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## Article

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# Cultural communication differences in initial public offering documentation: the case of China

Cultural communication differences in IPO

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## Abstract

**Purpose** – Written communication differences across cultures can set the tone for effective or disastrous business relationships. Although English has been the go-to language in business, managers from different countries can significantly differ in how they convey the firms' information. This study explored these differences by examining the documentation presented by foreign corporations as part of their initial public offering (IPO) in the USA, particularly Chinese firms.

**Design/methodology/approach** – This work examined cultural-related differences in written communications by looking at foreign corporations' descriptions of their strengths, strategies and challenges included in F-1 documents submitted to the Securities and Exchange Commission as part of the IPO process. The sample consisted of 97 American depository receipts (ADRs) identified in the Bank of New York Mellon's ADR directory from 2003 to 2015.

**Findings** – This study found that Chinese firms significantly differ from other countries' firms in depicting their strengths, strategies and challenges.

**Research limitations/implications** – Limitations have to do with the sample size. Future research may address this by considering other depository markets, not just the USA.

**Originality/value** – The results will be significant for potential ADRs investors; they must be conscious of these differences in the written documentation submitted by Chinese firms compared to other foreign firms. The market should also be aware of these differences, as the Chinese seem less open to sharing information about the under spinning of their operations and financial prospects.

**Keywords** American depository receipts (ADRs), Initial public offerings (IPOs), Intercultural communication, Cultural awareness

**Paper type** Research paper

## 1. Introduction

Individuals and societies enhance their lives when the richness and diversity of cultures are experienced. However, challenges will undoubtedly arise when interacting with and facing other cultures. Differences across culture in written and oral communication is undoubtedly one of these challenges, as they will unquestionably vary across cultures. Past research has documented these cultural differences between countries, which can affect business interactions, such as IPO's success or under-pricing, and can lead to cultural shock and misunderstandings in a business setting (Brau *et al.*, 2016; Cho *et al.*, 2017;

## JEL Classification — G100, M100.

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Du-Babcock and Bhatia, 2013; Du-Babcock and Tanaka, 2013; Kankaanranta and Lu, 2013; Kim and Ji, 2017; Nadana *et al.*, 2018; Okundaye *et al.*, 2018; Tang *et al.*, 2014).

Tang *et al.* (2014) focus on cultural differences between Chinese and American companies in their statements to communicate their corporate social responsibility (CSR) programs on their corporate websites. They found that Asian companies used fewer statements to discuss their employees' working hours and overtime pay and were more conservative, including information about the company on their websites. Du-Babcock and Bhatia (2013) emphasize the importance of having a comprehensive understanding of Asian business communication, its culture and language use since these elements affect the communication processes. The language employed by individuals can influence the message content and communication behavior (Du-Babcock and Tanaka, 2013). Research (Jirong, 2000; Slate, 2004; Tomalin and Stempleski, 1994) has pointed out that the Chinese and Japanese have solid cultural identities. Regarding negotiation styles, they tend to adopt an indirect and nonverbal communication style. In contrast, Westerners adopt a more direct verbal approach. While the Chinese highly value ambiguity and use nonverbal cues, Westerners go straight to the point.

With these differences in mind, our study aims to confirm that Chinese firms communicate differently in writing to potential investors than other foreign firms. We empirically examine these cultural communication differences in the documentation presented by foreign corporations in initial public offerings (IPOs) in the USA financial markets, such as American depositary receipts (ADRs). ADRs began in 1927 in the USA as a new vehicle for investors, tiny ones, to buy foreign corporations' shares. Generally, an ADR is a certificate issued by a US bank and traded in US exchanges representing a fixed number of foreign corporation shares. Most foreign companies that trade in the USA do so as ADRs. We study IPO documentation submitted by a sample of ADRs from 2005–2013. Since Chinese firms dominate the ADR market (more than 75% of our sample of ADRs are from China), ADRs' documentation submitted to the Securities and Exchange Commission (SEC) is a natural experiment to study differences in communications between Chinese and non-Chinese firms. We examine how ADR firms communicate in describing their strengths, strategies and challenges to potential investors.

This study focuses on how different cultures communicate in distinctive ways. We will specifically emphasize how the Chinese communicate differently compared to other cultures and the repercussions of this in the corporate world. We examine and display empirical evidence that posits that these cultural differences are present. The findings of the proposed analysis are crucial to investors, as ADRs serve as a popular and cost-effective international diversification tool. The results will also be essential for potential ADR firms as they can better communicate within the market. Finally, this study will be helpful for potential investors and academics with research interests in international finance and the connection between culture and business (Lobão, 2019).

## 2. Literature review

Increasing globalization has led individuals to recognize the importance of effectively managing diversity (Cherfan, 2016; Georgiu, 2014). This rising trend has brought people from different cultures together to collaborate and compete internationally (Vijaya and Tiwari, 2010; Virkkula-Raisanen, 2010). However, according to Cherfan (2016), 48% of overseas assignments fail, costing organizations around \$1.2m in losses. Thus, companies expanding to other countries must recognize the worldwide cross-cultural nature of the markets and clearly understand the cultural differences between locals and foreigners working in the companies (Guang and Trotter, 2012; Hofstede *et al.*, 2010).

For global businesses to succeed internationally, their members must develop practical intercultural communication skills, which focus on communication among individuals or

groups from different cultural backgrounds in business environments (Cherfan, 2016; Varner, 2000; Vijaya and Tiwari, 2010). Having intercultural communication competence translates to understanding the behavior of other cultures (Mitchell and Benyon, 2018). Culture is crucial in intercultural communication, which defines human behavior, community, individuals and social organizations (de Mooij, 2014; Okundaye *et al.*, 2018). According to Hofstede *et al.* (2010), culture is deeply ingrained in each society with rituals, values and habits. Thus, professionals constantly interacting in intercultural settings must understand the influence culture can have in a business setting (Cherfan, 2016; Jameson, 2007; Nadana *et al.*, 2018; Okundaye *et al.*, 2018). Still, management fail at the organizational level because they misinterpret the companies' cultural environment (Vasile and Nicolescu, 2016). For example, in the 1990s, Walmart, which failed to adapt to the German organizational culture and language, consequently lost more than \$150m in a year and was forced to close operations (The Economist, 2013). Intercultural communication at the corporate level must be acknowledged as a potential obstacle that can lead to communication breakdown and hinder productivity and future business relationships. Thus, it is highly advisable that business schools, organizations and multinational companies, among others, incorporate cultural awareness training programs to enhance cultural sensitivity and intelligence that facilitates intercultural communication (Cherfan, 2016; Nadana *et al.*, 2018).

Hofstede's (1984, 2001) four culture-based societal value dimensions model establishes that cultures have different values and norms, which can influence business outcomes. This model classifies Asian cultures as high context culture (HCC) and Western cultures as low context culture (LCC). Several studies (Cherfan, 2016; Du-Babcock and Bhatia, 2013; Du-Babcock and Tanaka, 2013; Ting-Toomey, 2008; Zhu, 2000) posit that Asian cultures share a collective HCC style, displaying patterns such as high level of ambiguity, group sharing and harmony. Western cultures exhibit an LCC style with a more individualistic approach and focus on individual gains (Du-Babcock and Feng, 2016; Du-Babcock and Tanaka, 2013).

Chan (2005) postulates that Asians' communication styles are implicit and emotional; they rely more on nonverbal cues than spoken or written words, whereas Western cultures rely on words and display explicitness and logic. In Cherfan's study (2016), South Asian countries (Afghanistan, India, Indonesia, Iran, Pakistan and Bangladesh), China and Vietnam displayed friendly, relaxed communication styles, showed empathy when orally interacting with others, and were more approachable and open to listen to their receiver's needs. According to Cho *et al.* (2017), American subordinates are more willing to share their opinions. They are not necessarily concerned about possible criticisms from their superiors. In contrast, Chinese professionals must build an excellent manager-subordinate relationship, thus avoiding honest and direct opinions. Moreover, they consider *losing face* [1] a severe matter, meaning they must protect their reputation.

Regarding writing styles, East Asians apply a holistic analysis to commitments and written documents and place much meaning on a signed contract, as it symbolizes the beginning of a relationship. In negotiation processes, East Asian (Japan, Korea and China), South American and Middle Eastern managers prioritize nurturing business relationships instead of going straight to the business agreements (Paik and Tung, 1999). On the contrary, in the USA, a signed contract usually means the negotiations have ended (Jirong, 2000; Slate, 2004). HCC cultures are indirect and inappropriate when written interactions occur between them and LCC. It fails to reach the point, whereas the latter is perceived as too straightforward and lacking relationship-building methods.

Asians consider written requests and orders as threats to their reputation. Therefore, they employ indirect forms, honorifics and polite linguistic forms to *save face*, avoid negative, stressful situations, maintain a harmonious tone and reduce conflict and disputes with others (Zhu, 2000). In her research, Zhu (2000) found that Chinese sales and ad letters started with something other than an open request. Instead, letters aim to establish long-term client

relationships and assert a positive and polite public image by employing formal greeting constructions. Asians adopt an inductive approach and use “small talk” before presenting their requests. These requests follow an indirect sequence that displays the following order: greeting, *facework*, explanation, request and thanks. Indirectness in Chinese writing is often expressed through hints, allusions, proverbial phrases and inferences. Western/European countries employ a more direct structure sequence: initial greeting, request, explanation and thanks (Kung and Scholer, 2018; Richard and McFadden, 2016; Wang, 2010; Zhu, 2000).

When sharing information on corporate websites on CSR programs, Chinese companies used fewer statements to discuss their employees’ working hours and overtime pay. They were also more conservative, including information about the company, and shared less content when compared to American and other foreign companies (Kim and Ji, 2017; Tang and Li, 2009; Tang *et al.*, 2014).

Interestingly, Du-Babcock and Feng (2018), Du-Babcock and Tanaka (2013), and Wang (2010) observed a change in Chinese written and oral communication strategies when compared to Japanese students. Japanese seek to maintain harmony and prevent conflict in meetings by avoiding direct disagreements with business partners, while Hong Kong professionals express disagreement assertively and openly. For example, Hong Kong students sent emails with neither greetings nor self-introduction words or phrases, whereas Japanese students employed words and sentences to encourage relationships. Du-Babcock and Feng (2018) propose that Hong Kong has been more heavily influenced by Western culture when compared to Japan, which may have affected their writing style in recent years. Wang (2010) compared the writing styles of claim letters from Chinese and American students and found that most Chinese students employed direct approaches by first discussing the problem or stating the request. Wang (2010) posits that considering the increasing cross-cultural exposure due to globalization, Asian/Chinese companies might be adopting communication strategies from other countries and might even be more willing to adapt to other countries’ styles.

Studying the ever-increasing role of soft information and content analysis in financial markets is still relatively new. Previous empirical research has focused on financial statement data to explain IPOs’ success or under-pricing (Brau *et al.*, 2016). Still, the authors state that, so far, research has overlooked the importance of soft information (words) in determining the efficiency of IPOs. Brockman and Cicon (2013) found that the text had much more influence than numbers on the economic outcomes of IPOs. Regarding the relation between textual information and IPOs, Hanley and Hoberg (2010) found that the more informative the IPO’s prospectus content is, the more accurate the offering prices are and the less the under-pricing. Ferris *et al.* (2013) also used textual analysis of IPO prospectuses and reported that prospectus conservatism positively relates to under-pricing. Examining S-1 filings, Loughran and McDonald (2013) found that IPOs with levels of uncertain text have higher first-day returns. Finally, Brau *et al.* (2016) found a positive correlation between the IPO’s strategic documentation tone and the stock’s first day return and negatively correlated it with the stock’s long-run return.

Freitag *et al.* (2021) studied the role of communication on market sharing, specifically written communication via a chat window, and found that soft information increased market prices substantially. Estrin *et al.* (2022) examine the impact of soft vs. hard information in equity crowdfunding and found that soft information substantially increases the chances of a successful financing pitch. Jiang *et al.* (2018) combined soft information related to textual description to propose a default prediction method for peer-to-peer lending. They extracted valuable descriptive textual features about loans and established that focusing on soft information improves loan default prediction performance compared to methods employing hard information. Brau *et al.* (2021) used content analysis to determine if soft information from the company’s offering prospectus influenced seasoned equity offerings (SEOs) under-pricing. They found that companies using more positive words in their filings were negatively related to SEO under-pricing. Finally, Saadaoui *et al.* (2022) use content analysis to

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show that local credit rating announcements in emerging markets impact sovereign bond prices, trading and liquidity.

Panta and Bahnean (2020) performed a content analysis of non-financial reports issued by the top ten companies in the Bucharest Stock Exchange Market to uncover sustainability considerations in their business discourse. González and Cruz (2020) used content analysis to study policy communication strategy in the Central Bank of Chile's press releases and found that the bank's communication displayed future monetary policy status, significantly impacting equity markets. Cheng *et al.* (2022) used content analysis of 189 academic articles to examine the status of global social crisis communication research. They could identify patterns in theoretical and methodological approaches to study this field. Thelen (2021) employed content analysis of 109 articles in communication and public relations journals to examine the trends of public relations research in Latin America and determined an increase in published public relations studies.

This line of research on the impact of soft information (words) in IPOs is relatively new. Thus, our study could further contribute to this field by examining whether the cultural differences in written communication between Chinese firms and other foreign firms truly impact the efficiency of IPOs.

### 3. Method

#### 3.1 Research design

In this study, we examine cultural-related differences in written communications by comparing IPO documentation presented to the SEC by Chinese versus non-Chinese ADR. As part of the IPO process, all ADRs must register with the SEC by submitting a set of forms. First, they must submit form F-6, which states the contractual terms. However, this form contains no information about the foreign company. If a foreign company wants to raise capital in the US, it must submit Forms F-1, F-3, and F-4 to the SEC. Finally, if the company intends to list its ADRs on a US stock exchange, Form 20-F must also be submitted to the SEC.

Our analysis focuses on Form F-1, the standard foreign issuers' registration document. It contains general information about the firm and the business, financial statements, and risk factors. However, we center our study on describing the issuers' strengths, strategies and challenges that must be part of Form F-1. This is a significant opportunity for foreign firms to "sell" themselves to potential investors. By studying F-1 documentation, we can infer how foreign firms communicate with investors and the market. In line with the new emphasis on the value of soft information and content analysis in finance research, we use the word count firms used in their F-1 sections, strengths, strategies and challenges as a proxy to determine differences in the written communication of firms from different countries. Since China dominates the ADRs market, we center on the differences between Chinese firms' communication and those of other countries. We hypothesize that, compared with other foreign firms, Chinese firms use fewer words to convey their strengths, strategies, and challenges to potential investors.

#### 3.2 Data

We started the data selection process by identifying all the ADRs in the Bank of New York Mellon's ADR directory from 2003 to 2015.

We double-checked the initial list of ADRs with the data available on [www.adr.com](http://www.adr.com). To be included in the sample, the ADR must have its F-1 document available on the SEC's website. In the end, 97 ADRs satisfied this condition: the number of ADRs included in the sample. Table 1 shows the distribution of the 97 ADRs in our sample, first by country and then by geographical region. As presented in Panel A, the sample is dominated by ADRs from China,



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Country	Number of firms
Argentina	2
Belgium	1
Brazil	2
Chile	1
China	74
Colombia	1
France	4
Germany	1
Israel	2
Korea	1
México	1
Peru	2
Russia	1
South Africa	1
Taiwan	1
The United Kingdom	2

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Region	Number of firms
Central and Eastern Europe	1
Continental Europe	6
Latin America	9
Middle East, North Africa and the Gulf	2
North Asia	76
Sub-Saharan Africa	1
The United Kingdom and Ireland	2

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**Source(s):** Bank of New York Mellon's ADR directory and authors elaboration

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**Table 1.**  
Geographic  
characteristics

with 74, followed distantly by France, with four. In addition, Argentina, Brazil, Israel, Peru and the United Kingdom each have two ADRs. Panel B of [Table 1](#) shows the distribution by geographical region. As expected, North Asia is at the top with 76 ADRs, followed by Latin America with nine and Continental Europe with six.

Continuing with the sample description, [Table 2](#) presents the distribution by industry. Although a well-diversified group of industries is represented in the sample, two industries are significantly present. Nineteen ADRs belong to the software and computer services industry, while thirteen belong to general retailers. [Table 3](#) presents some market characteristics shared by the sample of ADRs. Most ADRs trade their shares on the New York Stock Exchange (53), while the rest do so on NASDAQ (44). Finally, Panel B of [Table 3](#) shows that the Bank of New York is the depository bank of choice with 36 ADRs, followed by JP Morgan and Chase with 26.

### 3.3 Analytical procedure

Content analysis is a methodology commonly used in communication research. It is a crucial method for analyzing non-numeric data, frequently used for social research methods, and appropriate for combining qualitative and quantitative analyses ([Kansteiner and König, 2020](#); [Kuchartz, 2019](#); [Zikuda et al., 2020](#)). The content analysis quantifies semantic information of soft information (words, text). Thus, it provides a methodology for studying written text ([Brau et al., 2016](#)).

In this study, we contribute to the literature on the value of soft information by examining how our sample of 97 ADRs present their strengths, strategies, and challenges in their F-1

Industry	Number of firms	Cultural communication differences in IPO
Alternative energy	8	<b>203</b>
Automobiles and parts	3	
Banks	2	
Beverages	1	
Chemicals	1	
Construction and materials	2	
Electricity	1	
Electronic and electric equipment	1	
Financial services	4	
Food and drug retailers	3	
Food producers	1	
General retailers	13	
Health care equipment and services	2	
Industrial metals and mining	2	
Leisure goods	3	
Life insurance	1	
Media	5	
Mobile telecommunications	2	
Pharmaceutical and biotechnology	5	
Real estate investments and services	3	
Software and computer services	19	
Support services	2	
Technological hardware and equipment	7	
Travel and leisure	6	

**Source(s):** Bank of New York Mellon's ADR directory and authors elaboration

**Table 2.**  
Distribution per industries

Exchange	Number of firms	
NASDAQ Stock Market	44	
New York Stock Exchange	53	

  

Depository bank	Number of firms	
Bank of New York Mellon	36	
Citibank	22	
Deutsche Bank	13	
JPMorgan Chase	26	

**Source(s):** Bank of New York Mellon's ADR directory and authors elaboration

**Table 3.**  
Market characteristics

documentation for the SEC during 2003–2015. By focusing on the amount of information ADRs choose to use to describe their strengths, strategies and challenges, we can study cultural-related differences embedded in the way these firms present themselves to potential investors and the market as a whole. We hand-collected from the SEC's website Form F-1 for each of the ADRs in the sample. We then copy-pasted the words included in the strengths, strategies, and challenges sections of the F-1 on a Word document and counted the number of words used in each section. We then empirically analyzed this number (word count) using statistical software for *t*-tests. Word count is used as a proxy for differences in cultural-related differences in the written communication of Chinese versus non-Chinese firms. Given the findings of previous studies (Kim and Ji, 2017; Tang and Li, 2009; Tang *et al.*, 2014), we



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hypothesize that in comparison with other foreign firms, Chinese firms will use fewer words in their F-1 forms as part of their IPO process.

#### 4. Results

We mainly evaluate how ADR firms communicate in writing about their strengths, strategies and challenges as presented in their F-1 documentation to the SEC and potential investors in their IPO process. Given the cultural communication differences between Chinese and non-Chinese firms shown in the literature, we examine whether this was also the case when writing to potential investors. Since Asian and Chinese firms specifically use fewer statements to communicate, we look at the number of words used in each section to explore differences in official written communication [2]. As a first step, Table 4 shows descriptive statistics on the number of words used by all the ADRs in the sample. The mean (median) number of words used by these ADRs to depict their strengths is 258 (80); for describing their strategies, the mean (median) is 210 (96), and finally, while communicating their challenges, ADRs used on average (median) 229 (184) words. The significant contrasts between the mean number of words and the median, especially for strengths and strategies, denote essential differences in how these ADRs communicate in writing.

In the following table, we tackle the most critical question of the study: do Chinese firms communicate differently in writing compared to firms from other countries? Table 5 shows the results. We performed a difference in mean analysis on the number of words used in each of the sections of the F-1 document. Panel A of Table 5 shows that, on average, Chinese ADRs use 118 words to describe their strengths, while ADRs from other countries use 707 words. The difference between these averages is statistically significant at a 1% level.

Regarding firms' strategies, Panel B shows that Chinese firms use, on average, 130 words, while non-Chinese firms use 469 words. Again, the difference between the averages is statistically significant at the 1% level. Finally, Panel C of Table 5 summarizes the results for the number of words used to describe these firms' challenges. Chinese ADRs use an average number of words significantly lower than firms from other countries. Chinese ADRs use an average of 201 words, while non-Chinese firms use 324 words. Again, the difference is significant at the 5% level. In summary, consistent with the work of Tang *et al.* (2014), we can safely say that Chinese firms communicate significantly differently and use fewer statements to convey information.

#### 5. Discussion

##### 5.1 Theoretical implications

We find evidence that cultural-related differences in written communication must be addressed. In particular, we show significant differences between Chinese and other foreign firms in how they depict themselves in IPO documentation. Looking forward, our findings could be a valuable contribution to the active discussion on culture's impact in diverse business fields, such as management, accounting and beyond, and the importance of soft information in business research.

##### 5.2 Policy/managerial implications

The findings of this study can provide valuable insights into the writing differences in business documentation, not only for finance academics and researchers but also for managers, investors and executives. The awareness of these cultural-related writing differences could help managers and financial experts ponder listing their company stock in international markets and design strategies to adapt their style to the market they are entering with their IPOs, thus submitting information that might be understandable across

Panel A: Strengths

Mean	258.08
Error	34.43
Median	80.00
Mode	65.00
Standard deviation	339.06
Variance	114,964.47
Kurtosis	3.05
Asymmetry coefficient	1.96
Range	1,411.00
Minimum	35.00
Maximum	1,446.00
Sum	25,034.00
<i>N</i>	97.00
Confidence level (95%)	68.34

Panel B: Strategies

Mean	210.34
Error	21.86
Median	96.00
Mode	68.00
Standard deviation	215.30
Variance	46,354.39
Kurtosis	2.30
Asymmetry coefficient	1.68
Range	1,011.00
Minimum	34.00
Maximum	1,045.00
Sum	20,403.00
<i>N</i>	97.00
Confidence level (95%)	43.39

Panel C: Challenges

Mean	229.93
Error	17.92
Median	184.00
Mode	223.00
Standard deviation	176.53
Variance	31,163.30
Kurtosis	16.77
Asymmetry coefficient	3.34
Range	1,284.00
Minimum	65.00
Maximum	1,349.00
Sum	22,303.00
<i>N</i>	97.00
Confidence level (95%)	35.58

Source(s): Own elaboration

**Table 4.**  
Communications  
descriptive statistics

cultures. Also, ADR potential investors looking for good investment opportunities or international diversification in international markets must be aware of these differences, so they can more clearly understand the foreign information firms choose to share. Finally,

**Table 5.**  
Communication  
differences in  
Chinese firms

	Number of firms	Mean	Standard deviation	SE mean
<i>Panel A: Strengths</i>				
Chinese firms	74	118	129	15
Non-Chinese firms	23	707	412	86
Difference		589***		
<i>Panel B: Strategies</i>				
Chinese firms	74	130	127	15
Non-Chinese firms	23	469	239	50
Difference		338***		
<i>Panel C: Challenges</i>				
Chinese firms	74	201	134	16
Non-Chinese firms	23	324	253	53
Difference		122**		
<b>Note(s):</b> ***, ** denotes statistical significance at 1 and 5%, respectively				
<b>Source(s):</b> Own elaboration				

scholars and researchers in universities could insert this discussion into the curriculum, enabling future financial professionals to understand these differences and raise awareness of writing styles in business documentation across cultures.

### 5.3 Limitations and future research agenda

The sample size is a limitation of this study, which can be addressed in the future by considering other depositary markets. Future research may also consider other documentation foreign firms must submit to the SEC or any written communications directed to investors. Regarding methodology, a follow-up study could benefit from a robust content analysis tool. Ibero-Latin American markets should also be the focus of more soft information and content analysis research. As [Aguinis et al. \(2020\)](#) argue, future research in Latin America should capitalize on the local context to generate high-quality research. And content analysis can be instrumental in this regard. Recent examples of this dynamic line of research include [Fritz and Silva \(2018\)](#) on supply chain, [Gómez and García \(2020\)](#) on governance and corporate responsibility and [Pineda-Escobar \(2022\)](#) on sustainable innovation and inclusion, among others.

## 6. Conclusions

There is ample evidence that shows differences in written and oral communication across cultures. Compared to other cultures, the Chinese communicate differently and consistently use fewer statements to convey information. This study examines differences across cultures in written and oral communications by reviewing at the documentation foreign firms submit as part of their IPO in US markets. We study the documentation presented by ADRs, particularly Form F-1, the standard registration document of foreign issuers required by the SEC and used by potential investors. Considering the differences in how Chinese communicate, and since Chinese firms dominate the ADR market, we concentrated our analysis on Chinese versus non-Chinese firms. We examine the description of ADRs' strengths, strategies and challenges as depicted in their F-1 as an avenue to investigate differences in how Chinese versus non-Chinese firms communicate in writing. We find that, on average, Chinese firms use fewer words to describe their strengths, strategies and challenges. In addition, the difference in

the number of terms used by Chinese firms in all three characteristics is significantly lower than those used by firms from other countries. This result is essential for potential ADR investors as they must be conscious of these differences in the written documentation submitted by Chinese firms compared to foreign firms and other foreign firms pondering an IPO as ADRs. Overall, the market should also be aware of these differences, as it seems that the Chinese are less open to sharing information about the under spinning of their operations and financial prospects.

## Notes

1. “Concerning constructive criticism, one would want to consider the other’s efforts to save face and have this conversation privately, discreetly, and tactfully. Refrain from proving someone wrong or criticizing them in public. This is considered *losing face* for Chinese and may result in an outcome contrary to what you had hoped for” (Cho *et al.*, 2017).
2. For expositional reasons, we decided to truncate all the results related to a number of words.

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