

**Cross-Listing and Foreign Direct Investment:
An Institutional Arbitrage Perspective on Chinese Multinational Enterprises**

ABSTRACT

Through the lens of institutional arbitrage, we examine the impact of cross-listing on foreign direct investment by multinational enterprises (MNEs) based in China. We propose that the advantages associated with cross-listing, identified as the credibility premium and mobility premium, significantly contribute to the international competitiveness of MNEs in constructing trade networks and overcoming market entry challenges. Drawing on an analysis of over 20,000 foreign subsidiaries from China, we find that cross-listing firms are more likely to have larger FDI portfolios and broader geographic dispersion than non-cross-listing firms. Moreover, the magnitude of these advantages depends on the institutional distance between the home and host countries. Our findings suggest that the benefits of cross-listing, particularly in terms of portfolio scope and geographic dispersion, are more pronounced in host countries with mature institutional frameworks.

Keywords: Cross-listing, foreign direct investment, institutional arbitrage, China, multinational enterprises (MNE)

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1. INTRODUCTION

Cross-listing, also referred to as a foreign or overseas listing, denotes the "practice of listing on a nondomestic exchange" either as a "substitute or supplement" to a domestic stock exchange (Sarkissian & Schill, 2016, p. 259). By listing on multiple stock exchanges, cross-listed firms can diversify their investor base and enhance the liquidity of their stock. (Berkman & Nguyen, 2010) and mitigate their exposure to risk associated with a single market or country, thereby reducing the cost of capital (Diniz-Maganini et al., 2023). One primary example is the recent surge in Chinese firms' cross-listing on major foreign stock exchanges (Peng & Blevins, 2012), which began around 2000 and peaked in the early 2010s. Chinese firms typically complete the requisite administrative and regulatory procedures in the U.S. within 12 months. The equivalent process in China extends over 2-3 years (Shanghai Stock Exchange, 2020). Moreover, cross-listing on foreign exchanges has historically resulted in higher valuations for firms than their listings on local exchanges (Doidge et al., 2004). For example, the price-earnings ratio for the S&P 500 in the U.S. can reach 20-30 times (YCharts, 2023), whereas the ratio on Hong Kong exchanges falls between 10-15 times (CEIC Data, 2023). Therefore, cross-listing is particularly advantageous for firms that are seeking access to capital for expansion and development.

Insert Figure 1 here

Prior research on cross-listing has primarily focused on its financial implications, such as improved liquidity (Berkman & Nguyen, 2010) and reduced cost of capital (Diniz-Maganini et al., 2023), while paying limited attention to its strategic role in shaping firms' international operations. However, some International Business (IB) scholars have acknowledged the mutual dependence between a firm's capital market strategy and product market strategy in global markets (Filatotchev et al., 2016). This link remains underexplored in empirical research. For

instance, Peng and Su (2014) conceptually argued that cross-listing can expand a firm's operational and geographic scope and increase its propensity for foreign mergers and acquisitions (M&A). Building on these insights, our study moves beyond conceptual speculation by empirically examining how cross-listing facilitates foreign direct investment (FDI). We further argue that cross-listing can create a regional bridging effect through broad geographic dispersion, enabling firms to generate organizational learning through the transfer of region-specific knowledge, facilitating entry into adjacent countries and accessing local capital, talent, and legitimacy within a multi-regional context. This perspective highlights the broader role of cross-listing in shaping the internationalization of emerging market firms. By empirically demonstrating how cross-listing influences international expansion, this study advances the theoretical understanding of how firms coordinate financial and operational strategies to overcome institutional barriers and compete globally. In this regard, we aim to shed new light on this nexus between financial and operational strategy in emerging market MNEs.

Theoretically, we adopt an institutional arbitrage perspective to investigate the role of institutions in the relationship between firms' cross-listing and FDI strategies. Institutional arbitrage refers to MNEs strategically locating different activities in countries with favourable institutional arrangements to achieve specific organizational objectives (Fathallah & Carney, 2024; Tang, 2021). For MNEs from emerging markets (e.g. China), institutional arbitrage manifests as a 'bonding' and 'signaling' approach, where firms strategically adhere to more stringent foreign institutions to escape their country of origin constraints (Diniz-Maganini et al., 2023; Tang, 2021; Wu & Deng, 2020), thereby assisting MNEs to secure competitive advantages in internationalization, specifically through increased foreign subsidiary portfolio diversification and location dispersal.

We view cross-listing as a strategic mechanism for Chinese MNEs to gain competitive advantages in their internationalization process. It allows cross-listing firms to accrue two distinct advantages: the credibility premium and the mobility premium. With these two premia, our research question addresses "does cross-listing better equip firms to pursue an extensive portfolio of foreign subsidiaries and a wider geographic dispersion?" Moreover, we identify the moderating effect of institutional contexts and posit that the cross-listing firm's advantages in constructing foreign subsidiaries with greater geographic dispersion will be more pronounced in hosting countries with comparably mature institutions.

We empirically test these hypotheses using a sample from China, drawing on the data from approximately 2,500 listed Chinese MNEs and their more than 20,000 overseas subsidiaries. We find consistent and robust support for two baseline hypotheses, indicating that cross-listing firms have advantages in expanding their FDI portfolios overseas, with a credibility and mobility premium. Furthermore, our results suggest that the credibility and mobility premiums are more substantial in mature institutional settings.

We make both theoretical and empirical contributions to the literature. Theoretically, we connect international finance and international business literature by enriching our understanding of cross-listing beyond financial outcomes, thereby manifesting its effect on a firm's international strategy. We employ the concept of institutional arbitrage to explain how cross-listing as a corporate strategy accelerates firms' internationalization by offering credibility and mobility premiums. We further contextualize the host market institutions to acknowledge the contingent nature of the benefits of cross-listing. Empirically, we examine the sample of Chinese firms listed in two domestic markets and six overseas stock exchanges. We believe that this empirical

setting offers valuable insights into the internationalization strategies of Chinese multinationals and how a cross-listing strategy can provide a competitive advantage over domestic peers.

2. THEORETICAL BACKGROUND AND HYPOTHESES

2.1 Cross-listing and foreign direct investment (FDI)

The combined use of FDI and cross-listing offers access to foreign markets and capital. FDI refers to the establishment of a business in a foreign country through the acquisition of assets or the initiation of new operations with a significant investment in physical assets (Moosa, 2002). With greater control over their operations and access to local resources, markets, and talent, FDI involves significant upfront costs and political risks (Busse & Hefeker, 2007). Lindorfer & d'Arcy (2016) studied the interaction between a firm's strategies in product and capital markets and found that FDI accentuates cross-listing. Yet, cross-listing does not lead to higher ex-post operational performance in the host markets, suggesting that the opposite is more likely to be accurate, namely, a positive spillover from cross-listing to FDI.

Much of the finance cross-listing literature finds positive effects on firms' valuation (Doidge et al., 2004), corporate risk-taking across regions (Bruno & Shin, 2014), and firms' financial performance (Diniz-Maganini et al., 2023). Hasan, Kobeissi, and Wang (2011) demonstrate that firms utilize cross-listing in the U.S. as a strategic tool to enhance visibility and increase the possibility of pursuing international diversification. In addition, scholars find that a firm's cross-listing strategy affects its motivation to engage in FDI (Oxelheim et al., 2001) and impacts the expansion of its geographic dispersion and high propensity to engage in M&A in the host market. (Peng & Su, 2014). Despite the extant literature providing ample evidence of the relationship between a firm's product market internationalization and its capital market strategies, research has given little attention to how institutions play a role.

2.2 Institutional arbitrage

Economic arbitrage enables firms to exploit price differences and information asymmetries between jurisdictions, but institutional arbitrage permits firms to capitalize on comparative institutional advantages across countries (Fathallah & Carney, 2024; Jackson & Deeg, 2008). Prior IB study approaches institutional arbitrage from a 'constraining' and 'conforming' perspective, emphasizing the misalignment between firms' needs and home country institutions, which increases transaction costs (Tang, 2021).

Other studies focus on the 'bonding' and 'signalling' effects of institutional arbitrage, which help firms exploit the benefits derived from the match between firm-specific factors and institutions in the host country (Siegel, 2005). These studies suggest that variations in regulatory institutions can incentivize firms to locate their activities abroad if institutions at home are unsupportive of that activity (Burns et al., 2007). A compelling example is Pfizer's extensive use of clinical trials in India during the early 2000s (Yee, 2012). At that time, India offered a regulatory environment with fewer bureaucratic barriers, lower compliance costs, and rapid patient recruitment—conditions that were less attainable in the more tightly regulated Western markets, such as the United States or the European Union. India's moderate regulatory regime enabled Pfizer to accelerate drug development and reduce costs while bypassing certain institutional constraints at home. Such cases illustrate how firms engage in institutional arbitrage not only to mitigate regulatory friction but also to gain strategic advantages in innovation and international market positioning.

While IB studies often focus on how MNEs adapt to foreign institutional environments, some studies concentrate on the impacts of the institutional environments in the home country (Marano et al., 2017). For instance, Richter (2010) finds that domestic political connections

influence firms' access to cross-listing on foreign exchanges. In a study of Chinese firms cross-listing in the U.S., Cumming, Hou, and Wu (2017) suggest that it is the quality of home-country macro-governance, rather than the quality of corporate governance, that continues to influence the market value of the cross-listing firms, posing a challenge to the bonding hypothesis that emphasizes the importance of host-country institutional frameworks (Witt et al., 2021).

IB literature typically depicts institutional arbitrage as the means by which MNEs engage in different activities across countries with distinct institutional arrangements (Chen, 2013; Golikova et al., 2014; Schneider et al., 2010). Contractor and colleagues (2020) identify different institutional variables in the host country and suggest that MNEs are willing to trade off a country's poor institutional variables, such as less efficient entry and exit regulations, in exchange for more vigorous contract enforcement. Overall, the literature on institutional arbitrage underscores the intricate interplay between institutional arrangements, market behaviour, and economic outcomes (Fathallah & Carney, 2024; Tang, 2021). While institutional arbitrage can create opportunities for investors and promote market efficiency, it can also introduce risks and distortions that require host jurisdictions to exercise caution in their regulatory and policy design.

2.3 Hypothesis Development

2.3.1 Cross-listing, Bonding, and FDI Portfolio Scope

Cross-listing on the listing country's exchanges requires that firms conform to the stringent standards and make "promises to make full and fair disclosure" (Coffee, 2002, p. 1781), thereby bonding themselves to the high standards of the host market. Scholars associate cross-listing with good corporate governance and refer to this mechanism as the bonding hypothesis or bonding strategy in the existing literature (Coffee, 2002; Siegel, 2009). In most cases, the listing countries

have strict requirements for protecting minority investor rights and disclosing financial information (Frésard & Salva, 2010). The related bonding mechanism in the U.S. is a sign of convergence in higher governance quality (Diniz-Maganini et al., 2023, p. 237), as it provides better protection to shareholders through greater transparency. Siegel (2005) suggests that cross-listing firms are subject to the bonding mechanism that forces listing firms to adopt more stringent practices in both formal and informal rules, such as information disclosure, accountability, and best governance practices. When institutional reform is unlikely at home, cross-listing firms can enhance reputation and legitimacy through institutional arbitrage of their overseas listing.

Scholars generally accept that cross-listing will increase a firm's international visibility, as disclosure reduces the information asymmetry between insiders and investors (Bailey et al., 2006). Potential business partners can assess the firm's financial status and competitive position more easily, due to the reduced time and cost of obtaining corporate information. Thus, firms can promptly capture opportunities for collaboration. We claim such benefits as credibility premia, as credit agencies grant corporations a higher credit rating to distinguish the firm's financial capability. With the credibility premium based on the bonding mechanism, the cross-listing firms are more likely to secure contracts with suppliers and customers. Cross-listing firms may also benefit from the credibility premium of lower credit costs, which is valuable when establishing subsidiaries in foreign markets.

Beyond its impact on external partners, the credibility premium may also improve confidence and trust among diversified investors, who may view cross-listing as an indicator of qualified management and efficient governance. Lel and Miller (2008) find that firms from weak investor protection regimes and cross-listed in the U.S. have a higher propensity to terminate

poorly performing CEOs than non-cross-listed firms, suggesting an enhanced corporate governance efficiency after cross-listing. With the addition of cross-listing, domestic investors may view it as a significant step towards bolder strategic decisions, such as expanding global market coverage. Overseas investors also welcome cross-listing, as it allows them to gain confidence in the company, enabling them to better scrutinize a firm's financial condition in a transparent institutional environment (Ning et al., 2014). In turn, domestic and overseas investors interpret credibility premia as an endorsement of a firm's superior competitiveness compared to its non-cross-listing counterparts. This approval substantially supports an ambitious firm's long-run visionary strategic plans (Temouri et al., 2016).

Accordingly, the bonding mechanism associated with a credible cross-listing provides confidence to a broader array of investors. Thus, bonding attracts a larger pool of capital, enabling the firm to explore opportunities overseas, develop multiple subsidiaries overseas and an improved portfolio of foreign investments, and we hypothesize that:

H1 Cross-listing firms are likely to have greater FDI portfolio scope than non-cross-listing firms.

2.3.2 Cross-listing, Signalling, and FDI Geographic Dispersion

An MNE's geographic dispersion denotes the extent to which it has spread its foreign subsidiaries across a wide range of countries and/or to geographically distant locations (Beugelsdijk & Mudambi, 2013). Thus, dispersion refers to the breadth of the MNE's overseas presence: a highly dispersed MNE has subsidiaries in many countries as well as significant physical geographic distance, meaning the MNE has subsidiaries in countries that are far apart from one another. For example, an MNE with subsidiaries in Asia, America, and Europe is more geographically dispersed than an MNE with all its overseas subsidiaries concentrated in a single region.

Signalling will have a positive effect by increasing a firm's local recognition, building its status as an active community participant, and gaining access to local talent and resources (Connelly et al., 2011). Accordingly, cross-listed firms will become more visible, helping to project their brand name and corporate image. As the signalling mechanism suggests, the cross-listed firm generally attracts more attention from financial analysts and journalists due to its greater exposure to the public (Peng & Su, 2014). Since cross-listing attracts international media attention, it raises visibility in adjacent markets (Baker et al., 2002), which enables greater geographic dispersion by easing entry into proximate countries in the region. For example, entry into the UK may facilitate entry into other European countries. Being internationally connected and recognized, cross-listed firms may signal that they are more capable of fulfilling the obligations associated with being responsible corporate citizens in a host country (Pagano et al., 2002).

Given the substantial initial effort and expense, cross-listing is unaffordable for most underperforming companies that wish to attract foreign investors. Therefore, business partners will perceive firms with greater overseas listing aspirations as possessing a substantial resource endowment. In this sense, cross-listing firms are more likely to portray themselves as confident, high-status, and socially knowledgeable in order to nurture their international competitiveness. For example, Novo Nordisk, the Danish pharmaceutical giant, cross-listed on the New York Stock Exchange to signal its R&D excellence, regulatory compliance, and operational capability to U.S. investors and stakeholders. The move enhanced its visibility in its most significant growth market, fostered strategic partnerships, and reinforced its reputation as a globally competitive and trustworthy firm (Bell et al., 2012). As an elevated signal in both appearance and substance, cross-listing firms generally employ internationally experienced managers in

foreign market research and navigate sophisticated, hidden rules when forming and operating foreign subsidiaries. Despite incurring high compensation costs, recruiting managerial specialists will enhance international competitiveness and facilitate the overseas registration and operation process positively (Peng & Su, 2014).

We describe such signalling benefits as mobility premia, representing regional spillover effects that occur when firms gain recognition and reputation. With augmented mobility, cross-listing may facilitate firms' resource acquisition and global expansion (Baker et al., 2002; Hasan et al., 2011). Cross-listing firms with mobility premia may consider foreign locations that are not readily accessible to their non-cross-listing counterparts. Therefore, cross-listing may contribute to greater geographic dispersion when developing new foreign subsidiaries.

H2 Cross-listing firms will likely have a wider FDI geographic dispersion than non-cross-listing firms.

2.3.3 Moderation of Institutional Distance on Portfolio Scope

As discussed, cross-listing generates multiple benefits, strengthening a firm's credibility and enhancing international mobility. This reasoning suggests that a cross-listing strategy compensates for the weak home institutions, helping a firm bridge the domestic institutional void. However, firms may fail to realize the advantages of cross-listing under certain institutional conditions. Therefore, we consider potential contingency effects that limit the benefits of cross-listing.

When exploring opportunities in countries beyond major cross-listing markets (e.g., the U.S. and the UK), the benefits of cross-listing can be subject to verification processes in new host countries, which involve assessing conditions that authenticate the reliability of other institutional contexts. We argue that the value of cross-listing credibility premia is more

pronounced in hosting conditions with greater institutional distance from the home country. Specifically, the infrastructure of advanced institutional settings comprises third-party intermediaries that lend credibility through certifications (Burns et al., 2007). For instance, when auditors and certification organizations can distinguish the integrity of cross-listing firms, potential suppliers, partners, and customers will be more willing to collaborate with firms that have obtained such accreditation. Such institutional infrastructure secures the bonding effect of the credibility premium, ensuring it is preserved in other host countries, indicating that a firm's credibility enhancement remains effective even beyond the listing market. By contrast, in host countries without sufficient verification capabilities, local authorities or vendors often lack the knowledge or capacity to identify what cross-listing entails. In such environments, it is significantly more challenging for cross-listing firms to persuade local stakeholders of their superior credibility. Furthermore, a firm's cross-listing is less valued in host countries that lack credibility, where a misaligned institutional infrastructure deviates from authoritative international rules. In other words, the value of cross-listing's credibility premia may diminish in these hosting countries.

With the credibility premium subject to the host country's institutional distance from the home country, cross-listing firms may subsequently alter the composition of their overseas subsidiaries' portfolios. Given the superior verification capability in developed countries, cross-listing firms with enhanced credibility are more likely to attract third-party endorsements such as audit firms, underwriters, and alliance partners (Bell et al., 2012). For example, beyond primary listing jurisdictions, such as the US and UK, and countries with high-quality accounting rules, such as Germany or France, can further authenticate a cross-listed firm's integrity. But not in less-developed jurisdictions. Thus, third-party endorsements can enhance firms' credibility when

forming subsidiaries in foreign markets and when negotiating terms with partners in a rule-based environment. With a familiar regulatory environment, cross-listed firms confront similar norms concerning shareholder communications, regulators, and journalists (Baker et al., 2002). Thus, accumulated experience developing overseas subsidiaries will strengthen a firm's reputation and confidence when establishing alliances and partnerships.

Furthermore, cross-listed firms can conveniently finance their subsidiaries with capital raised from overseas listings without concerns about foreign exchange and currency restrictions. For instance, firms cross-listed on the NYSE raise capital in U.S. dollars to fund their subsidiaries in the U.S. or other countries that use the same currency, an advantage not applicable to domestically listed firms. By holding NYSE-traded shares, firms can increase the leverage of U.S.-based shares in overseas acquisitions, thereby reducing transaction costs. Overall, we believe that verification infrastructure, such as auditing and certification organizations serving as bonding agents in hosting countries, plays a significant role in moderating the advantages of cross-listing, especially those related to credibility enhancement. Thus, compared to the infrastructure in the home country, cross-listed firms are more likely to sustain or strengthen the credibility advantages in advanced jurisdictions and, in turn, utilize them to develop an overseas portfolio with trustworthy partners.

H3 The positive relation between cross-listing and FDI portfolio scope is stronger in a host country with a high institutional distance from the home country.

2.3.4 Moderation of Institutional Distance on Geographic Dispersion

As credibility premia are more likely to be sustained in jurisdictions with advanced institutions, we reason that cross-listing firms' mobility premia will also be more influential in such conditions. Cross-listing firms may augment mobility advantages by entering institutionally

similar countries. Since mobility advantages reduce the liabilities of foreignness, cross-listing firms are more likely to amplify the mobility effect by locating in transparent and accountable jurisdictions. In hosting countries, where information is publicly accessible, accredited financial analysts and credible media sources report corporate news on specialized broadcast channels, such as Bloomberg, The Wall Street Journal, and Reuters. When international media reporting is current, corporate image and reputation could become crucial, sometimes more so than financial performance. Herrmann and colleagues (2015) find that firms cross-listing on U.S. exchanges experienced significant improvements in both public and private information precision. Stevens and Makarius (2015) demonstrate that a firm's reputation for trustworthiness can effectively alleviate information asymmetry and reduce transaction costs associated with entering a foreign market. With the signalling effect in place, the cross-listing firm can leverage the superior visibility status to overcome the liability of foreignness in dispersed overseas regions. Thus, the more a firm's dispersed subsidiaries enter countries with high institutional distance, the more likely the regional dispersion effect will accelerate entry into adjacent countries with similar levels of (high) institutional distance.

By contrast, in host countries, cross-listing firms cannot gain local recognition and compete against domestic rivals without adequate media coverage. Furthermore, a lack of credible information could lower the country's attractiveness to foreign investors. Drabek and Payne (2002) show that countries with higher trade and investment policy transparency are more likely to attract FDI than non-transparent countries.

Furthermore, a rule-based policy in a well-structured regulatory environment also alleviates concerns for cross-listing firms when making substantial investment decisions. In jurisdictions where legal governance protects contract law and property rights, cross-listing firms

are more willing to enter countries with legal institutions similar to those of the listing markets. Thus, MNEs are prepared to trade off the host country's less efficient entry and exit regulations in exchange for stronger contract enforcement (Contractor et al., 2020). MNEs also take advantage of institutional arbitrage at the location where the costs of compliance with local institutions are lowest (Jackson & Deeg, 2008). Accordingly, as an act of institutional arbitrage, when institutional conditions are superior to those of the country of origin, cross-listing firms could maximize the benefits of the mobility premium.

Another rationale that motivates cross-listing firms to undertake FDI in advanced industrialized nations is to enact an escape response to perceived misalignment between firm needs and home country institutional conditions (Witt & Lewin, 2007). This misalignment is more pronounced for cross-listing firms that have invested significantly in upfront listing costs and made continuous improvements in corporate governance. Such firms can leverage their geographic dispersion as they become more internationally recognized and competitive; cross-listing firms increasingly deviate from the institutional conditions at home as their vision and needs evolve. Escape FDI occurs when managers go abroad to seek complementary advantages from the host country or to escape poor domestic conditions at home (Cuervo-Cazurra et al., 2019). Applying institutional arbitrage logic, Wu & Deng (2020) find evidence that institutional escape urges Chinese small and medium enterprises to choose a host country with a higher institutional distance from their home country. Similarly, the home country's weak institutions discourage the escape of FDI from other emerging markets, Latin America (Clampit et al., 2023). Accordingly, cross-listing firms seeking to leverage their geographic dispersion are more likely to enter advanced institutional environments relative to their country of origin.

H4: The positive relation between cross-listing and FDI geographic dispersion is stronger in a host country with a high institutional distance from the home country.

3. METHOD

3.1 Sample

We draw our sample from CSMAR, a well-recognized database of Chinese companies in the Shenzhen and Shanghai stock markets (Krause et al., 2019). The database provides data on 2,500 listed Chinese firms and their subsidiaries from 1999 to 2019. To our knowledge, this dataset is the most comprehensive source of Chinese OFDI in 155 countries. This dataset contains corporate characteristics for parent firms and their overseas subsidiaries, allowing us to test hypothetical associations among firms, industries, and governments. We retrieve Chinese MNEs with at least one FDI project and treat each foreign subsidiary as a single observation, supplementing relevant information from other data sources (e.g., World Bank and UNCTAD's FDI Statistics). We exclude 17,716 observations from Hong Kong (SAR) and 431 from Macao (SAR), as both territories are subject to China's sovereignty. We also exclude 5,193 OFDI cases in 'Tax haven' territories where MNEs locate their facilities primarily for tax purposes but not for operations. We further eliminate hosting countries that are comparatively institutionally inferior to China across all sampled years, as measured by the World Governance Indicator. By removing the exclusions and missing values, our final sample comprises 20,831 observations across 66 countries. Table 1 presents the distributions of sample countries of foreign investment.

Insert Table 1 about here

3.2 Dependent variables

Our dependent variables are two measures indicating the portfolio and geography scope of the firm's FDI. Regarding the portfolio scope, we follow the literature and create a variable that counts the number of subsidiaries each Chinese firm has

$$GSI = \frac{2}{N(N-1)} \sum_{i < j} d_{ij}$$

established (Hutzschenreuter & Harhoff, 2020; Lee, 2022). Rather than counting the number of foreign locations, we capture the geographic scope of the portfolio by measuring the degree to which a Chinese firm has established spatially diverse subsidiaries. To do so, we follow prior studies (François Outreville, 2012; Luo & Bu, 2018) and apply UNCTAD's Geographical Spread Index (GSI), which considers the geographic dispersion of foreign subsidiaries and the scope of host countries. The Geographic Spread Index (GSI) is calculated as:

Where:

- N = number of foreign locations
- d_{ij} = geographic distance between location i and location j (usually in kilometers or miles)
- The sum is over all unique pairs of locations (i.e., without repetition and avoiding self-pairs) between the home and host countries' capital cities.

For instance, we can calculate the GSI for a Chinese firm with three locations in the U.S., Spain, and Australia by computing the pairwise distance between Beijing and each capital city, and then averaging the sum of inter-location distances, which reflects the geographic dispersion of the firm's foreign subsidiaries. To reduce over-skewness and significant distance outliers, we apply a log transformation to the GSI.

3.3 Independent variable

For cross-listing status, our primary interest, we construct a dummy variable by coding one if the firm has been cross-listed in one or more stock exchanges and zero otherwise (Temouri et al., 2016).

3.4 Moderating variable

Regarding *institutional distance*, we use data from the World Governance Indicators and calculate an aggregated numeric difference between the home and host country on the six indicators (Voice and Accountability, Political Stability and Absence of Violence/Terrorism,

Government Effectiveness, Regulatory Quality, Rule of Law, Control of Corruption). This dataset is widely used in the IB literature, based on over 30 underlying data sources that report the perceptions of governance among many survey respondents and expert assessments worldwide (Kostova et al., 2020). The original scale of the World Governance Indicator spans from -2.5 to 2.5. Based on this scale, we calculate the home-host distance by deducting the home country's aggregated estimated value from the host country's. In our case, treating China as the home country yields a numeric scale of institutional distance ranging from 0 to 2.5.

3.5 Control variables

We control a series of country-level variables that may impact a firm's portfolio of foreign subsidiaries. We first control the host countries' nominal GDP, which we apply in a logarithmic transformation. Next, we control for the host countries' inflow of FDI in the same year as the firm's foreign investment, as it influences the host countries' capacity or willingness to accept inward FDI (Carney et al., 2019). We also control home subnational institutions by including the market index of the province where the firm is registered. Moreover, we control for geographic distance by measuring the distance between the home and host countries' capital cities.

Moreover, we employ a variety of firm-level controls that are log-transformed. Specifically, we control for firm size and age, as larger firms are typically associated with more resources supporting international expansion (Bonaccorsi, 1992). Older firms usually have greater international experience in pursuing foreign investments (Moen, 1999). The third control is the firm's financial performance, measured by return on assets (ROA), as it may affect its financial capacity for foreign investments. Next, we control for the firm's international experience, operationalized as the total number of years since the firm established its first foreign subsidiary (Lu et al., 2014). We also control the firms' percentage of state ownership by

identifying the impact of the government. Finally, we control for the industry and year-fixed effects. We report variable definitions and sources for all dependent and independent variables in Table 2.

Insert Table 2 about here

3.6 Method of Analysis

We employ econometric analysis to estimate the relationship between cross-listing and the firm's portfolio and geographic dispersion in foreign investment, as well as how this relationship is affected by the institutional quality of the host country. To test the hypothesis, we estimated the following model specifications:

$$\text{PortScope}_{ij} = a_1 + a_2 * \text{Crosslist}_i + a_3 * \text{Inst'Distance}_j + a_4 * \text{Crosslist}_i * \text{Inst'Distance}_j + a_5 * \text{FirmSize}_i + a_6 * \text{FirmAge}_i + a_7 * \text{ListAge}_i + a_8 * \text{Inter'Exp}_i + a_9 * \text{ROA}_i + a_{10} * \text{Stateown}_i + a_{11} * \text{HomeProv}'_i + a_{12} * \text{GDP}_j + a_{13} * \text{FDI Inflow}_j + a_{14} * \text{GeoDistance}_j + a_{15} * \text{YEAR}_i + a_{16} * \text{INDUSTRY}_i + \varepsilon_{ij}, (1)$$

$$\text{GSI}_{ij} = b_1 + b_2 * \text{Crosslist}_i + b_3 * \text{Inst'Distance}_j + b_4 * \text{Crosslist}_i * \text{Inst'Distance}_j + b_5 * \text{FirmSize}_i + b_6 * \text{FirmAge}_i + b_7 * \text{ListAge}_i + b_8 * \text{Inter'Exp}_i + b_9 * \text{ROA}_i + b_{10} * \text{Stateown}_i + b_{11} * \text{HomeProv}'_i + b_{12} * \text{GDP}_j + b_{13} * \text{FDI Inflow}_j + b_{14} * \text{GeoDistance}_j + b_{15} * \text{YEAR}_i + b_{16} * \text{INDUSTRY}_i + \varepsilon_{ij}, (2)$$

where the Chinese firm i has established foreign subsidiaries in the host country j . For two dependent variables, we denote PortScope as portfolio scope and GSI as geographic scope. The explanatory variables include Crosslist and Inst'Distance, an interaction term between Crosslist and Inst'Distance, and a set of control variables. We test our hypotheses with the sign and

significance of estimated coefficients: Hypothesis 1 implies that $\alpha_2 > 0$; Hypothesis 2 implies $\beta_2 > 0$; Hypothesis 3 implies $\alpha_4 > 0$; Hypothesis 4 implies $\beta_4 > 0$.

The first dependent variable is a count measure that marks the number of subsidiaries a firm may establish through FDI. Hence, we use Poisson regression to estimate count variables without over-dispersion. By conducting post-estimation analysis, we applied a goodness-of-fit test and obtained a reasonable, non-significant chi-square, indicating that our data fit the model well. The second dependent variable, GSI, is a continuous measure, so we use OLS regression for analysis.

3.7 Endogeneity concerns

We note that the potentially endogenous nature of cross-listing may impede the robustness of the proposed causal relationship between cross-listing and the likelihood of establishing FDI subsidiaries. To address potential endogeneity concerns, we implemented an instrumental variable approach using the two-stage least squares method. We identified two instrumental variables (I.V.s) that we employed in the analyses of the effects of cross-listing on (a) portfolio scope and (b) geographic dispersion. First, we follow Siegel (2009) by selecting an exogenous event that affects whether a firm is motivated or hindered to cross-list. As demonstrated in Figure 1, the growth of cross-listing on the six stock exchanges began in the late 1990s but declined to low levels by 2013, although listing on U.S. stock exchanges picked up in the subsequent period. The international politics between China and capitalist economies, as well as the appetite for cross-listing, soared under China's 'go global market-oriented' strategy following its accession to the World Trade Organization. Subsequently, Chinese firms' cross-listing declined under a 'technological, self-reliance' policy, initiated after the accession of Xi Jinping as the Chinese

President in 2013. This policy shift is a crucial event in cross-listing when implemented¹.

Therefore, we created an “after-2013” dummy to identify the exogenous portion of cross-listing, predicting the FDI portfolio and geographic dispersion.

Second, we identify geographic proximity to stock exchanges and policy authorities as we construct another instrumental variable, indicating whether a firm’s headquarters is located in Shanghai, Shenzhen, or Beijing. We consider the headquarters’ geographic location a relevant factor, as it can impact the company’s ability to connect with officials and secure listing approval. We believe the instruments apply to cross-listing, but there is no reason to think they will directly affect the firm’s likelihood of an FDI decision. If so, these instruments will be strongly related to cross-listing but not correlated with the corresponding error terms. Using the two-stage least squares approach, we test the instrument’s relevance and exogeneity assumptions.

4. RESULTS

4.1 Descriptive statistics

Tables 3 and 4 present the descriptive statistics, including means, standard deviations, and data sources for all variables used in the regression analyses. Table 2 shows the correlation matrix.

We observed high correlations among explanatory variables (e.g., cross-listing and control variables), prompting us to conduct a variance inflation factor (VIF) test to assess multicollinearity. The mean VIF value was 1.57—well below the conventional threshold of 10—indicating that multicollinearity is not a concern in our models.

Insert Table 3 about here

¹ Announcement No. 45 [2012] of the China Securities Regulatory Commission - Guidelines for Supervising the Application Documents and Examination Procedures for the Overseas Stock Issuance and Listing of Joint Stock Companies. The policy started implementation in 2013.

Insert Table 4 about here

4.2 Main results

Tables 5 and 6 show the regression results for our two dependent variables, respectively. We first test estimation using only control variables, which serve as our baseline specification. In Model 1 of Table 5, most controls have positive coefficients with statistically significant values. Then we test Hypotheses 1 and 2 using Poisson and OLS regressions. For Hypothesis 1, the coefficient on Cross-Listing (a2) in Table 5 (Models 2 and 3) is consistently around 0.372 and significant at the 5% level, indicating that cross-listed firms maintain a broader portfolio of foreign subsidiaries. For Hypothesis 2, the OLS result in Table 6 (Model 6) shows a positive Cross-Listing coefficient (b2) of 0.038, also significant at the 5% level, confirming a positive relationship between cross-listing and geographic dispersion.

To test Hypothesis 3, we examined the effect of institutional distance on the relationship between the two variables. Table 5 (Model 3) shows a significant positive impact of institutional distance ($a3 = 0.071$), supporting its role in expanding subsidiary scope. The interaction term (Cross-Listing $\times$ Institutional Distance, a4) in Model 4 is also positive and significant ($p = 0.031$), suggesting that the benefits of cross-listing are stronger in countries with higher institutional distance from the home country. Similarly, for Hypothesis 4, Table 6 (Model 7) reports a significant institutional distance effect ($b3 = 0.135$), indicating a positive influence on geographic diversification. The interaction term (b4) in Model 8 is strongly positive and significant (0.274 at the 1% level), reinforcing that cross-listed firms are more geographically dispersed in institutionally distant host countries. This result supports Hypothesis 4 and

highlights the strategic advantage of cross-listing in navigating diverse institutional environments.

Insert Table 5 about here

Insert Table 6 about here

To better interpret the interaction effects, we plot the marginal impact of cross-listing across institutional distance. Figure 2 shows that non-cross-listed firms maintain a relatively stable number of foreign subsidiaries (~2.8), while cross-listed firms exhibit a steady increase—from 2.8 to 5—as institutional distance increases. This outcome indicates that cross-listed firms are more responsive to institutional differences in expanding their international portfolios.

Figure 3 reveals a dissimilar pattern for geographic dispersion. Both firm types show positive trends, but cross-listed firms experience a steeper increase in geographic spread (from 11.2 to 12.3), compared to a modest rise for non-cross-listed firms (from 11.7 to 12.0). The curves intersect at an institutional distance of 1.5, after which cross-listed firms surpass their counterparts, suggesting they are better positioned to leverage institutional distance for broader international reach.

Insert Figure 2 about here

Insert Figure 3 about here

4.3 Robustness and Endogeneity Checks

We conduct several robustness and endogeneity checks to validate our results. First, to test whether the extent of cross-listing drives our findings, we replace the binary cross-listing variable in Equations (1) and (2) with a continuous measure reflecting the number of foreign

listings. Although we do not report the results, the main coefficients remain consistent in sign and significance, indicating that our findings are not sensitive to the method used for measuring cross-listing.

To address endogeneity concerns, we perform two-stage least squares (2SLS) regressions on the baseline models (excluding interaction terms). As shown in Table 7, cross-listing remains a positive and significant predictor of both portfolio scope and geographic dispersion, reinforcing the robustness of the main results. Following Diniz-Maganini et al. (2023), we test instrument validity. The Durbin–Wu–Hausman test confirms instrument relevance with a strong F-statistic and a p-value of 0.0000. The Sargan and Basmann tests yield p-values of 0.4071 and 0.8470, respectively, indicating the instruments are exogenous and satisfy overidentification restrictions.

In sum, these additional checks confirm the robustness of our findings and reaffirm Hypothesis 3: cross-listed firms benefit more from institutional distance when expanding their subsidiary networks. Equally, Hypothesis 4 holds, showing that cross-listed firms achieve greater geographic dispersion in institutionally advanced host countries.

5. DISCUSSION

We address the relationship between the financial and international strategies of MNEs originating from China. Specifically, we examine whether cross-listing contributes to a larger FDI portfolio and greater geographic dispersion, and how this association varies across a wide range of institutional distances from the home country. Our theoretical framework draws on institutional arbitrage, suggesting that firms gain a credibility premium and a mobility premium through overseas share listings. After controlling for firm-specific variables that support foreign investments, our empirical findings indicate that cross-listing benefits a firm's international competitiveness in constructing trade networks and overcoming market entry challenges. We

further reason that the effectiveness of these advantages is contingent on the institutional distance between home and host jurisdictions. We hypothesize that the moderating role of institutional distance will be positive for a greater portfolio scope and broader geographic dispersion. Our results confirm that the advantages of cross-listing accentuate the expansion of FDI portfolios and locations in host countries with greater institutional distance.

Our study contributes to the intersection of international finance and international business literature. Although cross-listing has been well-documented in the finance literature, scholars have yet to examine its impact beyond capital markets. In response to the calls from the extant literature (Filatotchev et al., 2016; Puck & Filatotchev, 2020), we connect the two domains by emphasizing the interaction between firms' internationalization strategies in capital and product markets. Drawing on the institutional arbitrage perspective, we identify two primary mechanisms of cross-listing - the bonding and signalling effects. These two effects offered comparative advantages in terms of credibility premium and mobility premium, which enhance cross-listing firms' foreign direct investments. Next, we complement the existing literature by highlighting the dynamics of institutional context across the home country, host country, and cross-listed markets. Our findings reveal that host market institutions, serving as a control variable in our empirical tests, are positively associated with the foreign expansion of cross-listing firms. Likewise, the spillover effect from the listing market enhances credibility and mobility for cross-listing firms, resulting in a more diversified portfolio and broader geographic presence.

Nevertheless, the institutional distance between home and host countries plays a significant role in altering the listing market's spillover effects, presenting positive moderation in portfolio scope and in geographic dispersion. This finding suggests that integrating relevant

institutions is central to further studies on cross-border finance decisions. In addition, our research addresses the growing trend of cross-listing among MNEs from emerging markets. We sampled the representative country of China and investigated Chinese firms listed in two domestic markets, as well as their cross-listing on six overseas stock exchanges. Our findings confirm that cross-listing facilitates the international strategy of MNEs from emerging markets (EMNEs) in global outreach. Future research may continue to explore how EMNEs strategically employ financial vehicles in worldwide capital and product markets. Our research also offers valuable insights for policymakers and practitioners. Governments overseeing foreign investment can use firms' cross-listing status to assess their international competitiveness and potential contributions to local economies. Policies should support the engagement and investment capacity of cross-listed firms. For managers, cross-listing presents strategic advantages across different institutional environments. Understanding the home country, host markets, and listing locations can help optimize decisions and maximize benefits.

Notwithstanding our contributions, our analysis has some limitations that warrant caution and suggest avenues for future research. First, we acknowledge that our sample only considers successful market entry and established foreign subsidiaries, which may introduce selection bias into the sample and subsequent analyses. Furthermore, although we have covered six overseas exchanges, most firms cross-list on the Nasdaq and New York stock exchanges, which may limit the variation in our data. The focus is on first-level subsidiaries, which a parent company directly or indirectly owns with more than 50% ownership. While the diverse set of different companies and listing countries offered better empirical insights, these sampling restrictions naturally impact the generalizability of our findings.

6. CONCLUSION

To conclude, the institutional arbitrage perspective offers a novel explanation for the impact of cross-listing on firms' internationalization, particularly for MNEs from emerging markets.

Notably, our investigation reveals significant effects on the FDI portfolio and geographic dispersion, with the contingency of institutional distance between home and host countries moderating the direct impact in both directions. Our study reveals that the interaction of strategies in capital and product markets is a significant factor contributing to the internationalization of MNEs in terms of portfolio scope and geographic coverage.

Table 1: Sampled countries and distribution

Country	Freq.	Country	Freq.	Country	Freq.
Albania	5	India	738	Romania	76
Argentina	47	Ireland	93	Samoa	93
Australia	1656	Israel	68	Saudi Arabia	64
Austria	85	Italy	656	Serbia	11
Barbados	28	Japan	1056	Singapore	2282
Belgium	176	Jordan	14	Slovakia	40
Brazil	429	Latvia	21	Slovenia	11
Brunei	36	Lithuania	12	South Africa	296
Bulgaria	49	Macedonia	4	South Korea	521
Canada	709	Malaysia	574	Spain	201
Chile	68	Malta	38	Sri Lanka	37
Croatia	7	Mauritius	64	Suriname	30
Cyprus	54	Mongolia	128	Sweden	110
Czech	74	Netherlands	733	Switzerland	169
Denmark	84	New Zealand	181	Taiwan	277
Estonia	6	Norway	60	Trinidad and Tobago	9
Finland	68	Oman	19	Tunisia	13
France	408	Panama	144	UK	811
Germany	1578	Peru	44	USA	5576
Ghana	105	Poland	150	United Arab Emirates	302
Greece	4	Portugal	28		
Hungary	59	Qatar	36		

Note: “Freq.” refers to the total number of observations in the sample countries.

Source: Authors’ own work

Table 2. Correlations Coefficients

Variable	1	2	3	4	5	6	7	8
1.Portfolio Scope	1.000							
2.Geographic Spread Index	0.242*	1.000						
3.Cross-Listing	0.038*	0.112*	1.000					
4.Inst' Distance	0.040*	0.169*	0.075*	1.000				
5.Firm Age	-0.125*	0.040*	-0.001	-0.074*	1.000			
6.Firm Size (Ln)	0.101*	0.144*	0.526*	0.066*	0.099*	1.000		
7. Listing Age	-0.144*	0.147*	0.112*	-0.050*	0.519*	0.157*	1.000	
8. GDP	-0.076*	0.049*	-0.144*	0.051*	-0.032*	-0.214*	-0.056*	1.000
9.Inward FDI	-0.054*	0.117*	-0.015	0.408*	0.096*	-0.036*	0.028*	0.329*
10.ROA	0.057*	-0.127*	-0.019*	-0.001	-0.052*	-0.082*	-0.100*	0.035*
11. Intl Experience	-0.168*	0.276*	0.249*	0.058*	-0.033*	0.343*	0.399*	-0.143*
12. GeoDistance	0.040*	0.232*	0.011	-0.273*	-0.005	0.006	0.041*	-0.036*
13. Home Institution	-0.010	-0.085*	0.024*	-0.057*	0.119*	-0.022*	-0.012	-0.028*
14. State-ownership	0.033*	0.000	0.051*	0.069*	0.008	0.212*	-0.029*	-0.070*
15. After2013	0.005	-0.087*	-0.138*	-0.138*	0.344*	-0.174*	0.150*	0.105*
16. Policy proximity	0.151*	0.015	0.199*	0.079*	0.054*	0.223*	0.031*	-0.108*

*** p<0.01, ** p<0.05, * p<0.1

	9	10	11	12	13	14	15	16
9.Inward FDI	1.000							
10.ROA	0.008	1.000						
11. Intl Experience	-0.126*	-0.086*	1.000					
12. GeoDistance	-0.067*	0.010	0.038*	1.000				
13. Home Institution	0.068*	0.012	-0.022*	-0.052*	1.000			
14. State-ownership	-0.029*	-0.012	0.105*	-0.054*	-0.074*	1.000		
15. After 2013	0.170*	-0.012	-0.396*	0.018*	0.268*	-0.223*	1.0000	
16. Policy proximity	0.024*	-0.035*	0.164*	-0.076*	0.279*	0.138*	-0.053*	1.0000

Source: Authors' own work

Table 3: Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
Portfolio Scope	3.048	6.610	1	57
Geographic Spread Index	11.916	0.971	8.796	15.685
Cross-Listing	0.174	0.379	0	1
Institutional Distance	1.697	0.444	0.033	2.532
Firm Age	17.092	6.582	0.17	51.67
Firm Size (Ln)	21.101	1.390	17.752	26.58
Listing Age	10.218	6.866	1	28
GDP	26.693	2.550	19.641	30.693
Inward FDI	10.935	1.375	-0.894	13.064
ROA	0.044	0.078	-3.775	7.249
Intl Experience	8.798	4.419	0	16
Geographic Distance	8.416	0.819	6.862	9.868
Home Province institution	9.663	1.285	-0.161	11.494
State-ownership	8.119	18.521	0	100
After2013	0.775	0.417	0	1
Policy proximity	0.416	0.492	0	1

Source: Authors' own work

Table 4 Definitions and Sources of Variables

Variable	Definition	Source
Portfolio Scope	Number of foreign subsidiaries that a Chinese firm has established	CSMAR
Geographic Spread Index	Number of countries that a Chinese firm has established subsidiaries	
Cross-Listing	Firms listed in more than one exchange	
Institutional Distance	Home and host country difference on WGI's aggregate six indicators of institutional quality	WGI
Firm Age	Year firm began the operation to the year of observation	CSMAR
Firm Size (Log)	Logged value of total assets	
International Experience	Cumulated years since the firm's first overseas subsidiary established	
ROA	Return on Asset	
Listing Age	Cumulated years since the firm's initial public offering (IPO) on stock exchange	
Industry	Industry dummy variable	
Year	Year dummy variable	
Stateown	Percentage of state ownership	World Bank
GDP Current U.S. Dollar (Log)	GDP at purchaser's price is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. Data are in current U.S. dollars and is logged in this study.	
Inward FDI (Log)	Amount of inward FDI from other countries in the given year	UNCTAD
Geographic Distance (Log)	Geographic distance between the home and host countries' capital city	CEPII
Home Province Institution	The Chinese firm's home province market index	China Market Index Database

Source: Authors' own work

Table 5 Poisson Regression DV= Portfolio Scope

VARIABLES	Model 1	Model 2	Model 3	Model 4
Firm Age	-0.027** (0.001)	-0.023** (0.001)	-0.023** (0.001)	-0.023** (0.001)
Firm Size (Log)	0.293** (0.004)	0.263** (0.004)	0.261** (0.004)	0.263** (0.004)
Listing Age	0.016** (0.001)	0.014** (0.001)	0.014** (0.001)	0.014** (0.001)
GDP	-0.082** (0.004)	-0.085** (0.004)	-0.083** (0.004)	-0.084** (0.004)
Inward FDI	-0.002 (0.004)	0.000 (0.004)	-0.009* (0.004)	-0.009* (0.004)
ROA	0.682** (0.064)	0.645** (0.065)	0.637** (0.065)	0.612** (0.065)
Int'Expreience	-0.113** (0.001)	-0.117** (0.001)	-0.117** (0.001)	-0.117** (0.001)
GeoDistance	0.129** (0.008)	0.119** (0.008)	0.124** (0.008)	0.131** (0.008)
HomeProv'	0.050** (0.004)	0.055** (0.004)	0.057** (0.004)	0.057** (0.004)
State Ownership	0.005** (0.000)	0.004** (0.000)	0.005** (0.000)	0.005** (0.000)
Cross-Listing		0.372** (0.014)	0.370** (0.014)	0.023 (0.037)
Inst' Distance			0.071** (0.008)	0.031** (0.009)
Cross-Listing * Inst' Distance				0.209** (0.020)
Constant	-4.194** (0.181)	-3.503** (0.184)	-3.586** (0.185)	-3.582** (0.185)
Observations	20,831	20,831	20,829	20,829
Year F.E.	Yes	Yes	Yes	Yes
Industry F.E.	Yes	Yes	Yes	Yes

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Source: Authors' own work

Table 6 OLS Regression DV= Geographic Spread Index

VARIABLES	Model 5	Model 6	Model 7	Model 8
Firm Age	-0.001 (0.001)	-0.001 (0.001)	-0.000 (0.001)	-0.001 (0.001)
Firm Size (Log)	-0.044*** (0.005)	-0.047*** (0.005)	-0.046*** (0.005)	-0.043*** (0.005)
Listing Age	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)
GDP	0.010** (0.004)	0.010** (0.004)	0.013*** (0.004)	0.014*** (0.004)
Inward FDI	0.009* (0.005)	0.009* (0.005)	-0.011** (0.005)	-0.011** (0.005)
ROA	-0.872*** (0.073)	-0.879*** (0.073)	-0.888*** (0.072)	-0.895*** (0.072)
Int'Expreience	0.057*** (0.002)	0.057*** (0.002)	0.056*** (0.002)	0.056*** (0.002)
GeoDistance	0.275*** (0.009)	0.274*** (0.009)	0.285*** (0.009)	0.289*** (0.009)
HomeProv'	-0.043*** (0.004)	-0.042*** (0.004)	-0.039*** (0.004)	-0.039*** (0.004)
State Ownership	-0.003*** (0.000)	-0.003*** (0.000)	-0.003*** (0.000)	-0.003*** (0.000)
Cross-Listing		0.036** (0.017)	0.019 (0.017)	-0.434*** (0.045)
Inst' Distance			0.135*** (0.010)	0.090*** (0.011)
Cross-Listing * Inst' Distance				0.274*** (0.025)
Constant	11.013*** (0.197)	11.130*** (0.187)	10.907*** (0.187)	10.893*** (0.187)
Observations	20,831	20,831	20,829	20,829
Year F.E.	Yes	Yes	Yes	Yes
Industry F.E.	Yes	Yes	Yes	Yes

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

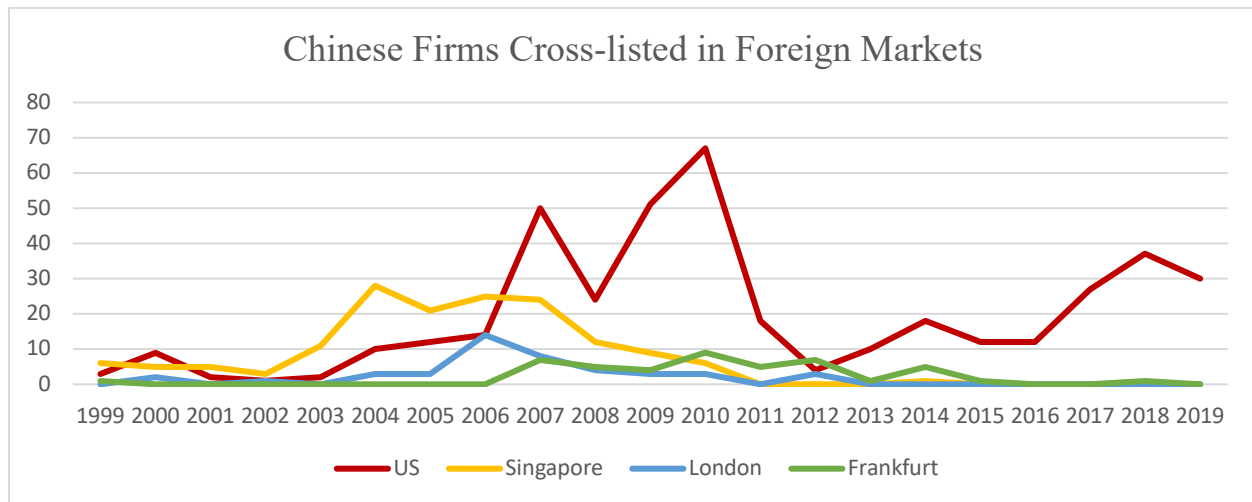
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Table 7 Robustness check: Two-stage least squares estimation results

VARIABLES	Model 1 DV=Portfolio Scope	Model 2 DV=Geographic Spread Index
Firm Age	0.257** (0.049)	-0.012*** (0.003)
Firm Size (Log)	-4.699** (0.698)	0.095*** (0.035)
Listing Age	-0.163** (0.035)	0.004** (0.002)
GDP	-0.256* (0.102)	0.010* (0.005)
Inward FDI	0.051 (0.114)	0.009 (0.006)
ROA	-6.057** (1.958)	-0.552*** (0.107)
Int'Expreience	-0.750** (0.065)	0.068*** (0.003)
GeoDistance	-0.407 (0.245)	0.292*** (0.012)
HomeProv'	0.396** (0.104)	-0.055*** (0.005)
State ownership	0.047** (0.008)	-0.004*** (0.000)
Cross-Listing	59.466** (7.265)	1.374*** (0.336)
Constant	110.154** (15.308)	8.299*** (0.747)
Observations	20,831	20,831
Sargan/Basmann (P Value)	0.4071	0.8420
Durbin/Wu-Hausman F-stat/ P value	726.244 (0.000)	23.7637 (0.000)

This table reports the results of a two-stage regression analysis. The instrumental variables are “after 2013” and “policy proximity”. We report coefficient estimates with p-values in parentheses. P -P-values are calculated using standard errors clustered at the industry level. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. Source: Authors’ own work

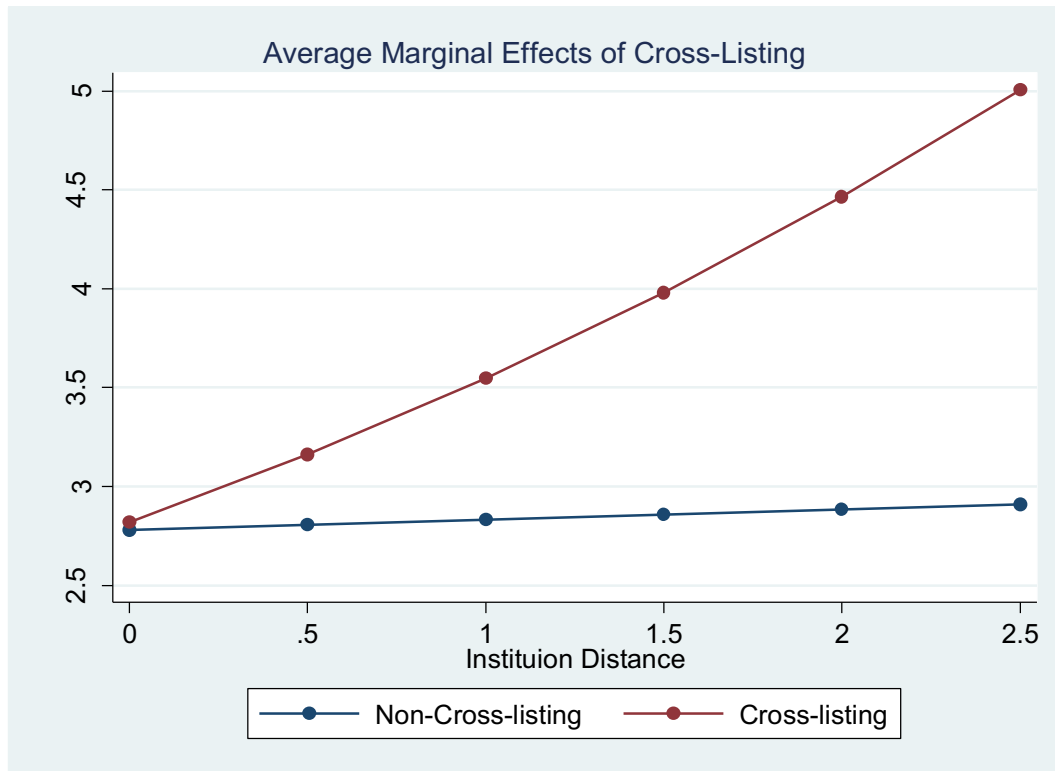
Figure 1



Note: Samples in the U.S. include firms listed on the Nasdaq, American Stock Exchange and New York Stock Exchange.

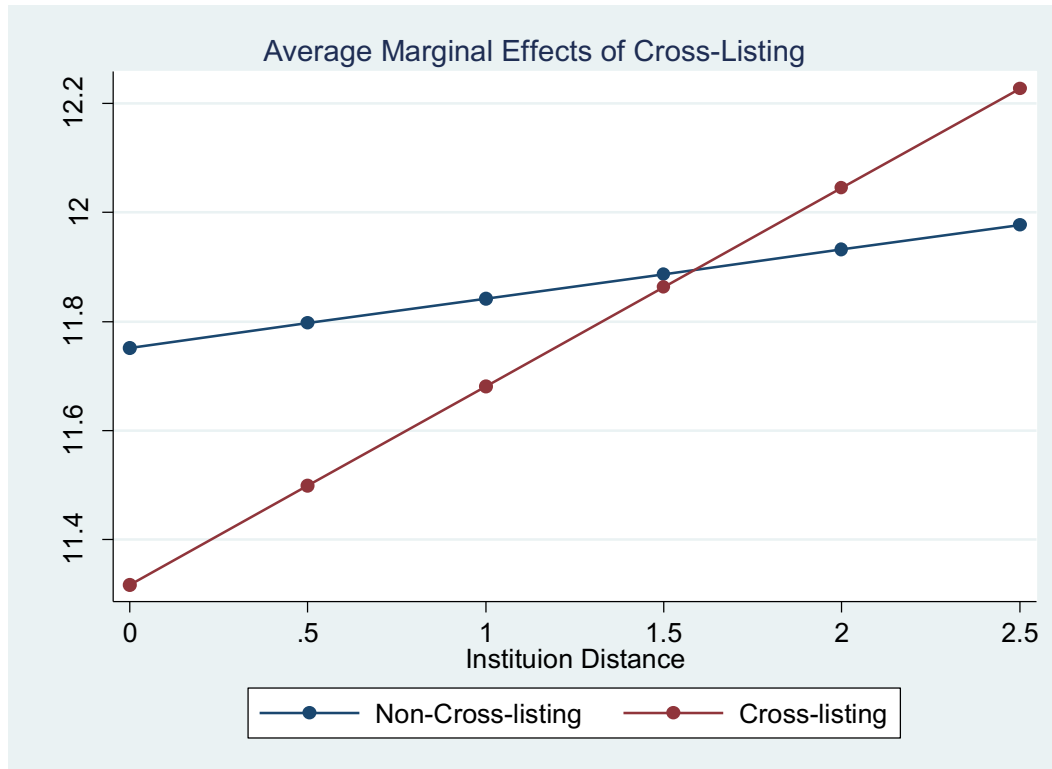
Source: Authors' own work

Figure 2



Source: Authors' own work

Figure 3



Source: Authors' own work

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