

**INSTITUTIONAL INFLUENCES ON BOARD COMPOSITION OF INTERNATIONAL  
JOINT VENTURE FIRMS LISTING ON EMERGING STOCK EXCHANGES:  
EVIDENCE FROM AFRICA**

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**Abstract**

The attraction of blue-chip listings in emerging stock markets is a major policy initiative common across much of the developing world. In many cases however, local blue-chip firms are the result of foreign Multinational Enterprise (MNE) firms engaging with local indigenous partners to form an international joint venture (IJV). These are unique with bilateral governance structures underscoring co-ownership between partners of residual cash flows and assets of the IJV. Using a unique and comprehensive sample of 202 IPO firms from across the emerging African region evidence of both a pronounced internal as well as external role for IJV boards was found. While the internal role underscores significantly smaller board sizes with these being populated by higher proportions of foreign directors from parent and related investors, the external role involves markedly higher proportions of nonexecutives from military and university social elite backgrounds. Finally evidence that IJV firms are more likely under conditions of weaker state-level corruption control was found.

**Keywords:** IPO; Board of Directors; Foreign Joint Ventures; Institutions; Africa

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## **1. Introduction**

There is a sizeable literature regarding international joint ventures (IJVs) in terms of their stability and performance (Brouthers, 2013; Reuer and Koza, 2000), as well as the motivations behind their use in foreign direct investment (FDI) (Buckley and Casson, 1998; Dunning, 2001) as opposed to comparable mechanisms such as greenfield sites or takeovers and the formation of wholly owned subsidiaries (Kogut and Singh, 1998; Meyer, Estrin, Bhaumik and Peng, 2009). Despite the common assumption of IJV boards an essential mechanism in the alleviation of ex-post moral hazard between incumbent partners (Williamson, 1991), very little research has focussed on the distinctive board governance characteristics of these hybrid organizational forms. Two prominent exceptions are studies by Kumar and Seth (1998) and Reuer, Klijn and Lioukas (2013). Kumar and Seth undertook an explorative study of the board-level coordination and control mechanisms for the management of IJV-parent relationships developing a theoretical framework based on structural contingency, resource dependency and agency. In contrast Reuer et al focused on the tension faced by IJV boards in attaining administrative control so as to monitor and coordinate venture's activities on behalf of parent partners against the value of delegating authority to local management. An apparent shortfall in the literature arising through this prior internal focus on IJV board role is a lack of study towards the external co-optation mechanisms (Pfeffer and Salancik, 1978) employed by IJV boards to alleviate environmental uncertainty arising from institutional voids (Khanna and Palepu, 2000; Khanna and Rivkin, 2001). Our study focuses on this shortfall in terms of the composition of IJV boards through nonexecutive directors recruited from social elites that are prominent in indigenous political economy. This forms our first contribution to literature.

We focus our study on the distinctive sample of IJVs that are motivated to list through initial primary offering (IPO) on the national stock markets associated with indigenous host partners. This reflects the growing importance of IJV entities in the attraction of listings from fledgling formal economies of many emerging economies (Lavelle, 2001; Bennell, 1997; Hearn

and Piesse, 2013; Hearn, 2014). This addresses a shortfall in the literature which has been almost exclusively focussed on the capital raising, valuation and performance implications on the stock of parent partners in major international stock markets, such as US and UK, arising from the decision to initiate an IJV. The listing of the IJV entity itself in emerging indigenous stock markets, together with the political legitimacy, enhancement of brand awareness and indigenization of ownership motivations for this (Saudagaran, 1988; Lavelle, 2001), have been largely overlooked. This is despite the importance of IJV listing as a common part of partial, or phased, privatization processes in many emerging economies (Lavelle, 2001; Bennell, 1997) where moribund former state owned enterprises (SOEs) have been subject to phased divestment to foreign partners (Perotti, 1995). Our exclusive study of IPOs is their ability to yield an exclusive insight into the governance structure of IJV entities where listing is attributed to legitimacy concerns (DiMaggio and Powell, 1983) than a pivotal event on the entrepreneurial life cycle of the firm as envisaged by Brav and Gompers (2003). Consideration of IPOs also facilitates study of governance given the ubiquitous availability of detailed firm-level data from prospectus filings which is at best only sporadically available from a wider sample of all listed firms (Munisi et al, 2014). The uniqueness of our focus on IJV IPOs forms our second contribution to literature.

Africa provides a unique context for our study given an almost complete lack of literature regarding MNE activity, FDI and IJV formation on the continent. This is despite some evidence of the importance and prevalence of IJVs in West Africa (Boateng and Glaister, 2002) and a very recent study by Bartels et al (2014) focussing on the distinctive location-based factors influencing FDI across the continent. There is a sharp distinction in institutional environment between civil code law countries (mostly former French and Portuguese colonies) and their common law counterparts (former UK colonies) (La Porta et al, 2008). Furthermore there is significant variation in institutional quality across the continent, ranging from that of Botswana, considered on a par with Western Europe, to Cote d'Ivoire and Nigeria, on a par with least developed worldwide (Transparency International, 2013). Africa provides a unique and ideal laboratory

within which to study a theoretical tension in IJV boards between their internally-focused role on performance monitoring and evaluation of venture with their complimentary external role in securing political legitimacy, access to resources and information. It also justifies our consideration of institutional theory over and above structural contingency and resource dependency perspectives that have been successfully applied by Kumar and Seth (1998). These notably lack the deeper contextualization which institutional theory provides while also providing an opportunity to institutionally-mediate theoretically anticipated relationships regarding the environmental co-optation and boundary-spanning role of boards (Pfeffer and Salancik, 1978; Hillman and Dalziel, 2003) with respect to changes in institutional environment and quality. This forms our third contribution to literature.

While there is a considerable literature regarding the boundary-spanning role of nonexecutive board members in facilitating environmental co-optation for firms which is largely theoretically rooted in resource dependency perspective (see Hillman, Withers and Collins, 2009 for a full review), on the extension of this focuses on the recruitment of governmental (Hillman and Keim, 1995; Lester et al, 2008; Holburn and van den Bergh, 2008) and politically-linked directors (Hillman, 2005; Hillman et al, 1999; 2004). All of this literature has focussed on the developed markets of US and UK with the recruitment of nonexecutives being focussed on those with governmental or political backgrounds. North (1990) argues that the structure of emerging political economies are often very different from their developed country counterparts. Polity's are typically much narrower and controlled by handfuls of social elites with considerable vested private benefits of control. In this light we extend the traditional literature focus on governmental and politically-linked elites through consideration of four categories of social elite prevalent in African IPO firms from identification of these backgrounds in listings prospectuses. These are military, governmental, commercial and university. This forms our fourth and final contribution to literature.

We construct and employ a comprehensive database of 202 IPOs undertaken across Africa between January 2000 and January 2014 and find evidence that increasing proportions of boards drawn from indigenous social elites are positively associated with IJVs compared to their public company counterparts. This relationship was negatively moderated in civil code law environments in contrast to their common law counterparts. Equally this relationship was positively moderated in high institutional quality environments compared to their low institutional quality counterparts. Increased governmental and commercial elites are prevalent on IJV boards. The former are associated with country-level improvements in corruption control and political stability while the latter are only marginally associated with improvements in political stability, regulatory quality, rule of law and democratic voice and accountability measures.

The paper proceeds as follows: the next section outlines the theoretical background and hypothesis formation. Section 3 outlines data sources alongside dependent and independent variable definitions and empirical methods. Section 4 outlines the results within the context of previous related research and the final section concludes with implications for management and limitations.

## **2. Theory and hypotheses**

The structure and operational duties of IJV boards share a number of similarities with their public company counterparts (Reuer et al, 2013). This is evidenced by a mutual emphasis of board's having a fiduciary duty in terms of the performance monitoring and oversight (surveillance) of senior management within the venture (Hambrick, Li, Xin and Tsui, 2001; Yan and Gray, 1994). These duties are supplemented with an emphasis of directors providing advice and counsel to management (Adams et al, 2010; Carpenter and Westphal, 2001; Hillman and Dalziel, 2003) as well as in coordinating partner and venture actions through effecting strategic plans and reconciling the different needs of partners within the venture's core operations (Kumar and Seth, 1998; Ravasi and Zattoni, 2006). Given the TCE emphasis on the bounded rationality (cognitive

limitations) of partners to a joint venture and that their interaction is fraught with potential opportunism owing to inherently incomplete contract structure, the IJV board has an important function in monitoring the collaborations performance, engaging in ad-hoc private ordering by addressing conflicts as and when these arise, and adapting the actions of the venture (see Geringer and Hebert, 1989; Kumar and Seth, 1998; Ravasi and Zattoni, 2006). The control and coordination of the joint venture on behalf of the parents entails both the appraisal of the venture's performance and managerial decision-making, as well as guarding the venture from detrimental (sub-optimal) actions by its members (see Kriger, 1988; Adams and Ferreira, 2007). Board composition in IJVs in terms of director representation of partners tends to be reflective of the respective partner equity stakes in the venture (Hewitt, 2005). Significant departures may take place from this premise. In particular, there are a variety of other mechanisms available to partners to exert control over the IJV with these including the staffing of key managerial positions with parent executives (Killing, 1983; Kumar and Seth, 1998) and the design of incentive packages (Killing, 1983). This is alongside a host of socialization of IJV management with those of the parent (Kumar and Seth, 1998) and integrative mechanisms such as direct contact between parent executives and IJV personnel (Killing, 1983). These represent various mechanisms by which parents exert control over the IJV beyond their strict entitlement through voting rights attributed to their proportionate equity stake in venture.

### **Environmental co-optation of IJV boards through social elite board members**

IJVs and their boards sit at a juncture between two opposing forces: the need for accentuated control by parent and the capacity to act independently with minimal interference in order to be reactive to environmental uncertainty (Kumar and Seth, 1998). Following Kumar and Seth, we develop arguments framed on structural contingency and resource dependency as well as institutional theory in focussing on the composition of IJV boards with directors recruited from indigenous social elites. Their role is in enabling the IJV board to internalize externalities related

to environmental uncertainty and thereby turn an otherwise costly environmental deficiency into a firm-specific competitive advantage (Lester et al, 2008; Peng, 2004).

Structural contingency theory views organizations as complex “information-processing networks” (Galbraith, 1973: 6). A key objective is in achieving an efficient match between the information processing requirements of strategic contingencies and the information-processing capabilities of organizational coordination and control mechanisms (Galbraith, 1973, 1977; Tushman and Nadler, 1978). This theoretical lens views the JV as an integral part of the parents information-processing network. Kumar and Seth (1998) argue that as strategic interdependence between JV and parent grows then so does the need for information-processing requirements of the JV. This in turn infers the JV board’s information-processing capacity must be increased with enhanced integrative mechanisms with parent, director interlock, and socialization of JV board with parent. The contingency lens eschews flexibility in terms of accommodating an opposing view of governance with respect to the JV encountering greater environmental uncertainty derived through institutional deficiencies. In particular, the information-processing requirements of the JV face increasing demands arising from the complexity and richness of information obtained from local immediate environment surrounding JV. Information-processing capabilities of the JV necessarily need to respond through greater autonomy in its relationship with parent through looser linkages, a lessening of parental control, and enhanced managerial discretion of boards and executives in order to process information and respond in a timely manner (Lewis, 1990). Applications of contingency theory have argued that overseas subsidiaries of MNEs are a source of potential value in terms of their active pursuit of localized networks in terms of information and resources as well as the network itself. The resources and information acquired through the network are considered inimitable and non-substitutable leading to the embeddedness of the subsidiary within its local context as a valuable source of sustainable competitive advantage (Gulati, Nohria and Zaheer, 2000). Structural contingency theory views the effects arising from strategic interdependence and environmental uncertainty as opposing forces. However the

structural contingency perspective does eschew the view that corporate ties to social elites are critical to facilitate information processing capacity of IJV and its ability to mitigate generic environmental uncertainty.

The resource dependency perspective adopts an exclusive focus on the boundary-spanning role of directors in terms of their ability to secure both resources and information from immediate environment surrounding firm (Pfeffer and Salancik, 1978). Strategic interdependence between IJV and parent is viewed to generate an enhanced need for IJV directors with extensive knowledge and social networks within the parent in order to act as an effective conduit for obtaining resources from parent to achieve the economic survival of IJV entity. The central boundary-spanning role of the board in securing the economic survival of the firm, or IJV in this case, is prominent under conditions of environmental uncertainty. Under environmental uncertainty, the resource dependency perspective allows a shift in emphasis to the externally-facing role of IJV directors on attempting to alleviate environmental turbulence and achieving a degree of stability and predictability surrounding the IJV (Pfeffer and Salancik, 1978). Melkumov (2009) cites one mechanism of achieving environmental co-adaptation is through director interlocks with other organizations, political and governmental authorities. Judge and Naoumova (2004) and McCarthy and Puffer (2002) both find evidence of increasing proportions of government elites on boards of Russian and Chinese firms, where these countries institutional environments have historically been dominated by extensive state involvement.

The third and final theoretical perspective is that of institutional theory. There is a considerable literature regarding the new institutional economics literature of North (1990, 1991) and the dichotomy between formal and informal institutions in shaping societal incentives and impacting on economic production. A combination of sociological institutional theory (DiMaggio and Powell, 1983) and Scott's (1995) three-dimensional definition of institutional environments have been very recently employed to rationalize the use of IJVs in FDI by MNE firms.

The sociological-based perspective of DiMaggio and Powell (1983) outlines three key institutional pressures influencing socially embedded firms towards attaining legitimacy over operational efficiency considerations. These are *coercive*, defined in terms of formal government regulations and laws, *normative*, defined as cultural and societal expectations, and *mimetic*, defined as the need to copy other organizations within an industry or economic sector in order to alleviate environmental uncertainties. The social and political legitimacy gained from organizations adaptation to isomorphic conformity trump concerns over operational efficiency and profitability (DiMaggio and Powell, 1983). Firms that lack this legitimacy are disadvantaged in accessing resources, such as top managerial support, state funding and the support of a cohesive customer-base (Dacin et al, 2007; Kostova and Zaheer, 1999). Scott (1995) developed a three dimensioned rationalization of institutional environment centred on the notion of three “pillars” that provide “related but distinguishable bases of legitimacy” (Scott, 1995: 47). These are the normative, namely values and norms, the cognitive, namely shared conceptions of reality and frames through which meaning is inferred, and the regulatory, defined as rule-setting, monitoring and sanctioning activities. These three pillars provide an essential framework with which to interpret the institutional setting within a country. Firms, and in this case IJVs, respond to institutional pressures by making strategic choices to either comply, co-opt or defy the institutional framework.

DiMaggio and Powell (1983) develop arguments regarding intra-industry mimetic pressures leading to “band-wagon” behaviour where a common mode of entry into new markets is emulated by all related economic, or industry, participants. A degree of commonality is adopted in IJV formation being the entry mode “of choice” rather than economic necessity. This alone would support the enhanced internal role of the IJV board. It should also be noted however that the institutional perspective recognizes severely underdeveloped regulatory pillar across much of Africa with a prevalence for the cognitive pillar in many countries making up for this regulatory institutional shortfall. Given the importance of the cognitive institutional pillar, institutional

theory explicitly justifies the external linkages of the IJV board in order to conform to local indigenous institutional pressures in order to achieve social legitimacy. We argue that this emphasis on external role of IJV board infers environmental co-optation through the recruitment of nonexecutives drawn from indigenous social elites.

A further application of this institutional perspective is advanced by Owens, Palmer and Zueva-Owens (2013) and also focuses on legitimacy issues influencing the decision for IJV formation. This builds on the three-dimensioned institutional framework of Scott (1995) where Yiu and Makino (2002) propose two methods firms can attain cognitive legitimacy: external and internal mimetic isomorphism. The former involves mimicry of successful firms in the same industrial sector through adopting similar structures, procedures and practices (Huang and Sternquist, 2007). In contrast, the latter adopts an inward focus within the firm where conformation to internal routines and habitual behaviour derived from past successful experiences is key to achieving legitimacy (Lu, 2002, Huang and Sternquist, 2007). The normative pillar details commonly accepted informal societal and cultural prescriptions governing ethically acceptable behaviour with these being encapsulated in norms, values, beliefs and goals (Hillman and Wan, 2005; Ruef and Scott, 1998) with these being highly tacit in nature. The regulatory pillar refers to the most explicit prescriptions with these taking the form of formal legal and regulatory statutes (DiMaggio and Powell, 1983; Scott, 1995). Firms establish legitimacy by operating in accordance with relevant legal and quasi-legal requirements (Scott, 1995) with failure to acquire regulatory legitimacy preventing its ability to operate legally and access resources (Zimmerman and Zeitz, 2002). Thus an explicit assumption of the institutional perspective is organizational attenuation of social legitimacy this motivating a prominent role of social elites in achieving this goal.

In the light of these arguments based on our three theoretical perspectives we propose the following hypothesis:

**Hypothesis 1:** IJV IPO firm boards are positively associated with increasing proportions of nonexecutives drawn from social elite backgrounds

It should be noted that the aggregate social elites measure includes elites drawn from four very different backgrounds: namely military, governmental, commercial and academic (university).

The social elites measure includes four different dimensions facilitating the study of specific social elite backgrounds, drawn from within the indigenous political economy, in their representation on IJV boards.

### **The impact of legal origin on social elite board composition in IJVs**

While countries across Africa are unique in exhibiting a sharp distinction between their adhering to either civil code or common law systems (see La Porta, Lopez-de-Silanes, Schliefer and Vishny, 2008), this distinction based on legal system alone is at best tenuous owing to their often severely underdeveloped nature (Joireman, 2001; Bennell, 1997). Instead the contrast is better made through consideration of the deeper and more pervasive economic, regulatory, political governance structures that each engenders. In particular former French colonies, all adhere to the dirigiste (state-led) capitalist model. Private sector economic activity is subsumed under the indirect and equally extensive influence of centralised state institutions that direct economic activity<sup>1</sup> (Bennell, 1997; Hayward, 2008). This relies on extended state involvement permeating through various economic sectors under the direction of the centralized state authority and staffed by a cadre of state executives (Hayward, 2008). Colonial France's close relationship with its former colonies is exhibited with Algeria as well as four cantons of Senegal being considered as part of metropolitan France itself (Cumming, 2006). The extended dirigiste system across much

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<sup>1</sup> It should be noted that the Dirigiste model was transformative in enabling change in France's economy although this was only achieved using state direction in conjunction with an extensive social security net so when entire state supported economic initiatives were drastically changed the population were economically protected before re-employment in new state-engendered industries (Levy, 2008; Gutelius, 2002). Such advanced social security does not exist in underdeveloped emerging economies inferring that on its own the Dirigiste system is a source of structural rigidity

of Francophone Africa was staffed by large cadres of French civil servants and executives (Hayward, 2008). Furthermore two Franc-based currency unions<sup>2</sup> maintain a fixed peg exchange rate with the Euro guaranteed by the French Treasury in Paris (Lavelle, 2001) inferring continued influence over the region's economy, interest rates and terms of trade. This hegemonic control is further exemplified by the relatively recent relocation of both central banks from Paris to Africa in 1964 (Bennell, 1997). French civil code law countries in particular have institutional frameworks that are closely shaped on centralized bureaucratic state-controlled systems while these have been largely staffed by significant cadres of French nationals.

Rival Portuguese institutional environments, also prevalent in Africa, are also notable in their state-led development. This has an even greater centralized concentration of authority and associated bureaucracy (North, 1990). In contrast common law-based economic systems, have a central role of the state as a regulator of markets for production factors, goods and capital rather than the subsuming of these under its indirect influence in the case of dirigiste systems (Hayward, 2008; Levy, 2008; Wright, 2008). Taken together these institutional factors mediate the relationship between IJV boards and their recruitment of social elites. There is a much greater need for the recruitment of social elites in common law systems given their ability to enhance information processing power of IJV and attain leverage over dominant regulatory authorities where the state exerts a more regulatory influence over markets rather than notions of indirect control as in civil code law countries. The extended influence of state throughout the wider economy in civil code law countries infers less of an emphasis on the recruitment of directors that can internalize any liability arising owing to the dominance of state control. Thus the necessity and degree to which firms recruit different types of social elites directors is likely to be very different between civil code law and common law systems with this simple distinction providing a useful institutional mediator. As such we propose the following hypothesis:

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<sup>2</sup> The two franc-zones are Union Monétaire et Économique de l'Afrique de l'Ouest (UMEAO), including Cote d'Ivoire, Benin, Togo, Burkina Faso, Mali, Niger, Senegal and Guinea-Bissau, and Communauté Économique et Monétaire de l'Afrique Centrale (CEMAC), including Cameroon, Central African Republic, Chad, Republic of the Congo, Equatorial Guinea, and Gabon.

**Hypothesis 2:** Compared to common law countries, civil code law countries will have a negative association between proportion of social elites on board to likelihood of IPO being an IJV

### **The impact of institutional quality on IJV board composition**

The considerable variation in institutional quality across Africa has been variously attributed to differences in legal origin (distinction between civil code and common law) (La Porta et al, 1997, 1998, 2000, 2008), ethnic fractionalization (Easterly and Levine, 1997), and a combination of mortality and disease environment encountered by early European colonists, as well as the type of colonial ambition with this being settler-based, such as South Africa, or resource extractive in nature (Acemoglu et al, 2002). Another explanation has been advanced by Nunn (2007, 2008) regarding the long term impact arising from a historical legacy of slavery. Nunn (2011) argues this impacted on levels of trust within African societies both towards other societal members as well as towards authority and state institutions. Nunn and Puga (2012) provides empirical evidence regarding the ruggedness of geographic terrain exerting a pervasive influence on institutional development. Thus where geographic ruggedness is found to inhibit institutional evolution and economic development elsewhere in world the opposite is true in Africa.

More generally Collier and Gunning (1999) argue that Africa has some of the highest levels of socio-linguistic diversity in relation to relatively small populations worldwide. While much of this diversity has been attributed to over 400 years of slave trade and associated institutions, the onset of European colonialism resulted in modern day national boundaries having been drawn in accordance to the limits of colonial expansion rather than taking any account of the indigenous population (Davidson, 1992). As such indigenous political, judicial, and even national structures were dissected and subsumed into arbitrary modern states controlled by narrow institutional frameworks and colonial authorities. North Africa fared little better with a dichotomy between transplanted French (and Italian in case of Libya) formal institutions being largely

incongruous with Islamic shari'ya informal institutions (Hearn, 2011; Hearn, 2014).

Independence merely inferred the transition of power from imperial to local “colonial” control with narrow social elites typically drawn from handfuls of ethnic groups usurping control over modern nation states that lack legitimacy in eyes of disparate indigenous populations (North, 1990; Joireman, 2001; Lavelle, 2001). The resulting states adopted a distinctly patriarchal character owing to their lacking universal constituency while social elites have been inextricably tied to the evolution of institutional environment and thus the quality of institutions. Social elites are a key determinant in indigenous political economies because they are inextricably tied to aggregate institutional quality. This not only underscores their importance in environmental co-optation strategies of IJVs but also emphasises the importance of differences in institutional quality reflecting differences in the underlying typology of the indigenous political economy. This is itself shaped by social elites and infers co-optation strategies using social elites are contingent on shape and structure of political economy and resulting institutional quality.

We argue that institutional quality is a mediating factor in the recruitment of social elites as part of IJVs environmental co-optation strategy. The structural contingency perspective adopts a more linear perspective in terms of recognizing the importance of social elites as part of IJV information processing network in the context of autonomy from parent. It views improvements in institutional quality as inferring a lesser reliance of IJV on autonomy and environmental co-optation. Thus this perspective views enhanced institutional quality inferring less of a role of social elites on IJV boards in contrast to greater strategic interdependence with parent.

While there is a considerable literature regarding public firm linkages with political and governmental authorities which largely frames arguments on resource dependency theory (see Hillman et al, 1999, 2004; Hillman and Hitt, 1999; Hillman and Keim, 1995), there is a much smaller literature regarding the dynamic nature of these linkages within the context of institutional environment changes. This is exemplified in Lang and Lockhart (1990) and Lester, Hillman, Zardkoohi and Cannella (2008) where the composition of outside directors with other corporate as

well as political and governmental linkages was found to evolve in step with institutional change reflecting differing resource dependency requirements of the firm in respect of its socially embedded environment. We argue that in the context of underdeveloped emerging economies, resource dependency theory is dynamic in its rationalization of the origins of outside directors recruited to the board (Pfeffer, 1972) as part of an environmental co-optation strategy of the IJV. In particular, very low institutional quality is likely associated with political economy formed from essentially patriarchal elites, largely drawn from military or other unelected backgrounds (North, 1990), where these have considerable private benefits of control leading to a lack of incentives to initiate reforms that would lead to more equitable redistribution of wealth. In contrast, higher institutional quality is likely associated with government and state institutions with greater constituency and a more equitable distribution of power and wealth across society. This improvement in external contracting environment provides the basis for a more sophisticated business environment and thus a greater need for social elites drawn from governmental and commercial backgrounds. Thus institutional quality impacts on structure of political economy, distribution and access to resources across a society and hence the changing needs of environmental co-optation for the IJV in accordance to resource dependency theory.

The prescriptions of institutional theory are more complex to interpret. The IJV is a unique hybrid governance structure based on the mutual ownership of two or more partners. The ownership itself, alongside the voting rights it confers, acts as a conduit for the cognitive institutions of both the home and host country partners. The IJV itself sits at an institutional interface between the coercive pressures exerted on the entity through each partners share in ownership. This coercive pressure exerted by parents towards the IJV is balanced by normative pressures arising from within the host country to conform to industry norms of isomorphic legitimacy and thereby signal compliance through recruitment of indigenous social elites. Given the intrinsic relationship between social elites and institutional quality we argue that institutional

quality also has a mediating impact on the theoretical tension apparent in institutional theory's view of the IJV board in terms of attending legitimacy. Thus we test the following hypothesis:

**Hypothesis 3:** Compared to countries with low institutional quality, those of high institutional quality will have a positive association between proportion of social elites on board to likelihood of IPO being an IJV

It is worth noting that we used an equally weighted aggregate institutional index formed from the six component World Bank Governance measures: corruption control, government effectiveness, political stability and absence from violent conflict, regulatory quality, rule of law and democratic voice and accountability.

### **3. Data and Methods**

#### **3.1 Data**

The dataset construction is in two stages. First, a list of Initial Primary Offerings (IPOs) on African markets between January 2000 and January 2014 was constructed. In North Africa, these include Algeria, Egypt, Morocco and Tunisia, and in SSA Cape Verde Islands (Bolsa de Valores de Cabo Verde), Cameroon (Bourse de Douala), BRVM (Cote d'Ivoire), Sierra Leone, Malawi, Kenya, Uganda, Rwanda, Tanzania, Seychelles, Zambia, Namibia, Botswana, Mozambique, Mauritius and Ghana. Nigeria was also included but on data between January 2002 and January 2014 were available. The primary source was the national stock exchanges and their associated websites. These were cross checked with lists sourced from major brokerage houses to ensure accuracy in the case of Nigeria and Zambia. The three listings on the Algerian exchange were during the initial period following inception between 1998 and 2000 and have also been included. This resulted in 280 listings in total.

Secondly, the IPO prospectuses were obtained. These are IPO's or offerings with genuine diversification of ownership amongst a base of minority shareholders as opposed to private placements involving the preferential allocation of stock with institutional or corporate block holders in pre-arranged quantities and prices. Care was taken to avoid misclassifications with registrations, introductions and seasoned (secondary) offerings as these are often also officially referred to as IPOs. Flotations in the two biggest financial markets in Africa, namely South Africa and Egypt, are routinely private placements. These account for the unexpectedly small size of IPOs and that in the latter case IPO is commonly undertaken at same time as a private placement. This is primarily owing to liquidity concerns in both markets. Furthermore IPO's are defined as listings of ordinary shares with single class voting rights, that is, excluding preferred stock, convertibles, unit and investment trusts as well as readmissions, reorganizations and demergers and transfers of listings between main and development boards. They were collected from the financial market regulator websites for Algeria and Morocco while a combination of Thomson Corporation Perfect Information and Al Zawya databases were used for Egyptian prospectuses. The Al Zawya database, the national stock exchange and direct contact with individual firms, were used to source prospectuses for Tunisia. Similarly in SSA prospectuses were from the Ghanaian, Tanzanian, Cape Verdean, and Sierra Leone national stock exchanges and the exchange websites in the case of Seychelles and Cameroon. Thomson Corporation Perfect Information database was used in the first instance to source prospectuses from Nigeria, Malawi and Kenya. Pangea Stockbrokers (Zambia) as well as individual floated firms provided prospectuses for the Zambian stock market. Finally, in SSA, the African Financials website (African Financials website, 2012) provided information relevant to listing from annual reports. This resulted in a final sample of 202 IPOs.

Considerable care was taken in the interpretation of information from IPO listings prospectuses given the considerable variation in size and quality of these filings across the continent. Examples range from inaccuracies in values and units of measurement in Egypt (such

as units stipulated in prospectuses as billions where additional verification confirmed value denominated in millions) to omissions and inaccuracies in the balance sheets in the prospectuses of many smaller Nigerian firms. Attempts to verify data from prospectuses with additional sources such as firm websites, annual reports and mandatory filings of annual accounts were taken wherever possible. US\$ Exchanges rates were from Bloomberg.

### **3.2 Sample**

The descriptive statistics in Table 1 reveal that primary IPO markets across the continent are primarily formed through the privatization of SOEs with entrepreneurial capital raising being largely minimal with the sole exception of the four North African markets. Further differences between North Africa and SSA are exhibited in a proliferation of business group listings in the former region while they are more sporadic in the latter – mostly concentrated in Nigeria, regional BVRM, Mauritius and Malawi. Foreign Partner listings, in the form of both IJVs as well as wholly-owned subsidiaries, are prevalent in SSA but minimal in North Africa. It is also notable that foreign partners tend to be affiliated with state privatizations underscoring the prevalence of partial, or phased, privatizations across the continent (Perotti, 1995; Bennell, 1997). Foreign partners are affiliated to private sector partners to a much lesser extent while there is a small, but notable, affiliation with business groups (see Khanna and Rivkin, 2001 for full discussion on business group constituents leveraging group-wide reputation to attract FDI) where these are mostly family-centred as in the case of North Africa (Hearn, 2014) and centred on the presidency in case of Malawi (Hearn and Piesse, 2013).

#### **Table 1**

Further elaboration on the characteristics of IPO listings involving a foreign partner are revealed in Table 2. The ubiquitous nature of IJVs is apparent alongside four “brown field” FDI entities. These are the result of an initial IJV where the foreign partner has wholly bought out the host

partner and this wholly-owned entity has listed during our sample time frame. It is notable that while foreign partner equity stakes vary across the sample the level of divestment of the IJV generally does not. Where IJV ownership divestment at IPO does take place it is concentrated in Morocco and Tunisia as well as Uganda. Furthermore and despite the variation in foreign partner equity stakes these are generally high indicating an elevated level of control over the venture. Finally it is notable that the majority of foreign partners originate from Europe with IJVs situated in former colonies or countries with some similarity of formal institutions, language and business culture.

## **Table 2**

### **3.3 Variables**

#### **Dependent variable**

We use a binary dummy dependent variable taking value 1 if IPO is an IJV, defined in context of our sample as having a foreign partner, and 0 otherwise. This alongside the construction and sourcing of data is outlined in Table 3. Furthermore the direction of anticipated relationships between dependent variable and all other variables and controls is provided in Table 3.

## **Table 3**

#### **Independent variables**

We employ five variables to measure the proportion of nonexecutives drawn from social elites to board size. The first is an aggregate social elites measure which is the aggregated total of elites drawn from military, governmental, commercial and university backgrounds. The remaining four variables are the proportions of nonexecutives drawn from each of these backgrounds in relation to board size. The designation of nonexecutive directors backgrounds was made in accordance to the director profiles in IPO listings prospectuses as outlined in Table 3.

We address the differences in institutional environment (civil code versus common law) and institutional quality through the employment of interactive variables. The first addresses the possibility of the effects of pervasive institutional differences between civil code law and common law corporations in our sample through employing a civil code law dummy that equals one for civil code law and zero otherwise. To test our interactive legal-family specific hypothesis 2, we adopted the methodology suggested by Kim, Hoskisson and Wan (2004) and used subsequently in Bruton et al (2010), and used interactions between the civil code law dummy and the ratio of aggregate social elites to board size. The second focuses on hypothesis 3 and adopts a similar methodology but instead uses the interactions between ratio of aggregate social elites to board size with an aggregate institutional quality measure (see Liu, Lu and Chizema, 2014 for details of institutional mediation using an index). This is formed from the un-weighted average of the six World Bank governance indices which is then rebased on a 0 to 10 scale.

### **Control Variables**

We introduced a number of distinct groups of controls. The first was institutional and accounted for legal origin as well as aggregate institutional quality. The control for legal origin is the same as our civil code law dummy used in our interactive analysis. Aggregate institutional quality captures the quality of the external contracting environment which is itself a reflection of the underlying institutional environment and political economy.

We employ three board controls: board size, ratio of outsider (independent) nonexecutives on board, and ratio of independent (unaffiliated to any stockholder or insider group) foreign nonexecutives to board size. IJV boards are small and typically divided in accordance to the equity voting shares of incumbent partners. These are unlike public companies in emerging economies where board size are bigger to reflect the additional information-processing needs from recruiting directors with strategic links to market and non-market stakeholders within the environment that the firm is socially embedded. IJVs instead balance strategic interdependence

with parents to environmental autonomy and co-optation. Given the need for accentuated control in IJVs (Kumar and Seth, 1998), boards are likely to be smaller. Following from this argument and given the importance of strategic interdependence with parent in terms of control and access to resources then there are likely to be fewer outside directors on boards and especially fewer unaffiliated independent foreign nonexecutives as the resources these can bring with them can instead be preferentially sourced from within the MNE network (Kumar and Seth, 1998; Melkumov, 2009; Dhanaraj and Beamish, 2004). We anticipate a negative association between all board controls and the dependent variable.

We applied four firm controls. These were: size, defined as natural logarithm of firm revenues, performance, defined as accounting return on assets (ROA), and age, more precisely the natural logarithm of firm age and finally a leverage or financial gearing metric: the ratio of debt to total assets, as defined in Table 3. Size is an important conditioning factor accounting for the complexity of operations and task environments facing the board resulting from these. Given IJV boards face complex information processing environments owing to their strategic interdependence with parents as well as environmental uncertainty (Kumar and Seth, 1998) we would expect a positive relationship between venture size and dependent variable. In terms of performance (ROA) and the TCE theoretical perspective attributes IJV formation to a superior alignment of interests and optimal monitoring and performance evaluation (Williamson, 1975, 1985; Kumar and Seth, 1998). A positive relationship between performance (ROA) and dependent variable is anticipated. We also controlled for firm age. Older firms are anticipated to have larger, more complex operations mirroring more complex task environments. Finally the ratio of debt to equity captures the differential use of debt as opposed to equity as a governance mechanism. We did not anticipate any direction in associations between age and financial leverage with dependent variable.

Given anecdotal evidence in Table 2 relating to the dispersion of IJV formation with indigenous host partners ranging from state to business groups, the majority of which are centred

on families, a range of ownership controls were introduced. These were based on concentration of cash flow ownership rights and take account of the very different motivations and interests of different categories of owner (principal). These were state, corporate block shareholder, aggregate board (insider director), and family ownership categories. A negative relationship between all and likelihood IPO firm is an IJV is anticipated.

A unique IPO control was used relating to the ratio of shares offered to foreign investors to total number of shares issued post-IPO. This took into account of both the degree of marketing of shares to active foreign investors as well as for dispersing ownership at IPO and is anticipated to have a negative association with IJVs. This is derived from the IJV bilateral governance structure being very different from that of a conventional firm.

Finally I also include industry fixed effect controls. These were necessitated by the findings of Stopford and Wells (1972). They found that joint ventures were more prevalent in certain industries such as extractive and mining, than others. Furthermore asset specificity and low frequency of transactions are key determinants in TCE theoretical arguments behind JV formation. These notably vary considerably across industries necessitating controls.

### **3.3 Empirical Model**

Estimation was by logistic regression and was undertaken in three distinct stages. The first involves the sequential testing of the three hypotheses (concerning ratio of social elites to board size) on top of an array of controls. The second involves disaggregating the social elites and considering their individual sub-components, i.e. those drawn from military, governmental, commercial and university backgrounds on top of controls. The third involves retaining the aggregate social elites metric but this time disaggregating the aggregate institutional quality into its six constituent World Bank Governance indices.

The first set of models, involving formal hypothesis testing, itself involves three steps. The first of these simply assesses the impact of the ratio of social elites on board and likelihood of

IPO firm being an IJV (the dependent variable). The second considers the mediating impact of legal code (institutional type – i.e. civil code versus common law) on the association between ratio of social elites on board and the dependent variable. The third focuses on the mediating impact of institutional quality on the association between retained ownership and the dependent variable.

The second set of testing again involves three steps but this time with each of the four disaggregated individual social elite constituents (military, government, commercial, university) added in together jointly. These are initially added in altogether, then together using an interactive framework mediated by legal origin, and finally using institutional quality as a mediation.

The third set of testing involves retaining the generic aggregate social elites variable but this time exploring the institutional interactive effects arising from each of the six World Bank Governance measures, namely corruption control, government effectiveness, political stability, regulatory quality and finally democratic voice and accountability.

Finally it is notable that differences between countries (institutional environments) are accounted for with the legal origin and institutional quality controls. Additional country are not used so as to avoid the dummy variable trap (Wooldridge, 2009)<sup>3</sup>. However industry and time (year) fixed effects are applied across all models.

## **4. Data analysis and results**

### **4.1. Correlations**

Correlations between all variables are reported in Table 4. These are all very low and generally lacking statistical significance. It should also be noted at this stage that the correlation between legal origin and institutional quality (0.129) is statistically significant but importantly is extremely small. This provides support for assertion of Joireman (2001) that in severely underdeveloped countries, the association between legal origin and institutional quality of La Porta et al (1998,

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<sup>3</sup> If dummy variables for all country categories were included, their sum would equal 1 for all observations, which is identical to and hence perfectly correlated with the vector-of-ones variable whose coefficient is the constant term; if the vector-of-ones variable were also present, this would result in perfect multicollinearity, so that the matrix inversion in the estimation algorithm would be impossible. This is referred to as the dummy variable trap (Wooldridge, 2009)

2000, 2008) is not necessarily maintained. Overall this evidence mitigates concerns over potential multicollinearity.

#### **Table 4**

### **4.2. Empirical results**

The empirical results from hypothesis testing are presented in models 1 to 3 in Table 5. The empirical evidence from all three models supports the maintenance of all three hypotheses. It should also be noted that we ran all models separately with dependent variable omitting the “brown field FDI” entities and obtained similar results where these have been omitted for brevity although these are available from authors upon request. Consistent to hypothesis 1 there is a large, positive association (+1.527) between ratio of social elites on board and likelihood of IPO firm being an IJV ( $p \leq 0.10$ ). Similarly, consistent to hypothesis 2 there is a large, positive association between ratio of social elites and dependent variable (+5.149) at ( $p \leq 0.05$ ) alongside a very large, negative association (-16.159) when this independent variable is mediated by legal origin (civil code law dummy) at ( $p \leq 0.05$ ). Finally consistent to hypothesis 3 there is a large, negative association between ratio of social elites and dependent variable (-11.701) at ( $p \leq 0.05$ ) which when mediated by institutional quality leads to a large, positive association (+30.100) between resulting interactive variable and dependent at ( $p \leq 0.05$ ). It is also notable that while the explanatory power (McFaddon  $R^2$ ) is high for both models 2 and 3 that include interactive effects, it is higher for institutional mediation by legal origin i.e. differences between markets-orientated (common law) and dirigiste systems (civil code law) systems.

In terms of the controls, there is a persistently large, negative association between the dependent variable and both the ratio of outsider nonexecutives to board ( $p \leq 0.05$ ) and the ratio of foreign independent nonexecutives to board ( $p \leq 0.01$ ). There is a large, positive association between firm size (log of firm revenues) ( $p \leq 0.10$ ) and performance (ROA) ( $p \leq 0.10$ ) and the dependent variable, while all associations between various ownership categories (corporate block,

insider board, state and family) are negatively associated ( $p \leq 0.01$ ) and dependent variable.

Finally there is a large, negative association between ratio of shares offered to active foreign investors in relation to total shares issued ( $p \leq 0.05$ ) and the dependent variable. All relationships are as anticipated (see preceding Table 3 detailing theoretical relationships).

The empirical results arising from the disaggregation of the social elites are shown in models 4 to 6. We have omitted military and university social elite categories owing to the quasi-separation of parameters inferring models including these variables could not be estimated<sup>4,5</sup>. The empirical evidence indicates the same associations between both government and commercial social elites with the dependent variable which is also extended into the institutional interactive associations. In model 5 civil code law IJV IPOs are likely to have far fewer proportions of their boards made up from commercial social elites than their common law counterparts. A similar relationship is apparent in terms of ratio of government social elites in civil code IJV IPOs compared to their common law counterparts. In line with preceding hypothesized associations for the aggregate social elites, the evidence in model 6 reveals in countries with high institutional quality IJV IPOs are likely to have far higher proportions of their boards made up from commercial social elites than their low institutional quality counterparts. A similar relationship is apparent in terms of ratio of government social elites in IJV IPOs in high institutional quality countries compared to their low institutional quality counterparts.

### **Table 5**

The empirical results from the recursive consideration of institutional interactive effects arising from each of the six World Bank Governance metrics are outlined in Table 6. In all six cases, the directionality of the association in hypothesis 3 is maintained i.e. that the ratios of both

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<sup>4</sup> The quasi-separation of parameters for models including ratio of military social elites and ratio of university social elites is largely a function of their not being present in the 4 IJV IPOs in Nigeria and Ghana. Military and university social elites are only present in the IPOs of Nigeria and Ghana and are not present elsewhere in African IPOs. This lack of presence in these 4 IJV IPOs causes parameter instability resulting in quasi-separation of parameters

<sup>5</sup> All models were separately estimated on a sample comprised of current sample less Ghana and Nigeria, which are the only two countries where military and university elites feature on IPO firm boards. The results from these additional robustness checks substantiate the findings reported here and are omitted for brevity considerations. These are available from authors upon request.

governmental and commercial social elites are higher in IJV IPOs in countries with higher institutional quality than their counterparts in low institutional quality countries. While this association is maintained for ratio of commercial social elites across the political stability, regulatory quality, rule of law, and democratic voice and accountability institutional dimensions (models 9 to 12) the associations in all are barely statistically significant ( $p \leq 0.10$ ). In contrast, there are far fewer (only 2) statistically significant associations between ratio of governmental social elites and dependent variable that is moderated by corruption control and political stability. The relationships with all other controls are as documented for preceding Table 5.

### **Table 6**

## **5. Discussion and conclusions**

### **5.1 Discussion**

The focus of this study was on elaborating the unique board-level environmental co-optation strategies through recruitment of directors drawn from social elites backgrounds in distinctive IJV ventures compared to their public company IPO counterparts. We construct and then employ a unique comprehensive sample of IPO firms from across the emerging region of Africa from January 2000 to January 2014.

Our findings reveal support for the institutionally held view of the centrality of legitimacy concerns in the board composition of IJV ventures. We extend prior studies that have exclusively focussed on the trade-off between strategic interdependence with parent and autonomy within the environment the IJV is socially embedded. These typically adopt a focus on the contrasting internal versus external roles of the board while we uniquely focus on the environmental co-optation strategy employed by IJV in terms of board composition with social elites. Our findings substantiate legitimacy as a particularly important issue in terms of IJV boards recruiting social elite directors, and especially those from commercial and governmental backgrounds. These findings are pertinent given the proliferation of IJVs that substantiate the listings of emerging

stock exchanges which is a function of indigenization and brand awareness, themselves related to legitimacy.

Our study also reveals the importance of institutions in mediating the anticipated relationship between likelihood an IPO firm is an IJV and elevated proportions of board being drawn from social elites. The extensive indirect control exerted over economy in civil code law countries through the dirigiste system is in contrast to the centrality of the role of government in overseeing the regulation and supervision of production factor, goods and capital markets in common law countries. These differences are reflected in far higher proportions of social elites recruited on boards in common law as opposed to civil code IJV IPOs. Furthermore there is a far higher concentration of social elites on IJV boards in environments characterised by high as opposed to low institutional quality, reflecting their importance in mitigating environmental uncertainties arising from more complex contracting arrangements typical of high quality external contracting environments. In particular we show that IJVs undergoing IPO in environments characterised by improved political stability and corruption control at a national level will have higher proportions of board comprised of indigenous government directors.

## **5.2 Limitations**

The principal limitations associated with our study are the exclusive focus on IPOs and the small sample size. The former focus on IPOs acts both as a distinctive contribution in facilitating our focus on IJV ventures that have listed for indigenization and legitimacy reasons as well as a limitation as a useful extension of this work would be in broadening the sample to include all listed entities across the continent. The smaller sample size associated with our study acts as a limitation in terms of creating small sample estimation problems, such as those associated with the ratios of military and university social elites whose presence is solely restricted to the IPO markets of Nigeria and Ghana where there is a minimal presence of IJVs. This a broader sample comprised

of all listings may alleviate this issue although data availability has been highlighted as a significant issue hindering research specific to the African environment.

### **5.3 Managerial relevance**

Our study makes a unique contribution in the study of IJVs in adopting a broad cross-country comparative focus amongst emerging economy IPOs. This breaks with the limitations inherent in literature in focussing either on a singular group, such as developed or developing country IJVs or a comparative study of these two categories. Our employment of institutional context as well as institutional quality underscores the mediation role played by institutions in terms of the considerable variation in these across emerging economies. This focus on emerging economies sharpens our understanding of the role of social elites in playing a critical role in alleviating environmental uncertainty in environments characterised by higher quality institutional quality which is a necessary feature in supporting external contracting. While higher institutional quality in political stability, regulatory quality, rule of law and democratic voice and accountability measures infer a greater need for IJVs to co-opt their environmental uncertainty through recruitment of commercial elites, a particularly strong relationship exists between improvements in corruption control and political stability and recruitment of government elites to board. These results yield important implications for the structure and composition of IJV boards as compared to their public company counterparts within an emerging economy setting. These results also reveal the importance of board composition arising from environmental co-optation that have been overlooked in the literature where the little that exists is concerned with mitigation of generic environmental uncertainty in IJVs and the degree of indigenous staffing of senior management positions.

### **5.4 Conclusions**

Using pooled data analysis techniques we examined the proportion of IJV boards staffed with indigenous social elites in a comprehensive sample of African IPO firms. We found a positive relationship with higher proportions of social elites on the boards of IJV IPO ventures than their public company counterparts. However this relationship was negatively moderated in civil code law environments in contrast to their common law counterparts. Furthermore this relationship was positively moderated in high institutional quality environments compared to their low institutional quality counterparts. This underscores the importance of the role of institutions in environmental co-optation strategies involving board composition in IJV ventures and calls for extended studies using broader classes of listings categories other than just IPOs as well as wider focus across more emerging regions.

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Table 1. African IPO equity market characteristics for sample period 2000 to 2014

Table providing descriptive statistics for all IPOs that have taken place across Africa between January 2000 and January 2014. Binary dummy variables (1/0) indicate the total proportion of IPOs per market that are state privatizations, flotations of business group constituent firms, foreign partner affiliated firms (foreign joint ventures), and entrepreneurial firms led by founders. The proportion of state privatization and business group constituent IPO firms that are associated with foreign partners are also documented while the proportion of foreign partner associated firms that have no state nor business group affiliation are also provided. Values reported are country averages formed from across individual firm values. All variables are sourced direct from IPO listings prospectuses. It is also notable that the low number of IPOs in Egypt, Nigeria and South Africa is largely because new listings adopt private placement or introductions owing to liquidity concerns. Legal origin characterizations are based on classifications in La Porta et al (2008) with the sole exception of South Africa and Namibia that have mixed Roman-Dutch civil code and English common law systems. Unaffiliated private sector indicates private sector affiliation outside of any state or business group involvement. N is total number of IPO firms or sample size

Market	N	Legal Origin	Economic Model	Proportion of Involvement in all IPOs						
				State Privatization		Business Group		Foreign Partner		Entrepreneurial (CEO-Founder)
				Total	Foreign Partner Involved	Total	Foreign Partner Involved	Total	Unaffiliated Private sector	Total
				%	%	%	%	%	%	%
<b>North Africa</b>										
Algeria	4	French civil code	Dirigiste	75.00	0.00	25.00	0.00	0.00	0.00	25.00
Egypt	10	French civil code	Dirigiste	30.00	0.00	30.00	0.00	0.00	0.00	40.00
Morocco	39	French civil code	Dirigiste	5.13	2.56	56.41	5.13	7.69	0.00	35.90
Tunisia	33	French civil code	Dirigiste	6.06	0.00	51.52	3.03	9.09	6.06	51.52
<b>East Africa</b>										
Kenya	10	Common law	Markets- based	40.00	10.00	10.00	0.00	20.00	10.00	20.00
Mauritius	3	French civil code	Dirigiste	0.00	0.00	33.33	0.00	0.00	0.00	66.67
Seychelles	1	French civil code	Dirigiste	100.00	0.00	0.00	0.00	0.00	0.00	0.00
Tanzania	9	Common law	Markets- based	77.78	55.56	0.00	0.00	55.56	0.00	11.11
Rwanda	2	French civil code	Dirigiste	100.00	50.00	0.00	0.00	50.00	0.00	0.00
Uganda	6	Common law	Markets- based	66.67	33.33	0.00	0.00	66.67	33.33	0.00
<b>West Africa</b>										
Nigeria	26	Common law	Markets- based	0.00	0.00	38.46	0.00	7.69	7.69	57.69
BVRM	7	French civil code	Dirigiste	42.86	42.86	57.14	0.00	42.86	0.00	0.00
Ghana	16	Common law	Markets- based	25.00	0.00	12.50	0.00	12.50	12.50	37.50
Cameroon	2	French civil code	Dirigiste	100.00	100.00	0.00	0.00	100.00	0.00	0.00
Cape Verde Is.	4	Portuguese civil code	Bank-based	50.00	25.00	0.00	0.00	50.00	25.00	0.00
Sierra Leone	2	Common law	Markets- based	50.00	0.00	0.00	0.00	0.00	0.00	50.00
<b>Southern Africa</b>										
Botswana	7	Common law	Markets- based	14.29	0.00	28.57	0.00	0.00	0.00	28.57
Malawi	4	Common law	Markets- based	50.00	25.00	50.00	25.00	50.00	25.00	0.00
Zambia	6	Common law	Markets- based	66.67	66.67	0.00	0.00	83.33	16.67	0.00
Namibia	2	Roman-Dutch/Common	Markets- based	0.00	0.00	0.00	0.00	0.00	0.00	50.00
Mozambique	2	Portuguese civil code	Bank-based	100.00	50.00	0.00	0.00	50.00	0.00	0.00
South Africa	7	Roman-Dutch/Common	Markets- based	14.29	0.00	0.00	0.00	14.29	14.29	14.29
Total:	202			23.35	11.17	32.49	2.03	19.29	6.60	33.50

Table 2. Descriptive characteristics of IPO firm has engaged Long Term Foreign Partners

Market	IPO Firm	Industry	FDI type	Host Partner	Foreign Partner Country	Foreign Partner	F-Partner Diffuse at IPO (%)	F-Partner own pre-IPO (%)
<b>North Africa</b>								
Tunisia	Société Immobilière Tuniso-Séoudienne	Financials	JV	Business Group	Saudi Arabia	Société Tuniso-Séoudienne d'investissement et de développement	-2.56	15.96
	Société Tunisienne des Industries de Pneumatiques	Non-Cyclical Consumer	JV	Pvt	Italy	Pirelli SPA	-1.58	17.41
	Société Best Lease	Financials	JV	Pvt	Jordan/Saudi Arabia	Al Baraka Bank and Arab leasing International Finance	-18.07	54.22
Morocco	Itissalat Al Maghreb/ Maroc Telecom	Telecommunication	JV	State	France	Vivendi	0.00	35.00
	Lyonnaise des Eaux de Casablanca	Financials	JV	Business Group	France	Groupe Suez	-8.00	59.00
	Groupe Risma	Cyclical Consumer	JV	Business Group	France	Groupe ACCOR	-8.50	40.50
<b>East Africa</b>								
Kenya	Eveready East Africa	Industrials	BF (Old)	Pvt	United States	Eveready	-19.39	65.01
	Safaricom	Telecommunication	JV	State	UK	Vodafone Kenya Ltd	0.00	40.00
Tanzania	National Microfinance Bank	Financials	JV	State	Netherlands	Rabobank Nederland	0.00	34.90
	Tanzania Breweries	Non-Cyclical Consumer	JV	State	South Africa	South African Breweries	0.00	50.50
	Twiga Cement	Cyclical Consumer	JV	State	Germany	Heidelberg Cement	0.00	69.30
	Swissport	Financials	JV	State	Switzerland	Swissport International	0.00	51.00
	Tanzania Cigarette Co.	Basic Materials	JV	State	Japan	Japan Tobacco International	+24.00*	51.00
Rwanda	Brasseries et Limonaderies du Rwanda	Non-Cyclical Consumer	JV	State	Netherlands	Heineken NV	0.00	75.00
Uganda	National Insurance Corp.	Financials	JV	State	Nigeria	IGI (through Corporate Holding Ltd.)	0.00	60.00
	Stanbic Bank Uganda	Financials	JV	State	South Africa	Stanbic	-10.00	90.00
	Bank of Baroda	Financials	JV	Pvt	India	Bank of Baroda India	-20.00	100.00
	British American Tobacco	Basic Materials	BF (Old)	State	UK	British American Tobacco	-10.00	80.00
<b>West Africa</b>								
Nigeria	Bank Platinum Habib (Bank PHB)	Financials	JV	Pvt	Pakistan	Habib Bank	0.00	15.30
	Presco	Non-Cyclical Consumer	JV	Pvt	UK	Siat Group	0.00	64.69

BRVM	Abidjan Catering	Non-Cyclical Consumer	JV	State	France/ Germany	Groupe Accor; Lufthansa Service	0.00	66.00
	Office National des Télécommunications du Burkina Faso	Telecommunication	JV	State	Morocco	Maroc Telecom	0.00	51.00
	Nouvelles Éditions Ivoiriennes	Cyclical Consumer	JV	State	Switzerland	Edipresse; Edicef	0.00	43.81
Ghana	Total Ghana	Energy	BF (Old)	Pvt	France	Total France	0.00	81.39
	Ecobank Ghana	Financials	BF (Old)	Pvt	Togo	Ecobank Transnational Incorporated	-5.10	92.20
Cameroon	Société Africaine Forestière et Agricole du Cameroun	Extractive	JV	State	France	Groupe Bolloré	0.00	68.84
	Société Camerounaise de Palmeraies	Non-Cyclical Consumer	JV	State	France	Société Palmcam	-14.65	69.99
Cape Verde	Banco Comercial do Atlântico	Financials	JV	State	Portugal	Grupo CGD/ Banco Interatlântico	0.00	52.50
	Enacol - Empresa Nac. Combustíveis	Energy	JV	State	Angola/ Portugal	Petróleos de Portugal; Socieda de Nacional de Combustíveis de Angola	0.00	65.00
<b>Southern Africa</b>								
Malawi	Malawi Property Invest. Co.	Financials	JV	State & Business Group	South Africa	Old Mutual SA	0.00	55.00
	Real Insurance Co. of Malawi	Financials	JV	Pvt	Kenya	Real Insurance Co.	-35.00	100.00
Zambia	Celtel (Zambia)	Telecommunication	JV	Pvt	Kuwait	Zain Kuwait	-20.00	88.89
	BP Zambia	Energy	JV	State	UK	British Petroleum (BP)	0.00	75.00
	AEL Zambia	Energy	JV	State	South Africa	AEL Group	0.00	80.00
	Zambia National Commercial Bank	Financials	JV	State	Netherlands	Rabobank Nederland	0.00	49.00
	Pamodzi Hotels	Cyclical Consumer	JV	State	India	Taj Hotels	0.00	70.00
Mozambique	Cervejas de Moçambique	Non-Cyclical Consumer	JV	State	South Africa	South African Breweries	0.00	65.00
South Africa	Royal Bafokeng Platinum	Extractive	JV	State	South Africa	AngloPlat	-17.80	30.45

Notes: (1) \* indicates an increase in ownership stake

(2) BF/ JV indicate brown field and joint-venture FDI investment respectively. It is worth noting that the small number of BF originally started as JV's prior to full acquisition.

(3) A special case exists in South Africa where the Royal Bafokeng nation is a semi-autonomous indigenous African nation state within South Africa. Given this unique status we assign AngloPlat as a long term foreign partner within South Africa (in context of Bafokeng nation). The state entity acting as host partner is the holding company of the Royal Bafokeng nation.

Table 3. Definitions of variables

This table outlines the construction and sourcing of dependent variable and all control variables used in this study

Variable	Definition	Predicted sign
<b>Dependent Variable (DV)</b>		
Likelihood of IPO firm being an IJV	The likelihood of IPO firm being an international joint venture (IJV) entity is a dichotomous variable taking value 1 if IPO firm is an IJV and 0 otherwise	
<b>Independent Variables</b>		
Ratio Social Elites	This is the number of nonexecutives drawn from all social elite backgrounds (military, government, commercial and university) in relation to board size	(+)
Ratio Social Elites Military	This is the number of nonexecutives with senior military (positions of admiral, general, brigadier, group captain and above in army, air force, navy) backgrounds in relation to board size	(+)
Ratio Social Elites Government	This is the number of nonexecutives with senior governmental backgrounds in relation to board size. Government backgrounds include senior civil service appointments, roles of former president, prime minister, diplomatic and ambassadorial roles	(+)
Ratio Social Elites Commercial	This is the number of nonexecutives with senior commercial backgrounds in relation to board size. Commercial backgrounds are defined as prestigious blue-chip directorships, commercial attaché roles, board level roles in national chambers of commerce.	(+)
Ratio Social Elites University	This is the number of nonexecutives with senior academic and university backgrounds in relation to board size. University backgrounds are defined as professor and above.	(+)
<b>Interactive variables</b>		
Ratio Social Elites x Civil Code Law	This is the ratio of social elites multiplied by civil code law binary dummy	(-)
Ratio Social Elites Government x Civil Code Law	This is the ratio of social elites drawn from government backgrounds multiplied by civil code law binary dummy	(-)
Ratio Social Elites Commercial x Civil Code Law	This is the ratio of social elites drawn from commercial backgrounds multiplied by civil code law binary dummy	(-)
Ratio Social Elites x Institutional Quality	This is the ratio of social elites multiplied by aggregate institutional quality	(+)
Ratio Social Elites Government x Institutional Quality	This is the ratio of social elites drawn from government backgrounds multiplied by aggregate institutional quality	(+)
Ratio Social Elites Commercial x Institutional Quality	This is the ratio of social elites drawn from commercial backgrounds multiplied by aggregate institutional quality	(+)
<b>Institutional Environment</b>		
Institutional Quality	We use the six well established World Bank Governance institutional quality indices disseminated by World Bank. These have first been rescaled to dimensions of 0 to 10 to facilitate comparability. The six measures are: Voice and Accountability, Political Stability and Absence of Violence/Terrorism, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. The construction and definition of each of the six indicators is outlined in detail on World Bank Governance website (World Bank Governance indicators, 2012). Indicators compiled from Kaufmann et al. (2009) "Governance Matters VIII: Governance Indicators for 1996-2008". World Bank Policy Research June 2009. These are downloadable from <a href="http://www.govindicators.org">http://www.govindicators.org</a> .	(-)
Control of Corruption	Captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests	(-)
Government Effectiveness	Captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies	(-)

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Political Stability and Absence of Violence/Terrorism	Measures perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism	(-)
Regulatory Quality	Captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development	(-)
Rule of Law	Captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence	(-)
Voice and Accountability	Captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media	(-)
<b>Board Controls</b>		
Board Size	This is defined as total number of executive and nonexecutive directors in unitary split board systems, or number of nonexecutive directors plus members of executive management committee in supervisory two-tier board systems.	(-)
Outsider Nonexecutive Ratio	This is defined as the number of independent outside nonexecutive directors in relation to board size.	(-)
Ratio foreign independent nonexecutives	This is the number of foreign nonexecutives that are independent to any insider group in relation to board size.	(+)
<b>Legal Controls</b>		
Civil Code Law (Legal Origin)	This is a binary dummy adopting value 1 if country is civil code law and 0 if it is common law as characterised in La Porta et al (2008)	(+)
<b>Firm Controls</b>		
Log (Revenue)	This is defined as natural logarithm of gross sales revenues in pre-IPO year (estimated in US\$) as obtained from IPO prospectus.	(+)
ROA	We include a firm performance-based measure as a control with this being defined as accounting return on assets. This is formed from US\$ converted net income in pre-IPO year to US\$ converted total asset value in same year which are sourced from IPO prospectus.	(+)
Log (Firm Age)	This is the natural logarithm of firm age, in years from its inception to IPO	(+)
Debt to Total Asset Ratio	This is the total value of liabilities to total asset value of IPO firm. Both are sourced from IPO listings prospectus and translated into US\$.	(+)
<b>Ownership controls</b>		
State Own	Percentage ownership in pre-IPO year attributed to state entities	(-)
Corporate Block Own	Percentage ownership in pre-IPO year attributed to foreign partner	(-)
Aggregate Board Own	Percentage ownership in pre-IPO year attributed to board members	(-)
Family Own	Percentage ownership in pre-IPO year attributed to family entities	(-)
<b>IPO controls</b>		
Ratio Offer Size to Foreign Investors to Total Shares Issued	This measure relates the total number of shares offered (available) to Foreign Investors in the IPO to the total number of shares issued and outstanding of the overall firm post-IPO.	(-)

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Table 4. Correlations

Table presenting Pearson correlations between all variables. These are the likelihood of foreign partner associated with IPO firm defined as 1 if firm is joint venture with foreign partner and 0 otherwise. Aggregate Ratio of Social elites is reported, being defined as proportion of nonexecutives drawn from social elite backgrounds to board size. Aggregate institutional quality is the aggregated measure from equally weighted combination of six individual World Bank governance indicators, defined in Table 2 above, that have been rescaled on a 0-1 scale. All other variables are as defined in preceding Table 2. The natural logarithm of firm revenues and firm age are used.

	1	2	3	4	5	6	7	8
1 Likelihood of IPO firm being an IJV	1.000							
2 Ratio Social Elites	0.150**	1.000						
3 Legal Origin	-0.120**	-0.477††	1.000					
4 Institutional Quality	-0.063	-0.155††	0.129**	1.000				
5 Board Size	-0.027	-0.200††	0.284††	-0.087	1.000			
6 Outsider Nonexecutive Ratio	0.069	0.283††	-0.242††	0.183††	-0.224††	1.000		
7 Ratio Foreign Independent Nonexecutives	-0.132**	-0.044	-0.144**	0.166†	-0.003	0.007	1.000	
8 Log (Firm Revenues)	0.091*	0.071	0.019	-0.005	0.235††	0.114*	0.031	1.000
9 ROA	0.138**	0.096*	-0.065	0.093	-0.107*	0.103*	-0.043	0.033
10 Log (Firm Age)	0.097*	-0.036	0.071	-0.097*	0.136**	-0.050	0.053	0.233††
11 Debt-to-Total Asset Ratio	0.146**	0.069	-0.073	0.063	-0.038	0.059	-0.029	0.009
12 Corp Block Own	-0.080	-0.034	-0.095*	0.210††	-0.091	0.220††	0.110*	0.034
13 Insider Board Own	-0.289††	0.027	-0.183††	0.006	-0.215††	0.107*	0.148**	-0.155**
14 State Own	0.108**	0.294††	0.032	-0.034	0.153**	-0.126**	-0.066	0.169†
15 Family Own	-0.318††	-0.325††	0.415††	0.016	0.044	-0.209††	-0.055	0.020
16 Shares Offered to Foreign Investors / Total Shares	-0.145†	0.127**	-0.327††	0.008	-0.079	0.121**	0.045	-0.164†

Notes: (1) \*p<0.10; \*\*p<0.05; †p<0.01; ††p<0.005

Table 4. Correlations continued

	9	10	11	12	13	14	15	16
1 Likelihood of IPO firm being an IJV								
2 Ratio Social Elites								
3 Legal Origin								
4 Institutional Quality								
5 Board Size								
6 Outsider Nonexecutive Ratio								
7 Ratio Foreign Independent Nonexecutives								
8 Log (Firm Revenues)								
9 ROA	1.000							
10 Log (Firm Age)	-0.038	1.000						
11 Debt-to-Total Asset Ratio	0.898††	-0.014	1.000					
12 Corp Block Own	-0.039	-0.016	-0.028	1.000				
13 Insider Board Own	0.011	-0.261††	-0.052	-0.125**	1.000			
14 State Own	-0.063	0.162**	-0.047	-0.152**	-0.373††	1.000		
15 Family Own	0.008	0.058	-0.040	-0.247††	0.014	-0.382††	1.000	
16 Shares Offered to Foreign Investors / Total Shares	0.024	-0.156**	0.027	0.018	0.158**	-0.045	-0.178††	1.000

Notes: (1) \*p<0.10; \*\*p<0.05; †p<0.01; ††p<0.005

Table 5. Institutional factors determining whether IPO firm is an International Joint Venture (IJV)

	<b>Likelihood of IPO firm being an IJV</b>					
	Aggregate Social Elites			Disaggregated Social Elites (commercial/ government)		
	Controls	Legal system	Institutions	Controls	Legal system	Institutions
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Intercept	-5.598 [-1.13]	-12.196 [-1.91]**	-3.985 [-0.68]	-4.674 [-1.04]	-10.318 [-1.21]	-3.014 [-0.43]
<b>Independent variables</b>						
H1: Ratio Social Elites	1.527 [1.30]*	5.149 [1.70]**	-11.701 [-1.76]**	---	---	---
H2: Ratio Social Elites x Civil Code Law	---	-16.159 [-1.68]**	---	---	---	---
H3: Ratio Social Elites x Institutional Quality	---	---	30.100 [2.08]**	---	---	---
Ratio Elites Commercial	---	---	---	3.839 [0.76]	10.817 [1.30]*	-26.191 [-0.94]
Ratio Elites Commercial x Civil Code Law	---	---	---	---	-52.925 [-1.68]**	---
Ratio Elites Commercial x Institutional Quality	---	---	---	---	---	64.243 [1.30]*
Ratio Elites Government	---	---	---	0.339 [0.22]	2.462 [0.72]	-15.098 [-2.03]**
Ratio Elites Government x Civil Code Law	---	---	---	---	-12.449 [-1.32]*	---
Ratio Elites Government x Institutional Quality	---	---	---	---	---	35.227 [2.20]**
<b>Institutional variables</b>						
Civil Code Law (Legal Origin)	-0.598 [-0.39]	1.945 [1.45]*	-0.841 [-0.46]	-0.712 [-0.43]	1.305 [0.46]	-1.033 [-0.52]
Aggregate Institutional Quality	9.682 [1.03]	12.444 [0.99]	5.768 [0.57]	8.474 [0.88]	11.056 [0.93]	4.440 [0.44]
<b>Board Controls</b>						
Board Size	-0.117 [-0.82]	0.016 [0.10]	-0.081 [-0.53]	-0.119 [-0.86]	0.038 [0.22]	-0.087 [-0.64]
Outsider Nonexecutive Ratio	-3.357 [-1.76]*	-4.857 [-1.51]*	-4.462 [-2.24]**	-2.864 [-1.54]*	-3.365 [-0.91]	-4.357 [-2.36] †
Ratio Foreign Independent Nonexecutives	-23.795 [-3.38] ††	-22.615 [-3.61] ††	-25.442 [-3.35] ††	-23.782 [-3.56] ††	-22.974 [-2.99] ††	-27.480 [-3.62] ††
<b>Firm Controls</b>						
Log (Firm Revenues)	1.372 [0.99]	2.167 [2.09]**	1.394 [0.86]	1.300 [0.95]	1.808 [1.73]**	1.388 [0.71]
ROA	4.293 [1.39]*	7.138 [2.17]**	5.105 [1.58]*	5.264 [1.53]*	8.380 [2.38] †	5.294 [1.68]**
Log (Firm Age)	0.039 [0.05]	0.492 [0.62]	0.163 [0.17]	-0.068 [-0.08]	0.061 [0.05]	0.064 [0.06]
Debt to Total Asset Ratio	0.296 [0.60]	0.512 [0.89]	0.269 [0.56]	0.182 [0.35]	0.606 [0.96]	0.328 [0.69]
<b>Ownership Controls</b>						
Corp Block Own	-0.167 [-3.49] ††	-0.199 [-3.29] ††	-0.182 [-3.12] ††	-0.164 [-3.77] ††	-0.205 [-3.18] ††	-0.187 [-3.22] ††
Insider Board Own	-0.145 [-2.84] ††	-0.186 [-2.91] ††	-0.140 [-2.91] ††	-0.149 [-2.62] ††	-0.183 [-3.12] ††	-0.146 [-2.71] ††
State Own	-0.113 [-3.23] ††	-0.145 [-4.24] ††	-0.119 [-2.77] ††	-0.109 [-3.20] ††	-0.130 [-3.68] ††	-0.120 [-2.46] †
Family Own	-0.172 [-3.53] ††	-0.211 [-4.49] ††	-0.179 [-3.03] ††	-0.170 [-3.67] ††	-0.208 [-3.54] ††	-0.186 [-2.85] ††
<b>IPO Controls</b>						
Shares Offered to Foreign Investors / Total Shares	-3.305 [-1.85]**	-3.050 [-1.29]*	-3.471 [-1.68]**	-3.498 [-1.99]**	-3.211 [-1.29]*	-3.675 [-1.68]**
No Obs. = 0	161	161	161	161	161	161
No Obs. = 1	36	36	36	36	36	36
No. Obs.	197	197	197	197	197	197
LR statistic (prob.)	133.59 [0.00]	138.42 [0.00]	135.23 [0.00]	133.45 [0.00]	138.45 [0.00]	136.21 [0.00]
McFadden R <sup>2</sup>	0.7131	0.7388	0.7218	0.7123	0.7389	0.7270

Notes: (1) Industry and time (year) fixed effects included in all models; (2) Z-statistics are in parentheses; (3) QML (Huber/White) standard errors &amp; covariance;

\*p&lt;0.10; \*\*p&lt;0.05; †p&lt;0.01; ††p&lt;0.005

Table 6. Institutional factors determining whether IPO firm is an International Joint Venture (IJV)

	Likelihood of IPO firm being an IJV					
	Corruption Control	Effective Government	Political Stability	Regulatory Quality	Rule of Law	Voice & Accountability
	Model 7	Model 8	Model 9	Model 10	Model 11	Model 12
Intercept	0.584 [0.10]	-0.880 [-0.24]	-1.806 [-0.22]	0.659 [0.14]	-1.788 [-0.30]	-5.435 [-0.71]
<b>Interactive variables</b>						
Ratio Social Elites Commercial	-2.726 [-0.14]	-2.170 [-0.12]	<b>-34.816 [-1.30]*</b>	<b>-29.738 [-1.30]*</b>	<b>-26.074 [-1.28]*</b>	<b>-25.073 [-1.29]*</b>
Ratio Social Elites Commercial x Institutional Dimension	19.529 [0.36]	16.621 [0.39]	<b>52.601 [1.28]*</b>	<b>70.234 [1.30]*</b>	<b>62.590 [1.29]*</b>	<b>61.267 [1.55]*</b>
Ratio Social Elites Government	<b>-8.223 [-1.47]*</b>	3.744 [0.36]	<b>-18.061 [-2.40] †</b>	-1.257 [-0.13]	-8.250 [-0.96]	-13.979 [-0.90]
Ratio Social Elites Government x Institutional Dimension	<b>28.008 [1.68]**</b>	-9.936 [-0.39]	<b>34.072 [2.35] †</b>	1.989 [0.11]	18.117 [1.03]	30.500 [0.91]
<b>Institutional Quality Dimensions</b>						
Dimension: Corruption Control	3.638 [0.40]	---	---	---	---	---
Dimension: Effective Government	---	-1.065 [-0.10]	---	---	---	---
Dimension: Political Stability	---	---	3.172 [0.80]	---	---	---
Dimension: Regulatory Quality	---	---	---	-5.171 [-0.49]	---	---
Dimension: Rule of Law	---	---	---	---	4.207 [0.67]	---
Dimension: Voice & Accountability	---	---	---	---	---	2.706 [0.72]
Civil Code Law (Legal Origin)	-1.761 [-1.28]*	0.001 [0.01]	-2.289 [-1.52]*	0.023 [0.02]	-1.306 [-1.30]*	0.403 [0.24]
<b>Board Controls</b>						
Board Size	-0.110 [-0.77]	-0.104 [-0.97]	0.005 [0.03]	-0.107 [-1.03]	-0.121 [-1.01]	-0.006 [-0.04]
Outsider Nonexecutive Ratio	-4.158 [-2.53] †	-1.697 [-1.28]*	-4.484 [-2.24]**	-1.945 [-1.46]*	-2.875 [-1.93]**	-4.428 [-1.57]*
Ratio Foreign Independent Nonexecutives	-26.801 [-3.46] ††	-20.390 [-2.33] †	-35.102 [-2.49] †	-20.312 [-2.51] †	-26.375 [-2.91] ††	-24.529 [-2.97] ††
<b>Firm Controls</b>						
Log (Firm Revenues)	1.036 [0.61]	1.272 [0.80]	1.388 [0.71]	1.378 [0.76]	1.264 [0.77]	1.568 [0.87]
ROA	5.786 [1.54]*	6.034 [1.42]*	7.140 [1.52]*	5.524 [1.49]*	4.037 [1.29]*	6.600 [2.10]**
Log (Firm Age)	0.048 [0.05]	-0.075 [-0.10]	-0.719 [-0.85]	0.127 [0.15]	-0.079 [-0.09]	0.100 [0.12]
Debt to Total Asset Ratio	0.095 [0.21]	-0.09 [-0.19]	0.213 [0.33]	-0.019 [-0.04]	0.344 [0.54]	0.220 [0.54]
<b>Ownership Controls</b>						
Corp Block Own	-0.172 [-3.14] ††	-0.129 [-3.23] ††	-0.208 [-2.04]**	-0.131 [-2.78] ††	-0.165 [-2.46] †	-0.189 [-2.89] ††
Insider Board Own	-0.160 [-2.75] ††	-0.170 [-1.94]**	-0.172 [-2.43] †	-0.171 [-2.06]**	-0.150 [-2.84] ††	-0.154 [-2.90] ††
State Own	-0.114 [-2.57] ††	-0.103 [-2.60] ††	-0.141 [-1.93]**	-0.104 [-2.32] †	-0.115 [-2.38] †	-0.116 [-3.09] ††
Family Own	-0.175 [-2.99] ††	-0.154 [-2.79] ††	-0.214 [-2.04]**	-0.157 [-2.49] †	-0.179 [-2.65] ††	-0.187 [-2.96] ††
<b>IPO Controls</b>						
Shares Offered to Foreign Investors / Total Shares	-4.233 [-2.42] †	-2.824 [-1.80]**	-4.609 [-2.49] †	-2.797 [-1.93]**	-3.618 [-2.23]**	-3.332 [-1.30]*
No Obs. = 0	160	160	160	160	160	160
No Obs. = 1	36	36	36	36	36	36
No. Obs.	196	196	196	196	196	196
LR statistic (prob.)	134.90 [0.00]	132.09 [0.00]	141.09 [0.00]	133.28 [0.00]	135.02 [0.00]	136.03 [0.00]
McFadden R <sup>2</sup>	0.7200	0.7051	0.7531	0.7114	0.7206	0.7260

Notes: (1) Industry and time (year) fixed effects included in all models; (2) Z-statistics are in parentheses; (3) QML (Huber/White) standard errors &amp; covariance;

\*p&lt;0.10; \*\*p&lt;0.05; †p&lt;0.01; ††p&lt;0.005