



Values Based Ideal Types of Corporate Governance Systems

Supriya Banerjee^{a*}, Mike F. Wahl^b

^a School of Business and Governance, Tallinn University of Technology (TTÜ), Tallinn, Estonia. Phone: +372 5398 1879.

^b School of Business and Governance, Tallinn University of Technology (TTÜ), Tallinn, Estonia. Phone: +372 620 3957,

E-mail: mike.wahl@ttu.ee

*Corresponding author's email address: supriya.banerjee@ttu.ee

ARTICLE INFO

Received: 03-01-2017
Accepted: 18-01-2017
Available online: 25-01-2017

Keywords:

Corporate governance systems,
Induction,
Ideal type,
Typology,
Values.

JEL Classification:

C30; G32; G34; M10.

ABSTRACT

Values and differences in corporate governance across the world are part and partially related and it is obvious that owners know what results they want to have from the corporations in the long run. In this regard, some scientific studies have revealed that owners would be succeed in a dynamic environment only if they formulate ownership strategy based on values. Consequently, to understand corporate governance better, some research has been carried out on corporate governance by relating values towards the area of knowledge but there is a scarcity of research which proposing comprehensive and explains corporate governance systems consisting values. Therefore, authors of this paper identified the following research problem which is: "Lacking of theory behind corporate governance systems including values which gives an opportunity towards the owners under different corporate governance systems to analyse its own behaviour, learning, managing knowledge, and finally clearly expressing ownership will in the form of an ownership strategy." There were two data set was analysed in this study. One is Organisation for Economic Co-Operation and Development (OECD) company law and corporate governance database based on member countries submission and the second set of data is Schwartz's value survey to characterise multiple countries by their culture. Methodologically, after using multi quantitative tools this study is valuable to analyse all the secondary data to produce new knowledge, adopting different theoretical lens, by analysing and understanding the interrelationships of values and different systems of corporate governance across the world. The result of the study comes with a typology including values based three ideal types (Affective type, Cognitive type and Conative type) of corporate governance systems, with a practical contribution towards enriching the available knowledge for owners to formulate ownership strategy. Considering future direction, the constructed typology is required for assessment of the capability of refutation aside from OECD countries.

This is an open access article under the terms of the Creative Commons Attribution License 4.0, which allows use, distribution and reproduction in any medium, provided the original work is properly cited.

DOI: <http://dx.doi.org/10.18533/job.v2i1.59>

ISSN 2380-4041(Print), ISSN 2380-405X(Online)

1.0 Introduction

The subject of corporate governance has become a highly topical worldwide because of much corporate crisis that has occurred- in both countries that promote shareholder- value governance approaches (such as the United States of America or United Kingdom) and courtiers that strive for stakeholder-value approaches (such as Germany or Japan). In addition, corporate governance differs significantly country wise by in terms of control patterns. Over again, to the differences in the concentration of control, there are also differences in terms of the types of shareholders that prevail in each group of countries. (Goergen, 2012) Therefore, different systems of

corporate governance are derived and significantly observable around the world (Tricker, 2012) and there are considerable similarities and differences among different corporate governance systems.

On the other hand, values are used to characterise cultural groups, societies, and individuals to trace change over time, and to explain the motivational bases of attitudes and behaviour (Schwartz, et al., 2012). Furthermore, Gini and Green (2014) narrated values as the ideas and beliefs that influence and direct our choices and actions. Additionally, Zetterberg (1997) considered values are as generalised, relatively, enduring and consistent priorities for how we want to live. Beside this, Schwartz (1992) described values are deeply rooted, abstract motivations that guide, justify or explain attitudes, norms, opinions and actions (Schwartz & Bilsky, 1987; Schwartz, 1992). So, the features of values could be taken in account that values are invisible and constant over the period of time and values are having direct impacts on our behaviour.

Now these introductory definitions of values are based on individual basic level and based on individual basic level values, Banerjee and Wahl (2016) argued that owners under different corporate governance systems implement ownership strategies based on values to achieve desired results and success in the long run under diverse business environment. In this regard Luoma (2011) defined ownership strategy as an expression of the will of the corporations' owners; it clarifies what owners want in terms of rights, resources, risks, responsibilities and returns. Moreover, studying of individuals' basic values can contribute directly to our understanding of owners' behaviour and will (Wahl, 2012). On these account, it's an evident that individual basic values are having a significant role in corporate governance systems.

Coming back to corporate governance, to perceive the typology of it, corporate governance has been reviewed by the classification based on the law and finance literature (La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1998), on the quality of law and investor protection (Pagano & Volpin, 2005) on electoral systems: on political orientation of governments in power (Roe, 1994) and the varieties of capitalism (VOC) literature (Roe, 2006). Every theory of corporate governance is, at heart, a theory of power, the corporation is a nexus of power relationships beyond being a nexus of contracts (Licht, 2004).

Beside this, Banerjee and Wahl (2014) argued values and difference in corporate governance across the world are part and partially related and it is obvious that owners know what results they want to have from the corporations in the long run. Furthermore, Wahl's (2012, 2015) study had revealed that owners would be succeed in a dynamic environment only if they formulate ownership strategy based on values. Hence, to understand corporate governance better, some research has been carried out on corporate governance by relating values towards the area of knowledge (Hilb, 2016; Licht, Goldschmidt, & Schwartz, 2005). But there is a scarcity of theory which proposes comprehensive and explains of corporate governance systems based on values by which owner under different corporate governance systems can analyse its own behaviour, learning, managing knowledge, and finally clearly expressing ownership will in the form of an ownership strategy (Wahl, 2015). Thus, there is a justified need to construct a theory to show the connection or relationship between phenomena of values and corporate governance systems and developing a better understanding towards the intensity of relationships.

Therefore, the authors have identified the research problem that is: "Lacking of theory behind corporate governance systems including values which gives an opportunity to the owners under different corporate governance systems to analyse its own behaviour, learning, managing knowledge, and finally clearly expressing ownership will in the form of an ownership strategy." On the base of above-mentioned research problem, two research tasks are raised by the authors, which are T1: To perform a systematic review of relevant theories to operationalize corporate governance and values, and T2: To construct ideal types of corporate governance systems based on values. Because, Max Weber's (1864–1920) study marked out that ideal type could serve as a measuring rod of reality (Weber, 1904/1949; Kim, 2012). The result of the study comes with a typology including values based three ideal types (Affective type, Cognitive type and Conative type) of corporate governance systems.

Based on the above-mentioned discussions, arguments the aims of the conducted are set to generalize as follows:

- (I) The theoretical aim of the conducted study is to produce new knowledge in form of a typology, adopting different theoretical lens, by analysing and understanding the interrelationships of values and different systems of corporate governance across the world.
- (II) The methodological aim of the study is to use multi quantitative tools to analyse all the chosen secondary data on corporate governance and values to construct the values based typology of corporate governance systems.
- (III) The practical aim of the study to enrich the available knowledge for owners to formulate ownership strategy.

The present paper is organised as follows. Section 2, "Systematic review of relevant theories and approaches for operationalizing corporate governance and values" reviews the key theories and approaches and evidence relating to corporate governance and values. Sections 3, "Research methodology: data collection, analysis and

result of the study” tell the philosophical considerations, research approaches, strategies, choices, and time horizons. Used techniques and procedures of data collection into a case database are explained. The grouping of the cases and analysis of empirical regularities were done. Technical findings, interpretative analysis of meaningful relationships, and type construction and characterisation are described. Section 4 “Conclusion” concludes the paper with a summary of contributions and scope for future research.

2.0 Systematic review of relevant theories & approaches for operationalizing corporate governance and values

Neergaard and Ulhøi (2007) narrated systematic literature review (SLR) expands and reduces the number of studies, theories and approaches according to pre-set criteria toward a thematic framework based on narrative coding (Neergaard & Ulhøi, 2007). Considering these guidelines, this section describes the theoretical grounds of the paper. It aims to perform the aforesaid first research task and provides overview of the theoretical body of knowledge on the topic. Furthermore, authors indicating the research gap in area of knowledge, which is filled by the authors by solving the aforesaid research problem during this study.

In research as well in practice, the common assumptions that there are two basic models of corporate governance: the first one is the Anglo- American ‘market based’: Global, which emphasises maximisation of shareholder value, while the second one is the ‘relationship-based’: Local, which emphasises the interest of broader group of stakeholders (Hilb, 2016). Thus, there has been a significant debate about which one is ideal.

Hilb (2016) introduced an enlightened approach to corporate governance which is known as “New Corporate Governance: Glocal” that integrates the strengths of both models. This particular approach avoids the traditional question of which approach should be followed as a basis for corporate governance: the widely used, Anglo-American, shareholder-value approach or the stakeholder-value approach, which are found in a variety of forms (Hilb, 2016). This enlightened approach of corporate governance is believed to be the professional one but alas there are still worldwide corporate crunches cases are reported which compelled us to think further over these crucial issues.

2.1 Global corporate governance system: Conceptual insight

Global approach relevance to Anglo-American corporate governance model (exemplified in United States of America, Canada, United Kingdom, New Zealand and adopted sometimes which little or no critical analysis in developing nations). Most of the theoretical and empirical works make normative assumption that Anglo-American corporate governance system is the ideal against which other national systems should be judged and towards which they seek to converge. (Hilb, 2016)

In previous corporate governance research, agency theory (Alchian & Demsetz, 1972; Eisenhardt, 1989; Jensen & Meckling, 1976) was used in an undifferentiated and one-dimensional way to justify Anglo-American corporate governance model. Furthermore, Jensen and Meckling (1976) discussed the nature of agency theory by identifying the principal-agent problem. Agency costs associated with outside claims on the corporations - both debt and equity. Their purpose was to integrate concepts into the beginnings of a theory of corporate ownership structure (Wahl, 2006). Agency theory (Eisenhardt, 1989) proposed two agency problems based on corporate assumption, which can occur between owners and top management (a) when the desired goal of the principal and agent conflict and (b) when the principal cannot track down his/her agent.

Over again, on the base of information agency theory contributes in two ways toward Global or Anglo-American corporate governance system. One under this systems information is treated as a commodity. It has cost and it can be purchased. The second contribution is corporations are assumed to have uncertain futures such as prosperity, bankruptcy or some intermediate outcome, and that future is only partly controlled by corporations’ members. (Eisenhardt, 1989)

Over again, Jensen (1983) described there are two lines of agency theory: positivist and principal-agent. Positivist scholars emphasise the potential situations where principal-agent are likely to have conflict in terms of set up corporations’ goals (Jensen, 1983). But, unfortunately, agency theory could not account the key differences of corporate governance systems across countries (Hilb, 2016). Therefore, agency theory is not appropriate to operationalize corporate governance, which shows the knowledge gap in the phenomenon of corporate governance.

2.2 Local corporate governance system: Conceptual Insight

Local approach is the best evident in international corporations operating countries around the world. Corporations consider that they can generate enduring success if the added value in all their activities for the shareholder, customers, employees and society. (Hilb, 2016) In addition, Goergen (2012) defined corporate governance is the combination of mechanisms that ensure that the management runs the corporations for the benefit of one or several stakeholders. Such stakeholders may cover shareholder, creditors, suppliers, clients, employees and other parties with whom the corporations conducts its business (Goergen, 2012). These definitions allow for differences across countries in terms of the main objective of the corporations compare with above mentioned Global corporate governance approach.

The stakeholder theory (Freeman, 1984) was presented in corporate governance literature behind this Local corporate governance system, which focuses on the responsibility of major shareholders towards the stakeholder of the corporations. Furthermore, Berle and Means (1932) predicted that corporations evolve towards a separation of ownership and control as they become larger. As a consequence, managers end up with a high discretionary power over the corporations and most shareholders would not be able to control the managers' actions (Roe, 1994). Under this dilemma, stakeholder theory suggests that corporations should pay attention to all their constituencies. Taken this far, stakeholder theory is completely consistent with the value maximisation or value – seeking behaviour, which implies that managers must pay attention to all constituencies that can affect the value of the corporations. In contrast, with agency theory stakeholder theory argued the corporation couldn't create long-term market value without good relation with customers, employees, financial backers, supplier, regulators and communities. However, there is a still conflict how to create successful ownership strategy based on stakeholder theory (Wahl, 2015). Hence, Stakeholder theory is also not suitable to operationalize corporate governance. Therefore, there is a niche in the field of corporate governance.

2.3 Glocal corporate governance systems: Conceptual insight

Hilb (2016) described that the success of the corporation relevantly depends on the ownership strategy that simultaneously adds value to all the stakeholders including shareholders and society. Thus, it is important for the owner to determine the strategy in which stakeholders share in corporations' success according to the corporations' requirement and this process could be reviewed periodically. In the past, most research has addressed corporate governance systems from a single perspective. So, in the future, it will be increasingly important to approach corporate governance from an integrated and "multi-theoretic" point of view. (Hilb, 2016) As a consequence, Hilb (2016) considered multiple theories to formulate enlightened approach of new corporate governance. Resource dependency theory (Pfeffer & Salancik, 1978) suggests that board members can play a valuable role in making resources available to, and in coaching the CEO (Hilb, 2016). Stewardship theory (Davis, Schoorman, & Donalds, 1997) suggests that top management can act in the best interest of the company even when financial incentives and monitoring systems are not in place to ensure that this is the case (Hilb, 2016). And institutional theory (Scott, 1995) attempts to understand corporate governance in the context of social and cultural constraints imposed on corporations (Hilb, 2016).

New Corporate Governance as a system by which corporations strategically directed, interactively managed and holistically controlled in an entrepreneurial and ethical way and in a manner appropriates each particular context (Hilb, 2016). There are four dimensions; situational, strategic, integrated and control (KISS in reversed manner) by which Hilb (2016) differentiate new corporate governance with traditional corporate governance. This new approach of corporate governance is still dubious for operationalize corporate governance due to considerable corporate crisis are outlined which leads to the controversy of research gap in the area of corporate governance.

2.4 Varieties of capitalism (VOC) approach

According to Banerjee and Wahl (2014) the development of the capitalist socio-economical system depends on its existing corporate governance systems. Furthermore, Goergen (2012) argued different countries have different ideology to earn the social peace. Varieties of capitalism (VOC) approach suggest two way of solving economic coordination of a country, these are liberal market economy (LME), and coordinated market economy (CME) (Goergen, 2012). These approaches are noticeable in many individual countries.

LME states that the main tool of coordinating economy is a market. The attributes of the labour market and market under LME are highly flexible and developed. Corporations tend to invest in highly marketable and liquid assets. Investors invest in assets comparatively with short payback period. LMEs tend to excel in highly competitive, innovative industries as well as low value-added services industries. Empirics suggest that capitalistic economy United Kingdom, United States of America and Australia follows LME model to achieve social peace. (Goergen, 2012) CME is based on the complex network to coordinated economic decision-making. Compare with LMEs markets, including labour and capital markets, are fairly illiquid and inflexible. CMEs tend to do well in industries associated with incremental innovation such as high value-added manufacturing. Over again, empirics suggest

France, Germany and Italy are examples of CMEs. (Goergen, 2012) But, it is regrettable that VOC approach is still not right tool to operationalize corporate governance, as it could not answer the right solutions for corporate governance problems which clearly indicating the research gap in corporate governance field.

2.5 Corporate governance: A survey on organisation for economic co-operation and development (OECD) member countries

Schnyder (2012) stated that one of the major challenges of corporate governance research since its inception has been the definition of measures of good corporate governance, i.e. of corporate governance mechanisms that lead to financial efficiency, social legitimacy. However, Schnyder (2012) concluded that the problem of a lack of theory behind measuring corporate governance practise which could guide us in our choices regarding what to include in an index and what not, is even more important regarding the weighting of different variables once they are included. Beside this, Tricker (2012) argued systematic view offers a useful way as yet there are no theoretical floodlights that illuminate the boundaries of corporate governance. Considering these key arguments authors have selected Organisation for Economic Co-operation and Development (OECD) law and corporate governance principles report to shed the light paradigm. This report was prepared by OECD corporate affairs division based on member countries submission to OECD law and corporate governance database in the year 2004 and is being released following review and classification by OECD steering group on corporate governance and this is the only updated data version available from OECD on corporate governance principles since the year 2004. (OECD, 2004)

2.6 Schwartz's value survey

Licht, Goldschmidt and Schwartz (2005) argued that theorists, policy-makers, and practitioners share the intuition that corporate governance reflects national culture. Now, definitions of culture abound. In order to distinguish culture from structural aspects of society that might influence corporate governance, this paper defines culture in subjective terms. Many different value emphases could be chosen to characterise cultures (Banerjee & Wahl, 2014; Tausch, 2015). Furthermore, Schwartz (2012) explained that values have a universal content and structure and values are structured in similar ways across culturally diverse groups. Considering these essences of values, Schwartz (2012) constructed theory of basic values that identified ten basic, motivationally distinct values that people in virtually all cultures implicitly recognize. These values are likely to be universal because they are grounded in one or more of three universal requirements of human existence with which they help to cope. These requirements are needs of individuals as biological organisms, requisites of coordinated social interaction, and survival and welfare needs of groups. Individuals cannot cope successfully with these requirements of human existence on their own. This theory is appropriate for characterising the values of individual people and studying the relationships of individuals' values to other individual differences. (Schwartz, et al., 2012)

On the contrary, all societies confront certain basic issues in regulating human activity (Kluckhohn & Strodtbeck, 1961). Furthermore, Schwartz (2008) concluded all societies in all times have to solve three problems and these are as follows:

- (I) How to define the nature of the relations and boundaries between the person and the group?
- (II) How to guarantee that people behave in a responsible manner that preserves the social fabric?
- (III) How to regulate people's treatment of human and natural resources?

Schwartz (2008) also added in different cultures the answers are different. These answers are expressed in the prevailing value emphases in the society. For that reasons, Schwartz (2008) developed a different theory and set of individual value dimensions, which defines seven cultural value orientations that capture the basic cultural differences between societies. Because of this, authors have considered Schwartz's value survey (from 1988 to 2007) that was done to characterise 80 countries by their culture. The cultural value orientations were derived conceptually by asking what problems every society confronts and what polar value preferences might evolve to deal with these issues Schwartz (2008).

In addition, Schwartz (2008) described the seven-culture/society level cultural value orientations are appropriate for comparing cultural groups to one another and for relating to societal level characteristics (e.g. average family size, level of corruption, country wealth, level of democratisation, etc. According to Schwartz (2008) theory, brief descriptions of the basic problems and the conceptual definitions of the seven orientations are as follows.

2.6.1 Autonomy vs. Embeddedness

The first problem is to define the nature of the relations and boundaries between the person and the group. To what extent are people autonomous vs. embedded in their groups? In autonomy cultures, people are viewed as autonomous, bounded entities. They are encouraged to cultivate and express their own preferences, feelings, ideas, and abilities, and to find meaning in their own uniqueness. There are two types of autonomy; intellectual

autonomy encourages individuals to pursue their own ideas and intellectual directions independently. Affective autonomy encourages individuals to pursue affectively positive experience for themselves. (Schwartz, 2008)

In embeddedness cultures, people are viewed as entities embedded in the collective. Meaning in life is expected to come largely through social relationships, through identifying with the group, participating in its shared way of life, and striving toward its shared goals. Embedded cultures emphasise maintaining the status quo and restraining actions that might disrupt in-group solidarity or the traditional order. (Schwartz, 2008)

2.6.2 Egalitarianism vs. Hierarchy

The second societal problem is to guarantee that people behave in a responsible manner that preserves the social fabric. That is, people must engage in the productive work necessary to maintain society rather than compete destructively or withhold their efforts. People must be induced to consider the welfare of others, to coordinate with them, and thereby to manage their unavoidable interdependencies. Egalitarian cultures seek to induce people to recognise one another as moral equals who share basic interests as human beings. They try to socialise their members to internalise a commitment to cooperate and to feel concern for everyone's welfare. People are expected to act for the benefit of others as a matter of choice. (Schwartz, 2008)

Hierarchy cultures rely on hierarchical systems of ascribed roles to insure responsible, productive behaviour. They define the unequal distribution of power, roles, and resources as legitimate and even desirable. People are socialised to take the hierarchical distribution of roles for granted, to comply with the obligations and rules attached to their roles, to show deference to superiors and expect deference from subordinates. (Schwartz, 2008)

2.6.3 Harmony vs. Mastery

The third societal problem is to regulate people's treatment of human and natural resources. Harmony cultures emphasise fitting into the social and natural world, trying to appreciate and accept rather than to change, direct, or exploit. Mastery cultures encourage active self-assertion in order to master, direct, and change the natural and social environment to attain group or personal goals. (Schwartz, 2008)

In sum, the theory (Schwartz, 2008) specifies three bipolar dimensions of culture that represent alternative resolutions to each of three problems that confront all societies. A societal emphasis on the cultural orientation at one pole of a dimension typically accompanies a de-emphasis on the polar type with which it tends to conflict.

3.0 Research methodology: Data collection, analysis and results of the study

This chapter begins with a concern of identified research problem along with aforementioned second research task. The nature of the research problem is the guiding star when deciding on the methodology. Research design needs clear objectives derived from the research tasks to specify sources of data collection, to consider constraints and ethical issues, and valid reasons for the choice of design. (Saunders, Lewis, & Thornhill, 2015) Quantitative research is based on some underlying assumptions about what constitutes "valid" research and which research methods are appropriate. The research philosophy of the paper is constructivism and the research approach of this study is based on the principle of developing a theory (Saunders, Lewis, & Thornhill, 2015): The inductive approach. The chosen research strategy is multiple case studies. Research choice is quantitative methods with multiple tools, and it can be categorised as an explanatory, cross-sectional research project.

Turning now to the solution of above-mentioned research problem, along with the second research task, the authors have considered constructing a value based typology of corporate governance systems. Because, typologies are widely used form of theory building (Elo-Pärssinen, 2007; Hornaday, 1990; Hung, 1998; Mintzberg, 1992; Pedersen & Thomsen, 1997; Jaouen & Lasch, 2015; Zetterberg, 1997). Moreover, typologies meet several of the important criteria of theories and are shown to contain multiple levels of theory (Doty & Glick, 1994). Now every typology is the result of a grouping process. Toward building a typology, Kluge's (2000) "model of empirically grounded type construction" suggested that an object field must be divided into some groups or types with the help of one or more attributes. The elements within a type have to be as similar as possible and the differences between the types have to be as strong as possible. Types could be constructed in order to comprehend, understand and explain complex social realities. (Kluge, 2000) Now, there are several constructs of types are useable in social science research like ideal types, real types, prototypes, extreme types (Wahl, 2012). According to Weber's definition, "an ideal type is formed by the one-sided accentuation of one or more points of view" according to which "concrete individual phenomena ... are arranged into a unified analytical construct" (*Gedankenbild*); in its purely fictional nature, it is a methodological "utopia [that] cannot be found empirically

anywhere in reality” (Weber, 1904/1949, p. 90). For that reason, the authors have chosen ideal types to build the values based typology of corporate governance systems. Because, ideal types help to guide and structure comparative research (Kim, 2012). Different rules and steps of Kluge’s (2000) “model of empirically grounded type construction” are integrated into the research process. The following was considered in this study for construction of ideal types of corporate governance systems based on values (Figure 1).

3.1 Development of relevant analysing dimensions

If the type is defined as a combination of attributes, one first needs properties and dimensions, which form the basis for the typology. With the help of these attributes, the similarities and differences between the research elements must be adequately grasped, in our case the Organisation for Economic Co-operation and Development (OECD) member countries. And finally the constructed groups and types have to be described with the help of these properties. (Kluge, 2000) There are two data set was analysed in this study. The first set of data is used from the countries submission to OECD and OECD law and corporate governance database in the year 2004. The below mentioned (Table 1) describes the six OECD corporate governance principles which were revised in the year 2004. Authors have quantified this data set in form of six attributes from 0 to 1 scale for analysis.

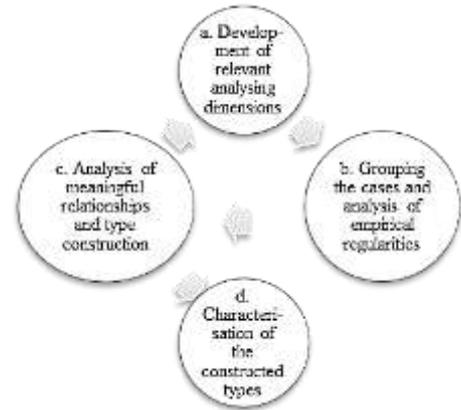


Figure 1: Model of empirically grounded type construction. (Source: Authors’ illustration with reference to Kluge, 2000)

Table 1: OECD corporate governance principles

Corporate governance principles	Overview
Comply or explain with principles or codes	30 principles or codes were agreed in 1990 and have been established in OECD area
Defining audit functions and limits on auditors	Create and maintain an audit committee that adds value to the board and corporations
Improving transparency	Disclosure to improve the incentive structure for auditors and analysts
Defining and controlling conflicts of interest	Sufficient number of nonexecutive board members capable or exercising independent judgement to task where there is conflict of interest
Improving or easing voting and greater role for AGM	Improves shareholders’ participation, information and voting
Rule for independent directors	Establish committees, in particular nominating and compensation committee only for independent directors

Source: OECD (2004)

The second set of data is used from Schwartz’s value survey that was conducted from the year 1988 to 2007 to characterise multiple countries by their culture. The following (Table 2) indicates the values that are averaged to provide the scores for each cultural value orientation.

Table 2: Values indicators that are averaged to provide the scores for each cultural value orientation

Cultural Value Orientation	Value Items
Harmony	A world of beauty, a world at peace, protecting the environment and unity with nature
Embeddedness	Clean, devout, forgiving, honoring parents and elders, moderate, national security, obedient, politeness, protecting my public image, reciprocation of favors, respect for tradition, self-discipline, social order and wisdom
Hierarchy	Authority, humble, social power and wealth
Mastery	Ambitious, capable, choosing own goals, daring, independent, influential, social recognition and successful
Affective Autonomy	Enjoying life, exciting life, pleasure, varied life and self-indulgent
Intellectual Autonomy	Broadminded, creativity, curious and freedom
Egalitarianism	Equality, helpful, honest, loyal, responsible and social justice

Source: Schwartz (2008)

In the questionnaire, each item is further explained in a parenthetical expression. The scores for each cultural group are centered around the mean score for all 56-7 items in that group. Thus, the score for each cultural orientation within a group indicates its importance relative to the other 6 orientations in that group. A constant (4.0) has been added to each score to bring it back to its approximate location on the original response scale -1 to 7 for seven attributes. (Schwartz, 2008) Furthermore, the authors have considered the 28 common countries to

compile the both above-mentioned data set till the year 2004 for further analysis. For computer analysis, Microsoft Excel, and PALaeontological STatistics (PAST) 3.10 (Hammer, Harper, & Ryan, 2001) were used.

All chosen data ($n = 28$) was entered into a case database. Codes are entered for all data values. Existing coding schemes enable comparisons. Data are checked or errors, cleaned, pre-processed, and transformed – min-max normalisation from 0 to 1 scale.

3.2 Grouping of the cases and analysis of empirical regularities

The cases are grouped by means of the defined properties and their dimensions. Based on the identified research problem, general and significant attributes are those related to corporate governance systems and values.

Turning now to the experience over PAST 3.10, firstly authors have used the hierarchical clustering method to find hierarchical grouping in considered multivariate dataset. The hierarchical clustering routine produces a dendrogram with highest value (Cophen. Corr = .907) which shows how data points (rows) can be clustered (Hammer, Harper, & Ryan, 2001). In addition, to make the above-mentioned data analysis process accurate, authors have considered non-metric multi-dimensional scaling (nMDS), it is a set of related statistical techniques used in information visualisation for exploring similarities or dissimilarities in data (Figure 2) considering 28 common countries.

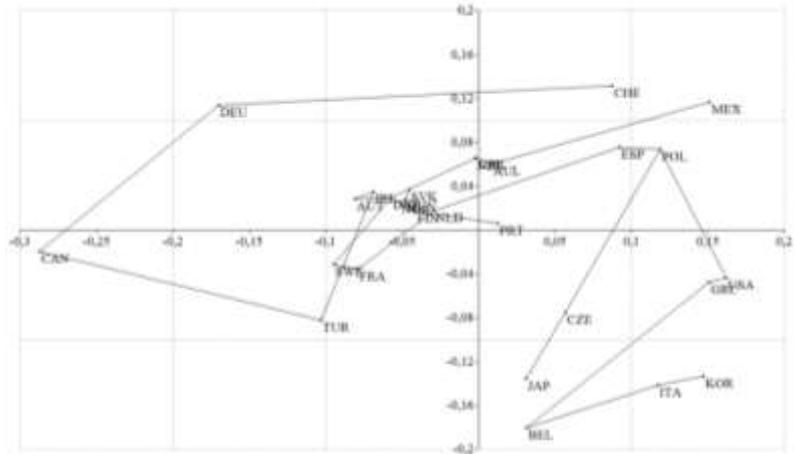


Figure 2: Non-metric multidimensional scaling nMDS minimal spanning tree (Source: Authors' illustration)

It visualises a general view of all possible combinations and the concrete empirical distribution of the cases. nMDS is based on a distance matrix computed with any of 14 supported distance measures, as explained below. The algorithm then attempts to place the data points in a three-dimensional coordinate such that the ranked differences are preserved. (Hammer, Harper, & Ryan, 2001) The best result of the nMDS comes with Gower similarity measure, 3D, (stress = .159). Despite this, the Shepard plot of obtained versus observed ranks indicates the high quality of the nMDS result (Hammer, Harper, & Ryan, 2001).

Coming back to grouping the cases and analysis of empirical regularities authors have used k - means clustering which is Non-hierarchical clustering of multivariate data into a specified number of groups (Hammer, Harper, & Ryan, 2001). The number of clusters was three and it was decided by the authors upon the result from hierarchical clustering: dendrogram and result of the non-metric multidimensional scaling method.

Finally, from the results hierarchical, non-hierarchical cluster analysis and non-metric multidimensional scaling (nMDS), the authors were able to group countries into three internally homogeneous and externally heterogenic groups. In the next stage, in order to analyse the cluster result from PAST 3.10 authors have used descriptive statistics (Table 3 below) with 13 relevant analysing attributes for grouping the cases and analysis the empirical regularities with relevant theories.

The first cluster (k1) contains 11% ($n = 3$) group of countries, the second cluster (k2) contains 32% ($n = 9$) group of countries and the third cluster k3 contains 57% ($n = 16$) group of countries. For each cluster mean and standard deviation were calculated. Because Kluge (2000) suggested that cases can be grouped by means of the defined properties and their attributes and the identified groups can be analysed with regard to empirical regularities.

The identified groups were analysed with regard to empirical regularities. Cases that were assigned to a combination of attributes were compared to each other, in order to check the internal homogeneity of the constructed groups. Furthermore, the groups were compared to one another in order to check whether there is a sufficiently high external heterogeneity on the “level of the typology” and to check whether the resulting typology contains sufficient heterogeneity and variation in the data.

Table 3: Descriptive statistics

Relevant analysing dimensions	Code	k1 (n = 3)		k2 (n = 9)		k3 (n = 16)	
		Mean	Standard deviation	Mean	Standard deviation	Mean	Standard deviation
Comply or explain with principles or codes	PC	0.67	0.57	0.11	0.33	0.19	0.40
Defining audit functions and limits on auditors	AF	0.67	0.57	0.56	0.52	0.38	0.50
Improving transparency	TR	0.67	0.57	0.67	0.50	0.50	0.51
Defining and controlling conflicts of interest	CI	0.33	0.57	0.44	0.52	0.33	0.48
Improving or easing voting and greater role for AGM	VO	0.67	0.57	1.00	0.00	0.00	0.00
Rule for independent directors	ID	0.33	0.57	0.44	0.52	0.19	0.40
Harmony	HAR	0.87	0.13	0.23	0.08	0.21	0.09
Embeddedness	EMB	0.88	0.10	0.16	0.12	0.19	0.12
Hierarchy	HIE	0.85	0.16	0.41	0.28	0.30	0.15
Mastery	MAS	0.69	0.45	0.11	0.07	0.12	0.06
Affective Autonomy	AFF	0.96	0.04	0.26	0.11	0.26	0.12
Intellectual Autonomy	INT	0.80	0.18	0.16	0.08	0.11	0.07
Egalitarianism	EGA	0.93	0.06	0.15	0.10	0.16	0.07

Source: Authors’ calculations based on empirical data with reference to OECD (2004) & Schwartz (2008)

3.3 Construction of values based typology of corporate governance systems: Analysis of meaningful relationships and type construction

An ideal type is formed from characteristics and elements of the given phenomenon, but it is not meant to correspond to all of the characteristics of any one particular case. It is not meant to refer to perfect things, moral ideals or to statistical averages but rather to stress certain elements common to most cases of the given phenomenon. It is also important to pay attention to that in using the word “ideal” Max Weber (1864–1920) refers to the world of ideas and not to perfection; these “ideal types” are idea-constructs that help put the chaos of social reality in order. Wahl (2011, 2012) Based on the empirical data of corporate governance and values the authors have constructed a values based typology of corporate governance systems (Figure 3).

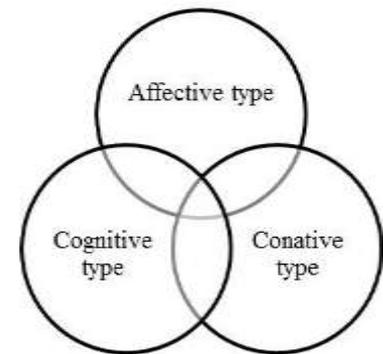


Figure 3: Typology: Three ideal types of corporate governance systems based on values (Source: Authors’ calculation based on empirical data)

This typology contains values based three ideal types of corporate governance systems: 1. Affective type; 2. Cognitive type; and 3. Conative type. Constructed typology shows all three ideal types have experienced corporate governance systems. But the activities engaged in each type engaged different paths to achieve three different types motivational based attitude towards societal behaviour. Affective type and Cognitive type both shares their individual stance among the corporate governance principles. Over again, Affective type is completely keen towards maintaining values whereas Cognitive and Conative type both failed to show their interest towards values. It is somewhat surprising that Conative type could not succeed to come over comparison with Affective and Cognitive type in terms corporate governance principles and values.

3.4 Characterisations of the constructed types

Kluge (2000) explained that types are always constructions that are dependent on the attributes that should form the basis for the typology. Every type is a substantive contextual-analysis of the relationship, based on the well-known theories and type formation requires a systematic search of links between categories (Kluge, 2000). Constructed types are the connecting link between the empirical and the theory of forming the basis of empirically grounded theories (Wahl, 2011, 2012).

Affective type

The Affective type is theoretically constructed reality of values based corporate governance systems. Affective type is derived from the results of cluster (k1) where individual countries are Canada (CAN), Germany (DEU) and Switzerland (CHE).

Furthermore, as long the values are concerned, Affective type tends to encourage individuals to pursue their own ideas and intellectual directions independently and encourages individuals to pursue affectively positive experience for themselves. Single value items: enjoying life, exciting life, pleasure, varied life, self-indulgent, broadminded, creativity, curious and freedom (Schwartz, 2008). In addition, Affective type seeks to induce people to recognise one another as moral equals who share basic interests as human beings. They try to socialise their members to internalise a commitment to cooperate and to feel concern for everyone's welfare. Under Affective type, people are expected to act for the benefit of others as a matter of choice. Single value items: Equality, helpful, honest, loyal, responsible and social justice (Schwartz, 2008).

Over again, Affective type emphasize fitting into the social and natural world, trying to appreciate and accept rather than to change, direct, or exploit. Single value items: A world of beauty, a world at peace, protecting the environment and unity with nature (Schwartz, 2008). On the other hand, Affective type is viewed as entities embedded in the collective. Meaning in life is expected to come largely through social relationships, through identifying with the group, participating in its shared way of life, and striving toward its shared goals. Single value items: clean, devout, forgiving, honouring parents and elders, moderate, national security, obedient, politeness, protecting my public image, reciprocation of favours, respect for tradition, self-discipline, social order, and wisdom (Schwartz, 2008). Affective type emphasises maintaining the status quo and restraining actions that might disrupt in-group solidarity or the traditional order. Cultures encourage active self-assertion in order to master, direct, and change the natural and social environment to attain group or personal goals. Single value items: ambitious, capable, choosing own goals, daring, independent, influential, social recognition, successful (Schwartz, 2008). Affective type relies on hierarchical systems of ascribed roles to insure responsible, productive behaviour.

Furthermore, Affective type defines the unequal distribution of power, roles, and resources as legitimate and even desirable. Countries are socialized to take the hierarchical distribution of roles for granted, to comply with the obligations and rules attached to their roles, to show deference to superiors and expect deference from subordinates. Single value items: Authority, humble, social power and wealth (Schwartz, 2008).

Turning now to corporate governance, Affective type reflected in various national corporate principles. Such as Affective type has disclosed respect to the functions of external auditors (OECD, 2004) and the second most important features is improving transparency i.e. procedures for shareholders meetings should ensure that votes are properly counted and recorded, and that a timely announcement of the outcome is made (OECD, 2004).

So, from the apparent perspective, it seems that there are similarities between Affective type and Glocal corporate governance systems (Hilb, 2016), theoretically which is based on resource dependency theory (Pfeffer & Salancik, 1978), stewardship theory (Davis, Schoorman, & Donalds, 1997) and institutional theory (Scott, 1995) in terms of integrating Global and Local corporate governance systems (Hilb, 2016).

Cognitive type

The Cognitive type is built from the result of cluster (k2). Cognitive type was selected to construct cases that represent common characteristics are typically best. Cognitive type has become the representative of countries, which are Belgium (BEL), Czech Republic (CZE), France (FRA), Italy (ITA), Japan (JPN), Korea Republic (KOR), Netherland (NLD), Sweden (SWE) and Turkey (TUR).

Interestingly, Cognitive type is too typically active towards the principles of corporate governance. For instance, Cognitive type also emphasises improving transparency (OECD, 2004) i.e. procedures for shareholders meetings should ensure that votes are properly counted and recorded and that a timely announcement of the outcome is made. Under Cognitive type independent board members having a key role on the board. For example, remuneration policy and employment contracts for board members and key executives are handled by a special committee of the board comprising either wholly or a majority of independent directors (OECD, 2004). Moreover, Cognitive type succeeds to managerial performance and achieves an adequate rate of return for owners while preventing conflict of interest (OECD, 2004). Cognitive type improves shareholders' participation, information voting at the annual general meeting (AGM); established board committees with one-third majority independent directors; transparent compensation tied to corporate performance (OECD, 2004).

Therefore, these findings suggest Cognitive type is typically similar with Local corporate governance systems (Hilb, 2016), which is based on stakeholder theory (Freeman, 1984), which reveals corporations can generate enduring success if the corporates bring equilibrium in all their activities for the shareholder, customers, and employees. Unforeseen, Cognitive type failed to maintain values.

Conative type

The Conative type was formulated according to the result of cluster (k3). Countries under Conative type are Austria (AUS), Australia (AUL), Denmark (DNK), Finland (FIN), Greece (GRC), Hungary (HUN), Ireland (IRL), Mexico (MEX), New Zealand (NZL), Norway (NOR), Poland (POL), Portugal (PRT), Slovakia (SVK), Spain (ESP), United States of America (US) and United Kingdom (GBR).

It is somewhat surprising that Conative type could not succeed to come over comparison with Affective and Cognitive type in terms corporate governance principles and values. These findings are unexpected and suggest that Conative type is typically carried forwards by agency problem (Eisenhardt, 1989). So as consequences, Conative type failed to show the reliance towards corporate governance principles. In terms of values, Conative type is not in position to retrieve corporate governance systems based on values. This interpretation allows relating Conative type with Global corporate governance systems (Hilb, 2016).

4.0 Conclusion

The conducted research allows making a series of conclusions and recommendations. The research process allowed obtaining new and original results. Filling the research gap indicated in section 2 helped to solve the research problem identified by the authors during this study. Turning now to the first research task, in section two, authors have carried out a systematic review of theories and approaches to operationalize corporate governance and values. Concerning the second research task, authors have reviewed methodological aspects of multi quantitative measurement of corporate governance indicators a project report reflect the views on corporate governance of OECD countries towards OECD company law and principles and Schwartz's value survey to characterise multiple countries by their culture. In research methodology section authors have also justified the research philosophy and research approach towards solving the identified research problem. The authors have studied the interrelationships of values and corporate governance systems and based on the analysis of empirical regularities authors have constructed the values based typology of corporate governance systems including three ideal types (Affective type, Cognitive type and Conative type) to solve the identified research problem. The constructed typology improves understanding about the corporate governance systems and individual country's motivational based behaviour at societal level. Two classic models as well as an alternative model of corporate governance systems were represented in authors' typology of corporate governance systems based on values. The shareholder value model (Alchian & Demsetz, 1972; Eisenhardt, 1989; Hilb, 2016; Jensen & Meckling, 1976) is represented by ideal type Conative. The stakeholder value model (Berle & Means, 1932; Freeman, 1984; Goergen, 2012; Hilb, 2016; Roe, 1994) is represented by ideal types Cognitive. The alternative model of multi-theoretic corporate governance that transcends the classic shareholder-stakeholder polarization – enlightened shareholder value (Davis, Schoorman, & Donalds, 1997; Pfeffer & Salancik, 1978; Hilb, 2016; Scott, 1995) is represented by ideal type Affective.

Methodologically the research is valuable in the designed research process for constructing of a corporate governance typology based on values. The research process shows how to use in an explanatory corporate governance and values research the multiple case study as a research strategy, choosing multi tool quantitative research methods, and successfully integrating Kluge's (2000) "model of empirically grounded type construction."

Practically, in order to stay sustainable there is a need for professional corporate governance and proficient owners (Wahl, 2012). They should start paying more attention to the basic values and will of major stakeholders, and see the corporations as a part of the business environment and society.

The current research has few limitations to be addressed. For instance, the numbers of explored countries are limited. Secondly, the scientific analysis of this study is partly based on unprecedented corporate governance data published in the year 2004. Despite these limitations, this paper revealed findings that have both theoretical and practical significance. The author's future work is focused on using all collected qualitative and quantitative data. This typology contains three ideal types; they are seen as explanatory hypotheses. Future developments of research will be related to testing of the explanatory hypotheses.

Further research is needed to evaluate and describe profoundly how the constructed typology is helping the owners' in formulation ownership strategies to make sure what results they want to have from the corporations in long run under dynamic business environment. More broadly, the constructed typology is needed for assessment of the capability of refutation aside from OECD countries. Future developments of authors' constructed typology will be related to testing of the three explanatory hypotheses (Affective type, Cognitive type and Conative type).

Interest of corporate governance is truly global. The findings are of importance insofar as they provide new knowledge and consequently, further our understanding of the diverse phenomena of corporate governance and values.

References

- Alchian, A., & Demsetz, H. (1972). Production information costs, and economic organization. *62*, 777–795.
- Banerjee, S., & Wahl, M. F. (2014). Values and corporate governance systems. In J. F. Gomes, & J. P. Coelho (Ed.), *Values in shock: The role of contrasting management, economic and religious paradigms in the work place* (pp. 381–387). Riga: International Society for the Study of Work & Organisational Values (ISSWOW).
- Banerjee, S., & Wahl, M. F. (2016). Values in corporate governance: Ownership values. *Innovative Journal of Business and Management*, *5*(1), 20–24.
- Berle, A., & Means, G. (1932). *The modern corporation and private property*. New York: Macmillan.
- Davis, J. H., Schoorman, D., & Donalds, L. (1997). Toward a stewardship theory of management. *The Academy of Management Review*, *22*(1), 20–47.
- Doty, D. H., & Glick, W. H. (1994). Typologies as a unique form of theory building: Toward improved understanding and modeling. *Academy of Management Review*, *19*(2), 230–251.
- Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of Management Review*, *14*(1), 57–74.
- Elo-Pärssinen, K. (2007). *Arvot ja yhteiskuntavastuullinen toiminta suurissa suomalaisissa perheyriyöksissä: Omistajan näkökulma [Values and corporate social performance in large Finnish family firms: Owners view]*. University of Jyväskylä. Jyväskylä: Jyväskylä Studies in Business and Economics.
- Freeman, R. E. (1984). *Strategic Management: A stakeholder approach*. Boston: Pitman.
- Goergen, M. (2012). *International corporate governance*. Harlow: Pearson Education Limited.
- Hammer, U., Harper, D. A., & Ryan, P. D. (2001). PAST: Paleontological Statistics Software Package for Education and Data Analysis. *4*(1). Palaeontologia Electronica.
- Hilb, M. (2016). *New corporate governance: Successful board management tools* (5th ed.). Berlin: Springer-Verlag.
- Hornaday, R. W. (1990). Dropping the e-words from small business research: An alternative typology. *Journal of Small Business Management*, *28*(4), 22–33.
- Hung, H. (1998). A typology of the theories of the roles of governing boards. *Corporate Governance: An International Review*, *6*(2), 101–111.
- Jaouen, A., & Lasch, F. (2015). A new typology of micro-firm owner-managers. *International Small Business Journal*, *33*(4), 397–421.
- Jensen, M. C. (1983). Organization theory and methodology. *The Accounting Review*, *58*(2), 319–339.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, *3*(4), 305–360.
- Kim, S. (2012). Max Weber. (E. N. Zalta, Ed.) Retrieved from <<http://plato.stanford.edu/archives/fall2012/entries/weber/>>.
- Kluckhohn, F. R., & Strodtbeck, F. L. (1961). *Variations in value orientations* (2 ed.). Evanston, IL: Row, Peterson and Company.
- Kluge, S. (2000). Empirically grounded construction of types and typologies in qualitative social research (14 paragraphs). *Forum: Qualitative Social Research*, *1*(1).
- La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. (1998). Law and finance. *Journal of political economy*, *106*(6), 1113–1155.
- Licht, A. N. (2004). The maximands of corporate governance: A theory of values and cognitive style. *Delaware Journal of Corporate Law*, *29*(3), 649–746.
- Licht, A. N., Goldschmidt, C., & Schwartz, S. H. (2005). Culture, law and corporate governance. *International Review of Law and Economics*, *25*, 229–255.
- Luoma, T. (2011). Implementation of an ownership strategy. *8th workshop on corporate governance*. Brussels: European Institute of Corporate Governance for Advanced Studies in Management (EIASM).
- Mintzberg, H. (1979). *The structuring of organizations*. Englewood Cliffs, NJ: Prentice Hall.
- Mintzberg, H. (1992). *Structure in fives: Designing effective organizations*. Upper Saddle River, NJ: Prentice Hall.
- Neergaard, H., & Ulhøi, J. P. (Eds.). (2007). *Handbook of qualitative research methods in entrepreneurship*. Cheltenham, UK: Edward Elgar.
- OECD. (2004). *Corporate governance: A survey on OECD countries*. Organisation for Economic Co-Operation and Development. Paris: OECD Publications.
- Pagano, M., & Volpin, P. F. (2005). The political economy of corporate governance. *American Economic Review*, *95*(4), 1005–1030.
- Pedersen, T., & Thomsen, S. (1997). European patterns of corporate ownership: A twelve-country study. *Journal of International Business Studies*, *28*(4), 759–778.
- Pfeffer, J., & Salancik, G. (1978). *The external control of organizations: A resource dependence perspective*. New York: Harper & Row.
- Roe, M. J. (1994). *Strong managers, weak owners: The political roots of american corporate finance*. Princeton, NJ: Princeton University Press.

- Roe, M. J. (2006). *Political Determinants of Corporate Governance: Political Context, Corporate Impact*. Oxford: Oxford University Press.
- Saunders, M. N., Lewis, P., & Thornhill, A. (2015). *Research methods for business students* (7th ed.). Harlow: Pearson.
- Schnyder, G. (2012). Measuring corporate governance: Lessons from the 'bundles approach'. *Centre for Business Research, University of Cambridge, Working Paper No. 438*, 1–36.
- Schwartz, S. H. (1992). Universals in the content and structure of values: Theoretical advances and empirical tests in 20 countries. In M. Zanna (Ed.), *Advances in Experimental Social Psychology* (Vol. 25, pp. 1–65). New York: Academic Press.
- Schwartz, S. H. (2008). *Cultural value orientations: Nature and implications of national differences*. Moscow: State University—Higher School of Economics Press.
- Schwartz, S. H., & Bilsky, W. (1987). Toward a universal psychological structure of human values. *Journal of Personality and Social Psychology*, 53(3), 550–562.
- Schwartz, S. H., Cieciuch, J., Vecchione, M., Davidov, E., Fischer, R., Beierlein, C., et al. (2012). Refining the theory of basic individual values. *Journal of Personality and Social Psychology*, 103(4), 663–688.
- Scott, W. R. (1995). *Institutions and organizations*. Thousand Oaks, CA: Sage.
- Zetterberg, H. L. (1997). The study of values. In R. Swedberg, & E. Uddhammar (Eds.), *Sociological Endeavor. Selected Writings* (pp. 191–219). Stockholm: City University Press.
- Tausch, A. (2015). Hofstede, Inglehart and beyond. New directions in empirical global value research. *Munich Personal RePEc Archive*, 304.
- Tricker, B. (2012). *Corporate governance: Principles, policies and practises*. United Kingdom: Oxford University Press.
- Wahl, M. F. (2006). The ownership structure of corporations: Owners classification & typology. *EBS Review*, 21(1), 94–103.
- Wahl, M. F. (2012). Ownership typology: Four basic human values & will based ideal types. *Research in Economics and Business: Central and Eastern Europe*, 4(2), 61–83.
- Wahl, M. F. (2015). Strategic audit and ownership strategy. *International Journal of Business and Social Research*, 5(9), 93–100.
- Weber, M. (1904/1949). Objectivity in Social Science and Social Policy. In E. A. Shils, & H. A. Finch (Eds.), *The Methodology of the Social Sciences*. New York: Free Press.