ABSTRACT

Based on the institutional logic that enterprises will conform with the immediate cultural values and settings in a nation, the important influence of culture on corporate governance has been acknowledged in recent research. It has been shown that the quality of corporate governance varies strongly within regions and globally. Therefore, tests of cultural influences on single components of corporate governance or surrogates thereof have been conducted and their outcomes discussed. This research investigates the influence of culture on corporate governance using all 6 Hofstede cultural dimensions and a uniquely broad set of corporate governance factors that are present in reality. Using 565,787 year observations relating to 18,344 companies in 41 countries for the years 2010-2015, the results of cross-sectional regression analysis with appropriate control variables is presented. The ensuing results further enhance our understanding of culture’s influence on the composition of the board of directors and will help regulators and lawmakers in their endeavors to improve relevant legislation as well as allow multinational companies to design effective and reliable corporate governance structures in their enterprises.

In my analysis, I find a substantial influence of cultural dimensions on the structural elements of the composition of the board of directors around the globe. In particular board independence, time on the board, gender diversity, and absolute size of the board are impacted by the surrounding cultural environment of the enterprise. These results also hold true in a robustness test with alternative cultural dimensions. A final moderating test gives some evidence of the moderating influence the cultural environment has on the relationship between board structural elements and the quality of corporate governance.
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