



Culture and corporate governance

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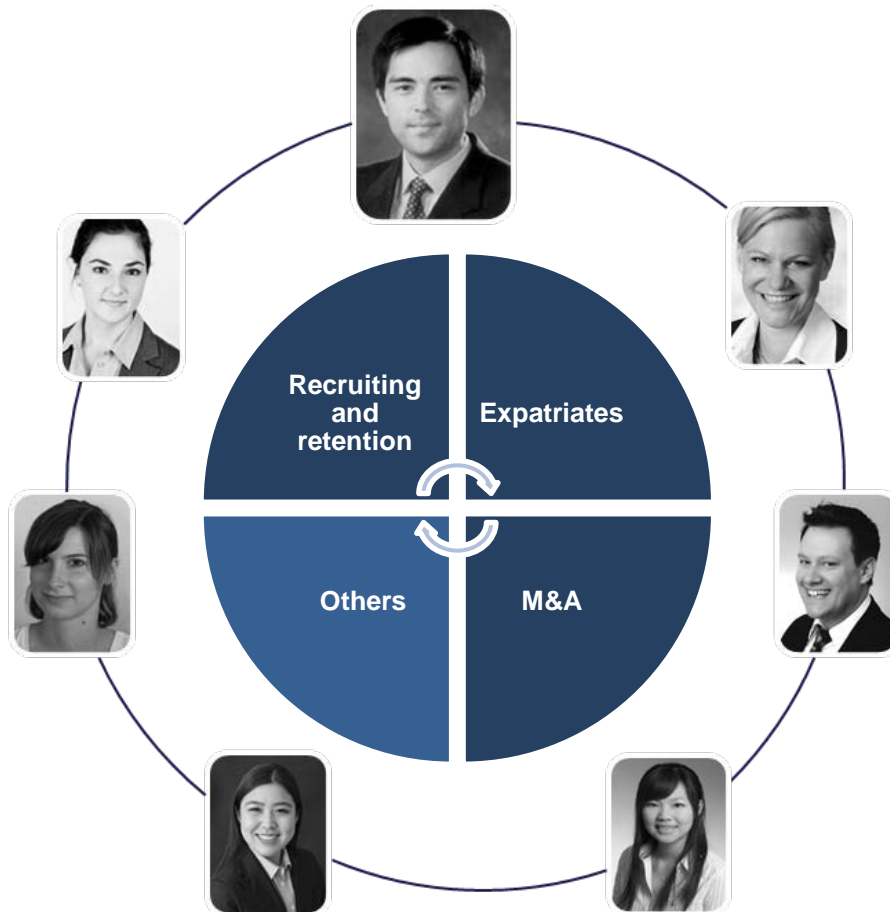
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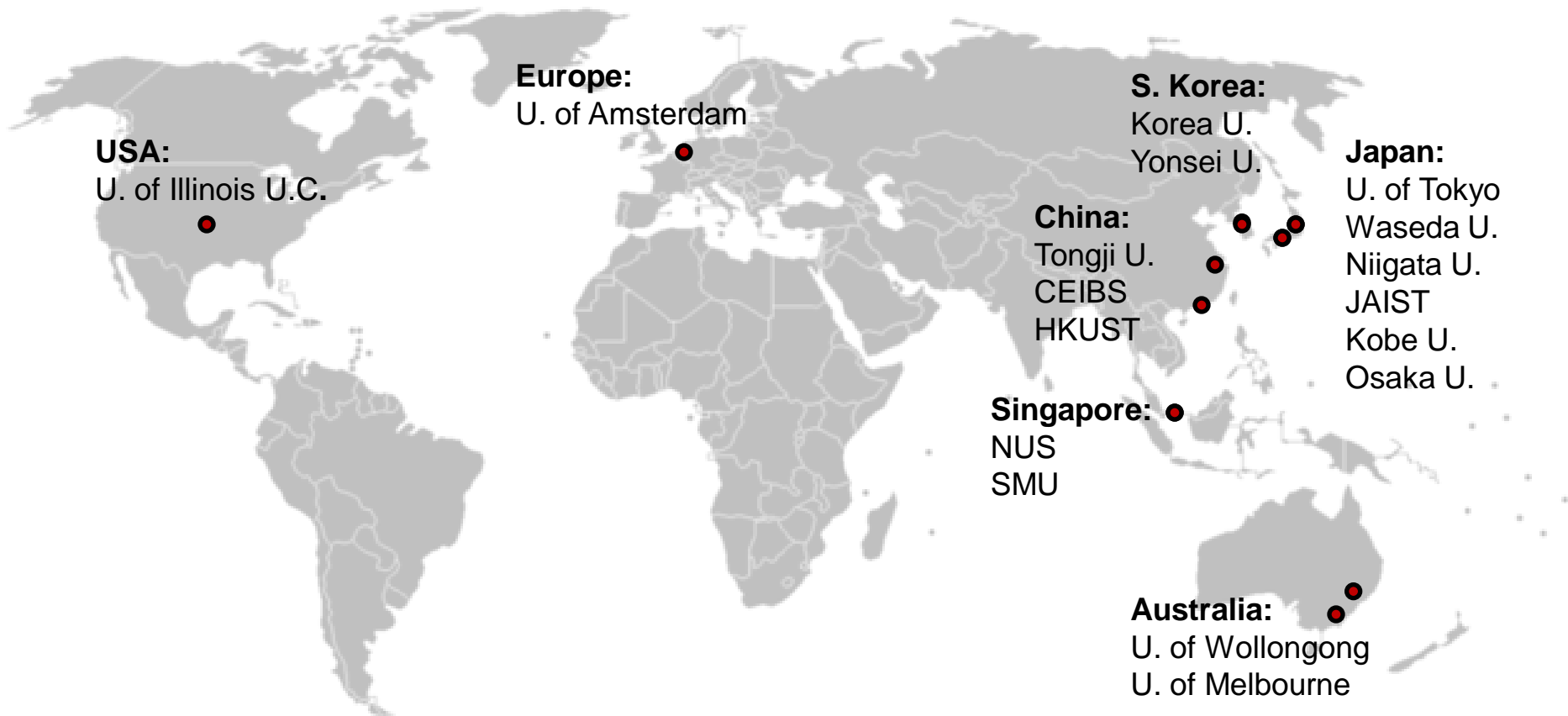
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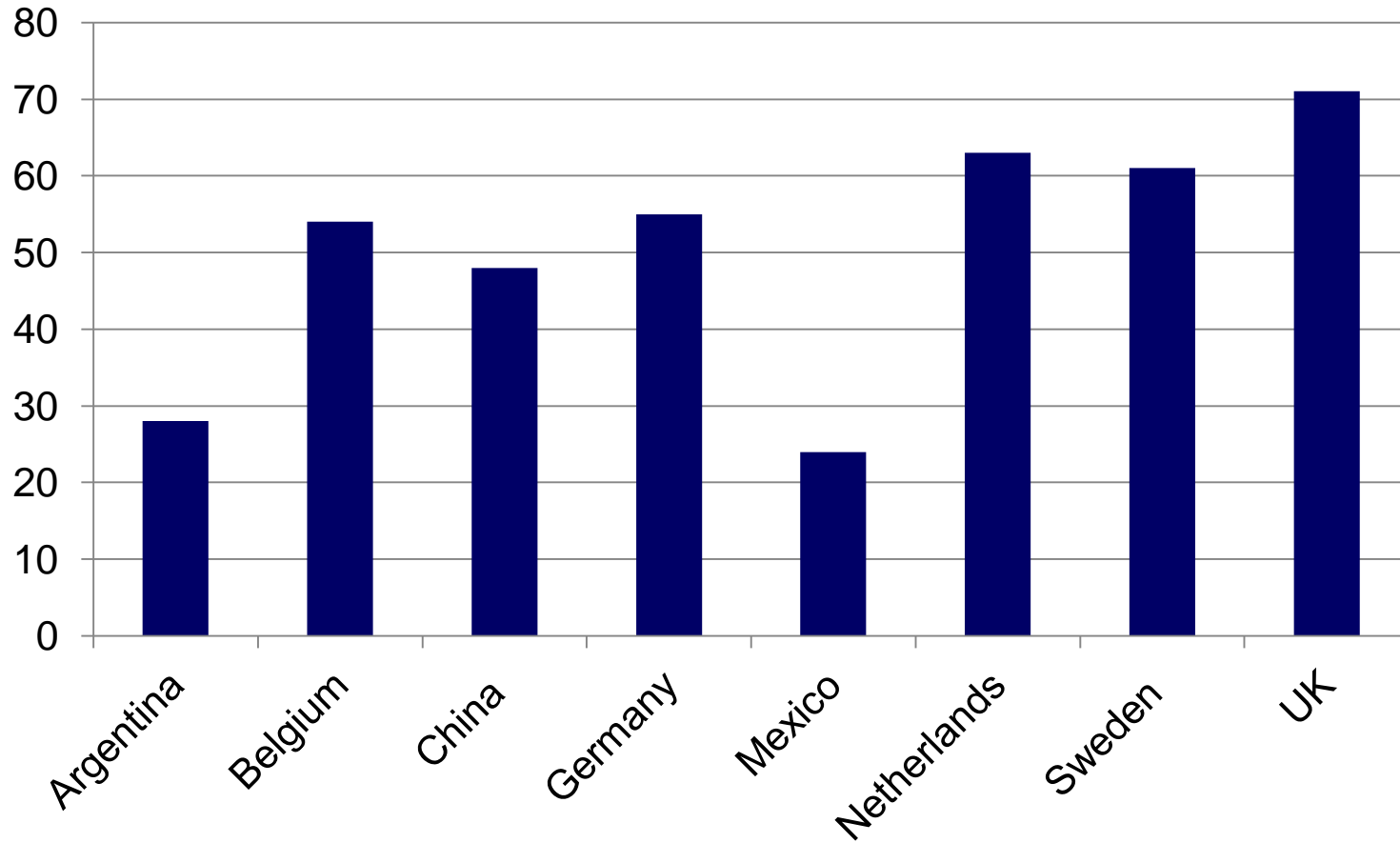
Research collaborations



Introduction

- Corporate governance is a popular research topic in Finance, Accounting, Management, and Law
- Rather fragmented than integrative research
- Corporate governance varies across countries
- Country dummies explain 39-73% of the variance in corporate governance, but firm characteristics only 4-22% (Doidge, Karolyi, & Schulz, 2007)

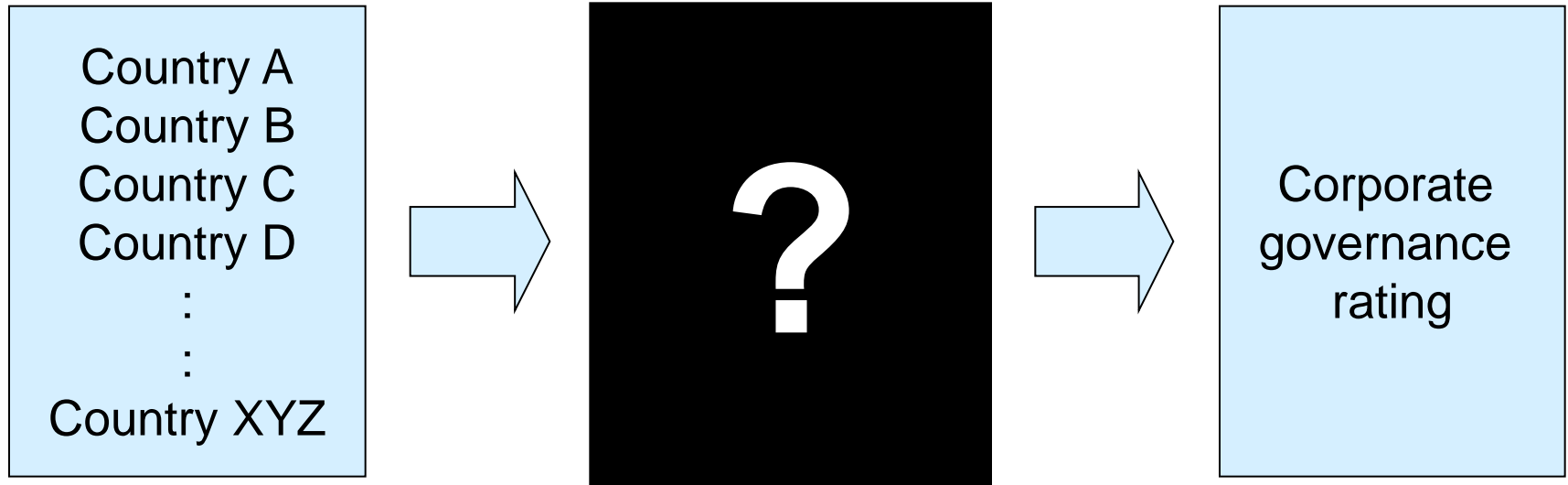
S&P ratings



Only few examples presented here, 36 countries were rated

Question remains...

- Why/what country characteristics predict corporate governance?

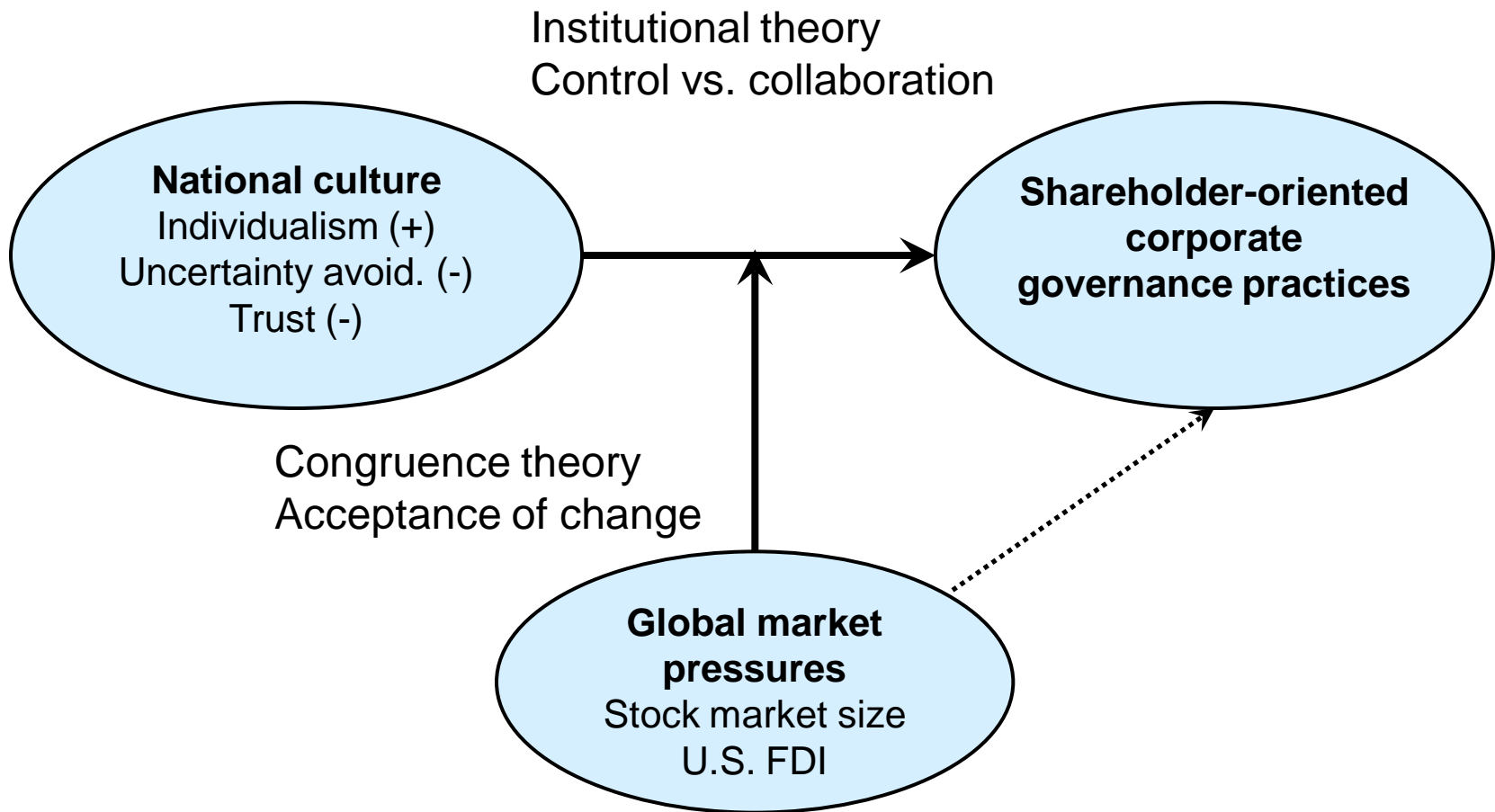


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Theoretical model



Methods

- International database
 - Compiled from:
 - RiskMetrics, Compustat, Inglehart, Hofstede, Worldbank, U.S. Bureau of Economic Analysis, Pa Porta et al., Freedom House
 - More than 1,200 firms
 - From 23 different countries
 - 2003-2007 panel data
- Statistical analyses: OLS, Driscoll-Kraay, weighted least squares, multi-level modeling, Newey-West

Descriptive overview

	N	CGQ	SD	Unc. A	Ind.	Trust
The U.K.	136	86.2	11.9	35	89	0.31
Ireland	44	76.0	17.7	35	70	0.36
Australia	359	69.0	18.0	51	90	0.46
Canada	466	51.2	28.9	48	80	0.43
Switzerland	183	64.5	21.8	58	68	0.54
Germany	344	51.9	20.0	65	67	0.37
The Netherlands	153	48.4	24.8	53	80	0.45
Sweden	114	39.8	28.1	29	71	0.68
Japan	2,287	32.4	16.7	92	46	0.39
Norway	67	32.3	24.2	50	69	0.65
Belgium	77	31.8	23.0	94	75	0.31
Greece	161	17.1	19.7	112	35	0.24

Only few examples presented here, 23 countries were rated

	Model 5		Model 6		Model 7		Model 8	
Variable	β	t-stat	β	t-stat	β	t-stat	β	t-stat
Main Effects								
Individualism	0.5842***	14.66	0.3790***	8.81	0.4341***	10.37	0.2909***	6.56
Uncertainty avoidance	-0.3941***	-13.46	-0.0511	-1.02	-0.4114***	-13.43	-0.0911	-1.82
Trust	-40.2941***	-8.97	-26.6832**	-3.19	-19.4631***	-3.91	-7.3125	-0.82
Controls								
Power distance	-0.0257	-0.51	-0.1031	-1.59	0.1876***	3.49	0.0546	0.79
Masculinity	0.1830***	9.89	0.1880***	8.98	0.2911***	14.74	0.2733***	12.51
Law dummy	4.1660**	2.83	-1.1864	-0.75	5.3315***	3.60	0.3519	0.22
Institutional environment	0.0273	0.36	0.0225	0.28	0.2229**	2.85	0.1890*	2.33
Political freedom	0.3805	0.42	6.6888***	5.92	-2.3823*	-2.57	4.0082**	3.23
GDP per capita	-11.3469***	-9.71	-8.6555***	-6.52	-8.4402***	-6.79	-7.0360***	-4.95
Sales growth	-1.0846	-0.77	-1.2644	-0.89	-1.1608	-0.82	-1.2339	-0.87
ROA	5.6778	1.33	3.8608	0.90	4.24	1.00	2.9112	0.68
Size	2.4823***	10.40	2.6473***	11.30	2.5817***	10.94	2.6916***	11.55
Debt	-1.6478	-0.47	-3.9603	-1.14	-4.27	-1.23	-5.547	-1.62
Stock market size	0.7538	0.93	-2.5295	-0.69	-0.1959	-0.23	-2.0432	-0.51
Net U.S. FDI	0.0001***	4.13	0.0001***	4.10	0.0011**	3.08	0.0004	0.91
Year dummies	YES		YES		YES		YES	
Industry dummies	YES		YES		YES		YES	
Moderating Effects								
Individualism x Stock MS			0.4410***	12.71			0.3902***	10.78
Trust x Stock MS			-9.8884	-1.17			-12.3839	-1.43
Uncertainty x Stock MS			-0.3140***	-7.99			-0.2674***	-6.49
Individualism x U.S. FDI					0.0000***	3.91	0.0000***	4.32
Uncertainty x U.S. FDI					-0.0024***	-6.43	-0.0021***	-5.38
Trust x U.S. FDI					-0.0000***	-6.95	-0.0000***	-3.33
Observations	5,918		5,918		5,918		5,918	
Adjusted R-squared	0.331		0.351		0.349		0.363	

Conclusions

1. Culture influences corporate governance across countries
2. Culture influences shareholder orientation
3. Assumptions of control and collaboration objectives in organizational architecture vary across countries
4. Firms respond to global market pressures differently depending on prevalent culture