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Article

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Examining the value relevance of financial statements in European countries: the importance of legal origins on cross listing decisions

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ABSTRACT

In today's globalized competitive landscape several dimensions such as labour, markets and capital are integrated. As a result, companies attempt to gain inbound foreign capital. To achieve that they investigate away countries to host their operations and to trade their shares. While the concept of cross-listing strategy provides several benefits to companies, it has also critical challenges that companies are called to tackle. Different legal systems set different boundaries to investors power. With the application of criterion sampling, we utilize a multiple regression analysis in the European stock exchanges, for a period of eight years, and we investigated the impact of legal origins on financial statements' value relevance. The findings indicate that common law countries offer a more beneficial environment for cross-listing strategies, as they demonstrate greater value relevance in financial statements compared to civil law countries. Specifically, our results show that both Profit or Loss and Balance Sheet items are more relevant in common law countries compared to civil law countries.

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1. Introduction

In today's turbulence environment, globalization is gaining the momentum and creates integrated markets across the globe. A major dimension of globalization is the integration of capital or in other words integration of financial resources (Nickels et al., 2012). Under those circumstances, the legal protection of the home country loses its power and companies investigate alternative countries in an attempt to attract and increase the inflow of foreign capital (Shi et al., 2012). This activity is also known as cross-listing (Foerster & Karolyi, 1993). Several benefits of cross-listing have discussed in the literature, including access to capital, greater information flow, improvement of firms' image, and greater innovation performance (Ma et al., 2022; Reiter, 2020; Yang & Lai, 2021). Yang and Lai (2021), for instance show that successful cross-listing lead to higher firms' reputation, while Ma et al. (2022) find that cross-listed corporation present greater innovation performance. On the other hand, firms that undertake the strategic decision of cross-listing must adapt their disclosure information with the standards of the hosting country (Leuz, 2006). The institutional viewpoint of organizations argues that organizational and managerial decisions are influenced by the different environmental settings such as regulations, and professional associations that vary from country to country (Suchman, 1995). Under this prism, great attention has to be given to the legal origins of countries and how those origins affect the value relevance of corporations' financial statements. The value relevance of financial statements is of utmost importance for cross-listed companies due to the heavy reliance of foreign investors on these statements when making investment choices. Legal origins are divided into two broad categories namely, civil and common law. On the one hand, civil law, prevalent in continental Europe, Latin America, and parts of Asia, derives its legal principles primarily

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from written law, statutes and codes. On the other hand, common law, originating in England and spread through colonization, heavily relies on judicial decisions, precedents, and customary law. The specific characteristics of each legal system serve as a catalyst in determining the degree of value relevance of financial statements. To date, a significant number of studies conducted separate empirical investigations on a) the differences among these legal origins, b) relevance, and c) cross-listing. Hence, the literature that examines all three elements together is limited and inconclusive. Based on this significant gap, the aim of this article, is to shed light on the relationship between these three factors by examining the impact of legal origins on the value relevance of financial disclosure and by highlighting the importance of that on cross-listing decisions. By providing new insights in respect to the legal origins, the results can be used to direct companies that are interested in attracting foreign capital through cross listing. In particular, the contribution of this article lies in advocating that common law countries offer a more advantageous environment for cross-listing strategies, given their demonstrated greater value relevance in financial statements compared to civil law countries.

This article consists of five main parts. The next part discusses the theoretical foundation of value relevance and explains the main challenges on cross listing decisions. Thereafter, we explain the research strategy, our dataset procedure and measurement. The fourth part discusses the results and compares the main findings of this study with the mainstream literature. Finally, we explain the managerial implications of our results and recommend directions for future research in the field.

2. Literature review

2.1. Value relevance

Many studies can be found on the of literature that investigates the value relevance of financial statements. The first researchers to discuss this topic were Ball and Brown (1968), who studied the correlation between performance and accounting profit. Since then, many researchers have expanded upon this topic. Hung and Subramanyam (2007) examined 80 German companies and compared financial statements prepared under IAS/IFRS with those prepared according to German standards. They found that there was no change in the relevance of earnings or book value of equity, but adjustments made to balance sheet data due to the adoption of IAS were relevant. In contrast, Bartov et al. (2005) as well as Jermakowicz et al. (2007) found that companies that voluntarily adopted IAS had an increase in the relevance of earnings. Barth et al. (2008) studied a larger sample of 319 companies from 21 countries and found that firms adopting IAS had a higher degree of relevance as well. Horton and Serafeim (2007) studied the relevance of financial statements in the UK, France, Italy, and Spain using accounting adjustments arising from reconciliation statements. They found that adjustments to earnings increased relevance in the UK, France, and Italy, but not in Spain. Capkun et al. (2008) found similar results for the UK and eight other European countries. Specifically, they found that adjustments to earnings contributed to relevance, but adjustments to the book value of equity did not. Chalmers et al. (2011) found that Australian businesses that adopted IFRS mandatorily had a higher degree of relevance for earnings and the same degree of relevance for book value of equity than Australian businesses using Australian standards during 1990–2004. Kythreotis (2014) and Kythreotis and Constantinou (2016), using the definitions of relevance and reliability as they are described by the conceptual framework, found an increase in relevance after the adoption of IFRS, but no change in reliability. Similarly, Hans et al. (2015), investigated the effect of IFRS adoption as well that decreasing earnings management and increasing relevance were associated with the adoption of IFRS. Schöndube-Pirchegger and Schöndube (2017) used game theory to investigate the relationship between relevance and reliability and emphasized the timeliness and accuracy of information. Sherlita (2019) found that accounting information relevance increased investment-related decisions, but insufficient transparency in developing countries hindered the relationship between reliability and investment decisions. Kraft et al. (2020) investigated the effect of mandatory IFRS acceptance on Credit Default Swaps forecasting models and found that while IFRS adoption increased accounting quality and provided benefits to equity investors, there was no clear evidence of similar benefits for debt investors. Lastly, Kythreotis and Soltani (2023) found that the relevance of semi-annual financial statements is greater than that of annual statements.

2.2. Relevance and legal system

The legal system is typically divided into two categories: common law and civil law. Common law countries prioritize the judiciary's role in interpreting and enforcing the law, whereas civil law countries emphasize codified laws and the legislature's role in shaping legal frameworks. This distinction leads to differing emphases on financial reporting practices. Common law countries place greater importance on the information provided by financial statements, while civil law countries focus more on regulatory compliance. In civil law countries, the government establishes accounting principles through legislation, resulting in a strong tax orientation in financial reporting. Credit institutions are the primary source of external finance for the private sector, leading to bank-based financial systems. In contrast, professional regulatory bodies set accounting principles in common law countries, and external capital for business entities comes primarily from the capital market. Therefore, financial reporting in common law countries has a strong investor orientation, resulting in market-based financial systems (Filip et al., 2015; Hevas et al., 2009; La Porta et al., 1998; 2008).

Empirical research has investigated how the quality and relevance of financial statements differ across common law and civil law countries. While several studies have examined the relationship between the quality of financial statements, relevance, and legal systems, their findings are contradicting. For instance, Filip et al. (2015), finds that the civil law framework in France incentivizes companies to disclose superior quality financial information. This is due to the amplified exposure to liability, that auditors and corporate directors face under the aforementioned legal regime. In contrast, Kang (2003) found that the legal regime has a marginal impact on the value-relevance of accounting information, suggesting that common law may be associated with higher accounting relevance. Additionally, Wulandari (2005) found that the quality, acceptability, and enforceability of accounting standards are important for the usefulness of accounting earnings in a country, and that the accounting institutional environment has a stronger positive association with the value relevance of earnings than the legal environment has. Finally, according to Lindahl and Schädewitz (2013), the belief that common law offers a more stable basis for ensuring accounting transparency than civil law is being questioned. They argue that the application of the civil/common classification in accounting research lacks support. Overall, the findings from empirical research on the relationship between legal systems and financial reporting are inconsistent and this article aims to contribute to this discussion.

2.3. Value relevance and cross-listed companies; managerial implications

Globalization and intense competition, lead corporations to investigate ways to attract foreign capital. The most common strategy of achieving inbound foreign capital is via cross-listing which refers to list a public corporation's shares in foreign stock exchanges simultaneously with the domestic (Diniz-Maganini et al., 2023). Beyond the attraction of foreign investment, the literature points out several benefits of companies that incorporate in cross-listing. For instance, Yang and Lai (2021), argue that cross-listing act as the pipeline for improved capital structure. Reiter (2020) note that cross-listing enhances stock performance and increased hence liquidity. Further, cross-listing is also associated with improved social performance (Boubakri et al., 2016). On the other hand, listing in a foreign stock exchange is associated with significant cost and managerial efforts, and the listing decision including the destination is at utmost importance (Diniz-Maganini et al., 2023).

The relevance of financial statements is important for companies that cross-list because it affects the company's ability to attract and retain foreign investors. Upon cross-listing on a foreign stock exchange, a company becomes subject to the disclosure requirements and regulations enforced by that stock exchange. These regulations typically mandate companies to furnish financial statements conforming to either International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP) of the foreign country. The importance of financial statements for cross-listed entities is pivotal as foreign investors heavily rely on them to inform their investment decisions. If a company's financial statements lack relevance or transparency, foreign investors may exhibit hesitance in investing, resulting in a diminished valuation and restricted access to capital. Hence, cross-listed companies must ensure the relevance and accuracy of their financial statements, thereby providing a clear depiction of the

company's financial standing and performance. This entails delivering clear and comprehensible disclosures, adhering to accounting standards, and furnishing timely and precise financial reports. By adhering to these practices, cross-listed companies can bolster investor confidence, augment access to capital, consequently fostering improved financial performance and growth (Chen et al., 2019; Daske et al., 2013; Lang et al., 2006; Leuz, 2006).

2.4. Hypothesis development

Common law countries are often characterised as market-oriented because of many factors mentioned already in the literature review. For example, the Common law jurisdictions prioritize the information conveyed in financial statements, while Civil law jurisdictions emphasize regulatory adherence. In Civil law jurisdictions, accounting principles are set by the government through legislation, leading to a significant focus on tax considerations within financial reporting. Finally, in Common law jurisdictions, accounting principles are typically established by professional regulatory organizations, while external funding for business entities primarily originates from the capital market. In addition, there are other several reasons why Common law countries can be characterized as market oriented. Firstly, their legal systems have a well-established tradition of protecting property rights, which offers a stable and predictable environment for businesses to operate. Secondly, the emphasis on individualism fosters innovation and entrepreneurship, which are vital components of a market-oriented economy. Thirdly, these countries exhibit limited government intervention in economic affairs, resulting in fewer restrictions on business activities, allowing for greater adaptability to changing market conditions. Fourthly, Common law systems are known for their flexibility, which is crucial for businesses to respond rapidly to new challenges and opportunities. Fifth, their strong legal enforcement mechanisms help to enforce contracts and settle disputes efficiently, creating a high level of confidence among investors and businesses, further bolstering economic growth. Additionally, Common law countries prioritize the enforcement of contracts and protection of property rights, fostering a stable business environment that enhances the transparency and reliability of financial reporting. They also have well-established accounting and financial reporting practices that create widely recognized standards and practices, facilitating the assessment of financial performance by investors and analysts. Furthermore, a developed capital market infrastructure provides companies with access to a larger pool of investors, increasing demand for transparent and reliable financial reporting. Finally, stringent regulatory frameworks in Common law countries mandate adherence to higher standards of financial reporting and disclosure, thus enhancing the credibility and usefulness of financial statements (Beck et al., 2002; Beck & Levine, 2005; Graff, 2005; 2008; La Porta et al., 1998; Mahoney, 2002). Collectively, these factors contribute to the assumption that the financial statements of companies that operate in Common law countries will demonstrate a higher degree of relevance. To empirically investigate this assumption the following hypothesis is formulated:

H1: The financial statements of companies that operate in Common law countries have a greater degree of value relevance in comparison with companies that operate in Civil law countries.

3. Research design

This study relies on multiple regression analysis applied in panel data. Specifically, we focus our investigation on the last nine years, hence on the financial years from 2014 to 2022. Data collection was performed using the document mining technique with the utilization of Refinitiv Eikon (formerly known as Thomson's Reuters) to extract both financial statements and market-based data of the under-investigation companies. The data set of this study consists of companies listed on the stock exchanges of 35 countries. Specifically, the sample include Austria, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Macedonia, Netherlands, Norway, Poland, Portugal, Serbia, Romania, Russia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Ukraine, and United Kingdom.

To ensure consistency and greater comparability of our results, a five-step criterion protocol was applied. First, we include only the corporations which are actively engage in cross-listing. Second, we

include in our dataset we include only firms that apply the International Financial Reporting Standards (IFRS). Third, financial services companies are excluded from the sample as their accounting practices, including the accrual generating process, vary significantly (Ahmed et al., 1999). Fourth, since prior research conducted by Collins et al. (1997) and Brown et al. (1999) suggests that only positive observations of the book value of equity should be considered to measure value relevance, we only include observations with positive book value of equity. Finally, observations for companies with fiscal year different than 1/1–31/12, and the 2% of extreme values, were eliminated from the sample. As result of this process the final sample consist of 21,195 year-company observations. Table 1 depicts the implementation of this process, illustrating the composition of our final dataset.

Moreover, to examine the effect of legal systems we have classified our observations to two main categories. By utilizing the classification of legal systems as is provided by World Bank (2021), we taxonomized our sample into Civil and Common laws based on their countries legal system. Table 2 shows the percentage distribution of our sampling based on the country's legal system.

3.1. Measurement of relevance

In order to capture the degree of value relevance, we examine the association between future market price, book value of equity and earnings per share (Barth et al., 2008; Francis & Schipper, 1999; Kythreotis & Constantinou, 2016; Kythreotis & Soltani, 2023). Further, we utilize the incremental approach as explained by Bartov et al. (2005) by adding the legal systems as dummy variables to examine the marginal effect of legal system on value relevance. We therefore formulate the following equation:

$$P_{it+6} = a_0 + a_1D + a_2EQPS_{it} + a_3EAPS_{it} + a_4D * EQPS_{it} + a_5D * EAPS_{it} + u_{it+6} \quad (1)$$

P_{it+6} = Market share price at time $t+6$ month. $EQPS_{it}$ = Book value of equity/number of common shares outstanding. $EAPS_{it}$ = Earning before tax and extra ordinary items/number of common shares

Table 1. Sample selection process.

	(N)
Original sample	55,522
Minus:	
Observations for companies that do not follow IFRS	22,601
Observations for companies in the financial and not specified sector	9,407
Observations for companies / fiscal year different from 1/1 to 31/12	950
Observations for companies with negative book value of equity	943
Outliers (2%)	426
Final sample	21,195

Table 2. Final sample per country.

Country	Legal system	% of the total sample	Country	Legal system	% of the total sample
Austria	Civil law	1.00%	Lithuania	Civil law	0.30%
Belgium	Civil law	2.80%	Luxembourg	Civil law	0.28%
Bosnia and Herzegovina	Civil law	1.34%	Macedonia	Civil law	0.85%
Bulgaria	Civil law	2.67%	Netherlands	Civil law	2.20%
Croatia	Civil law	1.75%	Norway	Civil law	3.80%
Cyprus	Common Law	0.25%	Poland	Civil law	6.03%
Czech Republic	Civil law	0.23%	Portugal	Civil law	0.75%
Denmark	Civil law	2.08%	Serbia	Civil law	1.71%
Estonia	Civil law	0.35%	Romania	Civil law	0.48%
Finland	Civil law	3.63%	Russia	Civil law	2.50%
France	Civil law	6.43%	Slovak Republic	Civil law	0.08%
Germany	Civil law	10.22%	Slovenia	Civil law	0.40%
Greece	Civil law	2.03%	Spain	Civil law	3.75%
Hungary	Civil law	0.42%	Sweden	Civil law	10.61%
Iceland	Civil law	0.09%	Switzerland	Civil law	2.32%
Ireland	Common Law	0.30%	Ukraine	Civil law	0.19%
Italy	Civil law	5.13%	United Kingdom	Common Law	22.88%
Latvia	Civil law	0.16%			

outstanding. $D = \text{Dummy variable equals to 1 for the Common law countries and 0 for Civil law counties.}$
 $u_{it+6} = \text{residuals.}$

A higher ability to predict future stock prices suggests a greater degree of value relevance between financial information and future stock prices. To account for differences between civil and common law countries, a dummy variable 'D' is included in the equation, taking the value of '1' and '0' for common law and civil law countries, respectively. We anticipate positive and statistically significant coefficients for variables ' α_2 ' and ' α_3 ', indicating that book value of equity and earnings per share are relevant. Additionally, we expect positive and statistically significant coefficients for variables ' α_4 ' and ' α_5 ', indicating that these two items reflected in the financial statements of common law countries are more relevant than civil law countries.

The second approach used, examines the impact of balance sheet information on future share price. As Francis and Schipper (1999) explain, over the years the ability of earnings indicators to explain the firms value creation erodes since corporations deployed assets to create value for their shareholders. Hence, we apply as well their proposed model which includes items from the balance sheet to capture the value relevance. Similar to first model as mentioned above we also include the county's legal system under the prism of the incremental approach. Hence the following equation is formulated.

$$P_{it+6} = \alpha_0 + \alpha_1 D + \alpha_2 APS_{it} + \alpha_3 LPS_{it} + \alpha_4 D * APS_{it} + \alpha_5 D * LPS_{it} + u_{it+6} \quad (2)$$

P_{it+6} = Market share price at time $t+6$ months. APS_{it} = Book value of total assets/number of common shares outstanding. LPS_{it} = Book value of total liabilities/number of common shares outstanding. $D = \text{Dummy variable equals to 1 for the common law countries and 0 for civil law counties.}$ $u_{it+6} = \text{residuals.}$

Using the same approach as before, we expect a positive and statistically significant coefficient for variable ' α_2 ' and a negative and statistically significant coefficient for ' α_3 ', indicating that total assets and total liabilities are relevant. We expect a negative coefficient for total liabilities since an increase in liabilities is expecting to have a negative impact on future market prices. Finally, we anticipate a positive and statistically significant coefficient for variable ' α_4 ' and a negative and statistically significant coefficient for variable ' α_5 ', indicating that these two items reflected in the financial statements of common law countries are more relevant than civil law countries.

4. Empirical results

We utilize two different techniques for data analysis. Traditional panel data analysis technique mainly includes the random and fixed effect models. The Hausman tests indicates that our dataset better fits to fixed effect model. However, static models have limited capability of addressing endogeneity issues (Barak & Sharma, 2024). For that reason, we also apply the Generalized Method of Moments (GMM) which addresses the challenge of endogeneity and can more accurately estimate variable variations over time (Ullah et al., 2024). GMM is a technique that estimates based on instrumental variables and is considered more powerful than other dynamic estimators such as 2SLS (Siddiqui & Ahmed, 2013). We examine our hypothesis utilizing the two methods of measuring the value relevance as described in the previous chapter. While the main analysis was conducted using the Generalized Method of Moments (GMM), we also present the results of the fixed effects linear model as a robustness check. As a first step we examine the value relevance under the lens of earnings and book value of equity in a relative manner. As it is presented in Table 3, model 5, both explanatory variables, equity per share (EQPS) and income per share (EAPS) present positive coefficients (0.190 and 0.225 respectively) and strong statistical significance ($p < 0.01$).

As a second step we include the dummy variable of common law to examine the impact of legal origin on our depended variable. As it is indicated in the table, the earnings variables remain positive and statistically significant, while both items multiplied by common law dummy present positive and statistically significant results (.850, $p < 0.01$; 1.766, $p < 0.01$). Hence the first model shows that the financial statements of corporations that their shares are traded in Common law countries are more value relevant, comparing with those in Civil law countries. We further examine the value relevance under the prism of balance sheet information. Beginning with the relative approach we include the variables of

Table 3. Regression results.

Variable	Fixed effects				Dynamic GMM model			
	1	2	3	4	5	6	7	8
Lag (Δ)					0.927*** (0.154)	0.892*** (0.148)	0.100*** (0.149)	0.095*** (0.149)
Constant	19.251*** (0.50)	18.819*** (0.52)	19.095*** (0.50)	18.134*** (0.531)	26.81*** (0.601)	25.629*** (0.669)	26.368*** (0.597)	25.05*** (0.665)
EQPS	0.593*** (0.022)	0.582*** (0.021)			0.190*** (0.278)	0.178*** (0.279)		
EAPS	0.544*** (0.042)	0.526*** (0.042)			0.225*** (0.035)	0.222*** (0.351)		
EQPS*Dummy		0.240* (0.171)				0.850*** (0.271)		
EAPS*Dummy		2.23*** (0.532)				1.766*** (0.720)		
APS			0.644*** (0.216)	0.631*** (0.218)			0.246*** (0.273)	0.235*** (0.274)
LPS			−0.645*** (0.215)	−0.632*** (0.219)			−0.258*** (0.027)	−0.247*** (0.275)
APS*Dummy				0.580*** (0.149)				1.031*** (0.259)
LPS*Dummy				−0.428*** (0.531)				−0.961*** (0.271)
R ²	0.312	0.331	0.334	0.356				
Wald Chi2					240.2	265.01	257.3	279.23
Prob Chi2					0.00	0.00	0.00	0.00
Instruments					31	31	31	31
Observations	21195	21195	21195	21195	17854	17854	17856	17856

Notes:.

1. Robust standard errors in parenthesis.

2. * Denotes that the regression coefficient is significant at the *10% (0.1); ** at the 5% (0.05); *** at the 1% (0.01).

assets and liabilities. As it presented in Table 3 the Chi2 values of balance sheet information models are greater than the earning models, fact that confirms the weakness of earnings models to capture the totality of the value relevance as it was expressed by Francis and Schipper (1999). The results show that assets present positive and strong statistically significant relation (0.246; $p < 0.01$), while liabilities record negative and statistically significant effect (−0.258; $p < 0.01$) on firm's share price. Finally, we adopt the incremental approach by including the two dummy variables that captures the legal origins (model 8). By adding these variables, assets and liabilities keep their statistical significance. The multiplication variable of assets indicates positive and statistically significance results (1.031; $p < 0.01$), while the multiplication variable of liabilities present negative and statistically significance results (−0.961; $p < 0.01$). Hence, similar to the first model, balance sheet model indicates that the value relevance of the financial statements of the corporations that are listed in common law countries is higher, comparing with civil law countries.

Finally, the findings derived from OLS panel data analysis, focusing primarily on fixed effect models (models 1–4), exhibit consistency with the results generated by the Generalized Method of Moments (GMM) model. This convergence underscores the robustness and reliability of the findings, enhancing the credibility of the research conclusions. Consequently, these parallel outcomes contribute significantly to a more comprehensive understanding of the phenomenon under investigation.

The findings contribute to the ongoing discussion on the impact of the legal framework on the value-relevance of accounting information. Kang (2003) has previously reported that the legal regime exhibits a marginal effect on the value-relevance of accounting information, thereby suggesting a potential association between common law and higher accounting relevance. These results align with the current study's findings, thus providing further support for the notion of common law's potential influence on accounting relevance. Similar findings are detected from Ali and Hwang (2000) who conducted a study revealing that financial reports possess lower value relevance in countries characterized by bank-oriented financial systems compared to those with market-oriented systems. This finding adds to the debate by suggesting that the nature of a country's financial system, particularly its orientation towards banks or markets, can impact the value relevance of financial reports. Finally, our results are directly related with the findings of Mechelli and Cimini (2019) who present evidence that variations in the quality of legal systems have a positive influence on the value relevance of fair value estimates.

5. Conclusions

The purpose of this article is to investigate the influence of legal origins on the value relevance of financial statements and its connection to cross-listing decisions. By applying the Generalized Method of Moments (GMM) analysis in panel data, we identify that the financial statements of the companies that are listed in common law countries have greater value relevance comparing with firms that are listed in civil law countries. These results are replicable to both earnings based and balance sheet information-based equations. As a result, this article makes several contributions to the literature as well as at managerial level. Specifically, it contributes to the literature of accounting by highlighting that the balance sheet information approach has a noteworthy higher explanatory power comparing with the earnings approach. Among the first scholars who note the significance of balance sheet information are Francis and Schipper (1999), who explain that firms deploy assets to create value. This is more obvious in today's knowledge economy where competitive advantage and firms value derives from intangible and knowledge assets (Christofi et al., 2023).

5.1. Managerial implications

Since globalization calls for attraction of foreign capital through cross-listing, we contribute by highlighting the benefits of common law systems. Given the substantial dependence of foreign investors on financial statements for making investment decisions, the value relevance of these statements holds paramount significance for cross-listed companies. Hence, we recommend that executives in companies that are investigating attractive destinations for cross-listing should prioritize to trade their shares in stock exchanges in common law countries.

5.2. Limitations and future directions of research

This investigation also has its limitations. First, it focuses only on the geographic area of Europe and as a result only corporations that are listed in European stock exchanges were taken into consideration. As a result, different context may apply in other powerful stock exchanges such as New York exchange or NASTAQ. Second, the focus solely relies on countries that they have clearly defined civil and common legal systems. Based on the World Bank (2021) classification, there are countries follow a mix system that combine roots from both civil and common law. Therefore, we strongly encourage, future investigations to examine this overlap in order to specify the exact degree of legal origins on value relevance. Furthermore, future investigation should focus on comparative analysis among cross-listing specific tactics and strategies to highlight significant differences and implications, if any. Finally, other country's idiosyncratic parameters should also consider such as corruption and national innovation index, as well as the economic development classification.

Disclosure statement

No potential competing interest was reported by the authors.

About the authors

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Data availability statement

Data available on request from the authors.

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