

## **International Diversification and Conference Calls: Legal System and Ownership Structure**

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### Abstract

A firm's international diversification is one potentially important strategy to follow in pursuit of growth in emerging markets as well as developed countries. This paper explores the impact of international diversification on the decision to hold conference calls. Next, we examine if the mitigating roles of agency problems and firm's choice of a higher proportion of common law countries in holding conference calls. The agency problems is proxied by the divergence between controlling owner's control and cash rights; the internationalization is measured by the ratio of foreign assets to total assets, foreign operational country scope, and by the number of foreign investees, respectively. Using a sample drawn from Taiwan, we find that greater corporate internationalization is associated with a higher likelihood of holding conference calls. We also find that firms can enhance the positive effects of internationalization on conference calls likelihood by reducing control divergence of controlling owners or investing in a higher proportion of common law countries where there is a better investor legal protection environment and higher information transparency. Finally, we find that in addition to stock pyramids and cross-ownership structures, managers of internationally diversified firms use stock collateral to leverage their control rights, which exacerbates agency problem and lead to a lower likelihood of holding conference calls.

Key words: Internationalization; Conference calls;  
Control rights; Legal system