Louvain School of Management

Cultural Influences on US GAAP Measures :

An Analysis of Relative Emphasis in Conference Call Transcripts by Cross-Listed Firms in the US Stock Exchange

Author(s): KHARIN Mikhail
Supervisor(s): THEWISSEN James
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Contents

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1 Introduction

The expansion of the financial market and its growing interconnection have led more companies to list on several stock exchanges. This strategy gives cross-listed companies access to different markets and enables them to broaden its investor base. US GAAP measures versus US non-GAAP measures in financial reporting is a debate that has been at the heart of the literature for many years. In this article, we will examine whether companies listed on multiple markets place more importance on US GAAP than non-US GAAP to inspire investor confidence and what are the differences observed based on their cultural attributes.

US GAAP stands for "United States Generally Accepted Accounting Principles". These are standards and procedures established by the FASB (Financial Accounting Standard Board) to standardise financial reporting in the United States. We will consider "GAAP" and "non-GAAP" as referring to US GAAP in this paper. On the other hand, non-GAAP standards are measures of results that are not standardised under the GAAP system and are not required for external reporting or other public disclosures. A measure is considered non-GAAP if it does not comply with rule 100(b) of Regulation G on GAAP measures established by the SEC (U.S. Securities and Exchange Commission,2022). The best-known non-GAAP measures are EBIT(DA), Adjusted Earnings and Free Cash Flow (PwC US National Office, 2023).

Most publicly traded companies use these adjusted measures as supplements for investors for two different reasons: they can be used to give a more transparent picture of the company if GAAP principles do not allow it (informational motivation) or, conversely, they can sometimes be used to present information in a way that makes it advantageous for the company (impression management) (Black, Christensen, Ciesielski, & Whipple, 2017).

The decision to list a company internationally brings with a series of challenges and regulatory requirements that must be met (Benos & Weisbach, 2004). It is crucial for a company to maintain information that is as transparent and accurate as possible, in order to gain the trust of investors and increase the credibility of its financial information (Lang, Ready, & Yetman, 2003 ; Henry, Nan, & Xi., 2020). We will focus on how listed companies can use GAAP principles as an impression management tool to build domestic investor confidence. We will compare them with domestic US companies as well as between cross-listed companies according to their national characteristics.

Publicly listed companies face challenges when communicating financial information across multiple markets (Kenton, 2020 ; Chung, Kim, & Liu, 2024) . This need can be accompanied by additional difficulties, as accounting standards vary from country to country, which can lead to different interpretations of financial information by investors (Maroun, 2015). This problem can lead to a loss of confidence on the part of investors, generate confusion and, ultimately, reduce the trust placed in the financial information of the company concerned (Guiso, Sapienza, & Zingales, 2006 ; Statman, 2008 ; Lundholm, Rogo, & Zhang, 2014). Cross-listed companies must therefore present their financial information in a way that fosters investor confidence and overall trust in their financial reports (Henry, Thewissen, & Torsin, 2021).

In addition, it is essential to consider the impact of cultural finance on the financial reporting practices of cross-listed companies . Recent research has highlighted the significant influence of cultural differences on the transparency and clarity of financial reporting (Gray, 1988 ; Hofstede, Hofstede, & Minkov, 2010 ; Perera & Doupnik, 2011 ; Khlif, 2016). According to Khlif (2016), dimensions of national culture, as defined by Geert Hofstede (2011), influence not only managerial behavior, but also the way financial information is presented. Foreign companies, for example, have often been observed providing clearer, more quantifiable data than their US counterparts, which may be linked to cultural differences in preference for disclosure (Lundholm, Rogo, & Zhang, 2014). This perspective broadens our understanding of how information practices are shaped by cultural and geographical factors.

Our study is therefore not limited to whether listed companies place more emphasis on GAAP than non-GAAP to gain investor confidence, but also aims to understand how cultural differences influence the disclosure choices of cross-listed companies. To this end, we will first decompose our research question by focusing on the influence of GAAP and non-GAAP. Next, we will gain a better understanding of the motivations and strategies behind companies' disclosure decisions in several markets. Finally, we will investigate whether their methods and strategies are effective in gaining the confidence of investors and analyze how investor confidence can be influenced by financial information, and what the determining factors are.

The aim of our research is to contribute to the literature in several different ways and on two main topics, namely financial reporting using GAAP measures in conference calls and the impact of national characteristics on financial reporting. First, we will contribute to the financial reporting literature by bringing another perspective to the analysis of GAAP versus non-GAAP, which has previously focused on the use of non-GAAP as a print management tool by US companies (Henry et al., 2020). In this paper, we will focus on the use of GAAP measures by foreign companies listed on the US stock exchange to increase the transparency of their financial reporting and reduce home bias. Finally, the objective will be to confront this analysis with the initial question by measuring the impact of such disclosure on the number of institutional investors within the shareholder base of these cross-listed companies. Our results show that the fact of being a cross-listed company in the US has a significant impact on Relative Emphasis on GAAP, and that their place of origin would explain the divergences in the way they present their results. Moreover, the use of GAAP measures would attract new institutional investors to invest in the cross-listed company.

Next, we extend the literature on cultural finance by including the dimensions of national culture as defined by Geert Hofstede (2011) and geographical distance as variables influencing how these firms report their earnings. Cultural finance has been recognised as influencing managerial decisions (Steenkamp, 2001), but there is still little research done on the impact of Hofstede's cultural dimensions in financial reporting (Khlif, 2016). We also develop a unique measure of cultural difference between the home country of the cross-listed company and the US. We find that cultural differences between the two origins can be an impediment for foreign companies to gain the confidence of local investors. It is particularly important to understand whether this relationship exists, as investors represent a crucial lever for a company's sustainability, so they need to create a long-term relationship of trust based on transparency and accuracy.

Finally, it can provide valuable information to investors and financial analysts who rely on financial reports to make investment decisions, as they will be better informed about a company's tendency to be more transparent and accurate depending on whether it has used GAAP or non-GAAP. In answering this question, we will highlight the variables that influence companies' disclosure procedures and how these practices affect investor confidence.

The remainder of this report is organised as follows: Section 2 brings together all the articles that have appeared on the subjects of the motivation of foreign companies to join the American stock market, the use of GAAP versus non-GAAP standards and the reasons for this deviation, and the impact of cultural dimensions in public disclosure; Section 3 develops our hypotheses; Section 4 describes our sample and the selection of our data; Section 5 discusses our methodology and results; Section 6 extends our analysis by adding a robustness test; and Section 7 concludes this report.

2 Literature Review

2.1 Companies Cross-listing in the US Stock Exchange

Cross-listing occurs when a company is listed on more than one stock exchange or on a stock exchange in another country (Kenton, 2022). The most common form of cross-listing is when foreign companies list their shares on the New York Stock Exchange (NYSE). Although the London Stock Exchange (LSE) also has a very large number of cross-listed companies, we can observe an even larger number of new companies willing to go international via the American stock exchange (Dodd, 2013). The US also offers the largest stock exchanges in the world, which may explain why foreign companies tend to list on this market, as the US offers the most investor-friendly regulations in terms of transparency and investor protection (Stulz, 1999).

2.1.1 Incentives to Cross-listing

Companies can cross-list to reach a wider investor base by making themselves known (investor recognition theory) and access more capital than is available on their respective stock exchanges. This can also be part of the company's strategic growth plan as it can make shares accessible to foreign investors (Dodd, 2013). This information is even more valid for foreign companies that originate from a country facing financial problems (Chung, Kim, & Liu, 2024).

In addition, Dodd (2013) adds that foreign companies want to cross-list in the US because they present high-quality reports (information disclosure theory) since these companies are obliged to adapt to the standards imposed in the US, which drastically reduces information asymmetries between the two parties. We will base the rest of our research on these two theories, because we want to determine how foreign companies can gain the confidence of investors. This recognition has been shown to be essential for maintaining a fruitful long-term relationship with investors, as has been observed with companies of European origin (Bancel & Mittoo, 2009). It has been proven that the more quality and quantity of information is transmitted to investors, the greater the volume and duration of these investments and the more effective their governance (Chung, Kim, & Liu, 2024).

By seeking recognition from American investors, cross-listed companies benefit from a larger investor base, which translates into an increase in the company's valuation (Merton, 1987). This is the second greatest success of an cross-listed company after the listing on the American stock exchange. Thanks to the evolution of their recognition, cross-listed companies can benefit from greater visibility and media coverage of their company, enabling them to make themselves heard in their new American territory (Baker, Nefsinger, & Weaver, 2002).

Regarding information disclosure theory, the empirical results point in contradictory directions to what Dodd hypothesised: he believed that cross-listed companies seek to list on a foreign stock exchange where disclosure levels are highest (Dodd, 2013). However, the opposite has been observed by Saudagaran and Biddle (1992), who explain that this is due to the higher costs associated with adapting to national standards, although better disclosure allows companies to benefit from a higher valuation of their business (Amira & Muzere, 2011).

However, cross-listed companies can present several obstacles to listing in the United States. They have to adapt to different standards and regulations from their home country, which creates a natural disadvantage compared to domestic companies due to the increased costs (Chung, Kim, & Liu, 2024). In addition, there is a tendency among American investors to favour investments in domestic companies and therefore hold few investments in foreign equities. This concept of "home bias" is mainly explained by the "familiarity" factor, where investors, regardless of the validity of their concern, tend to believe that they suffer from asymmetric information regarding companies based abroad (CFI Team, 2023). We can therefore easily see the link between domestic preference and cross-listed companies : these companies may need to provide additional transparency to overcome the reluctance of domestic investors to invest in them.

2.2 GAAP Measures versus non-GAAP Measures

Foreign companies wishing to cross-list in the United States must meet the same requirements as domestic companies in the country of incorporation with regard to accounting principles (Kenton, 2022). In order to list on the American stock exchange, foreign companies must follow US GAAP, which is the set of standardised principles that American public companies must respect. These standards were established by the Financial Accounting Standards Board (FASB) to standardise financial reporting and provide a uniform set of rules and formats to facilitate analysis by investors and creditors. GAAP created guidelines for the recognition, measurement, presentation and disclosure of items (Investopedia, 2022).

On the other hand, non-GAAP refers to any set of accounting measurements that deviate from the GAAP standards. Usually, non-GAAP tends to exclude irregular or non-cash expenses. These are used when GAAP reporting fails to accurately portray the operations of a business and allow for smoother earnings volatility that can result from temporary conditions, providing a clearer picture of the ongoing business (Investopedia, 2022).

2.2.1 Impression Management

According to the study by Kasznik (1999), it is undeniable that managers try to maintain and create an increase in earnings to gain credibility with investors. The goal is to show a good image of the company. Investors are looking for these kinds of figures and managers understand this very well: it is imperative to increase earnings to gain even more trust from investors. However, companies tend to manipulate their earnings too often to create an image that is appealing to investors, which sometimes does not reflect the true value of the company (Kasznik, 1999).

Results from the study conducted by Henry, Thewissen & Torsin (2021) suggests that these domestic American companies tend to be much more optimistic when using non-GAAP standards compared to cross-listed companies which are generally less positive when reporting. This could be explained by the fact that these cross-listed companies need to gain the trust of investors and credibility. Since they are less known, they want to present their results according to the regulations imposed on companies listed in the US by complying with these US standards, cross-listed companies can reduce home bias.

Henry and al. (2020) use content analysis to determine whether non-GAAP earnings receive greater emphasis than GAAP earnings in the conference calls that accompany earnings announcements. It had previously been assessed that companies increasingly choose to report non-GAAP financial measures and that those measures generally present a more favorable picture of performance than their GAAP counterparts (Merkl-Davies & Brenman, 2007). The results of this analysis stated one of the main reasons explaining why companies were increasingly using non-GAAP measurements: impression management relates to the fact that companies use these non-GAAP measures as a strategy to portray a more flattering picture of firm performance and emphasize good news (Merkl-Davies & Brenman, 2007).

The research conducted by Lang, Ready & Yetman (2003) on the analysis of accounting quality for cross-listed companies focuses on the distinction between non-US companies cross-listing in the US and a matched sample of non-US companies listed in their home country. According to this paper, firms that are cross-listed in the US stock market tend to be less aggressive in terms of earnings management, present accounting data more reliably and account for bad news in a timelier manner. Overall, the paper suggests that companies with more transparent data are more likely to be listed on the US market. These firms also tend to improve their local market reporting after being listed internationally.

In general, these companies will be more transparent to the market by providing more informative accounting data. These companies already have a better information system and therefore the cost of transparency is much lower. By being a company that is already very transparent and reliable in terms of data in their home market, it can only be beneficial for them to move to other markets (Lang, Raedy, & Yetman, 2003).

Furthermore, investors tend to react weaker to good news than to bad news announced by companies and this has a great impact on stock prices. Earnings announcements of cross-listed companies are generally less positive and put a higher proportion on forward-looking statements (FLS). A greater proportion of FLS are often seen as contributing to more credible and readable reports (Henry, Thewissen, & Torsin, 2021).

2.2.2 Informational Motivation

Henry & al. (2020) furthered this research by analyzing conference calls. Their additional findings argue that such behavior is more consistent with informational motivation. Informational motivation suggests that in some sectors, the use of non-GAAP standards would come from an honest motivation to present fairer results than if the companies had decided to use standard norms. Indeed, these standard financial reporting norms may not be suitable for all businesses as they operate in different ways.

Nevertheless, the authors stressed that companies focusing on adjusted financial results need to be transparent and provide clear explanations of the adjustments made. Therefore, companies must also be consistent in their use of adjusted financial results and not use them in a misleading way to hide underlying problems. When evaluating both explanations to determine which one had greater explanatory power, they found weak evidence of a dominant explanation of impression management (Henry, Nan, & Xi, 2020). It is therefore important to be transparent and consistent in the use of non-GAAP, as the market tends to react differently to announcements that have emphasized GAAP (neutral reaction) and non-GAAP (positive reaction) (Henry, Nan, & Xi, 2020).

2.3 National Characteristics

Studies about corporate culture have been increasing in recent years and there has been a growing interest among researchers and academics in determining the influence of culture in financial disclosures, although this area remains relatively unexplored (Khlif, 2016). We are seeing an improvement in the perception of this concept, and it is becoming viral for companies as they are subject to this trend of Corporate Social Responsibility as well as globalisation in the business world. Other companies, as well as many researchers, deeply believe that cultural differences, when brought together and well managed within a company, can bring about better results because the synergised contribution of different knowledge and points of view can bring about a better result. (The Culture Factor — Group, 2024)

Regarding national characteristics, researchers such as Lundholm et al. (2014) have observed that foreign companies often provide investors with clearer, more quantifiable data than US companies, with readability increasing with geographical distance and accounting disparities between the foreign entity and the US. Furthermore, Lundholm, Rogo and Zhang (2014) demonstrate that companies with better readability tend to attract more US institutional shareholders, while markets tend not to react to less readable textual information (You & Zhang, 2009). On this basis, Henry et al (2021) draw similar conclusions, noting that geographically more distant companies generally display less optimistic disclosure practices and incorporate a greater number of forward-looking statements than their US counterparts. In addition, they find that these more distant companies provide more informative forward-looking statements, contributing to the proportion of such statements in disclosures and potentially mitigating home bias among cross-listed companies (Henry, Thewissen, & Torsin, 2021).

2.3.1 The Six Dimensions of National Culture

Geert Hofstede defines culture as "*the collective programming of the mind which distinguishes the members of one human group from another*" (Hofstede, 1980). He studied culture in its national aspect: his definition is applicable at the level of the nation and not at the level of organizations or sub-groups (Hofstede, 1980).

2.3.1.1 "Uncertainty Avoidance" Index

The "Uncertainty Avoidance" Index (UAI) is a measure of a society's tolerance for ambiguity and uncertainty (The Culture Factor — Group, 2024). A score tending towards 100 should be interpreted as a risk-averse person who prefers and tries to control the future. They are very cautious and do not make decisions without careful thought. Conversely, a score of 0 describes the behavior of a risk-lover.

According to Hofstede's studies, distinct populations differ in terms of how they feel comfortable with and react to uncertainty. Investors from different countries may differ in how they perceive and react to a given level of uncertainty (Hofstede, 2011).

2.3.1.2 “Power Distance” Index

The “Power Distance” Index refers to the fact that citizen from a certain country accept the unequal distribution of power. It can be translated such as the acceptance of inequality as a normal part of the society. In some countries, people may believe that their superiors are necessary people for their well-being and should be considered as a different person. A high “Power Distance” Index score provides a description of the company with a strong hierarchy.

Initial research into the use of this metric with the level of disclosure has shown that there is a negative relationship between these two variables. This is explained by the fact that a culture with a high level of hierarchical distance allows managers to feel at ease in their role, and by cutting the bridge with the lower class. Managers tend to take advantage of their hierarchical position. (Maali & Al-Attar, 2017)

2.3.1.3 “Individualism” Index

The third dimension, ”Individualism”, refers to the social behavior expected of a person at group level, the extent to which he or she integrates into a group. Hofstede distinguishes social behaviors whose scores tend towards 100 as being individualistic, otherwise they will be seen as collectivists, meaning that they need to belong to a group.

For example, the United States has a score of 60, which is explained by the fact that Americans are used to being surrounded by people they don’t necessarily know, making it more difficult for them to feel a strong sense of belonging to a group. (The Culture Factor — Group, 2024)

2.3.1.4 “Motivation towards Achievement and Success” Index

Initially, this cultural dimension was differentiated by whether the company was masculine or feminine. This was replaced by ”Motivation towards Achievement and Success” to avoid any confusion over the binarity of the gender concept (The Culture Factor — Group, 2024).

This dimension distinguishes a masculine-oriented culture, in other words, a competitive society where the gender distinction is clearly underlined. Conversely, a more feminine society will advocate a more balanced balance of life in society, i.e. equal pay, and a priority on social protection. (Hofstede, 1998)

2.3.1.5 “Long-Term Orientation” Index

According to Hofstede, Hofstede & Minkov (2010), the “Long Term-Orientation” Index is defined as “*the fostering of virtues oriented toward future rewards—in particular, perseverance and thrift*”. On the other hand, “*short-term orientation, stands for the fostering of virtues related to the past and present—in particular, respect for tradition, preservation of “face,” and fulfilling social obligations.*”

2.3.1.6 “Indulgence” Index

The last dimension proposed by Hofstede (2010) is the ”Indulgence” index. This dimension differentiates cultures where the pleasures of life are part of the country’s own culture. Conversely, there are cultures where pleasure is only granted at certain times, and where life is considered more serious. These cultures are restrained by nature and don’t place much emphasis on the gratification of their desires, as defined by Hofstede. (The Culture Factor — Group, 2024)

2.3.2 Cultural Influences on Public Disclosures

Khlif (2016)’s review of the literature on cultural finance highlights Geert Hofstede’s use of cultural dimensions and sheds light on early conclusions: a country’s national characteristics have been recognized as systematically changing managerial behavior (Steenkamp, 2001). As with Relative Emphasis on GAAP measures, cultural characteristics exert a considerable influence not only on investors’ confidence, but also on their attitudes and decision-making processes (Statman, 2008). According to Statman (2008), when people move from one country to another, and thus from one culture to another, they import their norms into their new daily lives. This is particularly true of immigrants to the USA, who tend to retain their own cultural norms even in their new environment. This shows that trust levels are influenced by cultural background, and so cultural values persist even in unfamiliar surroundings (Guiso, Sapienza, & Zingales, 2006).

Studies have been produced to understand the impact of cultural values in financial reporting to determine whether culture exerts an influence on the way these results are presented. In his study of cultural influences in the development of accounting systems, Sidney J. Gray perceives a relationship between cultural dimensions and accounting reporting systems. He concludes that national characteristics have an effect not only on the way in which reporting systems are designed, but also on earnings management practices (Gray, 1988).

Doupnik and Perera (2011) define an accounting value called ”secrecy”, used in Gray’s study, which they define as the preference for confidentiality and restriction of information disclosure for people involved in running the company (Perera & Doupnik, 2011). This value is used to measure how a company discloses information. He predicts that nations with a strong culture of ”Uncertainty Avoidance” and ”Power Distance”, but a weak culture of ”Motivation towards Achievement and Success” (previously known as ”Masculinity”) and ”Individualism” will be highly ranked in terms of secrecy (Gray, 1988), which drastically reduces the disclosure of information to the public (Archambault & Archambault, 2003). His ideas are supported by the fact that societies from these cultures prefer to restrict the spread of information to maintain power inequalities and preserve security (Gray, 1988).

Existing results in the literature for the ”Long-term Orientation” and ”Indulgence” indexes remain ambiguous for the determination of transparency and secrecy. The results of Radebaugh and Gray’s study showed that ”Long-term Orientation” had a negative impact on the disclosure of information to the public (Radebaugh & Gray, 2006), while a different approach proposed by George Hooi is based on a culture focused on long-term orientation would tend to disclose more information to maintain and build long-term business relationships (Hooi, 2007). The last cultural dimension, ”Indulgence”, has yet to demonstrate its determination on transparency and information disclosure. However, Hofstede states that nations with a strong ”Indulgence” culture rhythm with the promotion of freedom of expression (Hofstede, Hofstede, & Minkov, 2010), suggesting that this would favor information disclosure (Maali & Al-Attar, 2017).

3 Hypothesis

Cross-listing is a strategic approach adopted by many companies that promises many benefits for future growth and market expansion beyond national borders. However, penetrating the US market presents its own set of challenges. Research in this area suggests that US investors often show a preference for domestic investments, a phenomenon known as "home bias" (Henry et al., 2021). As a result, cross-listed companies need to make an extra effort to inspire confidence in US investors, which requires greater transparency and disclosure practices. Indeed, existing literature highlights the correlation between transparency and investor confidence, indicating that companies that disclose complete and accurate information tend to perform better in the US market (Gray, 1988).

Our study will therefore seek to determine whether the adoption of GAAP-compliant measures in conference calls can be a means of restoring investor confidence, by aligning with the requirements of US accounting standards that may be very different from domestic accounting rules.

However, the way in which results are presented on conference calls may not always be an indicator of investor confidence. National characteristics and investor preferences also need to be considered (Khlif, 2016 ; Henry et al., 2021). We will also investigate whether the propensity of US investors to favour domestic listed companies over their foreign counterparts holds true across regions and cultures. The investigation will examine the interaction between geographic location and cultural dimensions, as defined by Hofstede's study, by controlling for investor behavior.

Finally, we seek to find evidence of the characteristics that can impact the behavior of the American investor. This would shed light on these considerations for companies considering listing on the US stock exchange.

3.1 Presentation of Earnings based on GAAP Measures for Cross-Listed Companies

Foreign companies are often cross-listing to reach a broader investor base and access more liquidity and bigger markets (Dodd, 2013). The cost associated with cross-listing is often high as well (Saudagaran & Biddle, 1992). This, combined with the fact that foreign companies that choose to cross-list are likely to already be very transparent (Lang et al., 2003), makes us think that they will emphasize GAAP earnings more.

H1: Cross-listed firms are more likely to emphasize GAAP earnings rather than non-GAAP earnings as to infer trust of domestic investors

We also believe that foreign-listed companies may place a different priority on GAAP earnings, depending on the geographic region from which they originate. In other words, the importance attached to GAAP earnings as a measure of confidence for domestic investors may be influenced by the cultural, regulatory or market norms of the company's home region. As a result, we expect the differences in *Relative Emphasis#* by region of origin to be significant.

H1b: The way in which cross-listed firms put Relative Emphasis# on GAAP earnings varies depending on the continent of their region of origin

3.2 Reinforcing *Relative Emphasis#* on GAAP Measures with differing *National Characteristics#*

Foreign firms tend to provide more readable disclosures, with clearer and more numerical data, as well as a more conservative tone and more forward-looking statements (Henry et al., 2021). This is intended by these foreign firms to reduce home bias. Both these relationships are positively affected by the distance between the foreign firm and the US. We do think that a similar relation will stand out from the analysis of *Relative Emphasis#* on GAAP measures by cross-listed firms.

We believe that distance can also be measured as the cultural difference between the country of origin and the United States. Countries whose culture is different from that of the United States may behave in a more reserved manner, particularly for nations with high "Uncertainty Avoidance" and "Power Distance" scores (Gray, 1988). Therefore, we assume that a greater cultural difference would lead to a greater emphasis on GAAP measures.

H2: Relative emphasis on GAAP measures is strengthened by the National Characteristics# differences between the cross-listed firm and the US

3.3 Attracting Institutional Investors

Previous research has shown that foreign companies often tend to provide more readable and complete financial information, which attracts a relatively higher number of local institutional investors (Lang et al., 2003; Lundholm et al., 2014; Henry et al., 2020; Henry et al., 2021). This greater readability is often associated with better GAAP compliance, which increases investor confidence in the transparency and reliability of the financial data provided by these companies (Lundholm et al., 2014). Furthermore, it has been observed that cross-listed companies in the US have a lower propensity to use earnings management practices or manipulate their earnings compared to their domestic counterparts and perform better local GAAP earnings than any other local company (Lang et al., 2003).

We argue that this move towards GAAP increases the confidence of US institutional investors in the transparency and integrity of the financial information provided by these companies. This increased confidence, in turn, supports the long-term growth and geographic expansion of these companies by providing them with stable access to capital and strategic expertise to guide their development (Dodd, 2013).

H3: Cross-listed firms that emphasize GAAP earnings benefit from a larger number of institutional investors in their investor base.

We will also investigate whether cultural characteristics and differences from those in the US can impact the expected number of institutional investors. We base this on the fact that US investors suffer from home bias, which can directly change their behavior when faced with a foreign company (Henry et al., 2021). We hope that a cross-listed company, based solely on its geographical and cultural characteristics, can be an obstacle to creating and gaining the confidence of a US institutional investor.

H4: Cross-listed firms are less likely to gain the confidence of institutional investors based on their National Characteristics# differences.

4 Sample Description & Data Selection

4.1 Database

To carry out this thesis, Professor James Thewissen provided a database originally used for previous research into the use of GAAP. This database essentially consists of companies listed on US stock exchanges and local US companies over the period from the third quarter of 2002 to the fourth quarter of 2021. US companies and foreign companies are separated by the dummy variable "CrossListed", which is equal to 0 when the company originates from the USA, and 1 when we are dealing with a foreign company listed on a US stock exchange. To refine the database, we can also retrieve the financial performance of each company listed in our data, which we will use as control variables for the empirical analysis.

4.2 Conference call transcripts

A "conference call transcript", also known as an "Earnings call transcript", is a transcript of the public presentation of a company's results by its management. Earnings presentations are usually repeated 4 times a year, but can also be held annually, and their transcripts are an invaluable record for those involved in the business world, as they serve as the main document outlining the key points of the company's financial performance (Investopedia, 2021).

For each of these companies, we have collected conference call transcripts. These transcripts can be found on the Securities Exchange Commission (or SEC) website. Our database is made up of 103,598 Conference Call Transcripts, including both US domestic companies and companies cross-listed in the US. This sample covers more than 90% of Conference Call Transcripts from domestic companies (92,975 CCTs out of 103,598). We have broken down the number of companies and call transcriptions by country in ***Appendix 1***.

4.3 Relative Emphasis on GAAP measures

Relative Emphasis is at the heart of our analysis. To measure relevant emphasis on the use of GAAP or non-GAAP standards, we will use the same methodology employed by Henry (2020) in his previous research on these GAAP standards, the results of which are significant.

Appendix 2 has been drawn up listing all the words and word groups corresponding to the non-GAAP measures defined and continuously revised by the Financial Accounting Standard Board (FASB). It will be used for the application of the various relative measures.

However, we will focus solely on *Relative Emphasis#* because these measures consider both the position and frequency of GAAP and non-GAAP values, whereas the measure on General Emphasis examines only the frequency of non-GAAP words in conference call transcripts (Henry et al., 2020).

4.4 Geographical Location and Distance

Since our database is made up of companies from all over the world, we wanted to find an indicator that could distinguish them. We began by listing all the countries that have at least one company listed in the USA.

Then, we classified them according to their respective continents and regions. This distinction will enable us to visualize the different *Relative Emphasis#* depending on the origin of the cross listed company. In addition, we have also followed the Alpha-3 codes to indicate the initials of each country in our sample, to observe the differences and similarities concerning their locations.

Since we're focusing on companies cross-listing on the US Stock Exchange, we indicated the distance separating the USA from the country of the cross listed company. We define geographical distance, *geo.diff*, as the distance as the crow flies between the US capital (Washington DC) and the capital of the country of origin, in kilometers. For example, the geographic distance between Brussels and Washington DC is 6246 kilometers.

This metric will enable us to observe whether geographical distance has an impact on relative emphasis, and we'll also be looking to see whether the number of institutional investors varies with geographical distance.

4.5 Cultural Difference

It also seemed important to use a second method of measuring difference, namely cultural difference. To measure cultural difference accurately and concisely, we researched positivist theories on cross-cultural management. This type of theory considers parameters that can be measured and quantified objectively (Romani, Barmeyer, Primecz, & Pilhofer, 2018).

Geert Hofstede is a psychology researcher who has studied cultural differences. The advantage of using his study is that he assigns scores ranging from 0 to 100 on 6 different cultural dimensions, enabling us to compare the cultural differences of the countries of our cross-listed companies.

Appendix 3 shows the different scores for each dimension of national culture. We have separated them into continent and region to observe the differences in scores between all countries.

We measure the cultural difference by squaring the difference in the cultural score for the US with the cultural score for the home country. For instance, the cultural difference in the "Uncertainty Avoidance" Index between Belgium and US. is equal to $(94 - 46)^2 = 2{,}304$. However, some scores are missing (i.e., Bermuda, Caymans Islands, Monaco...) because the study has not been done for those little islands/countries. ***Appendix 4*** shows all the cultural differences and the geographical distance from the United States.

4.6 Number of institutional investors

Our final indicator will be the number of institutional investors. This is indicated in the Form 13F filed with the SEC. This information will enable us to understand whether the *Relative Emphasis#* on GAAP standards is having an impact on the number of institutional investors who might be interested in investing in one of these cross-listed companies. We will combine this information with the geographical and cultural specificity of each of our cross-listed companies to develop a typical profile sought by American investors.

5 Method & Empirical Analysis

5.1 Models description

Inspired by Henry et al. (2020), we used their methodology on the *Relative Emphasis#* of non-GAAP measures to calculate different methods for our sample. These variables are essential for testing our hypotheses.

5.1.1 Hypothesis 1 - Presentation of Earnings based on GAAP Measures for Cross-Listed Companies

Our first hypothesis examines whether cross-listed companies disclose more GAAP earnings compared to non-GAAP earnings. Research indicates that foreign companies in the US provide clearer messages, share more quantifiable data, and adopt a less positive tone when presenting earnings (Lundholm et al., 2014; Henry et al., 2021; Lang et al., 2003). We estimate this impact using the following equation:

$$RelativeEmphasis\# = \alpha + \beta_1 CrossListed + Controls + Years + \epsilon$$

where *Relative Emphasis#* is alternately *Emphasis.distance*, *Emphasis.NGEarningsfirst*, or *Emphasis.frequency*. We will perform OLS Regression with variables *Emphasis.distance* and *Emphasis.frequency* and Logistic Regression with dependent dummy variable *Emphasis.NGEarningsfirst*. Henry et al. (2020) defines the various relative measures as follows:

- The first measure is called ***Emphasis.NGEarningsfirst***. This dummy variable is "*defined as equal to 1 when the non-GAAP EPS number appears before the GAAP EPS number, otherwise 0*". This variable would show us whether, in conference call transcripts, companies tend to show EPS value in the first place following the rules established by the FASB.

- The second relative measure, ***Emphasis.distance***, "*is defined as the natural logarithm of the number of characters before the first occurrence of the GAAP EPS number minus the natural logarithm of the number of characters before the first occurrence of the non-GAAP EPS number.*" We seek to determine how conference call transcripts are slanted to indicate a GAAP or non-GAAP amount. A higher value would indicate a tendency to put more emphasis on non-GAAP measures.

- The last method of measuring *Relative Emphasis#* is ***Emphasis.frequency***. This measure is "*defined as the frequency count of the non-GAAP EPS number minus the* *frequency count of the GAAP EPS number*". Its value would imply how repeatedly firms accord more emphasis on non-GAAP measures.

The variable *CrossListed* is a dummy variable, set to 0 for US companies and 1 for cross-listed companies. We expect the coefficient of the indicator variable *CrossListed* for each *Relative Emphasis#* to be negative because we believe that cross-listed firms tend to rely more on GAAP earnings to show the most transparent image of their company to investors to obtain their trust.

To refine this hypothesis, we will introduce an interaction variable between *CrossListed* and *GeoContinent*, a categorical variable indicating the home continent of the cross-listed firm. This will allow us to explore regional differences in financial reporting practices. For instance, Swiss companies listed on the SIX Swiss Exchange must follow international accounting standards such as IFRS or US GAAP (SIX Swiss Exchange Ltd, 2022).

$$RelativeEmphasis\# = \alpha + \beta_1 CrossListed : GeoContinent + Controls + Years + \epsilon$$

5.1.2 Hypothesis 2 - Reinforcing *Relative Emphasis#* on GAAP Measures with differing *National Characteristics#*

Our second hypothesis analyzes how geographical distance and cultural differences between the US and other cross-listed companies affect the use of GAAP standards to build investor confidence. According to Henry et al. (2021), the geographical distance influence cross-listed companies to provide more readable and concrete information.

We will filter our database to focus only on cross-listed firms, investigating how *National Characteristics#* impact their financial reporting. The regression is as follows:

$$RelativeEmphasis\# = \alpha + \beta_1 NationalCharacteristics\# + Controls + Years + \epsilon$$

where the variable *National Characteristics#* measures the geographical distance and the cultural differences of the six cultural dimensions introduced by Geert Hofstede and is alternatively:

- ***geo.diff***: Crow flies distance between Washington DC and home country capitals in kilometers
- ***UAI.diff***: Square of Differences in National Uncertainty Avoidance
- ***PowerDist.diff***: Square of Differences in Power Distance

- ***Indiv.diff*** : Square of Differences in Individualism vs. Collectivism
- ***MAS.diff*** : Square of Differences in Gender Role
- ***LTO.diff*** : Square of Differences in Long-term Orientation
- ***Indulgence.diff*** : Square of Differences in Indulgence vs. Restraint

The result we expect is that geographical distance and cultural differences do have an influence on *Relative Emphasis#* and their coefficients to be negative, which would tend to favor the use of GAAP standards to make their financial report more concrete.

5.1.3 Hypothesis 3 & 4 - Attracting Institutional Investors

The third hypothesis investigates whether cross-listed companies benefit from additional institutional investors by emphasizing GAAP measures. Domestic investors may perceive information asymmetry with cross-listed firms, leading to distrust (Lundholm, Rogo & Zhang, 2014). We expect negative coefficients for the independent variables, highlighting the importance of clarity and conciseness in financial reports to build investor confidence.

Our fourth hypothesis focuses on the origin characteristics of cross-listed firms. We aim to determine whether all firms entering the American stock market have the same baseline advantages. While we expect *National Characteristics#* differences to negatively impact institutional investor numbers, we anticipate some dimensions to have positive coefficients.

We estimate both impacts using the following equation:

$$\begin{aligned} NumInstOwners = \alpha &+ \beta_1 RelativeEmphasis\# + \beta_2 NationalCharacteristics\# \\ &+ \beta_3 RelativeEmphasis\# : NationalCharacteristics\# + Controls + \varepsilon \end{aligned}$$

where the interaction variable includes the interaction between *Relative Emphasis#* and *National Characteristics#*

5.2 Control Variables

We control the operational performance measures based on the study of Thewissen (2021), which includes factors that affect the investor's reaction and the use of GAAP or non-GAAP measures. The justification for the use of those control variables are described in ***Table 1***.

Table 1: Justification for the Use of Control Variables

Control Variables	**Description**	**Justifications**
EARNTA	Return of the Total Assets of the Company	EARNTA, or Earning Assets Ratio, are business performance metrics that take into account investments that are owned, or held, by a business institution, or individual (Investopedia, 2022). Previous literature has suggested that companies manipulate their earnings in order to inflate their financial performance by focusing on non-GAAP metrics, thereby exceeding standard-compliant earnings (Henry et al., 2020).
log (1 + NoA)	The Logarithm of the Number of Analysts following the Firm + 1	Henry et al. (2020) have found firms with greater analyst coverage is associated with greater *Relative Emphasis#* on non-GAAP Earnings.
errormean	The Mean Error of the Analysts's Estimate of the Result of the Firm for the Quarter	Guillamon-Saorin, Isidro, & Marques (2017) argue firms choose to disclose non-GAAP measures because GAAP measures do not meet or beat the benchmark, therefore beating analysts forecasts.
errormedian	The Median Error of the Analysts's Estimate of the Result of the Firm for the Quarter	
return	The Firm's Return over the Last 12 Months	The company's performance is one of the main indicators for an investor to invest in and support the company as it evolves, and this recognition enables the cross-listed company to achieve better long-term financial results (Bancel et al., 2009).
sd	The Firm's Standard Deviation over the Last 12 Months	
risk_monthly	The Risk Associated to the Asset of the Company	Stapleton and Subrahmanyam (1977) suggest that a company listed in a segmented market can cause inefficiencies in asset valuation by cross-listing in a foreign market, although Abdallah and Ioannidis (2010) found a reduction in this associated risk in more recent years.
loss	Dummy Variable = 1 when the Company Reported a Negative Net Income for the Quarter, and 0 otherwise.	Curtis, McVay & Whipple (2014) found that companies emphasised non-GAAP standards differently depending on whether the net result was positive (gain) or negative (loss).
Consensus_mean	The Mean of the Prediction of Future EPS	Previous research has shown that there is a relationship between "Investor Recognition Theory" (measured as the number of investors) and a better market valuation of the company (Merton, 1987). A change in the valuation of the company has a direct impact on the company's EPS, thus fluctuating the prediction of future EPS.
Consensus_median	The Median of the Prediction of Future EPS	
STD_consensus	The Standard Deviation of the Prediction of Future EPS	
fyearq	The Factor of Fiscal Years between 2004 and 2021	We will use fiscal years in our regression model as a control variable to consider potential events that may have an impact on company performance.

** Note : These control variables are used in each of our regression models.*

5.3 Descriptive statistics

The statistics in ***Table 2*** highlights the differences in *Relative Emphasis#* measures, between local American firms and cross-listed firms in the US. We divided our sample into two distinct groups separated by the dummy variable *CrossListed*. At first sight, the results appear mixed and should be interpreted cautiously.

According to Henry et al (2020), *"a higher value [Emphasis.distance] represents a conference call transcript in which the non-GAAP EPS amount appears closer to the beginning of the transcript than the GAAP EPS number"*. The average value for US companies is higher than for cross-listed companies (-0.0424 > -0.0621). We can state that cross-listed companies tend to show a GAAP EPS amount at the beginning of their call transcript and more frequently than US domestic companies. However, we need to interpret this mean using its exponential function (Henry et al., 2020). The mean of the *Emphasis.distance* variable for the whole sample is -0.440, meaning that the number of characters preceding the first appearance of a GAAP EPS amount is 0.96 times (= exp(-0.0440)) the number of characters preceding the first appearance of a non-GAAP EPS amount. This suggests that both types of companies emphasize GAAP measures, although Henry et al. (2020) found that US companies were more likely to emphasize non-GAAP standards, with a character multiplier of 1.7 times.

Concerning the measure of *Emphasis.NGEarningsfirst*, the mean value is 3.07% for US. companies and 3.82% for cross-listed companies, representing that a few percentages of those companies mention the non-GAAP earnings amount before mentioning the GAAP earnings. Nevertheless, this result seems to be paradoxical because we would have hoped to find a higher average for American companies, in other words, we would have rather observed cross-listed companies mention the GAAP amount more frequently in the first place compared to American companies.

Although US companies more often mention a GAAP EPS amount first before a non-GAAP EPS amount, we can observe for the last measure, *Emphasis.frequency*, cross-listed companies are more likely to mention EPS GAAP amounts (-0.0428 > -0.0452). However, we did not expect the average of the two types of companies to be negative, meaning that companies prefer to report more GAAP than non-GAAP amounts in all cases, which contradicts Henry et al. (2020). A notable difference we observed is that our maximum value was equal to 0, which is not observed in Henry et al.'s study (2020), where this variable could go up to a maximum of 4. This would mean that, in our case, none of the US or cross-listed companies mention more non-GAAP EPS amounts than GAAP EPS amounts.

Table 2: Descriptive Statistics for *Relative Emphasis#* **(n = 103,598)**

	US Firms (N=92,975)	**Cross-listed Firms** (N=10,623)	**[Overall]** (N=103,598)
Emphasis.distance			
Mean	-0.0424	-0.0621	-0.0440
StDev	0.701	0.751	0.705
Min, Max	[-7.18, 7.06]	[-6.80, 5.22]	[-7.18, 7.06]
Emphasis.NGEarningsfirst			
Mean	0.0307	0.0382	0.0313
StDev	0.172	0.192	0.174
Min, Max	[0, 1.00]	[0, 1.00]	[0, 1.00]
Emphasis.frequency			
Mean	-0.0428	-0.0452	-0.0430
StDev	0.203	0.204	0.203
Min, Max	[-2.71, 0]	[-2.08, 0]	[-2.71, 0]

Table 3 and ***Table 4*** each present a correlation matrix, respectively a matrix of different measures of *Relative Emphasis#* and a matrix of different measures in *National characteristics#* compared to US-specific characteristics. Concerning the first matrix, ***Table 3***, all coefficients are significant, but we do not observe large correlations as observed in the study by Henry et al. (2020). Furthermore, the pairing between *Emphasis.frequency* and *Emphasis.distance* is a weak and negative linear correlation (-0.008), demonstrating that there is quasi no correlation between the two variables. In other words, the frequency of GAAP amounts is not a determinant in explaining their position in Conference Call Transcripts. Finally, the coefficients of the second matrix, ***Table 4***, on national characteristics are all significant at the highest level and all positive.

Table 3: Correlations between different measures of *Relative Emphasis#* on GAAP measures **(n = 103,598)**

	Emphasis .distance	Emphasis .frequency	Emphasis .NGEarningsfirst
Emphasis.distance			
Emphasis.frequency	-0.008**		
Emphasis.NGEarningsfirst	0.427***	0.012***	
Note:			*p<0.1; **p<0.05; ***p<0.01

Table 4: Correlations between different measures of differences in *National Characteristics#* compared to the US **(n = 103,598)**

	geo .diff	UAI .diff	PowerDist .diff	Indiv .diff	MAS .diff	LTO .diff	Indulgence .diff
geo.diff							
UAI.diff	0.573***						
PowerDist.diff	0.716***	0.488***					
Indiv.diff	0.586***	0.264***	0.372***				
MAS.diff	0.349***	0.195***	0.078***	0.673***			
LTO.diff	0.693***	0.501***	0.606***	0.477***	0.231***		
Indulgence.diff	0.696***	0.317***	0.888***	0.302***	0.043***	0.638***	

Note: $^{*}p<0.1$; $^{**}p<0.05$; $^{***}p<0.01$

5.4 Emphasizing GAAP Earnings for Cross-Listed Companies

Regression shown in ***Table 5*** seeks to determine whether being a cross-listed company has an impact on *Relative Emphasis#* on GAAP measures. All the coefficients are negative except for *Emphasis.NGEarningsfirst* variable. Negative and statistically significant coefficients demonstrate that a company would consider putting more emphasis on GAAP measures compared to non-GAAP when the company is cross-listing on the US Stock Exchange. However, the positive significant coefficient of the *Emphasis.NGEarningsfirst* variable deviates from our prediction of the results for the first hypothesis, we have already noticed in ***Table 2*** that US companies more often mention a GAAP EPS amount in front of a non-GAAP EPS amount than cross-listed companies.

These results support H1 and we will confirm that being a cross-listed company strongly impacts *Relative Emphasis#*. Moreover, cross-listed companies mention GAAP EPS amounts much more frequently than non-GAAP EPS amounts than do US companies [*Emphasis.frequency*], and the earnings based on GAAP measures appears closer than non-GAAP EPS [*Emphasis.distance*]. The nuance underlined in our case is that American companies tend to mention it first more frequently than cross-listed companies [*Emphasis.NGEarningsfirst*].

Table 5: H1 : Cross-listed firms are more likely to emphasize GAAP earnings rather than non-GAAP earnings as to infer trust of domestic investors **(n = 103,598)**

	Dependent variable:		
	Emphasis.distance	Emphasis.frequency	Emphasis.NGEarningsfirst
	OLS	*OLS*	*logistic*
	(1)	(2)	(3)
Constant	−0.028	0.017	−7.267***
	(0.045)	(0.013)	(1.008)
CrossListed	**−0.034*****	**−0.010*****	**0.388*****
	(0.008)	(0.002)	(0.062)
EARNTA	0.173***	−0.000	7.601***
	(0.054)	(0.000)	(0.585)
log(1 + NoA)	−0.016***	−0.000	0.538***
	(0.003)	(0.000)	(0.026)
errormean	−0.000	−0.000	−0.0004
	(0.00000)	(0.000)	(0.001)
return	0.148***	−0.000	0.728**
	(0.037)	(0.000)	(0.299)
risk_monthly	0.006	−0.000	0.089***
	(0.005)	(0.000)	(0.028)
STD_consensus	0.000	−0.000	−3.248***
	(0.00000)	(0.000)	(0.271)
sd	0.062	−0.000	1.105***
	(0.065)	(0.000)	(0.380)
loss	0.081***	−0.000	0.733***
	(0.007)	(0.000)	(0.053)
errormedian		0.000	
		(0.000)	
Consensus_mean	−0.00000	−0.000	−4.659***
	(0.00000)	(0.000)	(0.587)
Consensus_median	0.00000	0.000	4.660***
	(0.00000)	(0.000)	(0.587)
Years	Yes	Yes	Yes
Observations	101,091	101,091	101,091
R^2	0.004	0.011	
Adjusted R^2	0.004	0.011	
Log Likelihood			−13,477.570
Akaike Inf. Crit.			27,015.150
Residual Std. Error	0.704	0.202	
F Statistic	14.589***	39.287***	

Note: Expected Negative Value for (1) to (3) *p<0.1; **p<0.05; ***p<0.01

When we interact the dummy *CrossListed* variable with the *GeoContinent* variables (see ***Table 6***), we observe that a company's origin has a significant impact on how these companies emphasize different *Relative Emphasis#* measures. We find that the coefficients for $CrossListed_{Africa}$ and $CrossListed_{Oceania}$ are not statistically significant for the three measures of *Relative Emphasis#*. One reason is we had too few observations for these continents, making the result insignificant.

Regarding neighboring companies in the USA [$CrossListed_{America}$], we would expect these companies to place greater emphasis on non-GAAP measures, as observed in Henry et al.(2020)'s study. However, only the variable *Emphasis.NGEarningsfirst* has a negative significant coefficient, and the variable *Emphasis.distance* has no statistical significance. This would mean that American cross-listed companies first mention earnings according to GAAP measures, although they more frequently mention EPS from non-GAAP measures, as we observe a positive significant coefficient when analysing the impact of being American cross-listed company on *Emphasis.frequency*.

Then, Asian origin has an impact on the different *Relative Emphasis#*. All coefficients are statistically significant with an error margin of 1%. Contrary to what has been observed among American companies outside the USA, we will see here that Asians will first mention a non-GAAP as *Emphasis.NGEArningsfirst* is a negative significant coefficient, and a positive value for *Emphasis.distance* also indicates a greater emphasis on non-GAAP measures. Paradoxically, there is evidence Asians tend to mention GAAP EPS more frequently as the variable $CrossListed_{Asia}$ is negatively impacting *Emphasis.frequency*.

For the last continent, Europe, we find no evidence of the first appearance of the EPS amount [*Emphasis.NGEarningsfirst*], as the variable $CrossListed_{Europe}$ is not statistically significant. However, we observe negative significant results for the other two measures of *Relative Emphasis#*. These results can be interpreted as Europeans cross-listed companies to place greater emphasis on GAAP measures, and that they mention these GAAP amounts more frequently and their position is nearer to the beginning of the call transcript.

Finally, the European continent stands out very well from the other continents in terms of how they place emphasis on GAAP standards. The results highlight the fact that Europeans put more emphasis on GAAP, while for the other two continents the result remains mixed. We find the Americans mentioning GAAP results first, but more frequent non-GAAP results, and the Asians acting in the opposite way to the Americans.

Table 6: H1b : The way in which cross-listed firms put *Relative Emphasis#* on GAAP earnings varies depending on the continent of their region of origin **(n = 103,598)**

	Dependent variable:		
	Emphasis.distance	Emphasis.frequency	Emphasis.NGEarningsfirst
	OLS	*OLS*	*logistic*
	(1)	(2)	(3)
Constant	−0.032	0.014	-3.453^{***}
	(0.045)	(0.013)	(0.019)
$CrossListed_{Africa}$	0.001	0.015	−10.113
	(0.094)	(0.027)	(71.547)
$CrossListed_{America}$	0.005	$\mathbf{0.011}^{***}$	$\mathbf{-0.908}^{***}$
	(0.013)	(0.004)	(0.162)
$CrossListed_{Asia}$	$\mathbf{0.078}^{***}$	$\mathbf{-0.020}^{***}$	$\mathbf{1.161}^{***}$
	(0.017)	(0.005)	(0.082)
$CrossListed_{Europe}$	$\mathbf{-0.135}^{***}$	$\mathbf{-0.026}^{***}$	0.046
	(0.013)	(0.004)	(0.102)
$CrossListed_{Oceania}$	0.010	0.012	−10.113
	(0.498)	(0.143)	(378.593)
EARNTA	0.168^{***}	-0.000^{***}	0.171^{***}
	(0.054)	(0.000)	(0.013)
log(1 + NoA)	-0.014^{***}	0.000^{***}	0.014^{***}
	(0.003)	(0.000)	(0.001)
errormean	−0.000	0.000^{**}	−0.00000
	(0.00000)	(0.000)	(0.00000)
return	0.134^{***}	-0.000^{***}	−0.008
	(0.037)	(0.000)	(0.009)
risk_monthly	0.006	−0.000	0.006^{***}
	(0.005)	(0.000)	(0.001)
STD_consensus	0.00000	0.000	−0.000
	(0.00000)	(0.000)	(0.00000)
sd	0.065	−0.000	0.100^{***}
	(0.065)	(0.000)	(0.016)
loss	0.082^{***}	0.000	0.018^{***}
	(0.007)	(0.000)	(0.002)
errormedian		-0.000^{**}	
		(0.000)	
Consensus_mean	−0.00000	−0.000	0.000
	(0.00000)	(0.000)	(0.00000)
Consensus_median	0.00000	0.000	−0.000
	(0.00000)	(0.000)	(0.00000)
Years	Yes	Yes	Yes
Observations	101,091	101,091	101,193
R^2	0.005	0.012	
Adjusted R^2	0.005	0.011	
Log Likelihood			−13,983.600
Akaike Inf. Crit.			27,979.210
Residual Std. Error	0.703	0.202	
F Statistic	16.542^{***}	36.331^{***}	

Note: Expected Negative Value for (1) to (3) *p<0.1; **p<0.05; ***p<0.01

5.5 Strengthening of ***Relative Emphasis#*** on GAAP measures by ***National Characteristics#*** differences

Table 7 presents the results of the impact of *National Characteristics#* differences on the various *Relative Emphasis#* on GAAP measures. This table includes only cross-listed companies in its database. At first glance, *National Characteristics#* have a mixed effect on *Relative Emphasis#*.

We observe geographical distance [*geo.diff*] has a significant negative impact on *Relative Emphasis#*, but no significant impact on the variable *Emphasis.NGEarningsfirst*. This indicates that geographical distance does not significantly explain whether a GAAP amount appears before a non-GAAP amount. However, a negative impact on the *geo.diff* variable suggests that the greater the distance separating the two countries, the more likely the cross-listed company's tendency to emphasize GAAP standards. This finding may be consistent with the study made by Lundholm & al. (2014), who demonstrated that foreign companies generally provided more accurate financial information than US companies.

The coefficients associated with the *UAI.diff* variable are all statistically significant at the highest level, with a reduced certainty of 95% for *Emphasis.distance*. The positive coefficients for *Emphasis.distance* and *Emphasis.frequency* do not support our expectations, although the difference in this cultural dimension would lead cross-listed companies to indicate an EPS GAAP amount first [*Emphasis.NGEarningsfirst*]. A nation with a greater difference in this cultural dimension would put more emphasis on non-GAAP measures.

The variable *PowerDist.diff* only explains the appearance of a non-GAAP EPS amount in front of a GAAP EPS amount due to the positive and significant coefficient on *Emphasis.NGEarningsfirst*. However, it does not indicate any evidence for the other two measures of *Relative Emphasis#*. Therefore, this variable does little to explain how a cross-listed company places emphasis on the measures of *Relative Emphasis#*.

Indiv.diff is the second cultural dimension measure used to explain the three different measures of *Relative Emphasis#*. It has the same effects as the *UAI.diff* variable. A greater difference in this cultural dimension does not support our hypothesis, although the coefficient for *Emphasis.NGEarningsfirst* is negative, as expected.

The *MAS.diff* and *LTO.diff* variables have significant coefficients for *Emphasis.frequency*.

MAS.diff has a positive and significant coefficient at the 95% level, while *LTO.diff* has a negative and highly significant coefficient. These two cultural dimensions weakly explain the emphasis on GAAP standards, but they do explain the differences in the frequencies of mentions of GAAP and non-GAAP amounts.

Finally, the last variable, *Indulgence.diff*, significantly explains both *Emphasis.distance* and *Emphasis.frequency*, with positive coefficients and a 1% error margin. A greater difference in this dimension would lead cross-listed companies to place greater emphasis on non-GAAP standards.

We can conclude that differences in *National Characteristics#* have a mixed impact on the way cross-listed companies emphasize GAAP. These differences explain quite well the frequency of GAAP versus non-GAAP EPS amounts [*Emphasis.frequency*]. In general, the more a country's characteristics differ from those of the USA, the more it tends to emphasize non-GAAP standards. Only geographical distance and the variable *LTO.diff* reverse this trend. However, the coefficients associated with the variables *Emphasis.distance* and *Emphasis.NGEarningsfirst* are not always significant, and the varying meanings of these coefficients complicate the interpretation of the impact of these dimensions on *Relative Emphasis#*. This suggests that, while geographical and cultural differences do influence the way companies communicate their results, the impact is not direct and varies according to the different measures.

Overall, our findings indicate that, although the results do not fully meet our H2 criteria, there is a discernible impact of these dimensions on materiality. The mixed results highlight the complexity of the relationship between *National Characteristics#* and financial reporting practices in cross-listed companies. This complexity suggests that other factors may also play an important role in shaping these financial reporting behaviors.

Table 7: H2 : Relative emphasis on GAAP measures is strengthened by the *National Characteristics#* differences between the cross-listed firm and the US **(n = 10,623)**

	Dependent variable:		
	Emphasis.distance	Emphasis.frequency	Emphasis.NGEarningsfirst
	OLS	*OLS*	*logistic*
	(1)	(2)	(3)
Constant	−0.016	0.004	−6.319***
	(0.074)	(0.020)	(1.095)
geo.diff	**−0.00001****	**−0.00000*****	0.00000
	(0.00000)	(0.00000)	(0.00004)
UAI.diff	**0.00004****	**0.00003*****	**−0.003*****
	(0.00002)	(0.00001)	(0.001)
PowerDist.diff	0.00001	−0.00001	**0.002*****
	(0.00004)	(0.00001)	(0.0004)
Indiv.diff	**0.0001***	**0.00004*****	**−0.001*****
	(0.00003)	(0.00001)	(0.0003)
MAS.diff	0.00002	**0.00001****	0.0002
	(0.00002)	(0.00000)	(0.0002)
LTO.diff	0.00000	**−0.00002*****	0.001
	(0.00003)	(0.00001)	(0.0005)
Indulgence.diff	**0.0001*****	**0.00005*****	−0.001
	(0.00003)	(0.00001)	(0.0004)
EARNTA	0.004	−0.111	13.003***
	(0.294)	(0.081)	(2.919)
log(1 + NoA)	−0.072***	−0.027***	0.549***
	(0.016)	(0.004)	(0.116)
errormean	0.00001	0.00000	−0.002
	(0.0001)	(0.00003)	(0.008)
return	0.200	0.043	−0.997
	(0.165)	(0.045)	(1.317)
risk_monthly	−0.023	−0.009	0.109
	(0.019)	(0.005)	(0.134)
STD_consensus	0.00000	0.000	−0.004
	(0.00000)	(0.00000)	(0.019)
sd	−0.449	−0.059	−6.423
	(0.298)	(0.082)	(4.073)
loss	0.161***	0.031***	1.361***
	(0.032)	(0.009)	(0.214)
Consensus_mean	−0.00000	0.000	0.006
	(0.00000)	(0.00000)	(0.028)
Consensus_median	0.00000	−0.000	−0.006
	(0.00000)	(0.00000)	(0.028)
Years	Yes	Yes	Yes
Observations	5,989	5,989	5,989
R^2	0.029	0.050	
Adjusted R^2	0.024	0.045	
Log Likelihood			−790.854
Akaike Inf. Crit.			1,653.707
Residual Std. Error (df = 5953)	0.829	0.228	
F Statistic (df = 35; 5953)	5.119***	9.026***	

Note: Expected Negative Value for (1) to (3) — *p<0.1; **p<0.05; ***p<0.01

5.6 Inferring trust to investors by strengthening GAAP measures for cross-listed companies

For the test of H3 and H4, we focused solely on cross-listed companies to compare the effects of *Relative Emphasis#* on GAAP measures and *National Characteristics#* on investor confidence, measured by the number of institutional investors (*NumInstOwners*).

The test of H3 examines the impact of measures of *Relative Emphasis#* on investor confidence. The coefficients associated with the first two independent variables, *Emphasis.distance* and *Emphasis.frequency*, are significant only if their regression models include the cultural difference variables *Indiv.diff* and *LTO.diff*. As previously noted, the *Indiv.diff* variable is a strong indicator of how a company emphasizes different measures of *Relative Emphasis#* (see ***Table 7***). We now find that *Indiv.diff* and *LTO.diff* are also strong indicators for building investor trust. It is crucial for cross-listed companies to maintain a strong and lasting relationship with their investors to grow in the US market (Bancel & Mittoo, 2009). The coefficients associated with *Emphasis.distance* are all positive, contrary to our expectations. This suggests that companies might need to disclose a non-GAAP EPS amount closer to the beginning of the transcript to gain investor confidence (Henry et al., 2020). Conversely, the coefficients associated with *Emphasis.frequency* are negative as expected, indicating that companies need to mention GAAP EPS amounts more frequently to gain investor confidence. Additionally, if a cross-listed company displays a GAAP EPS amount before a non-GAAP EPS amount (negative values for *Emphasis.NGEarningsfirst*), it significantly boosts investor confidence, increasing the investor base by 64 to 137 institutional investors.

In response to test H3, these results provide guidance on how cross-listed companies should present their financial results if they want to enter the US stock market: they should report a GAAP EPS figure first, as the variable *Emphasis.NGEarningsfirst* best explains investor reaction. GAAP compliance is often associated with greater transparency and clarity in the presentation of financial information. Investors may therefore perceive companies that adopt these standards as more reliable and trustworthy (Lang et al., 2003; Lundholm et al., 2014). However, the results do not show a significant effect of the frequency of presentation or the position of GAAP measures on investor confidence, highlighting why investors place so much importance on the first result announced. Thus, while the impact of *Relative Emphasis#* on investor confidence does exist, the response to H3 remains limited.

Regarding the analysis of H4, we examine how cross-listed companies in the United States attract institutional investors based on their *National Characteristics#*. These characteristics allow us to incorporate the socio-cultural and economic dimensions of each nation to understand whether these elements influence investment decisions in a company. When we segment the *National Characteristics#*, we find that all except the "Motivation towards achievement and success" index are highly significant at the highest level. These national characteristics impact investors' willingness to invest in a foreign company. Firstly, we find that a company located farther from the US is more likely to increase its number of investors. This result aligns with our expectations, as it was already known that companies further away tend to provide more accurate figures when presenting their financial metrics (Lundholm et al., 2014). Secondly, we find that the coefficients assigned to the other cultural dimensions are also negative. This indicates that American investors are reluctant to invest in a foreign company if it differs significantly in its cultural dimensions.

In response to hypothesis 4, we can confirm that geographical distance and differences in the six cultural dimensions adopted by Hofstede are strong indicators for determining trust among American institutional investors. These findings meet our expectations that cross-listed companies would be less likely to attract a larger investor base due to their cultural differences. This observation also supports the notion that Americans suffer from "home bias" (Henry et al., 2021), as cultural dimensions are deeply ingrained and less variable compared to the adoption of GAAP standards, which is purely a decision-based and voluntary process.

Finally, we examine the interaction between the *Relative Emphasis#* variables and the *National Characteristics#*. The coefficients associated with the interaction between *Emphasis.distance* and the various *National Characteristics#* are all negative, except for *PowerDist.diff*, which meets our expectations. However, only the interaction with the *Indiv.diff* variable is significant, reinforcing its importance in analyzing investor confidence. Secondly, the coefficients associated with the interaction with *Emphasis.frequency* are all positive, except for *PowerDist.diff*. Only the interactions with *Indiv.diff* and *LTO.diff* are significant, which aligns with our previous findings. Lastly, the coefficients for the interaction with *Emphasis.NGEarningsfirst* are paradoxically positive, except for *MAS.diff*, and are statistically significant when interacting with *geo.diff*, *UAI.diff*, and *Indulgence.diff*. This was not observed previously. The change in sign might be explained by a negative correlation between *Emphasis.NGEarningsfirst* and the various *National Characteristics#*. However, once these variables are interacted, there is insufficient statistical evidence to confirm that *National Characteristics#* affect the negative association between *Relative Emphasis#* and investor confidence. In conclusion, we have partially answered H3, with conclusive results for H4, but the interaction of the two models does not sufficiently explain investor confidence.

Table 8: H3 & H4 : Investors reaction association with *Relative Emphasis#* on GAAP measures and *National Characteristics#* differences **(n = 10,623)**

	Dependent variable:						
				NumInstOwners			
National Characteristics#	geo .diff	UAI .diff	PowerDist .diff	Indiv .diff	MAS .diff	LTO .diff	Indulgence .diff
Constant	2.492	41.894^{***}	40.387^{***}	28.978^{**}	27.650^{**}	42.058^{***}	48.978^{***}
	(12.013)	(13.459)	(13.423)	(13.568)	(13.684)	(13.705)	(14.220)
Emphasis.distance	12.346	2.225	2.501	**14.486****	9.495	**13.160****	5.955
	(11.162)	(6.768)	(6.576)	(6.633)	(6.220)	(6.524)	(6.399)
Emphasis.frequency	−44.272	−1.908	−1.202	**−45.457****	−20.428	**−45.582****	−11.706
	(30.066)	(21.376)	(21.020)	(21.889)	(19.230)	(21.625)	(20.572)
Emphasis.NGEarningsfirst	**−119.026*****	**−107.288*****	**−103.662*****	**−70.197*****	**−63.943*****	**−83.757*****	**−136.682*****
	(34.300)	(20.444)	(24.349)	(19.929)	(16.659)	(20.518)	(26.675)
National Characteristics#	**0.001*****	**−0.025*****	**−0.029*****	**−0.011****	−0.004	**−0.027*****	**−0.028*****
	(0.001)	(0.003)	(0.004)	(0.005)	(0.003)	(0.005)	(0.003)
National Characteristics# X_Emphasis.distance	−0.001	−0.0001	0.020	**−0.034*****	−0.013	−0.020	−0.001
	(0.002)	(0.015)	(0.014)	(0.011)	(0.008)	(0.016)	(0.013)
National Characteristics# X_Emphasis.frequency	0.004	0.006	−0.024	**0.130*****	0.034	**0.073****	0.056
	(0.004)	(0.040)	(0.043)	(0.047)	(0.034)	(0.031)	(0.039)
National Characteristics# X_Emphasis.NGEarningsfirst	**0.007***	**0.098****	0.040	0.007	−0.004	0.052	**0.063*****
	(0.004)	(0.041)	(0.025)	(0.052)	(0.037)	(0.033)	(0.021)
EARNTA	88.743^{*}	63.511	94.784^{*}	74.798	72.108	81.658	139.794^{**}
	(47.326)	(52.638)	(52.705)	(52.960)	(53.620)	(53.158)	(60.823)
log(1 + NoA)	103.519^{***}	97.503^{***}	96.455^{***}	101.854^{***}	102.919^{***}	97.080^{***}	93.635^{***}
	(2.760)	(3.219)	(3.269)	(3.176)	(3.191)	(3.309)	(3.500)
errormean	0.004	0.003	0.001	0.003	0.003	0.002	0.001
	(0.020)	(0.021)	(0.021)	(0.021)	(0.022)	(0.021)	(0.022)
return	-425.051^{***}	-443.188^{***}	-428.351^{***}	-455.265^{***}	-460.418^{***}	-450.207^{***}	-465.815^{***}
	(28.553)	(32.253)	(32.320)	(32.518)	(32.889)	(32.652)	(36.287)
risk_monthly	16.251^{***}	14.763^{***}	16.035^{***}	16.610^{***}	16.536^{***}	16.771^{***}	14.828^{***}
	(3.432)	(3.775)	(3.770)	(3.794)	(3.833)	(3.809)	(4.257)
STD_consensus	−0.00004	−0.00002	−0.00004	−0.00004	−0.00004	−0.00004	−0.00004
	(0.00002)	(0.00003)	(0.00003)	(0.00003)	(0.00003)	(0.00003)	(0.00003)
sd	16.864	−9.932	4.623	−0.131	4.761	−5.395	19.780
	(49.836)	(55.801)	(55.785)	(56.196)	(56.939)	(56.290)	(60.363)
loss	-34.360^{***}	-43.401^{***}	-44.919^{***}	-41.930^{***}	-41.448^{***}	-45.719^{***}	-42.954^{***}
	(5.701)	(6.704)	(6.744)	(6.748)	(6.813)	(6.803)	(7.393)
Consensus_mean	0.00005	0.00003	0.0001	0.0001	0.0001	0.0001	0.0001
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)
Consensus_median	−0.00005	−0.00003	−0.00005	−0.0001	−0.0001	−0.0001	−0.0001
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)
Years	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	5,338	4,346	4,342	4,342	4,288	4,281	3,951
R^2	0.343	0.335	0.335	0.327	0.326	0.331	0.322
Adjusted R^2	0.339	0.330	0.330	0.322	0.320	0.326	0.317
Residual Std. Error	138.602	148.373	148.392	149.308	150.306	149.598	152.629
F Statistic	84.054^{***}	65.836^{***}	65.811^{***}	63.409^{***}	62.213^{***}	63.777^{***}	56.463^{***}

Note: Equation estimated using OLS Regression *p<0.1; **p<0.05; ***p<0.01

6 Robustness Test

Since the results for the interaction variables in our last regression (***Table 8***) were not very significant, we decided to run a Robust Linear Regression instead of an Ordinary Least Squares Linear Regression. This model is less sensitive to outliers, which are present in our data and can significantly distort the estimation of our coefficients and alter the interpretation of our results (see ***Appendix 4***). By using Robust Linear Regression, we aim to mitigate the impact of these outliers. We will then compare the results obtained in ***Table 8*** with those in ***Table 9*** to assess any differences.

Firstly, concerning the independent variables of the various *Relative Emphasis#* measures, we observe a loss of significance in understanding their impact on local investor confidence. For the *Emphasis.distance* variable, only the regressions linked to the *Indiv.diff* and *MAS.diff* variables remain significant and unexpectedly positive, indicating that cross-listed companies show a non-GAAP EPS amount closer to the beginning of the call transcripts, contrary to our expectations. Secondly, the *Emphasis.frequency* variable now does not explain any change in investor reaction, suggesting that the frequency of GAAP vs. non-GAAP amounts has no impact on investor confidence. Lastly, we also lost significance for the *Emphasis.NGEarningsfirst* variable concerning the National Characteristics *Indiv.diff*, *MAS.diff*, and *LTO.diff*. Previously, we considered the cultural dimensions *Indiv.diff* and *LTO.diff* to be good predictors of investor confidence, but the current results prove otherwise. However, the other statistically significant and negative coefficients still demonstrate that the first appearance of a GAAP EPS amount reinforces investor confidence, as previously observed.

Secondly, for the different measures of *National Characteristics#*, we lose significance for *UAI.diff* and *LTO.diff*, but gain significance for the *MAS.diff* variable. Additionally, the signs of the coefficients associated with these variables have changed, providing further evidence that the impact of cultural dimensions on investor confidence needs further investigation to be better understood.

Finally, we gain much more significance for the interaction variables between *Relative Emphasis#* and *National Characteristics#*. However, the varying directions of the coefficients still make it difficult to interpret the results. Despite this, we can conclude that interacting these variables allows us to better explain the importance of *Relative Emphasis#* in determining investor confidence.

In conclusion, the origin of the cross-listed company, measured by its geographical distance from the US and its cultural differences across six dimensions, is a crucial indicator of investor confidence. Local investors react differently to the *National Characteristics#* of cross-listed companies, confirming our expectations that these companies are not entering the American market on an equal footing.

Table 9: Robustness Test : Investors reaction association with *Relative Emphasis#* on GAAP measures and *National Characteristics#* differences **(n = 10,623)**

	Dependent variable:						
				NumInstOwners			
National Characteristics#	geo .diff	UAI .diff	PowerDist .diff	Indiv .diff	MAS .diff	LTO .diff	Indulgence .diff
Constant	−10,021.880***	−6,004.601***	−5,876.158***	−5,739.401***	−5,673.989***	−5,381.803***	−6,416.208***
	(593.399)	(626.672)	(620.328)	(548.676)	(541.279)	(599.644)	(664.017)
Emphasis.distance	7.224	11.447	6.024	**8.620****	**11.631*****	10.143	8.578
	(7.332)	(9.768)	(9.476)	(4.164)	(3.990)	(6.901)	(8.376)
Emphasis.frequency	9.972	−12.781	−4.783	12.178	−1.571	−19.165	−1.893
	(13.262)	(13.845)	(13.823)	(10.461)	(8.122)	(12.091)	(12.300)
Emphasis.NGEarningsfirst	**−75.523*****	**−51.973*****	**−37.593***	14.331	−4.638	−11.783	**−62.360*****
	(21.065)	(16.760)	(20.406)	(10.373)	(8.069)	(15.944)	(17.639)
National Characteristics#	**−0.001*****	−0.002	**−0.006*****	**0.018*****	**0.021*****	0.004	**−0.011*****
	(0.0003)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.001)
National Characteristics#	−0.0003	**−0.022***	0.006	**−0.026*****	**−0.017*****	**−0.016****	−0.006
X_Emphasis.distance	(0.001)	(0.013)	(0.010)	(0.005)	(0.003)	(0.006)	(0.007)
National Characteristics#	0.0001	**0.056*****	0.019	−0.027	−0.014	**0.042*****	**0.026***
X_Emphasis.frequency	(0.001)	(0.019)	(0.021)	(0.020)	(0.010)	(0.010)	(0.015)
National Characteristics#	**0.006*****	**0.114*****	0.024	**−0.086*****	**−0.050*****	0.006	**0.037*****
X_Emphasis.NGEarningsfirst	(0.002)	(0.031)	(0.018)	(0.016)	(0.009)	(0.014)	(0.012)
EARNTA	44.420**	66.734***	74.676***	69.513***	112.585***	64.379***	102.437***
	(17.277)	(18.211)	(19.244)	(17.410)	(24.264)	(17.949)	(27.009)
log(1 + NoA)	70.472***	54.530***	53.444***	54.683***	52.915***	52.758***	48.846***
	(2.473)	(2.705)	(2.822)	(2.513)	(2.472)	(2.758)	(2.878)
errormean	−64.883***	−55.837***	−53.900***	−44.674***	−58.579***	−53.561***	−55.549***
	(14.392)	(11.987)	(11.217)	(8.566)	(13.939)	(11.913)	(12.010)
return	−164.176***	−104.401***	−104.747***	−95.188***	−85.926***	−104.726***	−107.287***
	(15.163)	(11.881)	(11.989)	(11.549)	(11.179)	(12.014)	(11.574)
risk_monthly	12.932***	9.828***	9.856***	9.857***	9.548***	9.654***	9.906***
	(1.392)	(1.320)	(1.329)	(1.303)	(1.343)	(1.314)	(1.468)
STD_consensus	−1.384*	2.179**	1.444	3.256***	2.917***	1.787*	−2.486
	(0.791)	(0.993)	(1.049)	(0.715)	(0.724)	(1.033)	(2.773)
sd	2.604	5.677	6.842	21.395	35.499**	6.383	15.398
	(15.945)	(13.858)	(14.250)	(14.967)	(17.784)	(13.749)	(16.202)
loss	−14.233***	−16.911***	−17.009***	−14.295***	−14.133***	−15.957***	−16.814***
	(2.878)	(2.692)	(2.793)	(2.604)	(2.771)	(2.735)	(3.173)
Consensus_mean	12.225	−8.438*	−13.608***	−8.274	−6.394***	−9.062*	−14.432*
	(14.535)	(5.047)	(3.724)	(5.306)	(1.812)	(5.024)	(7.502)
Consensus_median	−5.683	9.088*	14.230***	8.935*	7.071***	9.672*	15.296**
	(14.602)	(5.099)	(3.830)	(5.359)	(1.883)	(5.067)	(7.557)
Years	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	5,338	4,346	4,342	4,342	4,288	4,281	3,951
R^2	0.440	0.322	0.313	0.357	0.377	0.299	0.291
Adjusted R^2	0.438	0.320	0.310	0.354	0.374	0.296	0.288
Residual Std. Error	71.869	63.838	63.914	62.890	62.692	63.709	66.238

Note: Equation estimated using Robust Linear Regression *p<0.1; **p<0.05; ***p<0.01

7 Conclusion

In this article, we investigated whether cross-listed companies have an incentive to emphasize GAAP over non-GAAP in conference call transcripts to infer the confidence of institutional investors. We also investigated whether this trend applied to all these types of companies, pointing to the impact of geographical distance and cultural differences as determinants that could change investors' willingness to take an interest in a foreign company.

Based on our hypotheses, our results show that cross-listed companies, compared with local US companies, tend to mention a GAAP EPS amount first more often, GAAP EPS amounts are mentioned more frequently than non-GAAP EPS amounts, and they place fewer characters in front of the first appearance of a GAAP amount than in front of the appearance of a non-GAAP amount. Paradoxically, our observations also indicate that local US companies tend to mention a GAAP amount before a non-GAAP amount more often than cross-listed companies, which is not observed in the research by Henry et al. (2020). We also found that being a cross-listed company had a significant impact on the way results are presented, although they would mention a non-GAAP EPS amount first. We also found that cross-listed companies, depending on their content of origin, emphasised the different GAAP measures differently.

In addition, we investigated the impact of *National Characteristics#* to see if they could reinforce the use of GAAP in *Relative Emphasis#*. Firstly, for geographical distance, the results showed that these distances had a significant impact on the different measures of *Relative Emphasis#* on GAAP, but that distance did not matter for the first appearance of a GAAP or non-GAAP EPS amount. Secondly, cultural differences did not meet our expectations on the different measures of *Relative Emphasis#*, making the results ambiguous. Cultural differences have a real impact, but the direction is still unclear. These are the first opportunities for future research to understand how national cultural dimensions can explain the way these nations put *Relative Emphasis#* on GAAP standards.

Finally, we measured the impact of the number of institutional investors if these cross-listed companies put *Relative Emphasis#* on GAAP measures and if this number increased with their *National Characteristics#* differences. Our result would affirm that the first appearance of a GAAP EPS amount is a determining factor in gaining the confidence of local investors. Otherwise, cultural differences could scare off institutional investors, even if this effect remains small. The clarity and quality of conference call transcripts transmitted by foreign companies proved to be a factor of professionalism for foreign companies listed in the USA, which would reduce the home bias present among US investors.

However, our study is far from exhaustive, and there is scope for future research on this topic. The main limitation of our study is that the impact of cross-listing only concerns foreign companies listed on the US market. We could extend our research by normalising this variable as a company listed in a foreign country different from the home country of the company (for example, a Dutch company listed on the Chinese stock exchange). That said, our use of cultural and geographical differentiation variables is specific to the US context. This measure may not be applicable to cross-listed companies aiming to join other foreign exchanges. The impact could then be very different on the confidence of institutional investors outside the USA, which may itself be perceived differently due to cultural differences in each country. This limitation could therefore be seen as an opportunity for future research into cultural finance.

Furthermore, studies on cultural finance have already shown that cultural dimensions, as defined by Hofstede or Schwartz, suffer from misinterpretation of results, leading to generalisation as these variables cannot consider the fluctuations and dynamism of national culture (Heidhues & Patel, 2011). As a result, our conclusions would also suffer from this generalisation, although we have observed differences between regions. Despite the limitations mentioned, our results provide useful insights and enrich the literature of cultural finance, the use of GAAP measures on public disclosures and cross-listed companies.

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9 Appendices

9.1 Appendix 1 : Number of Cross-listed and Conference Call Transcripts per country

Country	Number of CL	Number of CCT	Country	Number of CL	Number of CCT
ARE	1	1	HKG	15	156
ARG	6	123	IND	6	102
AUS	2	11	IRL	25	1,082
BEL	1	10	ISL	1	16
BHS	3	51	ISR	44	761
BMU	44	1,465	ITA	2	16
BRA	9	240	JPN	4	77
CAN	46	1,201	KOR	4	22
CHE	9	409	LUX	8	158
CHL	6	195	MAC	2	8
CHN	138	1,142	MCO	5	167
COL	1	19	MEX	13	271
CYM	8	224	NLD	15	493
CYP	1	5	NOR	1	52
DEU	11	142	PAN	2	87
DNK	2	34	PER	3	80
ESP	1	20	RUS	2	42
FIN	2	79	SGP	6	117
FRA	8	144	SWE	4	172
GBR	29	670	TWN	7	157
GHA	1	3	URY	1	23
GRC	19	279	ZAF	4	97

9.2 Appendix 2 : Keyword list for non-GAAP measures

earnings excluding	non-GAAP loss	pro forma earnings per share
net income excluding	non GAAP earnings	pro forma EPS
income excluding	non GAAP net income	pro forma loss
earnings per share excluding	non GAAP income	recurring earnings
EPS excluding	non GAAP earnings per share	recurring net income
loss excluding	non GAAP EPS	recurring income
earnings, excluding	non GAAP loss	recurring earnings per share
net income, excluding	adjusted earnings	recurring EPS
income, excluding	adjusted net income	cash earnings
earnings per share, excluding	adjusted income	cash net income
EPS, excluding	adjusted earnings per share	cash income
loss, excluding	adjusted EPS	cash earnings per share
earnings, adjusted	adjusted loss	cash EPS
net income, adjusted	normalized earnings	cash loss
income, adjusted	normalized net income	non-IFRS earnings
earnings per share, adjusted	normalized income	non-IFRS net income
EPS, adjusted	normalized earnings per share	non-IFRS income
loss, adjusted	normalized EPS	non-IFRS earnings per share
earnings before	normalized loss	non-IFRS EPS
net income before	pro-forma earnings	non-IFRS loss
earnings per share before	pro-formal net income	non IFRS earnings
EPS before	pro-forma income	non IFRS net income
loss before	pro-forma earnings per share	non IFRS income
non-GAAP earnings	pro-forma EPS	non IFRS earnings per share
non-GAAP net income	pro-forma loss	non IFRS EPS
non-GAAP income	pro forma earnings	non IFRS loss
non-GAAP earnings per share	pro forma net income	
non-GAAP EPS	pro forma income	

9.3 Appendix 3 : The Six Dimensions of National Culture by Geert Hofstede

Continent/Region	UAI	PowerDist	Indiv	MAS	LTO	Indulgence
Africa	**57**	**65**	**16**	**52**	**10**	**68**
Southern Africa	49	49	23	63	18	63
Western Africa	65	80	9	40	1	72
America	**68**	**64**	**47**	**53**	**37**	**68**
Caribbean	55	65	60	*n.a.*	55	45
Central America	84	88	23	57	23	97
Nothern America	47	40	66	57	52	68
South America	86	62	41	46	18	62
Asia	**57**	**65**	**40**	**54**	**64**	**30**
Eastern Asia	58	64	43	60	91	32
Southern Asia	24	76	34	52	59	36
Western Asia	87	54	45	50	43	22
Europe	**73**	**56**	**66**	**43**	**55**	**46**
Eastern Europe	95	93	46	36	58	20
Nothern Europe	40	29	78	28	57	66
Southern Europe	87	56	60	56	46	41
Western Europe	71	47	79	50	59	56
Oceania	**51**	**38**	**73**	**61**	**56**	**71**
[Overall]	**65**	**55**	**55**	**48**	**50**	**54**

Note: Adapted from Hofstede, G. (1991) *Cultures and Organisations: Software of the Mind.* London: McGraw-Hill

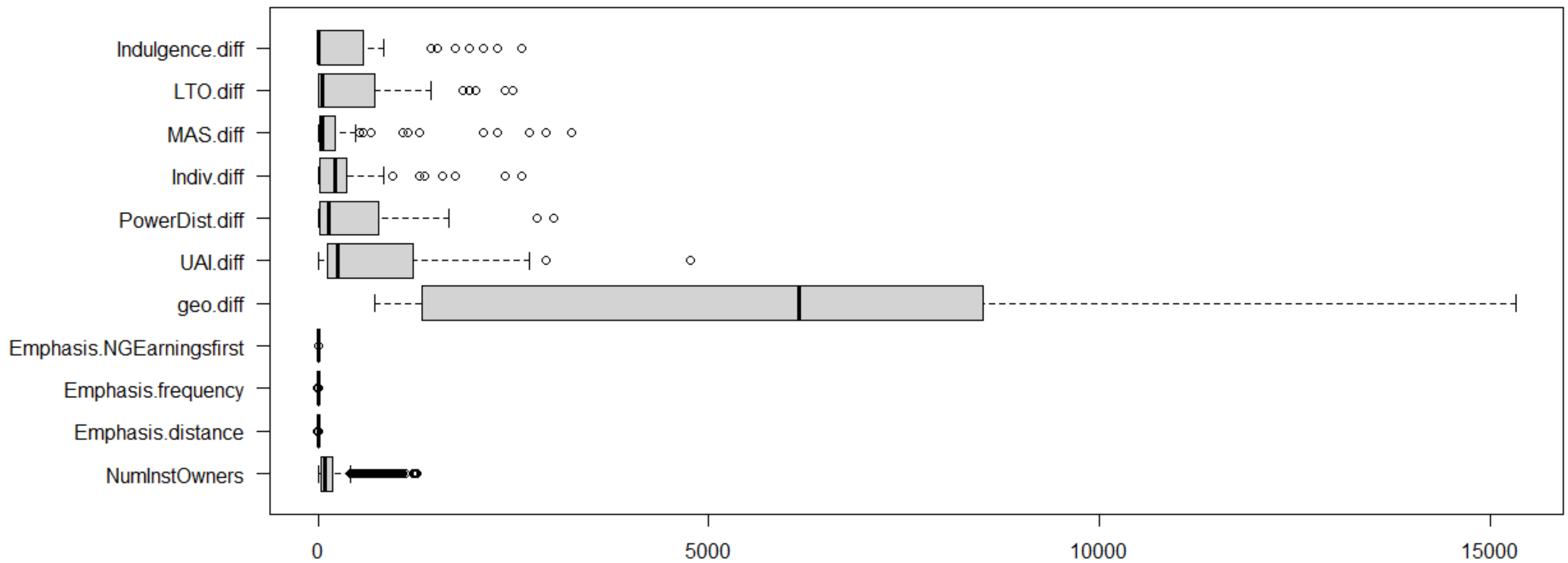
The scores awarded are the average of the scores of the countries in their respective regions, rounded upwards

9.4 Appendix 4 : Geographical Distance and Cultural Differences

Continent /Region	geo .diff	UAI .diff	PowerDist .diff	Indiv .diff	MAS .diff	LTO .diff	Indulgence .diff
USA Score		**46**	**40**	**60**	**62**	**50**	**68**
Africa	**10,593**	**185**	**841**	**1,985**	**243**	**1,713**	**21**
Southern Africa	12,711	9	81	1,369	1	1,024	25
Western Africa	8,474	361	1,600	2,601	484	2,401	16
America	**4,108**	**1,147**	**775**	**596**	**281**	**758**	**242**
Caribbean	1,881	81	625	0	n.a.	25	529
Central America	3,184	1,448	2,353	1,539	187	729	841
Nothern America	686	2	1	72	50	8	0
South America	6,869	1,607	533	557	390	1,136	175
Asia	**11,765**	**1,143**	**894**	**506**	**278**	**1,011**	**1,432**
Eastern Asia	12,026	785	661	511	390	1,789	1,419
Southern Asia	13,684	740	1,263	793	116	145	1,124
Western Asia	9,965	2,129	1,037	305	163	291	2,116
Europe	**6,476**	**827**	**355**	**369**	**968**	**85**	**383**
Eastern Europe	7,822	2,401	2,809	196	676	64	2,304
Nothern Europe	6,025	180	138	432	1,762	61	58
Southern Europe	7,181	1,786	263	33	163	44	781
Western Europe	6,432	839	246	493	492	137	242
Oceania	**7,130**	**25**	**4**	**169**	**1**	**36**	**9**

Note: The scores awarded are the average of the scores of the countries in their respective regions, rounded upwards

9.5 Appendix 5 : Boxplot Regression Model for H3 & H4



Abstract :

This study aims to determine whether cross-listed companies in the US stock market tend to place more emphasis on GAAP measures to gain investor confidence, considering their geographical distance and cultural differences. Using a database of 103,598 conference call transcripts over the period from the third quarter of 2002 to the fourth quarter of 2021, which include both domestic US companies and cross-listed companies, we found that cross-listed companies generally emphasize GAAP. However, their first reported EPS amount often comes from non-GAAP figures. Additionally, we observed that national characteristics significantly influence how these cross-listed companies prioritize GAAP, although the results are mixed. Finally, we found that the origin of the cross-listed company impacts investor confidence. This potentially explains why foreign companies do not enter the US market on equal footing; their origin may either hinder or boost their appeal to US institutional investors. Overall, this paper contributes to existing literature by demonstrating that cultural characteristics, as defined by Geert Hofstede, are significant indicators in public disclosures. These characteristics influence how companies from different countries present their results, and their origin affects investors' decisions. The paper also offers valuable guidance for foreign companies considering listing on the US stock exchange.

UNIVERSITÉ CATHOLIQUE DE LOUVAIN
Louvain School of Management

Place des Doyens, 1 bte L2.01.01, 1348 Louvain-la-Neuve
Boulevard Emile Devreux 6, 6000 Charleroi, Belgique
Chaussée de Binche 151, 7000 Mons, Belgique

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