquirer controls more than 50% of the target shares after the merger). Deals categorized as spin-off, self-tender, recapitalization, and leverage buyout are excluded from the sample, as well. We collect stock market and trading data around M&A announcements from Datastream, and financial data from Worldscope, the observations with missing stock price data and financial information are excluded. In total we are able to collect 276 M&As conducted by 66 cross-listed firms in our sample. Out of the 276 M&As, 65 are cross-border acquisitions involving U.S. target.

We examine the market's perception of the quality of acquisitions by using the 3-day cumulative abnormal return over the event window (-1, +1) surrounding the announcement.

Evaluation of merger efficiency by abnormal announcement period returns is prevalent among researchers (e.g. Masulis et al. (2007)). We employ the standard event study technique with daily returns data from DataStream, and the equally-weighted market portfolio of the acquirer's home country as the index, and an estimation period of 201 days preceding the announcement (days -210,-11). The date of the first press release is designated the announcement day (day 0).

We estimate the OLS regression of acquirer announcement returns and report the results in Table VIII. The main interest variables are FID and the interaction term between FID and an indicator variable for acquisitions with U.S. target. The control variables include both firm and deal characteristics. we follow Masulis et al. (2007) and include the following firm characteristics: firm size, leverage, Tobin's Q, and the bidder's pre-announcement stock price run-up, measured as the bidder's buy-and-hold abnormal return over the 200 day window (days -210, -11) preceding day -10. For deal characteristics, we include the interaction variables between the three target-status dummies (public, private, and subsidiary) with the two method-of-payment dummies (stock and cash) to create six mutually exclusive deal categories: public cash deal, public stock deal, private cash deal, private stock deal, subsidiary cash deal, and subsidiary stock deal. Cash is defined as the method of payment if the M&A is funded with 100% cash, and deals for which any stock is used are defined as stock-financed. To avoid multi-collinearity, we exclude the dummy for subsidiary stock deals from the regression. The other deal characteristics we control for is relative deal size, defined as the ratio of the deal value to the bidder's market value. We also use two indicator variables to represent diversifying M&As and international M&As, respectively. Diversifying M&As are defined as deals in which the target and acquirer are in different Fama-French 48 industries, whereas international M&As are deals in which the target and acquirer are in different countries. Lastly we control for target country

and cross-border deal characteristics. Following Bris and Cabolis (2008), we use differences between investor protection levels (measured by anti-director rights from LLSV (1998)), the ratio of the stock market capitalization to GDP, and GNP per capita of originating countries of acquirer and target firms to capture potential synergies of cross-border mergers. The models also include year, country, and Fama-French industry fixed effects.

Column 1 reports the estimation model with only FID indicator variable as our main interest variable. Consistent with our findings earlier that U.S. directors add to firm value, we find that foreign acquirers with U.S. FID on their board have higher M&A announcement returns than firms without. The coefficient is both economically and statistically significant at 2.4% 3-day cumulative returns and 5% significance level, respectively. Column 2 includes the interaction variable between FID and indicator variable for M&As with U.S. target. We find that the coefficient on FID indicator variable remains positive and significant even with the addition of the interaction variable. The interaction variable itself is positive though insignificant. These results indicate that the positive impact of U.S. directors are not limited to M&As with U.S. targets but rather applied to all M&As by foreign firms.

Regarding control variables, we find that firms with a nomination committee have higher acquirer return and firms with higher difference in voting rights and cash flow rights have lower CAR. Consistent with previous research, we find that large firms are more likely to make poor acquisition decisions. And the negative impact of stock deals and the positive impact of cash acquisitions of subsidiary targets is in conformity with Masulis et al. (2007)

Overall the findings in this section are consistent with what we find in earlier sections. U.S. directors on cross-listed foreign firms increases the M&A performance for all M&As, not only limited to U.S. targets. This supports the argument that unlike foreign directors on U.S. firms,

the main benefit of U.S. directors on foreign firms is primarily related to their contribution to improved monitoring.

C. U.S. Directors and Securities class action lawsuits

To further test the monitoring effect of U.S. directors on foreign firms, we investigate data on private enforcement actions against foreign firms. We examine if the presence of U.S. directors reduces the likelihood of cross-listed firms involved in private securities class action lawsuits. We search for lawsuits using the Securities Class Action Clearing House Database at Stanford Law School from 2000 to 2009, which identifies U.S. private securities litigation against firms. We then match the litigation data to the identity of cross-listed foreign firms in our sample.

We find that out of our sample of 245 cross-listed firms, 20 of them (8%) were targets of class-action laws. Out of those 20 cross-listed firms, 7 of them (35%) at least at one time in the past three years have U.S. directors on board. This percentage is much lower than the percentage of firms with FID in our sample, which is at 53% (129 out 245 or), and is consistent with our overall finding that the market values the increased investor protection provided by U.S. directors in cross-listed foreign firms. In unreported test, we conduct a logit regression where the dependent variable equals to 1 if the firm was ever subjected to a lawsuit in the sample period and use average firm financial characteristics along with country and industry fixed effects as control variables. We find that firms with FID presence in the sample period are negatively associated with the likelihood of lawsuit, however the coefficient is insignificant (with p-value at 0.23).

V. Conclusion

In this paper, we examine what roles U.S. directors serve on cross-listed foreign firms. We find U.S. directors are associated with higher firm value as well as bigger increase in value premium for foreign firms when they cross-list. The impact of U.S. directors on the benefit of cross-listing is the strongest for foreign firms from weak investor protection countries. Consistent with these results, we also find that acquirers with U.S. directors conduct better M&As, regardless of the target location. Foreign firms with U.S. directors are also less likely to be the defender of private class action lawsuits. Collectively these results support the idea that U.S. directors tend to serve the monitor role rather than the advisor role on foreign firms, this is in contrast to findings of previous studies about the role of foreign directors on U.S. firms.

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Table I. Sample Distribution: This table shows the sample distribution of firms across countries. FID are cross-listed firms have at least one independent director whose primary employers are U.S. companies. Local FID are cross-listed companies where the independent directors whose primary employers are U.S. companies also work in the local offices in U.S (not a in a foreign office of the company).

Country	N of Cross-Listed	N of FID	N of Local FID	% with FID	Firm Years	Firm Years with FID
Asia						
China	63	31	19	49%	260	110
Hong Kong	6	4	3	67%	25	11
India	13	8	6	62%	97	47
Israel	5	2	2	40%	31	5
Japan	11	3	1	27%	73	11
Korea	9	3	1	33%	56	7
Philippines	3	3	1	100%	15	10
Singapore	1	1	1	100%	10	10
Taiwan	7	2	1	29%	48	9
Europe						
Belgium	4	2	2	50%	19	9
Denmark	2	1	1	50%	7	1
Finland	1	0	0	0%		
France	14	10	9	71%	83	52
Germany	9	5	4	56%	37	18
Greece	4	1	0	25%	21	5
Italy	3	3	3	100%	12	12
Luxembourg	1	0	0	0%	8	0
Netherlands	10	9	9	90%	63	49
Norway	2	2	2	100%	9	2
Portugal	1	0	0	0%	1	0
Russia	3	2	2	67%	19	10
Spain	6	3	1	50%	28	9
Sweden	4	3	2	75%	9	4
Switzerland	7	7	7	100%	39	39
South America						
Argentina	9	2	1	22%	47	3
Brazil	27	13	4	48%	140	20
Chile	7	3	2	43%	40	12
Mexico	9	5	5	56%	45	26
Peru	1	0	0	0%	8	0
Africa						
South Africa	3	1	1	33%	26	5
Total	245	129	90	-	1165	496

Table II. Summary Statistics: This table shows the summary statistics for cross-listed firms with and without U.S. independent directors. FID is an indicator variable that equals to 1 if the cross-listed firms have at least one independent director whose primary employers are U.S. companies. Local FID equals to 1 if the independent directors whose primary employers are U.S. companies also work in the local offices in U.S (not a in a foreign office of the company). No FID indicate cross-listed firms without U.S. independent directors in the firm year.

	No FID	FID	Local FID	(1) – (2)
Corporate Governance Variables				
Board Size	10.28	9.9	9.9	0.361 (0.11)
Percentage of independent directors	44.5%	61.6%	64.3%	-17.1% (0.00)***
CEO/Chairman duality	0.37	0.42	0.41	-0.053 (0.06)*
Nomination Committee	0.40	0.63	0.63	-0.22 (0.00)***
CEO on Nomination Committee	0.048	0.041	0.040	0.007 (0.49)
Voting Right and Cash Flow Right Diff	3.1%	2.3%	1.6%	0.008 (0.27)
Voting Right of Dominant Shareholder	35.6%	31.0%	29.5%	4.6% (0.00)***
Financial Variable				
Tobin's Q	1.60	1.98	2.09	-0.38 (0.00)***
Firm Size	30280	55884	67783	-25603 (0.00)***
Foreign Sales	15.6%	31.1%	35.6%	15.5% (0.00)***

Table III. U.S. Director and Firm Value: : This table provides the pooled OLS regression results on the impact of U.S. independent directors on firm value. The dependent variable is Tobin's Q, defined as total assets minus book value of equity plus market value of equity. FID is an indicator variable that equals to 1 if the cross-listed firms have at least one independent director whose primary employers are U.S. companies. Local FID equals to 1 if the independent directors whose primary employers are U.S. companies also work in the local offices in U.S (not a in a foreign office of the company). Board size is the number of directors sitting on board. %IND is the percentage of directors who are independent. Right Difference is the difference between dominant shareholder's voting rights and cash flow rights. Voting rights is the percentage of voting rights hold by dominant shareholder. CEO Chairman Duality equals 1 if CEO is also the Chairman of the board. Nomination Committee equals to 1 if the firm has a nomination committee. CEO Nomination Committee equals to 1 if the CEO is on the nomination committee. Size is the natural logarithm of total assets, Sales growth is the geometric average of sales growth rate in the past two year, leverage is short-term debt plus long-term debt scaled by assets, and Global industry q is the median global industry's Tobin's Q. Standard errors are adjusted for heteroskedasticity and firm clustering. T stats are reported in parentheses. ***, **,and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Model 1	Model 2	Model 3	Model 4
FID	0.289**	0.255**		
	[2.22]	[2.01]		
Local FID			0.476***	0.437***
			[2.87]	[2.66]
Ln (Board Size)	-0.039	-0.019	-0.042	-0.025
	[-0.30]	[-0.10]	[-0.22]	[-0.13]
%IND	0.169	0.131	0.139	0.101
	[0.64]	[0.53]	[0.58]	[0.42]
Right Difference	-0.170	-0.235	-0.138	-0.202
	[-1.07]	[-1.10]	[-1.30]	[-1.05]
Voting Rights	-0.306	-0.325	-0.314	-0.333
	[-1.01]	[-1.29]	[-1.08]	[-1.16]
CEO Chairman Duality		0.194		0.174
		[1.27]		[1.35]
Nomination Committee		0.099		0.089
		[0.82]		[0.76]
CEO Nomination Committee		-0.382**		-0.361**
		[-2.49]		[-2.40]
Salesgr	0.098**	0.095**	0.103**	0.100**
	[2.13]	[1.99]	[2.30]	[2.16]
Size	-0.102***	-0.106***	-0.104***	-0.107***
	[-3.26]	[-3.30]	[-3.35]	[-3.37]
ROA	0.028***	0.028***	0.028***	0.028***
	[5.01]	[5.07]	[5.11]	[5.16]
R&D	0.002**	0.002**	0.002**	0.002**
	[2.24]	[2.38]	[2.11]	[2.24]
Leverage	-0.609**	-0.581**	-0.574**	-0.551**
	[-2.38]	[-2.29]	[-2.28]	[-2.19]
Globalq	0.495**	0.468**	0.498**	0.473**
	[2.32]	[2.24]	[2.37]	[2.29]
Country and Year Dummies	Yes	Yes	Yes	Yes
Observations	1165	1165	1165	1165
Adjusted R^2	0.317	0.324	0.328	0.333

Table IV. U.S. Director and Firm Value, Robustness Tests: This table provides robustness tests on the impact of U.S. independent directors on firm value. The dependent variable is Tobin's Q, defined as total assets minus book value of equity plus market value of equity. FID is an indicator variable that equals to 1 if the cross-listed firms have at least one independent director whose primary employers are U.S. companies. No FID is a dummy variable that equals to 1 for firms do not have U.S. directors either before or after they changed their FID status. Board size is the number of directors sitting on board. %IND is the percentage of directors who are independent. Right Difference is the difference between dominant shareholder's voting rights and cash flow rights. Voting rights is the percentage of voting rights hold by dominant shareholder. CEO Chairman Duality equals 1 if CEO is also the Chairman of the board. Nomination Committee equals to 1 if the firm has a nomination committee. CEO Nomination Committee equals to 1 if the CEO is on the nomination committee. Size is the natural logarithm of total assets, Sales growth is the geometric average of sales growth rate in the past two year, leverage is short-term debt plus long-term debt scaled by assets, and Global industry q is the median global industry's Tobin's Q. Standard errors are adjusted for heteroskedasticity and firm clustering. T stats are reported in parentheses. ***, **,and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Firm-Fixed Effects	P-score Matching	2SLS First Stage	2SLS Second Stage
FID	0.091	0.202		0.791*
	[1.48]	[1.41]		[1.83]
No FID		-0.169		
		[-1.11]		
Foreign Sales			1.446***	
			[3.65]	
Access to International Airport			0.393*	
			[1.89]	
Ln (Board Size)	0.334*	-0.365	-0.142	-0.025
	[1.65]	[-1.41]	[-0.40]	[-0.13]
%IND	0.073	0.348	2.34***	0.101
	[0.41]	[0.99]	[4.06]	[0.42]
Right Difference	-0.390	-1.164	1.03	-0.202
	[-1.07]	[-1.34]	[1.03]	[-1.05]
Voting Rights	-0.281	-0.827	0.642	-0.333
	[-1.05]	[-1.49]	[1.26]	[-1.16]
CEO Chairman Duality	0.049	0.286	0.422*	0.174
	[1.27]	[0.98]	[1.90]	[1.35]
Nomination Committee	0.023	0.159	0.194	0.089
	[0.82]	[0.87]	[0.78]	[0.76]
CEO Nomination Committee	-0.157	0.009	-0.48	0.361
	[-1.10]	[0.06]	[-0.57]	[-0.40]
Salesgr	0.128***	0.193	0.103**	0.100**
	[4.65]	[0.92]	[2.30]	[2.16]
Size	-0.353***	-0.091*	-0.104	-0.017
	[-4.06]	[-1.83]	[-0.35]	[-0.37]
ROA	0.001***	0.018*	0.003	0.028***
	[3.01]	[1.82]	[0.11]	[5.16]
R&D	0.001*	0.005	0.016**	0.002
	[1.85]	[0.62]	[2.11]	[1.24]
Leverage	-0.252	-0.581	0.234	-0.551
	[-0.78]	[-0.29]	[0.40]	[-1.19]
F-Test (FID vs No FID)	NA	4.19**		
		(0.045)		
Country and Year Dummies	Yes	Yes	Yes	Yes
Observations	1165	202	1165	1165
Adjusted R^2	0.1162	0.551	0.228	0.333

Table V. U.S. Director and Cross-listing Benefits: This table provides pooled OLS regression results on the impact of U.S. independent directors on cross-listing benefits. The dependent variable is Tobin's Q, defined as total assets minus book value of equity plus market value of equity. FID is an indicator variable that equals to 1 if the cross-listed firms have at least one independent director whose primary employers are U.S. companies. No-FID is a dummy variable that equals to 1 for cross-listed firms do not have U.S. directors. FID Pre-listing equals to 1 for firm years by FID cross-listed firms before they cross-list and No FID Pre-listing equals to 1 for firm years by cross-listed firms without FID before they cross-list. Board size is the number of directors sitting on board. %IND is the percentage of directors who are independent. Right Difference is the difference between dominant shareholder's voting rights and cash flow rights. Voting rights is the percentage of voting rights hold by dominant shareholder. CEO Chairman Duality equals 1 if CEO is also the Chairman of the board. Nomination Committee equals to 1 if the firm has a nomination committee. CEO Nomination Committee equals to 1 if the CEO is on the nomination committee. Size is the natural logarithm of total assets, Sales growth is the geometric average of sales growth rate in the past two year, leverage is short-term debt plus long-term debt scaled by assets, and Global industry q is the median global industry's Tobin's Q. Standard errors are adjusted for heteroskedasticity and firm clustering. T stats are reported in parentheses. ***, **,and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Model 1	Model 2	Model 3
FID	0.419***	0.420***	1.156***
	[3.59]	[3.29]	[2.94]
No-FID	0.175**	0.174**	0.877***
	[2.18]	[2.18]	[2.84]
FID Pre-listing		0.152	0.175
		[1.16]	[1.26]
No-FID Pre-listing		0.053	0.095
		[0.28]	[0.70]
Cross-listed*Ln (Board Size)			-0.031
			[-1.33]
Cross-listed* %IND			0.063
			[0.43]
Cross-listed* Right Difference			-0.573
			[-1.09]
Cross-listed* Voting Rights			-0.558***
			[-3.23]
Salesgr	-0.001	-0.001	-0.001
	[-1.04]	[-1.03]	[-1.04]
Ln(Sales)	-0.017***	-0.017***	-0.017***
	[-6.03]	[-5.90]	[-6.05]
ROA	0.021***	0.021***	0.022***
	[16.20]	[16.24]	[16.22]
R&D	0.003	0.003	0.003
	[1.54]	[1.54]	[1.55]
Leverage	-0.223***	-0.223***	-0.221***
	[-7.96]	[-7.97]	[-7.92]
Globalq	0.587***	0.596***	0.587***
	[13.64]	[13.73]	[13.65]
Country and Year Dummies	Yes	Yes	Yes
Observations	58497	58497	58497
Adjusted R^2	0.250	0.249	0.250

Table VI. U.S. Directors and Announcement Returns: This table provides the results on announcement returns for U.S. director appoint by cross-listed foreign firms. Cumulative abnormal returns (CARs) are estimated using the market model using the home country index of the foreign firms for the 3-day window (-1, +1) and 5-day window (-2, +2). Panel A provides the summary statistics on 3-day CAR and 5-day CAR. Panel B reports 5-day CAR for different groups based on home country characteristics. ***, **,and * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A. U.S. Director Announcement Return

CAR	N	Mean	Median	Min	Max
(-1, +1)	35	0.024*	0.013	-0.076	0.234
(-2, +2)	35	0.030*	0.021	-0.207	0.361

Panel B. U.S. Director Announcement Return by Country Type

	N	CAR (-2, +2) Mean	CAR (-2, +2) Median
English Law	15	0.034	-0.008
Civil Law	20	0.027*	0.033
High Anti-Director	16	0.030	-0.001
Low Anti-Director	19	0.029*	0.037
High Anti-self-dealing	18	0.028	-0.001
Low Anti-self-dealing	17	0.033*	0.038

Table VII. Legal Environments, U.S. Director and Cross-listing Benefits: This table provides pooled OLS regression results on the impact of U.S. independent directors on cross-listing benefits by home country's legal environments. The dependent variable is Tobin's Q, defined as total assets minus book value of equity plus market value of equity. FID is an indicator variable that equals to 1 if the cross-listed firms have at least one independent director whose primary employers are U.S. companies. No-FID is a dummy variable that equals to 1 for cross-listed firms do not have U.S. directors. FID Pre-listing equals to 1 for firm years by FID cross-listed firms before they cross-list and No FID Pre-listing equals to 1 for firm years by cross-listed firms without FID before they cross-list. Board size is the number of directors sitting on board. %IND is the percentage of directors who are independent. Right Difference is the difference between dominant shareholder's voting rights and cash flow rights. Voting rights is the percentage of voting rights hold by dominant shareholder. CEO Chairman Duality equals 1 if CEO is also the Chairman of the board. Nomination Committee equals to 1 if the firm has a nomination committee. CEO Nomination Committee equals to 1 if the CEO is on the nomination committee. Size is the natural logarithm of total assets, Sales growth is the geometric average of sales growth rate in the past two year, leverage is short-term debt plus long-term debt scaled by assets, and Global industry q is the median global industry's Tobin's Q. Standard errors are adjusted for heteroskedasticity and firm clustering. T stats are reported in parentheses. ***, **,and * denote significance at the 1%, 5%, and 10% levels, respectively.

	High Anti-director	**Low Anti-director**	**High self-dealing**	**Low self-dealing**	**Common Law**	**Civil Law**
FID	0.257	0.436***	0.293*	0.404***	0.308	0.393***
	[1.36]	[3.23]	[1.83]	[2.83]	[1.44]	[2.95]
No-FID	0.141	0.201**	0.196	0.178*	0.050	0.206**
	[1.00]	[2.19]	[1.52]	[1.85]	[0.23]	[2.56]
FID Pre-listing	0.356	0.156	0.341	0.176	0.408**	0.152
	[1.33]	[0.97]	[1.21]	[0.96]	[2.45]	[0.85]
No-FID Pre-listing	0.138	0.063	0.074	0.101	0.014	0.086
	[0.53]	[0.27]	[0.36]	[0.88]	[0.35]	[0.72]
Salesgr	0.001	0.005*	0.001	0.003	0.001	0.005*
	[0.83]	[1.64]	[0.75]	[1.00]	[0.50]	[1.64]
Ln(Sales)	-0.015***	-0.039***	-0.017**	-0.029***	-0.020**	-0.014***
	[-3.03]	[-9.90]	[-2.03]	[-5.97]	[-2.13]	[-4.90]
ROA	0.023***	0.018***	0.023***	0.016***	0.017***	0.021***
	[8.03]	[10.46]	[8.94]	[10.43]	[4.64]	[14.46]
R&D	0.007	0.001***	0.005**	0.001***	0.001	0.001***
	[1.31]	[3.75]	[2.00]	[3.67]	[0.67]	[3.40]
Leverage	-0.090**	-0.328***	-0.130***	-0.340***	-0.386***	-0.328***
	[-2.51]	[-7.47]	[-4.16]	[-5.68]	[-4.95]	[-7.47]
Globalq	0.549***	0.506***	0.521***	0.506***	0.661***	0.512***
	[13.45]	[6.73]	[14.38]	[6.73]	[8.29]	[9.73]
Country and Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes
Observations	28347	30150	38996	19531	9906	48575
R^2	0.235	0.249	0.264	0.198	0.216	0.236

Table VIII. U.S. Director and M&A Performance: This table provides the pooled OLS regression results on the impact of U.S. independent directors on M&A performance. The dependent variable is models is the bidder's 3-day cumulative abnormal return (CAR3) around M&A announcement dates. FID is an indicator variable that equals to 1 if the acquirer has at least one independent director whose primary employers are U.S. companies. US Target equals to 1 if the M&A target is a U.S. company. Board size is the number of directors sitting on board. %IND is the percentage of directors who are independent. Right Difference is the difference between dominant shareholder's voting rights and cash flow rights. Voting rights is the percentage of voting rights hold by dominant shareholder. CEO Chairman Duality equals 1 if CEO is also the Chairman of the board. Nomination Committee equals to 1 if the firm has a nomination committee. CEO Nomination Committee equals to 1 if the CEO is on the nomination committee. Cash is a firm's cash scaled by firm assets. Size is the logarithm of assets, and Tobin's Q is the market value of assets over the book value of assets. Leverage is long-term debt over total assets. Relative Value is equal to deal value as a percentage of acquirer total assets. Run-up BHR is the buy and hold return from day -210 to -11. *Diversify* is a binary variable that equals 1 if the target and acquirer are in different Fama-French 48 industries. International is a binary variable that takes the value of 1 if the target and acquirer are in different countries. Public, private, and subsidiary target are dummy variables indicate different target type. Cash M&A and stock M&A indicates wether the deal involves all cash or stock component. We use differences between investor protection levels, the ratio of the stock market capitalization to GDP, and GNP per capita of acquirer and target firms to capture potential synergies of cross-border mergers. Standard errors are adjusted for heteroskedasticity and firm clustering. T stats are reported in parentheses. ***, **,and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Model 1	**Model 2**
FID	0.025**	0.024**
	[2.24]	[2.25]
FID * US Target		0.002
		[0.18]
Ln (Board Size)	-0.003	-0.003
	[-0.13]	[-0.33]
%IND	0.014	0.014
	[0.29]	[0.43]
Right Difference	-0.304**	-0.318**
	[-2.00]	[-2.29]
Voting Rights	-0.023	-0.023
	[-0.68]	[-0.68]
CEO Chairman Duality	-0.015	-0.015
	[-0.77]	[-0.77]
Nomination Committee	0.091***	0.091***
	[4.77]	[4.67]
CEO Nomination Committee	-0.014	-0.019
	[-1.12]	[-1.12]
US Target	0.004	0.011
	[0.35]	[0.81]
$Cash_{t-1}$	-0.102	-0.105
	[-1.22]	[-1.42]
Tobin's Q_{t-1}	-0.011	-0.011*
	[-1.61]	[-1.68]
$Leverage_{t-1}$	0.001	0.001
	[0.17]	[0.17]
$Size_{t-1}$	-0.003***	-0.003***
	[-2.91]	[-3.91]
Relative Value	0.003	0.005
	[0.51]	[0.50]
Run Up BHR	0.002*	0.002*
	[1.68]	[1.67]
Diversify	0.001	0.001
	[0.72]	[0.72]
International	0.002	0.002
	[1.26]	[1.26]

Public Target*Cash	0.017*	0.017*
	[1.64]	[1.68]
Public Target*Stock	-0.022	-0.021
	[-1.16]	[-1.20]
Private Target*Cash	0.001	0.001
	[0.14]	[0.14]
Private Target*Stock	0.002	0.002
	[0.67]	[0.67]
Sub Target*Cash	0.021*	0.018*
	[1.80]]	[1.73]]
Country Shareholder Protection: acquirer minus target	-0.005	-0.005
	[-1.42]	[-1.42]
Mktcap to GDP: acquirer minus target	-0.003	-0.003
	[-0.26]	[-0.45]
Log (GNP per capita): acquirer minus target	0.001	0.001
	[0.09]	[0.09]
Industry Dummies	Yes	Yes
Country Dummies	Yes	Yes
Year Dummies	Yes	Yes
Observations	276	276
Adjusted R^2	0.012	0.012