9. EMERGING MARKETS: INSTITUTIONAL VOIDS AND BEYOND (COMPETITIVE)

THE IMPACT OF INSTITUTIONS IN INFLUENCING IPO FIRM VOLUNTARY DISCLOSURE OF CEO SALARY

Abstract

This study examines the influence of the structure of the institutional environment in determining whether a firm voluntarily discloses CEO salary or not. Using a unique sample of 202 IPO firms from across Africa between 2000 and 2014 we find that firm's with higher proportions of board comprised of indigenous social elites are less likely to voluntarily disclose CEO pay while this is positively moderated by institutional quality. However CEO pay disclosure is much less likely in civil code law jurisdictions – in line with a lack of institutional complementarities between common law Anglo-Saxon framework within which executive pay disclosure is embedded and civil code law – and less likely in societies that have extensive ethnic fractionalization. This latter finding is a reflection of the necessity of a degree of institutional homogeneity within which successful assimilation of foreign "best practice" such as CEO pay disclosure can take place.

1. INTRODUCTION

There is a considerable body of literature focussing on the adoption of voluntary disclosure and more broadly corporate governance "best practice" in an international setting. This typically takes the form of the institutionalized diffusion of codes across national boundaries where this has in itself led to some polarization with authors such as Coffee (2001) advocating global convergence while Aguilera and Jackson (2003, 2010) argue for heterogeneity. We contribute to this debate in focussing on the diffusion of one institutional element – at the centre of the shareholder value system of governance – namely voluntary disclosure of individual firm's CEOs salary. In particular we seek to shed light on the role of the demographic shape of indigenous political economy as well

as structure of formal and informal institutional environment in influencing the adoption of voluntary disclosure at firm level.

Prior research has been theoretically informed by either traditional agency or institutional perspectives. Agency, and the broader neoclassical perspective from which it is derived, is constrained by its under-socialized rational-choice decision assumption where individual's motivations are solely mapped by their utility preferences. In contrast the overwhelming majority of institutional applications are based on over-socialized conceptualizations of broad national, aggregate-level institutions. We adopt an actor-centred institutional model first outlined by Aguilera and Jackson (2003, 2010) which provides a more dynamic perspective of the societal frameworks within which firms are embedded. As such we explicitly take into account the roles of different actors infusing a variety of competing institutional logics into the firm that ultimately impacts on executive strategic orientation and decision-making.

In this light we firstly consider the co-optation of indigenous social elites, drawn from upper echelons of polity, onto boards of firms in influencing voluntary disclosure of CEO salary. This builds on North's (1990) premise that demographically narrow polities are associated with more entrenched social elites with higher private benefits where these are more likely associated with weak state institutional quality, less well protected property rights and greater opacity. Secondly we consider the implications of institutional complementarities through the impact of common law as opposed to civil code law jurisdictions in influencing the adoption of voluntary disclosure. This is particularly pertinent given voluntary disclosure is a fundamental tenet of shareholder value governance – which itself originates from US and UK – two common law jurisdictions. Finally we uniquely take into account the degree of fractionalization in the informal institutional environment within the societal matrix. Theoretically the institutional literature attributes diffusion of codes – themselves bundles of institutional elements – to isomorphic conformity processes. However this has tended to assume uniformity in national level frameworks and congruity between formal and informal institutions within society. This congruity is essential for institutionalized isomorphic pressures to consistently influence organizational fields into adopting structural conformity –

including the uniform adoption of foreign institutional elements. Thus our focus on informal fractionalization provides a unique theoretical insight into the limits of isomorphism in a national societal context.

Africa provides a unique laboratory within which we are able to assess the impact of firm's board-level social elites drawn from indigenous polity, legal system (common versus civil code law), and fractionalization of informal institutions on the likelihood of voluntary disclosure of CEO pay. The continent has the highest socio-linguistic diversity worldwide (Collier and Gunning, 1999) while considerable incongruities exist between formal institutional frameworks – inherited from predominantly European colonial metropoles – and their informal counterparts – where these are typically communitarian and communalistic in nature (Khavul et al, 2009). This is mirrored in a range of political economies – from those with exceptionally narrow polities dominated by social elites empowered at independence (Joireman, 2001, 2004) to broader more socially inclusive polities – with these differences being reflected in institutional quality (Hearn, 2015). Furthermore the continent exhibits a sharp divide with national legal systems being either civil code or common law in character.

We proceed with the next section outlining the theory and hypotheses. Section 3 outlines African institutional frameworks while section 4 covers the sample construction, methodology and definitions of all independent variables. Section 5 is our discussion while the final section concludes.

2. THEORY AND HYPOTHESES

Voluntary disclosure of CEO compensation is a central tenet of the Anglo-American shareholder value code of governance (Chizema, 2008). Disclosure and transparency in this respect is viewed in a largely self-regulatory "comply or explain" format – where shareholder value codes typically rely on a combination of legally codified requirements and voluntary recommendations. Voluntary disclosure – in this case of CEO compensation – is central to reducing minority outsider investor bonding costs. These are part of more generic agency costs which in turn are broken down between

ex-ante adverse selection and ex-post moral hazard costs (Fama, 1980). Voluntary pay disclosure in this way mitigates adverse selection costs in terms of supporting minority investor informational property rights. Thus according to neoclassical and agency theorists - disclosure reduces risks for the residual risk bearing minority shareholders of the firm and enhances the liquidity of issued capital facilitating optimal price discovery (Jensen and Meckling, 1976; Fama, 1980).

Advocates of the global convergence thesis – where individual national governance regimes "converge" onto a dominant shareholder value "best practice" system (e.g. Coffee, 2001) – typically adopt neoclassical or rational adaption perspectives. Firm's adopting voluntary disclosure are viewed simply in terms of their adopting efficiency-orientated solutions to similar task environments (Boxenbaum and Jonsson, 2008). The convergence of national systems is thus merely an outcome of competitive processes between firms as well as nations in striving to attract investment (Aguilera and Jackson, 2003). Foreign investment thereby supplements limited domestic savings schedules while market mechanisms are optimal and fair redistribution or coordination mechanisms of investment across an economy – matching this to investment opportunities. However this perspective largely ignores the societal institutional environment within which all transactions are inextricably embedded (Granovetter, 1985) – instead relying on abstracted notions of impartial and remote market mechanisms (Aguilera and Jackson, 2003). Furthermore this under-socialized nature is apparent in the view of governance being the sole domain of agency costs related to bilateral contracts between rational utility-maximising minority shareholder principals and their managerial agents – where this is in effect a form of dyadic reductionalism (Aguilera and Jackson, 2003).

While agency theory and rational adaptation perspectives are constrained in applicability by their being inherently under-socialized – the opposite is true of traditional institutionalism where a significant limitation arises from its over-socialized nature. This is reflected in its emphasis of institutional matrices on an aggregate basis and while a dichotomy between formal and informal institutions is explicitly considered the overarching theme is one of a degree of homogeneity at national level. In particular North (1990, 1994) considers the role of indigenous social elites,

empowered at independence from predominantly European colonialism, in their influence and control over institutional formation in order to protect their entrenched positions and vested private benefits of control at state level. Furthermore North (1994) also considers the impact of incongruity between formal – European colonial transplanted – institutions onto existing and incompatible indigenous informal institutions, although this is simply argued to result in political tensions at an aggregate national level. North (1990, 1994) ascribes organizations – and specifically firms – as vehicles undertaking economic transactions, where these interact with state polity and population in a dynamic framework. Firms are thus subject to state regulatory sanction while seeking to influence institutional frameworks to suit their needs, while populations provide a societal social mandate for their continuing operation. Institutions are deemed the "rules of the game" while firms are "players" within this (Williamson, 1998, 2000). This interactive interplay is then argued to provide the basis for the path dependent trajectory of evolution of the institutional framework.

Institutionalist perspectives advance conformity at organizational field level arising from three principal institutionalized isomorphic "pressures" with these being coercive, mimetic and normative (DiMaggio and Powell, 1983)[1]. These emanate from an institutional environment characterised by three "pillars" as defined by Scott (1995) with these being regulatory, normative and cognitive. Regulatory accounts for state level architecture while normative reflects industry-level professional structures. Cognitive is defined in terms of deeper sociologically acceptability from within society – such as cultural, religious and broad societal norms. These institutionalized pressures can also be thought of as topographical or directional – with coercive primarily being associated with "top down" conformity to regulatory (i.e. state) institutions while more "horizontal" pressures arise in the form of normative peer pressure and mimetic imitation thereby attaining normative and cognitive conformity (Boxenbaum and Jonsson, 2008).

[1] Coercive pressures typically emanate from power relationships and politics. These are characterised in terms of actions by the state or other large actors within a given setting in terms of the mandatory adoption of specific structures or practices with the penalty for non-adoption being sanctions. Mimetic pressures arise from environmental uncertainty – where individual organizations strive to overcome this uncertainty through imitation of other organizations (in terms of structure, policies and practices) that have been successful in mitigating uncertainties or who are influential within the wider field. Normative pressures pertain to what is considered a proper course of action or even a moral duty (Suchman, 1995). Normative pressures are often associated with professions (such as industry bodies) owing to their provision of education and training infusing similar values regarding code of conduct of individuals and organizations within a given field.

Furthermore isomorphic conformity influences different levels within a given society. At state-level national frameworks come under pressure from coercive influences of IMF, World Bank and regional development bank structural adjustment programmes eschewing economic reform, deregulation and liberalisation. Such coercive pressures also emanate from conditionality of aid programs as well as institutionalized macroeconomic arrangements and trading relationships[2]. In this way the dominance of European and US in international trade and financing arrangements acts to coercively influence national frameworks into adopting Anglo-American shareholder value models of "best practice" governance. Normative pressures emanate primarily through professional associations at governmental level and in particular training and education – where this is routinely shaped and influenced by Western European traditions. Mimetic pressures eschew from uncertainties regarding the comparative ability of nascent states to attract foreign direct and portfolio investment (Fiss, 2008).

The result of such institutionalized pressures at trans-national level is reflected in economic deregulation and liberalization. This is often accompanied by state-sanctioned inception of formal stock market institutions and even professional industry associations at the behest of governing authorities and controlling social elites. This is due to the need for national-level institutions to attain the necessary legitimacy in order to competitively attract investment – rather than concerns over operational efficiency (Fiss, 2008). Thus stock exchanges alongside the national adoption of governance frameworks that are shareholder value in character, or have been extensively influenced by it, are largely the result of isomorphic pressures for conformity at a transnational level. This is due to the need to attain legitimacy at an international level and the consequential benefits of increased foreign investment without their having endogenously evolved within the indigenous societal matrix – where this would otherwise convey deeper cognitive legitimacy.

[2] This is exemplified by the presence of two extended economic and monetary union blocks encompassing much of Francophone West and Central Africa. 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. Each maintains a fixed exchange rate with the Euro guaranteed by the French Treasury. Some two thirds of both monetary block's foreign currency reserves are retained by the French Treasury while central banks only relocated to Africa in 1969.

The concept of isomorphic conformity is reliant on the notion of institutional integration – or homogeneity – either at the level of the organizational field or in a broader national context. However institutional complementarities – where individual institutional elements attain maximum efficiency when associated with others that have endogenously evolved from within the same societal framework – underscore the notion of institutional interdependence. Such interdependencies are exhibited in practice where liberal individualistic property rights support a more market-centred financial system where there is less inter-firm multiplexity (Aguilera and Jackson, 2003). This in turn emphasises minority investor property rights – and hence the inception of a range of governance monitoring, surveillance and incentive-based systems – including voluntary disclosure. Furthermore Weberian sociology highlights how such interdependencies lead to conflicting notions of rationality – resulting in incongruities and tensions at an aggregate national level (Lepsius, 1990). Here liberal property rights may emphasise capital market liquidity through elevated protections for minority investors – while a converse argument for high network multiplexity relates to the engendering of notions of commitment. Aguilera and Jackson (2003) argue that such tensions give rise to greater heterogeneity and weaken isomorphism that is dependent on homogeneity. Such interdependencies and diverse, often incongruous, logics also allude to a more multi-level rationale of national institutional frameworks.

We follow Aguilera and Jackson (2003) in the application of an actor-centred model of corporate governance. This adopts a distinct firm-level stance – with the view that the firm is a semi-permeable boundary transcended by key stakeholder groups that influence its governance structure in conjunction to their own institutional make up. This can be viewed as an institutionalist extension of the "conflicting voices" thesis of Hoskisson et al (2002) where only different categories of shareholder were considered to exercise varying degree of competing influence on executive strategy and decision-making within the firm. The actor centred model of Aguilera and Jackson (2003) elaborates on three main groups or domains of stakeholders – namely management, labour and capital. Each is comprised of further sub-categories with those associated with management being ideology and careers, those affiliated to labour being representation rights, union

organization and skill formation, while those associated with capital are property rights, interfirm networks and financial system structure. These dynamic coalitions of stakeholders also interact with one another within a given societal matrix – where each actor is itself influenced by often rival institutional influences emanating from within the wider society. Thus the focal firm sits at the intersection of these three domains - namely management, labour and capital – with these permeating its boundary and infusing institutional logics into its organizational structure and governance.

Our actor-centred institution theoretic model is thus time-dynamic in terms of its explicit consideration of historical time varying nature of institutional logics that dominate stakeholder groups or domains (Thornton and Ocasio, 2008) as well as actor-dynamic in terms of considering interactions between these groups (Aguilera and Jackson, 2003). It also acknowledges firms being inextricably embedded within society (see Granovetter, 1985 for social embeddedness of economic and political transactions) with the society itself adopting a distinct multilevel, heterogeneous structure owing to institutional interdependencies. Thus it attributes firm-level governance as a multi-faceted institutionalized field contingent on the dynamic interaction of multiple stakeholders drawn from across institutionally heterogeneous economies.

The impact of political economy and board-constituent social elites on disclosure

The recruitment of indigenous social elites to the board of firms is a co-optation strategy employed by firms to mitigate or acquire influence over environmental contingencies (Pfeffer and Salancik, 1978). In this manner the firm is better placed to preferentially access resources (Pfeffer and Salancik, 1978) as well as circumvent informational asymmetries – through its attainment of legitimacy with regulatory – or formal – institutions (Suchman, 1995). In this way the firm acquires audience "buy in" to its operations albeit at a state or regulatory institutional level – through the attainment of pragmatic legitimacy and thus a continued societal mandate for its activities.

Traditional institutionalist perspectives such as that of North (1990, 1994) view firms as vehicles for incremental path dependent institutional change through their recurring economics

transactions. In this way firms interact with state architecture – and the entrenched social elites controlling this – while populations provide a degree of ethical mandate in this association. Thus an extension to this argument is that firms with co-opted social elites on their boards are less likely to engage in voluntary disclosure and transparency – where this is a reflection of the entrenchment of social elites arising from their vested private benefits of control at state level (North, 1990). In this light firms business operations act as an expropriation technology (Doidge et al, 2007) for entrenched social elites in their extraction of private benefits from the wider indigenous economy. Consequently transparency would be expected to be minimal and voluntary disclosure less likely.

The application of an actor centred institution-theoretic perspective yields a more complex picture of firm governance. Pre-colonial governance frameworks across Africa were based primarily on large clan and tribal groups within feudal political economies. Institutional frameworks across Sub Saharan Africa are shaped on Ubuntu philosophy while those in Arab North Africa are rooted on Wasta[3] (Berger et al, 2015; Sidani and Thornberry, 2013) – where both emphasise are communalistic and communitarian in nature. Indigenous "….African society is a system of mutually benefiting reciprocities" through which exchange within extended families takes place (Otite, 1978: 10 quoted in Darley & Blankson, 2008: 377). Furthermore the dominance of Islamic shari'ya influenced notions of moral legitimacy (Suchman, 1995) are rooted on the ethical notion of extended family. Socially embedded transactions (Granovetter, 1985) between and within families can then adhere to the tenets of Islamic shari'ya – where this is prevalent across North and Eastern Africa.

This socialized emphasis on transactions within and between large extended familial and clan groups is in effect representative of a fundamentally closed system of labour, capital and product markets (Khanna and Rivkin, 2001). These are internal in nature – as opposed to the external markets concept that is central to Western economic doctrine and at the root of shareholder

[3] Berger et al (2015) define Wasta in terms of three relational constructs. These are firstly Mojamala - defined as socio-emotional feelings of participants to a transactional relationship where this corresponds to stimulating feelings of well-being and enduring friendship. Secondly Hamola, corresponds to human empathy, benevolence and favouritism – where in a tribal, clan or familial context this is often confused for the Western concept of nepotism. Thirdly Somah, is the cognitive component of Wasta where this is centred on the mutual credence of a relationship. This is in turn based on mutual past history, tribe reputation and an individual's personal reputation and past actions

value governance. Thus economic transactions are undertaken within a network of socialized relationships based on mutual recognition of social values and norms engendering trust (Granovetter, 1985). Property rights are accorded to social status within the network system – which is sociologically based on extended clan, tribal or ethnic lineage. Control rights are centred on group members and exercised through a combination of socialized interaction across wider family, clan or tribal members – such as through director interlocks – as well as combinations of pyramiding and cross-shareholdings. However while these structures give rise to a proliferation of "business groups" as a hybrid organizational form across many emerging and developed economies – informal governance frameworks in general are dominated by a relationship-orientation and extended family-based institutions. Thus there is little emphasis on the role of external agency and associated bonding costs – given the at best negligible role of minority outside investors within such economies. In this way fundamentally closed and internal labour and capital markets do not institutionally support voluntary disclosure of individual director or CEO compensation.

The transplantation of early European colonial institutional frameworks into indigenous governance frameworks based on such feudal political economies dominated by extended clan and tribal groups led to incongruities between formal and informal institutions. However the impact of this transplantation was twofold. Firstly due to a lack of interdependencies the foreign transplanted institutional elements lacked supportive frameworks and thus lacked the same efficacy as in their home environments. Thus institutional elements such as limited liability contracts, joint stock companies, debt and equity as well as double-entry accounting lacked viable assimilation into indigenous framework that was rooted on communalism and communitarianism (e.g. Kuran, 2004). Secondly extensive decoupling took place between the deeper sociological clan and tribal structures to which the indigenous population were affiliated and the alien, narrow European transplanted frameworks. This way large extended clan and tribal structures retained cognitive legitimacy while assimilating and adapting-to-circumstance alien European notions of corporate structure and governance. This is in line with evidence from Fiss and Zajac (2004) in firms from bank-based governance framework in Germany decoupling their operations from imported shareholder value

model of governance. Here the decoupling is reflected with nominal compliance through their indigenous adaptation to domestic circumstance of shareholder value tenets.

Indigenous firms are thus on the one hand a reflection of cognitive legitimacy (Scott, 1995) arising from informal communitarian institutions – centred on extended clan and tribal lineages – and moral legitimacy (Suchman, 1995) from the centrality of extended familial relations in religious values. On the other hand they need to co-opt environmental contingencies – with these being primarily associated with regulatory institutions and thus recruit social elites in order to attain regulatory legitimacy. The attainment of regulatory legitimacy in this way is particularly important in order to achieve the mandate of regulatory authorities – namely formal state institutions – while effectively decoupling their operations in order to maintain cognitive legitimacy and a deeper societal mandate. In this way decoupling preserves the powerful internal markets of business groups – formed on extended familial, clan and tribal institutions – while nominal regulatory legitimacy is sought from the recruitment of social elites. It follows from this theoretical argument that higher proportions of social elites are more likely associated with greater decoupling at firm-level and hence lower likelihood of voluntary disclosure and transparency. Thus we test the following hypothesis:

Hypothesis 1. *The proportion of social elites serving on board is inversely associated with disclosure of CEO pay*

Finally we argue that aggregate institutional quality is a useful moderator of this association owing to its capturing the degree of congruity between informal institutions and their formal counterparts. This is important – firstly because congruity infers greater institutional complementarities and mutual interdependencies that optimise the societal updating of aggregate governance framework, and secondly because higher aggregate institutional quality underscores improved third-party contracting. Both points underscore the association between improved aggregate institutional quality and external markets – for capital, labour and products within the economy. They also

underscore a lack of necessity in socialized trust providing protection for transactions (Granovetter, 1985) – and where high quality impartial state institutions can effectively remedy "institutional voids" (Khanna and Palepu, 2000).

The implications arising from these theoretical arguments are twofold. Firstly a greater emphasis for market-mechanisms in an economy infers an emphasis on agency-related costs and hence the importance of bonding. This is reflected in more emphasis on voluntary disclosure. Secondly higher institutional quality is reflective of a very different focus within the economy – with a much greater emphasis for notions of competition and organizational efficiency. As such the environmental co-optation strategy of firms – in the form of recruitment of social elites – is much more about securing resources to facilitate the economic survival and profitability of firm in a competitive economy. These arguments lead us to propose a moderating role for institutional quality in the association between proportion of social elites on firm's boards and likelihood of voluntary disclosure of CEO pay. As such we propose the following:

Hypothesis 1a*. The inverse association between proportion of social elites on board and disclosure of CEO pay is positively moderated by institutional quality.*

The association of formal institutional environment with disclosure

A central theme of institutional theory is that of complementarities. These refer to situations where the viability – or efficacy or efficiency – of an individual institutional element increases in the presence of another institutional element or elements (Aguilera and Jackson, 2003). This is particularly true of institutional elements that endogenously develop in one domain and then are selectively transplanted into another alien domain or societal matrix (Aoki, 2001). Typically the transplanted institutional elements have enhanced viability in the presence of other elements drawn from same original domain (Aguilera and Jackson, 2003). The presence of several institutional elements that have been drawn from – or transplanted – from same origin acts to stabilize the

nascent emerging system. Thus stability and efficiency of institutional elements are enhanced through complementarities generated by their mutual interdependence.

Voluntary disclosure of CEO pay is a singular institutional element derived from the shareholder value system of governance which has itself evolved from the distinct institutional framework prevalent in US and UK. Here an interplay of a combination of demographically flat political economy and English common law legal system has provided the institutional framework from which the shareholder value system gradually evolved (Aguilera and Jackson, 2003, 2010). The model is distinct in being based on the notion of dispersed ownership – and the institutionalized protections afforded to minority outside investors by the governance system. This is fundamentally at odds with block-holder systems prevalent in continental Europe where legal systems are predominantly civil code law. These are typified by commercial bank block shareholders in Germany and the state acting as a block shareholder in France (Aguilera and Jackson, 2010). These civil code law systems – based on block-shareholder models of governance – are characterised in emphasising the equality of a diverse range of stakeholders. Dense inter-firm networks together with weaker protections afforded to minority investor property rights underscores the centrality of block-shareholders as opposed to minority outsiders. Consequently stakeholder governance systems at best advocate nominal recommendations for voluntary CEO pay disclosure as well as a range of other governance mechanisms typically used in shareholder value systems – owing to the assumption of superior monitoring provided by the controlling block shareholders (Aguilera and Jackson, 2010).

Consequently we argue that the initially transplanted institutional framework during European colonial era is of central importance in determining the degree to which institutional elements drawn from shareholder value model of governance can be successfully transplanted. Thus voluntary disclosure of CEO pay is more likely to attain optimal viability and efficiency when combined within an institutional matrix already characterised by English common law. The opposite being true in the case of transplantation of voluntary disclosure within a civil code law setting. Hence we test the following:

Hypothesis 2*. Disclosure of CEO pay is more likely in common law jurisdictions than their civil code law counterparts*

The association of informal institutional environment with disclosure

A core assumption behind the rationale of isomorphism eschewing conformity across organizational structures within a given field or nation is that of an integrated underlying supportive institutional framework (Aguilera and Jackson, 2003). A lack of homogeneity in institutional context infers a barrier or constraint hindering isomorphism to take place. This takes effect through the institutional updating and reform processes – which are reliant on complementarities and the uniformity of governance frameworks upon which notions of conformity are based. The barrier to isomorphism in effect hinders the uniform diffusion of new or foreign institutional elements – such as technologies or governance codes – into domestic indigenous societal matrix.

A central characteristic of any institutional framework is that it arises through the interplay between politics, legal system, organizations and the wider population (Aguilera and Jackson, 2010). Politics refers to the demographic structure and composition of polity controlling the formal state architecture and institutions. Fractionalization amongst population of a given nation has two principal implications. The first is the lack of national uniformity in institutions hindering isomorphic processes. The second is the "capture" of state architecture and legal systems through certain clans or tribal groups ascending to empowered positions at independence from former European colonial control (Joireman, 2001, 2004). Thus the impartiality of formal state and legal systems is at best questionable where this in effect infers state institutions are absorbed into the underlying feudal political economy. The overall institutional deficiencies or "voids" resulting from such capture or limited impartiality underscores a lack of trust (Granovetter, 1985) in external third-party contracting – given the centrality of protection and enforcement of minority property rights. Thus contracting is typically undertaken within networks of social relationships which are supportive of internal as opposed to external markets. Thus we test the following:

Hypothesis 3*. Disclosure of CEO pay is more likely in environments characterised by lower fractionalization of informal institutions – such as ethnic, religious and linguistic diversity*

3. AFRICAN INSTITUTIONAL FRAMEWORKS

Africa is largely underrepresented in the literature and forms a unique backdrop for our study. There is a notably sharp divide between civil code law and common law legal systems across the continent (see La Porta *et al.,* 1997, 1998) while it has some of the highest variation in national institutional quality worldwide (Transparency International, 2014). This is also evident across our sample as detailed in Table 1. Formal political, governmental and legal systems are overwhelmingly French or Portuguese civil code law on the one hand and English common law on other (Hearn, 2014). These factors underscore the uniqueness and representativeness of Africa within emerging economies and developing world as a whole.

There is considerable variation within the generic classifications of civil code and common law jurisdictions. This is exemplified on the one hand by Algeria and three cantonments (provinces) of Sénégal that were administered by colonial authorities as an integral part of metropolitan France while on other hand national frameworks such as that of Egypt were established through Napoleonic conquest but then subject to substantive reform by English common law through incorporation into British empire. South Africa, and by virtue of colonization, its neighbour Namibia both adhere to Roman-Dutch civil code law – transplanted to Southern Africa prior to the Napoleonic conquest of the Netherlands[4]. However these frameworks have themselves been subject to substantial influence by English common law (Hearn & Piesse, 2014). In summary – the legal frameworks across Africa vary from civil code to common law with a sizeable proportion of intermediary regimes.

[4] South Africa and Namibia are examples of Easterly and Levine (1997)'s "settler based systems" where in these cases, following the initial transplantation of Roman-Dutch civil code institutional frameworks, these subsequently evolved indigenously through an active Afrikaans (an ancient form of Dutch language) speaking judiciary and population.

The African institutional environment is characterised by distinctions in formal institutional frameworks between civil code and common law where these are superimposed on often complex informal frameworks. Religious affiliations across the continent are overwhelmingly dominated by Islam – predominantly in Northern and Eastern Africa (Hearn, 2014) – and a variety of traditional beliefs rooted on Ubuntu philosophy (West, 2014) - ubiquitous to Sub Saharan Africa. These are egalitarian and unifying in nature with a distinct moral emphasis on extended familial relations. African informal frameworks are characterised by clan-based feudal political economies – where these are often based on ethnicity reflecting in the continent having the highest ethnic fractionalization worldwide (Collier & Gunning, 1999). This is largely reflective of national boundaries having been drawn to delimit the extent of European colonial ambitions (Nunn, 2007; 2008). In this way multiple distinct pre-colonial indigenous national institutional frameworks were subsumed and dissected by seemingly arbitrary "national" boundaries (Nunn, 2007; 2008). This impacts on formal institutional quality in a number of ways. First such fractionalization and lack of cognitive legitimacy of transplanted state architecture hinders the endogenous updating and reform process within the path dependent evolution of institutional frameworks. Secondly it acts to consolidate the power and influence of social elites – where these are often drawn from a handful of clans or ethnicities – with these being dis-incentivized to instigate more equitable reforms.

African governance frameworks

The overwhelming majority of African countries that have established national stock markets have also created a body of national laws, enacted through respective parliaments, with the intention of underscoring both an orderly capital market as well as optimal corporate governance. This is evident from Table 1 where legal statutes generally fall into categories of securities market law, companies acts, and regulatory acts. These are often augmented by additional corporate governance codes encapsulating international "best practice" – where these have almost invariably been adopted on an advisory, or informal, basis with only occasional formal legal ratification. Almost all emerging African economies with stock markets also have professional director associations, often

formed on the UK's *Institute of Directors* model, where these are intended to facilitate the establishment and sustainability of indigenous industry normative institutions. Finally emerging economies across the continent are subject to coercive institutional pressure from international financial institutions (such as IMF and World Bank), state development agencies and former foreign colonial metropoles to adopt one of three corporate governance regimes. These are divided between *stakeholder-orientated* OECD principals and South Africa's King I and II codes and the *shareholder value-orientated* US/UK Anglo-Saxon model – often shaped on the UK Cadbury Report or adopted "second hand" from other English common law countries, such as Botswana's adoption of Sri Lanka's governance code and Malawi's adoption of Kenya's code.

Insert Tables 1 and 2

4. METHODOLOGY

Sample construction

The dataset was constructed in two stages. First, a list of Initial Public Offerings (IPOs) on African markets between January 2000 and January 2014 was identified. 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 only data between January 2002 and January 2014 was available. Our primary source was here the national stock exchanges and their associated websites and these were cross checked with lists sourced from major brokerage houses to ensure accuracy in the case of Nigeria and Zambia. This resulted in an "estimated" population of 280 stock listings.

In order make sure our population actually covered IPOs and not private placements, the IPO prospectuses were obtained. IPOs included are offerings that produce 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). Equally care was taken to avoid misclassifications with registrations,

introductions and seasoned (secondary) offerings as these are often also officially referred to as IPOs. Furthermore IPO's are defined as offerings 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 shares between main and development boards. In lieu of these efforts to focus solely on IPOs our final population is reduced to 202 genuine IPO firms.

Data on IPOs 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, 2014) provided information relevant to listing from annual reports.

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.

Finally it is notable that of our population of 202 genuine IPOs, 18 had missing values in terms of published age – or year of IPO firm establishment in prospectuses - resulting in the final sample of 184 IPOs. The 18 missing observations are evenly distributed throughout the sample.

Dependent variables

Our primary dependent variable is binary adopting value 1 if IPO firm discloses annual fixed base cash salary of CEO in listings prospectus and 0 otherwise. We also employ a second related dependent variable – with this also being binary and adopting value 1 if individual executive fixed base cash salary is disclosed and 0 otherwise. Other notable studies using this dependent variable focussing on firm's voluntary adoption of aspects of corporate governance legislation or best practice are Allcock and Filatotchev (2010) focussing on variable performance-contingent pay in UK IPO firms, Chizema (2008) focussing on CEO salary disclosure in Germany, a number of other similar studies focussing on Germany (e.g. Fiss and Zajac, 2004), and Haxhi and van Ees (2010) in a study of worldwide diffusion of corporate governance codes.

The use of a binary (1/0) dependent variable in relation to one specific element of corporate governance is both simple as well as intuitive given the complexity of a multi-country dataset which focuses on emerging economies. These are notably characterised both by significant differences in institutional framework as well as in levels of disclosure on a broader basis. In particular the extreme variation in levels of disclosure – reflected simply by the page length of IPO listings prospectuses across the continent (see Hearn, 2013) underscores the difficulties in operationalizing a disclosure quality index that could be uniformly applied across sample. Further complexities in forming an index arise from a variety of accounting representations of firm-level balance sheet and management data with these ranging from Portuguese and French continental accounting systems, Arabic prospectuses focussing on domestic investor community in Egypt, and Anglo-Saxon accounting presentations prevalent to English-speaking countries. However despite these obvious differences a common theme in the three principal formal corporate governance regimes that have taken hold across the continent, namely OECD principles, UK/ US Anglo-Saxon system and South Africa's King I and II system, is the centrality of disclosure of CEO as well as individual executive salary. This underscores our focus on the centrality of voluntary disclosure of CEO and separately that of individual executive salary.

Explanatory variables

The first explanatory variable is the proportion of social elites on board. This corresponds to *Hypotheses 1 and 1a*. Following the reporting requirements used in the African IPO prospectuses, we are able to identify four different categories of social elites: senior military; government; commercial; and academic[5]. We also adopt a singular-dimensioned definition whereby an individual director is defined in terms of the social elite status or background as described in director profiles part of IPO listings prospectus. We also further verify this information from additional sources – as reported in Appendix Table 1. The adoption of a singular-dimensioned social elite i.e. defined as a director drawn from either military, governmental, commercial or university background – but not several of these backgrounds together is analytically tractable and is in line with the director profile descriptions – where a singular-definition is routinely applied. However we concede that it is quite possible for a director to emanate from a number of categories of elite – such as a former military background also having served in government and commercial roles. Our definition is drawn from the reporting prevalent in African IPO prospectuses. Furthermore the list of four identifiable elites may not be exhaustive but again it is based on those reported formally in the listings prospectuses and adhere to national regulatory requirements. The third explanatory variable is a binary legal origin dummy variable adopting value 1 if jurisdiction is civil code law and 0 for the alternative common law. This corresponds to *Hypothesis 2*. Finally we explore ethnic fractionalization – the focus of *Hypothesis 3* – with three metrics sourced from NSD Macro data website (see Appendix Table 2). The three metrics correspond to bespoke indices capturing ethnic diversity, religious diversity and finally linguistic diversity.

Moderation variables

[5] The four elites are defined as: government elites drawn from senior civil service appointments, roles of former president, prime minister, diplomatic and ambassadorial roles. Commercial elites being drawn from prestigious blue-chip directorships, commercial attaché roles and board level roles in national chambers of commerce. Military elites are drawn from ranks of Air Force - Group Captain and above, Navy - Captain and above, and Army - Brigadier and above. Academic elites are drawn from professorial appointments and above.

We use our institutional quality metric to moderate the association between proportion of social elites on the board of directors and likelihood of disclosure of CEO pay. We follow see Liu *et al*., (2014) in moderating with an index. This corresponds to *Hypothesis 2a*.

Control variables

We incorporated a number of distinct sets of control variables. The first is an *institutional control*. This is an aggregate variable and is constructed from an equally weighted average of six World Bank governance metrics (Kaufman *et al.,* 2009). Detailed definitions of the six metrics are provided in Appendix Table 2. These six have been rebased to a 0 – 10 scale prior to aggregation.

We include a set of four *board controls*. The first two are natural logarithm of board size, defined as total number of executive and nonexecutive directors and ratio outside nonexecutives defined as proportion of independent outsider nonexecutives to board size. The former accounts for enhanced access to resources – through director's personal networks in the form of human and social capital (Boyd, 1994; Pfeffer & Salancik, 1978) as well as the managerial and coordination capability of board in terms of communication and free-riding (Boyd, 1994). The latter accounts for the quality of monitoring – where independent nonexecutives are unaffiliated to insider networks and influence from controlling groups or CEO (Fama & Jensen, 1983). Our third board control is that of the ratio of business group affiliated directors on the board. This accounts the prevalence of business groups in African economies (Hearn & Piesse, 2013; Hearn, 2014) but also for their dominance of economic and social activity with their presence being representative of social network multiplexity across indigenous societies which acts to strengthen indigenous informal frameworks. We draw on the additional sources detailed in Appendix 1 to identify business groups and then affiliated directors through director profiles of listings prospectuses. The fourth board control is the proportion of foreign nonexecutives that are unaffiliated to any multinational enterprise (MNE) or corporate block entity i.e. that are independently recruited to total board size. This control provides an indication of the degree to which the incumbent firm accesses foreign labour markets in recruiting talent.

In terms of *firm-specific controls* and in line with Sanders & Carpenter (1998) and Finkelstein & Boyd (1998) we use the natural logarithm of firm's pre-tax revenues (or sales) as proxy for size. This is representative of the complexity of a given firm's operations and thus mirrors complexity of task environment which in turn is reflective of information processing requirements of the board. We adopt the accounting return on assets (ROA)[6] as a measure of firm performance in line with Finkelstein & Boyd (1998) and Khanna & Palepu (2000). We also control for firm age where older firms are anticipated to have larger, more complex operations mirroring more complex task environments. This also controls for the "liability of newness" and the considerable information asymmetries generated by a lack of operational and performance history (Arthurs *et al*., 2008). Finally following Andersen *et al* (2003) we introduce a financial leverage or gearing control which is the ratio of debt to equity[7]. This captures the differential use of debt as opposed to equity as a governance mechanism as well as the degree and type of financing corresponding to where the firm is positioned in its lifecycle of development.

We introduce three *ownership controls* to account for concentrated holdings of aggregate board, state entities and CEO. These represent the mechanism by which these entities can exert significant coercive institutional pressures into the firm's organizational structure (DiMaggio & Powell, 1983).

Finally we use three *IPO specific controls*. The first accounts for the demand for external equity finance in terms of number of shares issued at IPO to total shares issued by firm post-IPO – where these values are sourced from listings prospectuses. Including this variable follows the intuition of Hoskisson et al (2002) in terms of the introduction of new owners within the firm generating "conflicting voices" in terms of firm strategy and executive decision-making. These

[6] ROA is conventionally defined as ROA = ((Net Income + Interest*(1 – Tax Rate))/ Total Assets) (see Khanna & Palepu, 2000). However due to significant variation in the data arising from varying reporting standards across Africa with frequent omission of reported interest income and corporate taxation rates from listings prospectuses we use a modified version of this, namely ROA = (Net Income/ Total Assets). However while both measures suffer from business cycle affects and are not forward looking they provide a representative indication of firm performance subject to the data limitations prevalent to emerging economies.

[7] In contrast to Bruton *et al*. (2010) where the ratio of debt to assets was used, we use the debt-to-equity ratio. Whilst this is vulnerable to variations between the static accounting valuation of equity as opposed to market-valuation and is vulnerable to business cycles it captures both the preferences for the use of debt, and importantly captures the degree debt is used in conjunction with it being a "rules-based" governance instrument limiting managerial discretion and mitigating potential agency conflicts.

conflicting voices arising from owners are also viewed as sources of coercive institutional pressures infusing into organizational structure. The second and third controls are related to lead manager's employed to initiate the IPO. These are lead manager reputation and a binary dummy accounting for whether lead manager is foreign (or not). The lead manager reputation is constructed using the new metric introduced by Hearn (2014). Both are representative of coercive institutional influences on to the firm.

Empirical Model

Binomial probit models are estimated to test each of the three hypotheses alongside our controls. Seven models are tested in total. The first is controls only. Then between model 2 and model 6 we gradually increase the number of explanatory and moderating variables on top of each other and our controls. In this way model 2 additionally includes the ratio of social elites on board. Model 3 includes the explanatory variable in model 2 as well as the moderation variable – formed from product of ratio of social elites on board and institutional quality. Model 4 includes all preceding explanatory variables in addition to our legal origin – civil code law dummy. Models 5 to 7 gradually add in each of the three informal institutional fractionalization explanatory variables, one at a time, on top of all preceding explanatory variables. We consider each of these informal institutional variables one at a time owing to their high correlation and associated collinearity. Additional country fixed effects are not used – given the differences between countries are accounted for by institutional quality or common law legal origin - so as to avoid the dummy variable trap (Wooldridge, 2009)[8]. However, industry and time (year) fixed effects are applied across all models. Industry controls capture industry diversification differences – a key feature in emerging economy business groups (Khanna & Palepu, 2000) while year effects relate to variation in institutional development and improvements in regulations, capital market culture, and

[8] If dummy variables for all country (and time) 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)

surveillance environment. The industry definitions vary across each country (see Khanna & Rivkin, 2001 for details of similar issues in a comparable study of 14 emerging economies) leading us to adopt Bloomberg basic industry definitions[9]. Our probit model is:

$$y^* = \alpha + \sum \beta X + \varepsilon_{i,t}, \varepsilon_{i,t} = N(0,1)$$

$$\begin{aligned} \beta X = \; & \beta_1 Explanatory\ and\ moderating\ variables_t \\ & + \beta_2 Board\ controls_{i,t-1} \\ & + \beta_3 Firm\ specific\ controls_{i,t-1} \\ & + \beta_4 Ownership\ controls_{i,t-1} \\ & + \beta_5 IPO\ controls_{i,t-1} \\ & + \delta_1 Industry\ F.E. + \delta_2 Time\ F.E. \end{aligned} \quad (1)$$

$$If\ y^* \geq 0, y = 1$$
$$If\ y^* < 0, y = 0$$

where *t* designates time at IPO, *t-1* denotes year preceding IPO event and *i* denotes individual firm level values. The dependent variable is a binary dummy (1/0) in each case for the likelihood of disclosure of CEO pay. F.E. denotes fixed effects. All other controls are as defined in preceding section.

6. EMPIRICAL RESULTS

Correlation patterns amongst all our variables – as reported in Table 3 – reveal low associations between all of our variables that generally lack statistical significance. This mitigates concerns over multicollinearity. A prominent exception are the exceptionally high correlations between the three informal institution fractionalization metrics (ethnic, religious and linguistic). These justify our approach of including each of these variables recursively.

Table 3

[9] Industry classifications are: Basic Materials; Consumer Goods Non-Cyclical; Consumer Goods Cyclical; Energy; Financials; Health; Industrials; Technology; Telecommunications; Utilities. The identification of firms according to their industry using broad Bloomberg definitions is in keeping with data limitations across our sample, which is a prevalent characteristic of emerging economies.

The results from hypothesis testing are reported across Table 4 and 5. The associations across models 2 to 7 reveal mixed statistical support for *Hypothesis 1* across all models while support for *Hypothesis 1a* is restricted to model 5. There is also consistent support for the maintenance of *Hypothesis 2* while the significant support for *Hypothesis 3* is largely restricted to ethnic and linguistic fractionalization only with a lack of any support for religious diversity.

The associations between all our controls and the dependent variable – namely the likelihood of disclosure of CEO pay – are generally consistent across all models 1 to 7. Disclosure is associated with smaller boards of directors ($p \leq 0.05$), larger firms in terms of revenues ($p \leq 0.10$), higher performance in terms of ROA ($p \leq 0.05$), and lower levels of gearing i.e. less debt in relation to equity ($p \leq 0.005$). Voluntary disclosure of CEO pay is also associated with higher CEO ownership ($p \leq 0.05$) while it is associated with increased likelihood of lead manager being foreign ($p \leq 0.005$) and domestic lead managers with weaker reputations – i.e. less involvement in IPO issuances ($p \leq 0.005$).

We compare models by appraising the three informational-loss criterion metrics – AIC, SBC and HQC – alongside the log-likelihood ratio statistic and the (pseudo) McFaddon R^2. Models 5 to 7 have a combination of the highest (pseudo) McFaddon R^2 and log-likelihood ratio values and score lowest across all three informational-loss criteria. These models include the three informal fractionalization measures – where the inclusion of ethnic fractionalization in particular results in the highest log-likelihood (90.68) and McFaddon R^2 (35.60%) and correspondingly lowest informational-loss criteria (1.348 AIC, 2.082 SBC and 1.646 HQC). This leads to our argument that model 5 is the most robust – where this includes both institutional quality moderation of association between disclosure and ratio of social elites on board but also the ethnic fractionalization measure.

Tables 4 and 5

Finally we explore the moderating association between the ratio of social elites on board and likelihood of CEO pay disclosure with institutional quality in Figure 1. This graphically depicts a

probability surface – based on a cumulative Normal probability distribution. In order to ascertain the range over which to represent the proportion of social elites on board in its association with dependent variable of likelihood of CEO pay disclosure we adopt a minimum of zero and a maximum of the nearest rounded value to the sum of the mean (0.13) and one standard deviation[10]. While this upper bound is 0.31 we round this upwards to 0.35 – equating to 35% of a given board's nonexecutives comprised of social elites.

The probability surface reveal that at low levels of institutional quality an increase in proportions of social elites on boards of directors leads to a corresponding decrease in likelihood of disclosure of CEO pay. However in jurisdictions with high institutional quality the opposite is true – namely increasing proportions of social elites on boards of directors leads to increasing likelihood of CEO pay disclosure. These opposing effects demonstrate the very different role of social elites within indigenous societies in high and low institutional quality contexts. In the former elites are associated with weak governance frameworks, less transparency, and increased likelihood of expropriation. This is largely through their control over state architecture and formal institutional frameworks that are incongruous with informal structures and lack cognitive legitimacy. In the latter context – elites are associated with state architecture and formal frameworks that have considerable cognitive legitimacy amongst society – and thus are more reflective of notions of enhanced transparency and less potential for expropriation – where the technologies for such appropriation are rendered more costly through enhanced institutional quality.

Figure 1

7. DISCUSSION AND CONCLUSIONS

Theoretical implications and contributions

Our findings provide substantive support for the utility of an actor-centred institution-theoretic perspective (see Aguilera and Jackson, 2003) in the study of corporate governance. This is

[10] One standard deviation is equal to 0.18 (18%) – where these are not reported for brevity but are available from authors upon request. We follow Chizema *et al.* (2015) in providing a graphical display of moderating associations and in forming our upper and lower limits

especially true in the comparative study of the diffusion of elements drawn from "best practice" codes such as that of the shareholder value model.

In particular the actor-centred perspective is flexible in enabling consideration of multilevel institutional frameworks – and hence to consider heterogeneity both between and within nations and societies. This is particularly useful given the incongruities that exist across many developing and emerging economies between formal and informal frameworks – where the former originates from colonial-era transplantation and the latter is predominantly communitarian. Shortfalls in traditional institutionalist approaches (e.g. North, 1990, 1994 and Aoki, 2001) centre on broad aggregate level constructs with assumptions of institutional uniformity and homogeneity nationally – which have been equated to being "over socialized" in nature. Conversely rational adaption theorists (e.g. Coffee, 2001) are inherently "under socialized" in assuming worldwide diffusion of "best practice" governance codes are the natural outcome of competitive forces in the attraction of foreign investment. These wholly omit any consideration of social structure from consideration.

Our application of the actor-centred approach is on emerging and developing economies. In particular our findings underscore the importance of decoupling of firm's nominal compliance with imported governance practices from underlying structure and operations. As such the recruitment of social elites to board is a highly visible means of attaining regulatory legitimacy – while in effect decoupling firm from its wider structure and obligations that are inextricably embedded within cognitive institutions. These are often extended family, clan or tribal networks. Consequently higher proportions of social elites on boards are associated with less likelihood of voluntary disclosure of CEO compensation. This association is inversely moderated by institutional quality – where this is representative of better quality institutions supporting increased third-party contracting where there is an emphasis on competitive operational efficiencies as opposed to purely legitimacy concerns. Board co-optation of social elites in this context is focussed on enhancing access to resources and ultimately the profitability of the firm as a whole.

Our findings also support the notion of institutional complementarities. Here institutional elements originating endogenously from common law settings – such as US and UK – attain greater

efficiency, efficacy and viability when transplanted into matrices with other elements drawn from same origins – namely those of common law. Thus voluntary disclosure of CEO pay is much more likely to be adopted in common law jurisdictions where the mutual independencies of similarly originated institutional elements enhances the viability of such disclosure. This finding is contrary to empirical evidence that firms in civil code law countries are more likely to adopt voluntary disclosure in order to attain enhanced legitimacy at international level and therefore increased investment.

Finally our last finding reflects the limitations on institutionalist perspectives of isomorphic conformity when considering the diffusion of either technologies (bundles of institutions) or corporate governance codes at an aggregate national level. The degree of societal fractionalization – be this ethnic, linguistic or religious – is an important indicator of the uniformity and homogeneity of a given society which is an essential characteristic in determining isomorphism. Here our evidence reveals increased heterogeneity leads to lower trust in formal institutions, a greater likelihood of "capture" of what should be impartial state institutions, and reduced emphasis on external labor, product and capital markets. Thus voluntary disclosure of CEO pay is less likely to be adopted by firms given these institutional circumstances.

In conclusion and our findings question conventional wisdom of the universality of "best practice" with the concept of convergence at its center. This has implications in terms of the limitations of development policy – where much of this is shaped on neoclassical and rational adaptation perspectives – but also the universality of business education and associated industry norms – where these too are shaped in Western corporate discipline. As such our findings reveal a much greater role for the demographic shape and composition of political economy as well as existing legal and institutional frameworks in determining national governance and levels of diffusion of perceived "best practice" tenets. These are important issues of concern to international development agencies as well as national regulatory authorities while stimulating a debate on appropriate theoretical perspectives behind corporate governance policy formation.

Limitations and Future Directions

One limitation with our study is in our focus on the diffusion of a single institutional element – namely voluntary disclosure of CEO compensation. While this provides a useful focus – in terms of avoiding potential shortfalls associated with aggregation bias from using a broader dimensioned disclosure index and in terms of the limitations of data availability in an emerging economy sample – it would be preferable to widen the scope of analysis.

A second limitation relates to the geographic focus of the sample – with this being limited to the African continent. While this is beneficial in terms of the considerable variation in institutional quality, demographic structure and composition of polity and societal fractionalization – a useful extension would be to apply our model on a broader worldwide sample in order to ascertain optimal generalizability. This broader application could provide the focus of further research applying the distinctive actor-centered institution-theoretic model.

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Table 1. Institutional and governance frameworks of African financial markets

This table outlines the corporate governance regime's (or principles) origins alongside its recommendations for disclosure of executive compensation for indigenous firms. Details of the specific legal statues and acts underpinning the national corporate governance environment are detailed alongside details of formal indigenous corporate governance bodies, such as institutes of directors, tasked with normative institutional frameworks within domestic industry. Compiled by authors from individual IPO listings prospectuses for all IPOs that have taken place across Africa between January 2000 and January 2014 as well as national stock exchange regulator websites

Country	Corporate Governance Principles	Recommendation to disclose amount of executive compensation?	Recommendation to disclose individual amount of executive compensation?	Corporate Governance Legal Framework	Additional Corporate Governance Institutions
North Africa					
Algeria	OECD Principles	Yes – Statutory	No	Code of Commerce; Securities Law and regulations by COSOB; Algerian corporate governance code	Hawkama El Djazair (Endorsed by the Ministry of SMEs)
Egypt	OECD Principles	Yes	No	Company Law No 159 and its Executive Regulations No 96; Capital Market Law No 95 and its Executive Regulations No 135; CMA's Decree No 30 Board of Directors on Securities and De-Listing Rules of the Cairo and Alexandria; Code of Corporate Governance for the private sector; Code of Corporate Governance for State-Owned Enterprises	Egyptian Institute of Directors
Morocco	OECD Principles	No	No	Law 17-95 (30 august 1996, completed on 23rd may 2008) governing public limited liability companies; Law n°1-93-212 (21st of September 1993 amended several times) creating CDVM and all information required from listed companies; Code of Good Corporate Governance Practices (and annexes on corporate governance of SMEs and banks); Code on Corporate Governance of SOEs	National Commission of Corporate Governance
Tunisia	OECD Principles	Yes - Advisory	Yes – Advisory	Code des Sociétés Commerciales (CSC, Code of Commercial Firms); Stock market regulation by Conseil du Marché Financier (Tunisian securities regulator); Code of Best Practice of Corporate Governance Guidelines on corporate governance for the banking sector	L'Institut Arabe des Chefs d'Entreprises
East Africa					
Kenya	UK Cadbury Report	Yes - Advisory	Yes - Advisory	Companies Act (Cap 486 of the Laws of Kenya); Capital Markets Act (Cap 485A of the Laws of Kenya); The Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002; Capital Markets Authority established by the Capital Markets Act (Cap 485A); the State Corporations Act, 1986; the Cooperatives Act	Institute of Directors - Kenya
Tanzania	UK Cadbury Report	Yes – Advisory	No	The Companies Act (2002), Cap 212 (the CA) and the Capital Markets and Securities Act (1994); Public Corporations Act (1992)	Institute of Directors - Tanzania
Uganda	UK Cadbury Report	No	No	The Companies Act (1961); Provisional draft code of corporate governance (best practice – not ratified)	The Institute of Corporate

					Governance of Uganda
Rwanda	OECD Principles	No	No	Capital Market Regulation (Law No 11/2011); Company Law (Law No. 07/2009 of 27/04/2009)	-- --
Mauritius	OECD Principles/ SA King I/ II/ III	No	No	Financial Reporting Act (2004); The Companies Act (2001); Financial Services Development Act 2001 and the Banking Act.	National Committee on Corporate Governance; Mauritius Institute of Directors
Seychelles	OECD Principles	No – Aggregate board only	No	Securities Act (2007); Companies Ordinance (1972); Financial Services Authority Act (2013); Financial Institution Act (2004); Anti-Money Laundering Act (2006); Voluntary Code of Conduct recommendations	No/ None
West Africa					
Nigeria	UK Cadbury Report	Yes - Advisory	No	Companies and Allied Matters Act, 1990; the Banks and Other Financial Institutions Act, 1991; the Investments and Securities Act, 1999; the Securities and Exchange Commission Act, 1988; Voluntary code of Best Practice for Public Companies (established by SEC, 2008)	Institute of Directors - Nigeria
BVRM	OECD Principles	No	No	The Union Economique et Monétaire de l'Afrique de l'Ouest (UEMOA) zone has adopted the OHADA legal framework (Organization for Harmonization of Business Laws in Africa). The main statute that governs companies is the Uniform OHADA Act on company law (Acte Uniforme de OHADA relatif au droit des sociétés commerciales et du Groupement d'intérêt économique, or AUSCGIE), adopted in 1997. UEMOA countries share a common securities regulator (Le Conseil Régional de l'Epargne Publique et des Marchés Financiers, or CREPMF) and stock exchange (the BRVM)	Director training organization (the Institut Sénégalais des Administrateurs, or ISA) created in 2005
Ghana	UK Cadbury Report	Yes - Advisory	Yes - Advisory	The Companies Code 1963, the Securities Industry Law 1993 and the Regulations of the Ghana Stock Exchange	Institute of Directors - Ghana
Cameroon	OECD Principles	No	No	Règlement Général de la Commission des Marchés Financiers (CMF); OHADA legal framework (Organization for Harmonization of Business Laws in Africa). The main statute that governs companies is the Uniform OHADA Act on company law (Acte Uniforme de OHADA relatif au droit des sociétés commerciales et du Groupement d'intérêt économique, or AUSCGIE) adopted in 1997.	-- --
Cape Verde Islands	OECD Principles	No	No	Código dos Valores Mobiliários"o Código de Mercado dos Valores Mobiliários, aprovado pela Lei n.o 52/V 198, de 11 de Maio ; Código das Empresas Comerciais" o Código aprovado pelo Decreto-Lei n.o 3/99, de 29 de Março	No/ None
Sierra Leone	UK Cadbury Report	No	No	The Companies Act (2009); National corporate governance code not yet drafted; Sierra Leone stock exchange operations and regulation governed by the Interim Stock Trading Rules and Regulations (not ratified in parliament)	No/ None
Southern					

Africa					
Botswana	Sri Lanka Corporate Governance Code/ SA King II	Yes – Advisory	No	Botswana Stock Exchange Act (1994); The Companies Act (2003)	Institute of Directors - Botswana
Malawi	Kenyan Corporate Governance Code/ SA King II	Yes – Advisory	No	The Companies Act (1984); Malawi Stock Exchange Regulations; Financial firms have to additionally comply with the Banking Act (1989) and licensing by Reserve Bank of Malawi	Institute of Directors - Malawi
Zambia	UK Cadbury Report	No	No	Securities Act (1993); Companies Act Cap 388	Institute of Directors - Zambia
Namibia	SA King I/ II/ III	Yes	Yes	Namibia Companies Act (2004); State-owned Enterprises governance Act (2006); Anti-Corruption Act (2003); Stock Exchange Control Act (1985-01)	-- --
Mozambique	OECD Principles	No	No	Código Comercial (new Commercial Code) (2006); Código Comercial (Commercial Code) (2005); Anti-Corruption Law (2004); Competition Policy and Law (2008); Regulamento do Mercado de Valores Mobiliários, conforme disposto no Decreto Nº 48/98 de 22 de Setembro	Instituto de Directores de Moçambique
South Africa	SA King I/ II/ III	Yes	Yes	Corporate Law Amendment Act (2007); Companies Bill (2007); Securities Services Act (2005); King III best practice guideline recommendations	Institute of Directors – South Africa

Table 2. Descriptive statistics for CEO salary disclosure and institutional environment

This table outlines the country averages of firm-level disclosure of CEO cash-based salary alongside details of formal and then informal institutional contexts. Formal outlines the legal family to which the national legal system originates according to La Porta et al (2008). Institutional quality – which is the average of the six World Bank governance metrics as developed by Kaufman et al (2009) – namely democratic voice and accountability, rule of law, regulatory quality, political stability and absence from terrorism, government effectiveness and corruption control. Ratio social elites is the average proportion of nonexecutives drawn from four designated social elites back grounds (military, government, commercial and academic) to board size for all IPO firms within that national market. Informal institutional context measures are the NSD Macrodata's three measures of societal fractionalization – namely that associated with ethnicity, religion and linguistic. N is sample size of IPO firms

Market	**N**	**Disclosure CEO salary**	**Institutions**					
			Formal			**Informal**		
			Legal origin	**Institutional quality**	**Ratio social elites**	**Ethnic fractionalization**	**Religious fractionalization**	**Linguistic fractionalization**
		%		**%**	**%**	**%**	**%**	**%**
North Africa								
Algeria	4	100.00	French civil code	28.97	6.20	33.94	0.91	44.27
Egypt	10	30.00	French civil code	42.43	22.92	18.36	19.79	2.37
Morocco	39	33.33	French civil code	46.94	6.24	48.41	0.35	46.83
Tunisia	33	72.73	French civil code	50.84	1.38	3.94	1.04	1.24
East Africa								
Kenya	10	40.00	English common law	40.07	49.63	85.88	77.65	88.60
Tanzania	9	22.22	English common law	45.36	42.05	73.53	63.34	89.83
Uganda	6	0.00	English common law	38.55	42.17	93.02	63.32	92.27
Rwanda	2	0.00	French civil code	47.91	24.26	32.38	50.66	0.00
Mauritius	3	66.67	French civil code	71.55	27.78	46.34	63.85	45.47
Seychelles	1	100.00	French civil code	57.01	22.22	20.25	23.23	16.06
West Africa								
Nigeria	26	69.23	English common law	29.56	29.39	85.05	74.21	85.03
BVRM	7	0.00	French civil code	41.68	1.68	82.04	75.51	78.42
Ghana	16	68.75	English common law	53.53	21.26	67.33	79.87	67.31
Cameroon	2	0.00	French civil code	35.95	3.57	86.35	73.38	88.98
Cape Verde Islands	4	0.00	Portuguese civil code	63.19	9.47	41.74	7.66	0.00
Sierra Leone	2	50.00	English common law	38.57	65.00	81.91	53.95	76.34
Southern Africa								
Botswana	7	85.71	English common law	69.21	19.55	41.02	59.86	41.10
Malawi	4	50.00	English common law	45.89	13.57	67.44	81.92	60.23
Zambia	6	50.00	English common law	45.04	38.33	78.08	73.59	87.34
Namibia	2	100.00	English common law*	61.84	25.60	63.29	66.26	70.05
Mozambique	2	50.00	Portuguese civil code	47.19	34.17	69.32	67.59	81.25
South Africa	7	100.00	English common law*	61.37	16.19	75.17	86.03	86.52
Africa overall	202	51.49		46.30	18.66	58.85	52.91	56.80

Table 3. Correlation analysis

This table reports the Pearson correlations between all variables included in our study. These are the the CEO salary disclosure – being a binary variable adopting value 1 if CEO's salary is disclosed in listing prospectus and 0 otherwise. Five cash flow ownership variables are included with these being percentage retained ownership of venture capitalists (VC), business groups, corporate block shareholders, executive directors and state entities. Two formal institutional variables are legal origin taking value 1 if jurisdiction is civil code law and 0 otherwise i.e. if common law. Three informal institutional variables are introduced with these being national fractions of ethnic diversity, religious diversity and linguistic diversity. Three board variables are board size in terms of total number of executive and nonexecutive directors, board independence ratio, being ratio of independent unaffiliated nonexecutives to board size, and ratio social elites on board – defined as number of nonexecutives drawn from social elite backgrounds (senior military, government, university and commercial) to board size. Log (revenues) is natural logarithm of pre-tax firm revenues while ROA is accounting return to assets. Log (age) is natural logarithm of time (in years) between IPO year and year of establishment. Ratio total debt to total assets is a measure of leverage or gearing (see Bruton et al, 2010) with this being total debt divided by total asset value. Finally shares offered at IPO to total shares issued is our last IPO related control variable included.

		1	2	3	4	5	6	7	8	9	10
1	CEO salary disclosure	1.000									
2	Ratio social elite nonexecutives	-0.127**	1.000								
3	Institutional quality	0.186††	-0.168†	1.000							
4	Civil code law (legal origin)	-0.126**	-0.497††	0.039	1.000						
5	Fraction ethnic diversity	-0.194††	0.432††	-0.317††	-0.697††	1.000					
6	Fraction religion diversity	0.020	0.440††	-0.045	-0.839††	0.785††	1.000				
7	Fraction language diversity	-0.107*	0.422††	-0.298††	-0.720††	0.964††	0.770††	1.000			
8	Log (board size)	-0.141**	-0.257††	-0.170†	0.223††	-0.027	-0.170††	-0.056	1.000		
9	Outsider nonexecutive ratio	0.088	0.300††	0.166†	-0.267††	0.145	0.270††	0.173††	-0.330††	1.000	
10	Business Group directors ratio	0.007	-0.214††	-0.045	0.269††	-0.208††	-0.267††	-0.194††	0.068	-0.216††	1.000
11	Ratio foreign nonexecutives	0.037	-0.043	0.179†	-0.149**	0.061	0.113*	0.074	0.019	-0.006	-0.038
12	Log (revenue)	-0.045	0.060	-0.059	-0.006	0.011	-0.008	0.021	0.228††	0.099*	0.032
13	ROA	0.094	0.091	0.104*	-0.057	0.000	0.069	0.008	-0.125**	0.094*	-0.062
14	Log (firm age)	-0.068	-0.043	-0.133**	0.061	0.073	-0.062	0.058	0.127**	-0.054	-0.018
15	Debt to equity ratio	-0.112*	-0.025	0.036	-0.006	0.052	0.067	0.004	-0.016	0.183	-0.002
16	CEO ownership	0.218††	-0.042	0.104*	-0.047	-0.084	-0.021	-0.065	-0.243††	0.064	-0.091
17	State ownership	-0.120*	0.256††	-0.106*	0.044	-0.005	-0.028	0.001	0.191††	-0.179††	-0.243††
18	Aggregate block ownership	0.029	-0.399††	0.153**	0.410††	-0.366††	-0.404††	-0.343††	0.046	-0.087	0.522††
19	Shares offered / total shares	0.049	0.134**	-0.112*	-0.314††	0.174**	0.228††	0.146*	-0.040	0.115*	-0.121
20	Lead Manager reputation	-0.103*	0.066	-0.025	-0.040	0.158**	0.123**	0.121*	0.114*	0.095*	-0.030*
21	Lead Manager is foreign	0.137**	0.041	0.004	-0.103*	0.120*	0.195††	0.140*	-0.072	0.190††	-0.178†

* $p < 0.10$; ** $p < 0.05$; † $p < 0.01$; †† $p < 0.005$

Table 3. Correlation analysis continued

		11	12	13	14	15	16	17	18	19	20	21
1	CEO salary disclosure											
2	Ratio social elite nonexecutives											
3	Institutional quality											
4	Civil code law (legal origin)											
5	Fraction ethnic diversity											
6	Fraction religion diversity											
7	Fraction language diversity											
8	Log (board size)											
9	Outsider nonexecutive ratio											
10	Business Group directors ratio											
11	Ratio foreign nonexecutives	1.000										
12	Log (revenue)	0.018	1.000									
13	ROA	-0.044	0.032	1.000								
14	Log (firm age)	0.046	0.223††	-0.037	1.000							
15	Debt to equity ratio	0.066	0.004	0.096*	-0.124**	1.000						
16	CEO ownership	0.041	-0.203††	0.017	-0.211††	0.028	1.000					
17	State ownership	-0.058	0.182††	-0.059	0.115*	-0.088	-0.210††	1.000				
18	Aggregate block ownership	0.000	-0.035	-0.052	0.013	-0.071	-0.118*	-0.456††	1.000			
19	Shares offered / total shares	0.021	-0.196††	0.018	-0.147**	-0.033	0.041	-0.104*	-0.234††	1.000		
20	Lead Manager reputation	0.010	0.283††	-0.005	0.084	0.028	-0.065	0.000	-0.062	-0.132**	1.000	
21	Lead Manager is foreign	0.008	0.147**	0.094*	0.025	0.035	0.041	0.031	-0.203††	0.019	0.428††	1.000

* $p < 0.10$; ** $p < 0.05$; † $p < 0.01$; †† $p < 0.005$

Table 4. The association between institutions and CEO salary disclosure[a, b, c]

This table presents the logistic regression model results for binary dependent variable (1/0) likelihood of disclosure of CEO salary onto our explanatory and control variables. These are defined in Table 3.

	Likelihood of disclosure of CEO salary			
		Formal institutional environment		
	Controls only	Social elites	Moderation	Civil code law
	Probit Model 1	Probit Model 2	Probit Model 3	Probit Model 4
Intercept	-0.249 [-0.17]	0.613 [0.39]	0.144 [0.08]	1.504 [0.83]
Hypothesis testing				
H1: Ratio social elites	-- --	-1.067 [-1.96]**	0.974 [0.66]	-3.161 [-1.60]*
H1a: Ratio social elites x Institutional quality	-- --	-- --	-4.665 [-1.07]	2.843 [0.72]
H2: Civil code law	-- --	-- --	-- --	-1.409 [-3.99] ††
H3: Informal fractionalization				
ethnic diversity	-- --	-- --	-- --	-- --
religious diversity	-- --	-- --	-- --	-- --
linguistic diversity	-- --	-- --	-- --	-- --
Formal institutional control				
Institutional quality	2.544 [2.10]**	1.852 [1.49]*	2.776 [1.69]**	1.365 [0.72]
Board controls				
Log (board size)	-0.791 [-1.21]	-1.276 [-1.83]**	-1.308 [-1.86]**	-0.977 [-1.36]*
Outsider nonexecutive ratio	-0.255 [-0.47]	0.070 [0.13]	0.226 [0.39]	-0.197 [-0.34]
Business Group directors ratio	0.030 [0.08]	0.049 [0.12]	0.050 [0.12]	0.105 [0.24]
Ratio foreign nonexecutives	-0.324 [-0.36]	-0.333 [-0.36]	-0.309 [-0.33]	-1.049 [-1.02]
Firm controls				
Log (Revenue)	0.230 [1.51]*	0.225 [1.45]*	0.224 [1.46]*	0.192 [1.30]*
ROA	0.441 [1.64]*	0.446 [1.68]**	0.499 [1.87]**	0.438 [1.69]**
Log (Firm Age)	-0.004 [-0.01]	-0.068 [-0.23]	-0.061 [-0.21]	0.073 [0.23]
Debt to equity ratio	-0.082 [-2.99] ††	-0.088 [-3.16] ††	-0.089 [-3.15] ††	-0.090 [-2.84] ††
Ownership controls				
CEO ownership	0.014 [1.96]**	0.013 [1.81]**	0.013 [1.85]**	0.018 [2.50] †
State ownership	-0.004 [-0.71]	-0.002 [-0.25]	-0.001 [-0.07]	0.005 [0.77]
Aggregate block ownership	-0.001 [-0.3]	-0.004 [-0.76]	-0.004 [-0.77]	0.003 [0.55]
IPO controls				
Shares Offered/ Total Shares	0.176 [0.3]	0.108 [0.18]	0.086 [0.14]	-0.285 [-0.41]
Lead Manager reputation	-1.134 [-2.77] ††	-1.126 [-2.79] ††	-1.099 [-2.73] ††	-1.172 [-2.81] ††
Lead Manager is foreign	0.818 [2.93] ††	0.774 [2.79] ††	0.755 [2.73] ††	0.815 [2.75] ††
No Obs. = 0	88	88	88	88
No Obs. = 1	96	96	96	96
No. Obs.	184	184	184	184
AIC criterion	1.451	1.442	1.451	1.387
SBC criterion	2.115	2.124	2.150	2.104
HQC criterion	1.720	1.719	1.734	1.678
LR statistic (prob.)	63.81 [0.00]	67.32 [0.00]	67.74 [0.00]	81.48 [0.00]
McFadden R^2	0.2505	0.2643	0.2659	0.3199

[a] Dummy variables for year and industry were included in the models but are not reported in the table; [b] Z-statistics are in parentheses; [c] QML (Huber/White) standard errors & covariance; * $p < 0.10$; ** $p < 0.05$; † $p < 0.01$; †† $p < 0.005$

Table 5. The association between institutions and CEO salary disclosure[a, b, c]

This table presents the logistic regression model results for binary dependent variable (1/0) likelihood of disclosure of CEO salary onto our explanatory and control variables. These are defined in Table 3.

	Likelihood of disclosure of CEO salary		
	Informal environment		
	Ethnic fractionalization	Religious fractionalization	Linguistic fractionalization
	Probit Model 5	Probit Model 6	Probit Model 7
Intercept	4.349 [2.16]**	2.511 [1.25]	3.291 [1.59]*
Hypothesis testing			
H1: Ratio social elites	-4.697 [-1.72]**	-3.492 [-1.40]*	-4.589 [-1.68]**
H1a: Ratio social elites x Institutional quality	7.233 [1.63]*	3.661 [0.84]*	6.454 [1.21]
H2: Civil code law	-2.313 [-4.74] ††	-1.868 [-3.32] ††	-2.043 [-3.99] ††
H3: Informal fractionalization			
ethnic diversity	-2.444 [-3.27] ††		
religious diversity	-- --	-0.836 [-1.11]	
linguistic diversity	-- --	-- --	-1.306 [-1.93]**
Formal institutional control			
Institutional quality	-0.944 [-0.45]	1.111 [0.57]	-0.298 [-0.14]
Board controls			
Log (board size)	-0.341 [-0.47]	-0.990 [-1.38]*	-0.540 [-0.75]
Outsider nonexecutive ratio	-0.410 [-0.71]	-0.172 [-0.30]	-0.288 [-0.49]
Business Group directors ratio	0.088 [0.19]	0.103 [0.23]	0.098 [0.22]
Ratio foreign nonexecutives	-0.791 [-0.75]	-1.055 [-1.00]	-0.900 [-0.85]
Firm controls			
Log (Revenue)	0.120 [0.73]	0.170 [1.33]*	0.152 [0.95]
ROA	0.369 [1.29]*	0.427 [1.57]*	0.387 [1.37]*
Log (Firm Age)	0.228 [0.71]	0.117 [0.37]	0.144 [0.46]
Debt to equity ratio	-0.083 [-2.44] †	-0.088 [-2.72] ††	-0.091 [-2.82] ††
Ownership controls			
CEO ownership	0.015 [2.06]**	0.016 [2.25]**	0.016 [2.25]**
State ownership	-0.001 [-0.11]	0.004 [0.54]	0.002 [0.31]
Aggregate block ownership	0.001 [0.16]	0.002 [0.40]	0.002 [0.37]
IPO controls			
Shares Offered/ Total Shares	-0.467 [-0.66]	-0.308 [-0.44]	-0.474 [-0.66]
Lead Manager reputation	-1.102 [-2.68] ††	-1.165 [-2.79] ††	-1.152 [-2.84] ††
Lead Manager is foreign	0.848 [2.63] ††	0.844 [2.78] ††	0.836 [2.74] ††
No Obs. = 0	88	88	88
No Obs. = 1	96	96	96
No. Obs.	184	184	184
AIC criterion	1.348	1.392	1.378
SBC criterion	2.082	2.126	2.112
HQC criterion	1.646	1.689	1.676
LR statistic (prob.)	90.68 [0.00]	82.61 [0.00]	85.15 [0.00]
McFadden R^2	0.3560	0.3243	0.3343

[a] Dummy variables for year and industry were included in the models but are not reported in the table; [b] Z-statistics are in parentheses; [c] QML (Huber/White) standard errors & covariance; * $p < 0.10$; ** $p < 0.05$; † $p < 0.01$; †† $p < 0.005$

Figure 1. Probability chart relating likelihood of CEO pay disclosure with proportion of social elites on board and institutional quality