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Reasons behind the worldwide diversity in identity and issuance of good governance codes

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Abstract

This study examines the impact of socio-economic factors on the number of good governance codes and issuers of the first codes at the macro-country level. By covering 3200 observations for 160 countries over 1995–2014, this study reports that countries with Anglo-Saxon culture and strong investor protection laws have developed a large number of good governance codes to meet the efficiency needs of legal, political, and cultural values. Moreover, this paper shows that countries with English common law origin alongside civil or religious law have developed a large number of good governance codes. Furthermore, this study indicates that countries with high regulatory quality index have issued a large number of governance codes as a response to the external forces that emerge from coercive associations. However, this study found a positive and significant association between the control of corruption index and the number of governance codes issued by governments to mitigate corruption risk. Additionally, this study reports that countries that issued a large number of good governance codes have gained substantial foreign direct investments inflows and financial aid. This study, therefore, provides meaningful implications for governments and policymakers in countries with weak regulations to issue new governance codes for protecting investors' rights, thus gain more financial resources.

Keywords Codes of good governance · Legal origins · Worldwide governance indicators · Hofstede's cultural dimensions · Foreign direct investment · Financial aids

Introduction

Codes of good governance vary remarkably across countries. This is because each code developed by a country is mainly issued to address certain corporate governance issues related to the country (Lucia and Liliana 2010). Therefore, codes of good governance are different between nations owing to the impact of several institutional factors including cultural, political, legal, and economic factors (Cabeza-García et al. 2019). Similarly, good governance practices have been globally influenced by external market forces including international corporations, stock markets, and international bodies, such as the World Bank and IMF (Aguilera and

Cuervo-Cazurra 2004; Zattoni and Cuomo 2008). However, some scholars argued that researchers should consider many institutional factors to fully understand the differences in developing corporate governance codes around the world. These institutional perspectives include cultural, geographical, legal, and financial factors, which can eventually diversify good governance codes adopted in each country (Aras and Crowther 2011).

This study examines the relationship between the key socio-economic factors and the identity and issuance of good governance codes worldwide. Although some scholars have tried to investigate the determinants and the total number of good governance codes developed by a country (Aguilera and Cuervo-Cazurra 2009; Zattoni and Cuomo 2008; Haxhi and Van Ees 2010), there is still need for additional research that explains the major reasons behind the differences among countries in the number of codes (issuance) and the issuer of codes (identity).

Concerning the legal factors, the country's legal system is one of the key factors that classify the country's accounting system either under the Anglo-Saxon or the Continental

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Europe cluster. Anglo-Saxon accounting systems are generally set by professional organizations operating in the private sector, while accounting systems of Continental European nations are set by the country's regulations and they are very detailed and comprehensive, but less adaptable (Cerne 2009). Unlike prior studies (Aguilera and Cuervo-Cazurra 2004; Haxhi and Van Ees 2010; Zattoni and Cuomo 2008; Chan and Cheung 2012), this paper has used a more detailed classification related to the legal origin measures, which breakdown the origins of different legal families into several groups rather than comparing common law and civil law origins to address the effect of the legal system on the number of governance codes or the issuer of first good governance codes, but it also explains the impact of incorporating common law and civil law families alongside religious law systems on good corporate governance codes.

It could be maintained that the economic development degree of a country influences the adherence level to its rule of law, and not only by its legal system family. Therefore, rich nations exhibited a sound adherence to the rule of law, such as adopting international standards, while poor countries have experienced otherwise (Wood 2016). Numerous environmental factors may influence the degree to which countries adhere to laws and regulations, such as the complexity of the legal system, financial cost, tax laws, political systems, inflation levels, and level of education. Hence, the consequences of nonadherence or inadequate adherence to laws and regulations differ across nations (Ali and Hwang 2000; Mashayekhi and Mashayekh 2008). Although the impact of legal origins on corporate governance codes has been empirically investigated by some scholars (Aguilera and Cuervo-Cazurra 2004; Zattoni and Cuomo 2008; Haxhi and Van Ees 2010), they show different results for small samples and because of potential methodological and statistical weaknesses in their research. The association between good corporate governance and investor protection among countries has still not been investigated, since some scholars merely examined it at the firm level while others examined it from the stock markets perspective (Chen et al. 2009).

Some scholars argue that religious beliefs existing in a given country can fairly influence its legal system. Therefore, the interaction between the legal origin existing in a country and its religious beliefs may differ in various domains (Nieuwenhuis 2012; Kleinman et al. 2014; Kleinman and Lin 2017; Kleinman et al. 2019). The interaction between religion and law and their effects on accounting innovations, such as good governance codes, has been studied by very few scholars (Nakpodia et al. 2018). The religious culture plays a significant part in developing the corporate governance norms existing in a country. It also provides ethical standards in creating laws and influencing approaches to corporate governance. This is because religious beliefs affect personal values, and the way by which good governance

practices are developed worldwide (Kim and Daniel 2016; Volonte 2015; Tricker and Tricker 2015).

Unlike most prior CGGs studies (e.g., Aguilera and Cuervo-Cazurra 2004; Haxhi and Van Ees 2010; Zattoni and Cuomo 2008) that have focused more on using the classifications of legal origins provided by La Porta et al. (1997), who divided the worldwide legal origins into the following five groups: English common law, French civil law, German civil law, Scandinavian-civil law, and Socialist civil law. However, this study uses the more advanced legal origins classification provided by the Central Intelligence Agency (CIA) on the World Factbook website, which offers more concise descriptions of all major legal families besides to those legal origins that incorporated into different religious beliefs, namely English common law, French civil law, Spanish civil law, Portuguese civil law, German civil law, Socialist civil law, English and religious law, French civil and Islamic law, English and Islamic law, and Mixed English and civil law. Moreover, using the more advanced legal systems classification prepared by the CIA helps to test the claim suggested by the institutional theory, which assumes that good governance codes developed in a country might be influenced by its socio-economic factors, such as legal, religious, cultural, political, and financial sources (Aguilera and Jackson 2010). Since this paper investigates the major reasons behind the diversity of good governance codes which might be affected by the differences of legal and religious values among countries, this study, therefore, uses the legal system's classification provided by the World Factbook website, which provides more accurate and detailed information about the interaction between the legal origin and religion for many countries. Additionally, using these various legal and religious law systems provided by the CIA helps to examine whether there are any significant differences between the influence of the key legal origin groups (common law and civil law families) on the identity and issuance of governance codes compared to those legal groups that have either common law or civil law origins alongside religious law systems, which can be merely found on the World Factbook website.

Previous scholars suggest that the World Bank's governance indicators are one of the main socio-economic factors that explain the differences in good governance codes among countries (Marino et al. 2016). Similarly, the worldwide governance indicators have been applied by previous scholars to examine the quality of governance, since they can provide an effective comparison and sound political analysis among nations Langbein and Knack 2010). Empirically, the impact of the worldwide governance indicators on the adoption of good governance has been discussed by very few empirical studies (Daniel et al. 2012; Isukul and Chizea 2015; Judge et al. 2008). Hence, this study investigates the influence of worldwide governance indicators on the identity



and issuance of good governance codes, which have not been adequately investigated yet.

Regarding cultural influence, although the GLOBE cultural values provide a deep understanding of the cultural differences across nations, which researchers can apply to build across a wide range of international business topics (Venaik and Brewer 2008), most cultural dimensions that were identified by previous studies, including the GLOBE cultural values have their origins in the dimensions of culture identified by Hofstede cultural values in 1980 (House et al. 2004; Essawi and Tilchin 2013). Additionally, prior research was also used to present the organizational cultural values in a few societies, while Hofstede's cultural website offers a complete view of cultural differences in many countries and helps to understand potential cultural barriers among nations (Hofstede 1980). This study, therefore, examines the impact of Hofstede's cultural values on the identity and issuance of good governance codes, since a few empirical studies have examined the relationship between Hofstede's cultural dimensions and the adoption of good governance codes at the macro-country level (Haxhi and Van Ees 2010; Judge et al. 2008; Daniel et al. 2012), whereas most prior studies have examined the relationship between corporate governance and Hofstede's cultural dimensions at the micro-level (Chan and Cheung 2012).

Further, this study has employed Hofstede cultural values to keep consistency with prior empirical research and to address the gaps in the extant literature, which applied individual cultural dimensions to examine the relationship between Hofstede cultural dimensions and good governance codes (Haxhi and Van Ees 2010; Chan and Cheung 2012; Matoussi and Jardak 2012; Daniel et al. 2012). Hence, this study provides a more comprehensive analysis by including the four key Hofstede cultural dimensions to investigate the impact of cultural values on the cross-national diversity of governance codes. Furthermore, most previous studies were conducted by using small samples for a short time horizon and inadequate methodological ways to explain the phenomenon under investigation. This study, therefore, has covered 3200 observations for 160 countries over the period 1995–2014 intending to provide a more comprehensive analysis and offer a better explanation for the impact of Hofstede's cultural values on the identity and issuance of good governance codes worldwide.

Regarding the relationship between good governance codes and financial consequences, even though the influence of some financial factors on good governance codes was studied by some scholars, such as FDI, previous studies have shown mixed results because they used small sample sizes, which may affect the outcomes of their research findings (Mukherjee et al. 2012; Aguilera and Cuervo-Cazurra 2004). This study, therefore, examines the

impact of four key socio-economic factors including legal, cultural, political, and financial indicators on two related good governance issues: the number of codes developed in a country (issuance) and the issuer (identity) who developed the first governance codes in a country.

Accordingly, this paper makes several contributions to the current literature on corporate governance codes. First, there is an acute dearth of research on the empirical research conducted to investigate the effect of key socio-economic factors on the identity and issuance of good governance codes that applied to a small sample size and short time horizon up to 2007. (Aguilera and Cuervo-Cazurra 2004; Zattoni and Cuomo 2008; Haxhi and Van Ees 2010). Therefore, this research seeks to extend the previous research conducted on the reasons behind differences in identity and issuance of governance codes among countries. This study, therefore, extends the number of countries and the time horizon used by contemporary empirical studies to include the most recent period spanning 1995–2014. Second, this research investigates the influence of four key socio-economic factors on the identity and issuance of good governance codes, including legal factors, cultural dimensions, governance indicators, and financial factors, which have not yet been jointly included in one empirical study so far. Hence, this study provides more information about the major reasons for differences in identity and issuance of good governance codes worldwide. Third, this research contributes to the current literature by using advanced statistical analyses, including a fixed-effect model to investigate the relationship between the number of codes and the socio-economic factors besides multinomial logistic regression to examine the impact of the socio-economic factors on the issuer of first governance codes, while recent studies suffer from several methodological and statistical weaknesses and have shown mixed findings (Aguilera and Cuervo-Cazurra 2004; Zattoni and Cuomo 2008; Mukherjee et al. 2012). Finally, and most importantly, the aforementioned studies have only described the issuer of first governance codes issued in a country up to 1999 without examining their relationship with the socio-economic factors of the adopting countries. (Aguilera and Cuervo-Cazurra 2004). Therefore, this study examines the link between the issuer and the fundamental socio-economic factors: legal, cultural, political, and financial indicators for a large sample and up to 2014.

Literature review

This section reviews the theoretical and empirical literature conducted by prior studies.



Institutional theory

Institutional theory has been applied to explain the diversity of good governance codes among countries. This is because the framework of institutional theory has been extended to not just include how the legal system reduces agency conflicts, but also to look at other socio-economic factors that drive the diversity of corporate governance codes across countries (Aguilera and Jackson 2010). Therefore, in line with existing studies (Aguilera and Cuervo-Cazurra 2004; Zattoni and Cuomo 2008; Gerner-Beuerle 2014), this study applies institutional theory to examine the main reasons behind the diversity in identity and issuance of good governance codes worldwide. Institutional theory suggests that the apparent diversity in corporate governance codes emerge from the variety of national institutional and cultural factors across countries (Daniel et al. 2012). According to institutional theory, many countries have voluntarily developed new codes of good governance and the number of these good practices has considerably increased across countries to satisfy the efficiency needs imposed by internal parties, such as political, cultural, and legal system, besides, to comply with the legitimacy forces imposed by external parties, such as foreign investors and government liberalization (Aguilera and Cuervo-Cazurra 2004).

Further, the number and content of good governance codes have been influenced by three isomorphic pressures, including coercive, mimetic, and normative that are proposed by institutional theory as a response to the needs of different stakeholders; hence, the more stakeholders involved, the more good governance codes developed (Aguilera and Cuervo-Cazurra 2004). Accordingly, if a country has adopted only one governance code, this means that there is just one type of stakeholder groups in the country (Greco et al. 2015). However, Aguilera and Jackson (2010) argued that each country in the world has its social system, which influences the number and content of the corporate governance system in the country. For instance, the ownership structure is fully owned by families or the government in some countries, while other countries have dispersed ownership owned by shareholders.

According to institutional theory, adopting good governance codes requires adjusting to the institutional factors of a country to satisfy the needs of its stakeholders. Therefore, countries need to align their socio-economic culture with the needs of their investors to attract more foreign investors (Daniel et al. 2012). Therefore, Anglo-American countries with strong laws for shareholders protection rights are more likely to develop good governance codes for investors, since these nations seek to emphasize the interests of their shareholders (Krenn 2014). Moreover, the institutional theory suggests that coercive pressure emerges from internal forces, such as legal and cultural forces which enforce a

society to develop and apply certain standards (DiMaggio and Powell 1983). Similarly, countries may adopt or develop new governance codes as a response to the internal coercive pressure that emerges from internal parties to attract foreign investors through improving the efficiency of their good governance codes. However, additional countries may respond to the normative or mimetic pressures arise from external forces such as financial markets, governments, and local associations (Zattoni and Cuomo 2008). However, Tsamenyi et al. (2006) argued that the interaction between external and internal institutional forces drives that shapes of the corporate governance system of a country. This is because corporations either reply to normative isomorphism that arises from the legal party to enhance their efficiency, or to respond to coercive isomorphism that emerges from the capital market forces.

Empirical literature

Concerning legal factors, previous studies found that countries with a civil legal origin and weak shareholder protection rights are negatively and significantly associated with the good governance codes, while countries with English common law origin are positively and significantly associated with the codes of good governance (Aguilera and Cuervo-Cazurra 2004; Haxhi and Van Ees 2010; Zattoni and Cuomo 2008; Chan and Cheung 2012). For example, Haxhi and Van Ees (2010) examined the impact of legal origins on good governance codes by using a sample of 67 countries, and they found a positive and significant correlation between the adoption of good governance and the Anglo-Saxon legal origin. By covering 44 countries, Zattoni and Cuomo (2008) reported that common law countries are more likely to develop and adopt corporate governance codes, whereas civil law countries had fewer governance codes as a result of the influence of external forces. Regarding the protection of shareholders' rights, prior studies reported that countries with a common law origin are more likely to have strong shareholder protection than civil law countries (Matoussi and Jardak 2012). Similarly, by gathering data for 49 countries, Aguilera and Cuervo-Cazurra (2004) argued that countries with strong laws for shareholders' rights are more likely to develop codes of good governance to increase the country's efficiency. However, Berglof and Claessens (2006) stated that countries with weak laws for shareholders' rights establish more codes to compensate for the lack of their legal systems. Hence, this research posits the following hypothesis.

H1: Countries with common law origin and strong laws for shareholders' rights are more likely to have a large number of good governance codes.



Regarding political indicators, very few empirical studies have been examined so far to study the impact of worldwide governance indicators on the codes of good governance, such as political stability (Daniel et al. 2012; Isukul and Chizea 2015), government effectiveness, and control of corruption (Daniel et al. 2012). For example, Isukul and Chizea (2015) studied the impact of the worldwide governance indicators on corporate governance systems of three countries: Nigeria, South Africa, and Egypt. The findings of this study reported that corporate governance practices cannot exist in the presence of a higher level of corruption and political instability, alongside the presence of lower levels of government quality and regulatory effectiveness. Another study conducted by Judge et al. (2008) reported that the higher the corruption level in a country, the less legitimacy of corporate governance codes. Additionally, some previous studies examined the relationship between good governance codes and government liberalization, and they found a positive, but insignificant relationship between them (Aguilera and Cuervo-Cazurra 2004). Hence, this study suggests the following hypothesis:

H2: Countries with a high level of governance indicators are more likely to have a large number of good governance codes.

The relationship between Hofstede's cultural dimensions and good governance codes has been empirically examined by some scholars (Haxhi and Van Ees 2010; Chan and Cheung 2012; Matoussi and Jardak 2012; Daniel et al. 2012). For instance, by selecting a sample of 67 countries, Haxhi and Van Ees (2010) found that only the individualism cultural dimension was positively and significantly related to the number of codes developed in a country. Similarly, Chan and Cheung (2012) reported that the individualism index is positively and significantly associated with the number of good governance codes adopted. In the same way, Haxhi and Van Ees (2010) stated that there is a negative and significant relationship between the power distance index in a country and the number of good governance codes developed by the country, whereas the relationship is negatively, but insignificant between uncertainty avoidance existed in a country and the number of good governance codes. However, Chan and Cheung (2012) reported that the masculinity and uncertainty avoidance cultural dimensions were both negatively and significantly correlated with the number of good governance codes, while power distance cultural index was negatively, but insignificantly associated with the number of governance codes adopted by the country. However, Matoussi and Jardak (2012) found an insignificant relationship between the masculinity cultural index and the number of codes adopted by the country. Therefore, this research suggests the following hypothesis:

H3: Countries with Anglo-Saxon cultural dimensions are more likely to have a large number of good governance codes.

Concerning financial needs, very few scholars have studied the relationship between FDI and good governance codes and they showed mixed outcomes since some scholars found a positive correlation between these two factors while others show a negative relationship between good governance codes and foreign direct investment in the country. (Gerner-Beuerle 2014; Mukherjee et al. 2012). For example, Gerner-Beuerle (2014) showed that there is a significant positive relationship between codes of good governance and FDI in a country. However, Mukherjee et al. (2012) reported that the relationship between the presence of a foreign direct investment in a country and its good governance codes is still ambiguous. In terms of financial aid, no attention has been paid to investigate the relationship between good governance and financial aid. Hence, this study examines the association between good governance and financial aid. Developing good governance codes can help countries to improve their economic and financial situations. In this vein, the IMF works with its member countries to enhance good governance and combat corruption. Therefore, this study posits the following hypothesis:

H4: Countries with a large number of good governance codes are more likely to have higher levels of FDI and financial aids.

Research methodology

This section discusses the research method and research design in conducting this study.

Sample selection

Although the non-probability sampling technique has a lot of limitations, it is also useful especially when the population is fairly large and randomization is not possible (Etikan et al. 2016). However, the need for using a non-probability sampling (non-random) technique depends on the research under investigation. For instance, a non-probability convenient sampling method is more accurate, especially if large data are available about the target population and a big unbiased sample is selected. Consequently, the right way to avoid the effect of sampling error and risk of selection bias of using non-probability convenient sampling is by choosing a large sample that represents the population, thus enhance the ability to generalize the results (Acharya et al. 2013).

The sample size for this study has included 160 countries from different legal families, including English common law,



civil law origins, and mixed legal systems. The sample is selected by using a non-probability convenience sampling technique. The sample size chosen has been reduced from 185 to 160 countries because of data availability limitations and missing data were excluded owing to the lack of information necessary for this research. Although the sample selected was reduced, it still represents approximately 86% of the target population, which increases the generalizability and validity of this research. The chosen sample size is still larger than the sample sizes used by previous studies, such as 49 countries by Aguilera and Cuervo-Cazurra (2004), 67 countries by Haxhi and Van Ees (2010), 44 countries in Zattoni and Cuomo (2008). The time frame for this study has covered the period between 1995 and 2014, which extends the time horizon used by the most recent prior studies published in 2010 conducted by Haxhi and Van Ees (2010), which covered data up to the end of 2007. Table 1 presents the sample selected for this study based on the first code issued in 160 countries up to 2014.

Data collection, variables, and measurements

This section explains the definitions and measurements of all variables included in this study.

Dependent variables

The two dependent variables included in this study are the number of governance codes developed in a country (issuance) alongside the issuer (identity) who issued the first code in a country both variables are collected from the European Corporate Governance Institute (ECGI), which are consistent with the measurement methods used by prior research studies (Aguilera and Cuervo-Cazurra 2004; Haxhi and Van Ees 2010; Zattoni and Cuomo 2008). Overall, Table 2 presents the definitions, measurements, and data sources for the dependent variables.

Independent variables

There are four independent variables have been used in this study to examine the impact of socio-economic factors on the identity and issuance of good governance codes worldwide. The first explanatory variable is legal factors, which include two legal proxies, namely the legal origin (*LEGORIG*), and the strength of investor protection (*STRIVPR*). The legal origin variable is divided into the following legal families provided by the World Factbook, including English common law (*ENGCLAW*), French civil law (*FRENCIVIL*), Spanish civil law (*SPANCIVIL*), Portuguese civil law (*PORTCIVIL*), German civil law (*GERMCIVIL*), Socialist civil law (*SOCIALCIVIL*), English and religious law (*ENGNDREG*), French civil and Islamic Sharia (*FRENDISLM*), English and

Islamic Sharia (*ENGNDISLM*), Mixed English and civil law (*ENGNDCCIVIL*). The legal origin is a categorical variable; hence, the dummy coding technique was used by recording the categorical variable into a series of dichotomous variables. For example, the legal origin is recorded on a dummy coding system (0–1), where one indicates that a country has a certain legal origin and zero otherwise. Table 2 summarizes the definitions and measurements of all legal origin families included in this study.

The second independent variable is the worldwide governance indicators, which involve three governance proxies: voice and accountability (*VOCAACC*), regularity quality (*REGQULT*), and control of corruption (*CONCORR*). The third explanatory variable is Hofstede's cultural dimensions, which include four cultural indexes: power distance index (*POWDIST*), individualism index (*INDIVID*), masculinity index (*MASCULI*), and uncertainty avoidance (*UNCAVOD*). The fourth independent variable is financial factors, which encompass two financial proxies: foreign direct investment (*FORDINV*), and financial aid (*FINAAID*). Only four cultural dimensions were selected as a result of the limited availability of the other two cultural indexes, namely indulgence versus self-restraint and long-term versus short-term orientation. Similarly, only three worldwide governance indicators have been included in the module because of the multicollinearity problem among the other three governance indicators, namely political stability, government effectiveness, and rule of law. Overall, Table 2 shows the definitions, measurements, and sources of the key social-economic variables included in this study.

Data analysis techniques

This study has included two types of dependent variables. The first dependent variable is naturally continuous, namely the number of governance codes developed in a country (issuance). Therefore, multivariate OLS regression is the right regression model that can analyze the continuous outcome variable. However, the second outcome variable is the issuer of first codes in a country (identity), which is categorical and includes the following seven categories: no codes were issued, stock exchange, government, directors' association, managers' association professional association, and investors' association. Hence, multinomial logistic regression is the right statistical method that can analyze categorical data which involves over two groups when the order is not required between distinct groups (Bourguignon et al. 2007). The data have been analyzed by using Stata Software and the four OLS assumptions (normality, linearity multicollinearity, and heteroscedasticity) were checked and corrected by using robust standard errors. Equation (1) shows multiple linear regression, while Eq. (2) presents the logistic regression model. OLS Model Equation (1):



Table 2 Summary of definitions, measurements, and data sources for all variables included in this study

Variables' definitions	Measurements	Data sources
<i>Dependent variables</i>		
The number of codes developed (issuance)	The number of codes developed in a country over the period 1995–2014	ECCI available from https://ecgi.global/content/codes
The type of issuer (identity)	The type of issuer, which includes six groups as follows 0 = No codes were issued 1 = Stock exchange 2 = Government 3 = Directors' association 4 = Managers' association 5 = Professional association 6 = Investors' association	ECCI available from https://ecgi.global/content/codes
<i>Independent variables</i>		
Legal origin		
	1 = English common law, and 0 otherwise 1 = French civil law, and 0 otherwise 1 = Spanish civil law, and 0 otherwise 1 = Portuguese civil law, and 0 otherwise 1 = German civil law, and 0 otherwise 1 = Socialist civil law, and 0 otherwise 1 = English and religious law, and 0 otherwise 1 = French civil and Islamic law, and 0 otherwise 1 = English and Islamic law, and 0 otherwise 1 = Mixed English and civil law, and 0 otherwise	The World Factbook about civil and common law countries available from https://www.cia.gov/library/publications/the-world-factbook/fields/2100.html
Strength of investor protection	Strength of Investor Protection Index on a 0–10 scale, ten refers to a higher level of investor protection and zero otherwise	World Economic Forum Global Competitiveness Index available at http://reports.weforum.org/global-competitiveness-index-2017-2018
Voice and accountability	It measures freedom of the press over the period 1995–2014 and it has a scale from –2.5 to 2.5	The Worldwide Governance Indicators (WGI) project available at https://info.worldbank.org/governance/wgi/#home
Regularity quality	It measures the quality of the regulatory environment in a country over the period 1995–2014 and it has a scale from –2.5 to 2.5	The WGI project available at https://info.worldbank.org/governance/wgi/#home
Control of corruption	It measures the level of corruption in a country over the period 1995–2014 and it has a scale from –2.5 to 2.5	The WGI project available at https://info.worldbank.org/governance/wgi/#home
Power distance index	It measures the extent to which the power is distributed unequally within an organization, which has a scale of (0–10)	Geert Hofstede website for cultural dimensions available from https://geerthofstede.com/research-and-vsm/dimension-data-matrix/
Individualism index	It measures the degree to which people in a community are integrated into groups, which has a scale of (0–10)	Geert Hofstede website for cultural dimensions available from https://geerthofstede.com/research-and-vsm/dimension-data-matrix/
Masculinity index	It measures the gap between masculine societies and feminine societies which share views equally with men, which has a scale of (0–10)	Geert Hofstede website for cultural dimensions available from https://geerthofstede.com/research-and-vsm/dimension-data-matrix/
Uncertainty avoidance index	It measures the tolerance of a community about ambiguity and unexpected events, which has a scale of (0–10)	Geert Hofstede website for cultural dimensions available from https://geerthofstede.com/research-and-vsm/dimension-data-matrix/



Table 2 (continued)

Variables' definitions	Measurements	Data sources
Foreign direct investment	Foreign direct investment, net inflows (BoP, current US\$)	The World Bank Data Available at https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD
Financial aids	Net official development assistance and official aid received (current US\$)	International Development Statistics database. Available online at: https://oecd.org/dac/stats/dsonline

$$\begin{aligned}
 \text{ISSUANCE}_{it} = & \alpha_0 + \beta_1 \text{LEGORIG}_{it} + \beta_2 \text{STRIVPR}_{it} + \beta_3 \text{VOCAACC}_{it} \\
 & + \beta_4 \text{REGQULT}_{it} + \beta_5 \text{CONCORR}_{it} + \beta_6 \text{POWDIST}_{it} \\
 & + \beta_7 \text{INDIVID}_{it} + \beta_8 \text{MASCULI}_{it} + \beta_9 \text{UNCAVOD}_{it} \\
 & + \beta_{10} \text{FORDINV}_{it} + \beta_{11} \text{FINAAID}_{it} + \varepsilon_{it}.
 \end{aligned} \tag{1}$$

Multinomial Logistic Regression Model Equation (2)

$$\begin{aligned}
 \text{Log IDENTITY} \left[\frac{P_{it}(Y_{it=M})}{(1 - P_{it})} \right] = & \alpha_0 + \beta_1 \text{LEGORIG}_{it} + \beta_2 \text{STRIVPR}_{it} + \beta_3 \text{VOCAACC}_{it} \\
 & + \beta_4 \text{REGQULT}_{it} + \beta_5 \text{CONCORR}_{it} + \beta_6 \text{POWDIST}_{it} \\
 & + \beta_7 \text{INDIVID}_{it} + \beta_8 \text{MASCULI}_{it} + \beta_9 \text{UNCAVOD}_{it} \\
 & + \beta_{10} \text{FORDINV}_{it} + \beta_{11} \text{FINAAID}_{it} + \varepsilon_{it}.
 \end{aligned} \tag{2}$$

Results and discussion

This section discusses the findings obtained from running different statistical techniques, including descriptive statistics, correlation, and multiple linear regression analysis.

Descriptive statistic analysis

Table 3 summarizes the descriptive analysis of all variables included in the regression models. Table 3 shows that the codes range from 0 to 37, where 37 is the highest number of codes issued by 2014 with an average of two codes issued by the selected countries. Table 3 indicates that there are six types of identities, who issued the first codes in a country in addition to the seventh group which includes countries where no codes were issued, and the data range from 0 to 6. These six types of identities are consistent with the type of identity used by prior studies (Aguilera and Cuervo-Cazurra 2004; Zattoni and Cuomo 2008), including the stock exchange, government, directors' association, managers' association, professional and investors' associations. The data related to English common law origin range from 0 to 1, which indicates that there are two main types of legal origins including English common and civil law origins, and this is in line with the legal origins applied by previous studies (Aguilera and Cuervo-Cazurra 2004; Haxhi and Van Ees 2010; Zattoni and Cuomo 2008). Table 3 presents the descriptive statistics of the other nine classification for a mixture of common law or civil law origins with religious-cultural beliefs that may determine the governance codes existing in a country due to the interaction between the legal system and its religious culture, and they range from 0 to 1.

Table 3 presents the descriptive statistics of all independent variables included in this study, which covers 3200 observations for 160 countries. The descriptive results show



Table 3 Descriptive analysis of socio-economic factors, issuance, and identity of CCGs

Variables	Observations	Mean	SD	Min	Max
ISSUANCE	3200	1.614	3.158	0	37
IDENTITY	3200	1.431	1.675	0	6
ENGCLAW	3200	0.150	0.357	0	1
FRENCIVIL	3200	0.157	0.363	0	1
SPANCIVIL	3200	0.100	0.300	0	1
PORTCIVIL	3200	0.038	0.191	0	1
GERMCIVIL	3200	0.082	0.274	0	1
SOCIALCIVIL	3200	0.169	0.375	0	1
ENGNDREG	3200	0.019	0.137	0	1
FRENDISLM	3200	0.107	0.309	0	1
ENGNDISLM	3200	0.075	0.264	0	1
ENGND CIVIL	3200	0.057	0.231	0	1
STRIVPR	3200	5.228	2.381	0	12
VOCAACC	3200	-0.071	0.955	-2.224	1.826
REGQULT	3200	0.039	0.947	-2.413	2.247
CONCORR	3200	-0.048	1.023	-2.057	2.586
POWDIST	3200	6.779	1.829	0	10
INDIVID	3200	3.676	2.047	0	9.5
MASCULI	3200	4.927	1.615	0	10
UNCAVOD	3200	6.464	2.038	0	10
FORDINV	3200	8.56	32.5	-29.7	734
FINAAID	3200	0.45	0.85	-0.96	2210

varying degrees of distributional properties in the research variables. For example, Financial aid (*FINAAID*) shows the lowest level of variability among the other selected variables with an average of 0.45 and a standard deviation of 0.85. However, *FORDINV* has the highest level of variability among the research variables with an average of 8.56 and a standard deviation of 32.5. Similarly, *POWDIST* has a medium-variance distribution among the research variables included in the regression models with an average of 6.779 and a standard deviation of 1.829, whereas *UNCAVOD* shows the second-medium level of variation among the selected research variables included in this study with an average of 6.464 and a standard deviation of 2.038.

Correlation analysis

Table 4 shows the results of the Pearson correlation matrix applied to examine the bivariate relationship between all variables included in this study. Specifically, Table 4 shows that the number of codes issued in a country by 2014 (*ISSUANCE*) and the type of identity issued first codes (*IDENTITY*) both are positively associated with the following socio-economic factors: legal origins (*LEGORIG*), the strength of investor protection (*STRIVPR*), voice and accountability (*VOCAACC*), regularity quality

(*REGQULT*), control of corruption (*CONCORR*), individualism index (*INDIVID*), masculinity index (*MASCULI*), and foreign direct investment (*FORDINV*). However, Table 4 indicates that the number of codes issued in a country by 2014 (*ISSUANCE*) and the type of identity issued first codes (*IDENTITY*) are both negatively correlated with two Hofstede's cultural dimensions, namely power distance index (*POWDIST*), uncertainty avoidance (*UNCAVOD*), while financial aids (*FINAAID*) is positively associated with the number of codes in a country and negatively with the type of identity who issued the first codes in the country.

Multivariate regression analysis

Table 5 displays the results of the multiple linear regressions model used to examine the relationship between the number of governance codes issued in the country and its socio-economic factors. The diagnostics of Table 5 show that the *p* values of *F*-test for the OLS linear regression model are statistically significant at a 1% level, indicating that the OLS model can significantly provide a better fit to the data than the model that includes only intercepts. Additionally, Table 5 indicates that the adjusted-*R*² value of the OLS regression model is 0.419. This means that at least 41.9% of the variation in the number of good governance codes can be explained by the four socio-economic factors included in the OLS regression model.

Legal factors

The findings in Table 5 indicate that the English common law origin and strong laws of investor protection both have a positive and significant association with the number of codes issued in a country. This result is consistent with the outcomes reported by previous empirical studies (Aguilera and Cuervo-Cazurra 2004; Haxhi and Van Ees 2010; Zattoni and Cuomo 2008; Chan and Cheung 2012). This finding supports hypothesis 1, which assumes that countries with a common law origin and strong laws for shareholders' rights are more likely to have a large number of codes. This result supports the institutional theory, which suggests that countries with strong laws for investor protection are more likely to have a higher number of governance codes as a response to the coercive pressure emerge from internal parties such as the legal system for efficiency reasons (Aguilera and Cuervo-Cazurra 2004). Moreover, OLS and fixed-effect models of Table 5 both show a positive and significant relationship between civil law origins and the number of codes issued merely in a country with *FRENCIVIL*, *SPANCIVIL*, and *PORTCIVIL*. Similarly, it also indicates a positive and significant association between the number of governance codes and mixed English and religious law origins, namely *ENGNDISLM* and *ENGND CIVIL* as a result of the influence



Table 4 Correlation matrices between socio-economic factors and issuance and identity of CGGs for 160 countries over the period from 1995 to 2014

	ISSUANCE	IDENTITY	LEGORIG	STRIVPR	VOCAACC	REGQULT	CONCORR	POWDIST	INDIVID	MASCULI	UNCAVOD	FORDINV	FINAAID
ISSUANCE	1.000												
IDENTITY	0.386***	1.000											
LEGORIG	0.225***	0.051*	1.000										
STRIVPR	0.000	0.004	0.268***	1.000									
VOCAACC	0.302***	0.117***	0.175***	0.443***	1.000								
REGQULT	0.000	0.000	0.130***	0.560***	0.721***	1.000							
CONCORR	0.360***	0.072*	0.000	0.000	0.000	0.791***	1.000						
POWDIST	0.364***	0.099***	0.170***	0.474***	0.794***	0.791***	1.000						
INDIVID	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.000					
MASCULI	-0.294***	-0.107***	-0.190***	-0.220***	-0.496***	-0.451***	-0.511***	1.000					
UNCAVOD	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.000				
FORDINV	0.427***	0.128***	0.135***	0.243***	0.595***	0.541***	0.569***	-0.559***	1.000				
FINAAID	0.000	0.000	0.000	0.000	0.001	0.000	0.000	0.000	0.146***	1.000			
	0.129***	0.154***	0.122***	0.022	0.003	0.022	-0.027	0.024	0.168	0.000			
	0.000	0.000	0.000	0.222	0.883	0.205	0.121	0.168	0.058***	-0.036**	1.000		
	-0.091***	-0.134***	-0.336***	-0.072***	0.104***	0.040**	-0.044**	0.149***	0.001	0.044	0.082***	-0.091***	1.000
	0.000	0.000	0.000	0.000	0.000	0.024	0.012	0.000	0.317***	0.000	0.000	0.042**	-0.048***
	0.565***	0.148***	0.148***	0.219***	0.215***	0.292***	0.295***	-0.190***	0.000	0.000	0.000	0.042**	-0.048***
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.125***	-0.172***	0.042**	-0.048***	-0.063***
	-0.051***	0.060***	-0.061***	-0.116***	-0.248***	-0.274***	-0.287***	0.125***	0.000	0.000	0.018	0.006	0.000
	0.004	0.001	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.018	0.006	0.000

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$



Table 5 The results of OLS and fixed-effect estimations to examine the effects of socio-economic factors on the number of CGGs developed over 1995–2014 for 160 countries

Number of codes (issuance)	OLS regression			Fixed-effect model		
	Coef	<i>t</i>	<i>P</i> > <i>t</i>	Coef	<i>t</i>	<i>P</i> > <i>t</i>
ENGCLAW	0.890	5.420	0.000***	0.890	7.180	0.000***
FRENCIVIL	0.683	6.060	0.000***	0.683	5.590	0.000***
SPANCIVIL	0.348	3.050	0.007***	0.348	3.740	0.000***
PORTCIVIL	1.160	4.780	0.000***	1.160	6.100	0.000***
GERMCIVIL	0.081	0.710	0.486	0.081	0.750	0.451
SOCIALCIVIL	– 0.510	– 9.240	0.000***	– 0.510	– 6.040	0.000***
ENGNDREG	– 0.836	– 4.800	0.000***	– 0.836	– 4.880	0.000***
FRENDISLM	– 0.030	– 0.250	0.804	– 0.030	– 0.280	0.781
ENGNDISLM	0.290	3.200	0.005***	0.290	2.340	0.019**
ENGND CIVIL	0.646	8.930	0.000***	0.646	6.960	0.000***
STRIVPR	0.111	3.130	0.006***	0.111	3.970	0.000***
VOCAACC	– 0.025	– 0.340	0.736	– 0.025	– 0.380	0.705
REGQULT	0.276	2.330	0.031**	0.276	2.430	0.015**
CONCORR	0.016	0.250	0.805	0.016	0.130	0.893
POWDIST	– 0.058	– 3.230	0.004***	– 0.058	– 3.130	0.002***
INDIVID	0.320	5.400	0.000***	0.320	6.870	0.000***
MASCULI	0.105	4.340	0.000***	0.105	5.420	0.000***
UNCAVOD	0.010	0.900	0.378	0.010	0.810	0.421
FORDINV	0.001	6.130	0.000***	0.002	8.070	0.000***
FINAAID	0.001	3.050	0.007***	0.001	6.130	0.000***
Intercept	– 1.077	– 4.320	0.000***	– 1.077	– 5.220	0.000***
N of observations	3200			3200		
<i>F</i> , <i>P</i> > <i>F</i>	210.71		0.000***	29.42		0.000***
<i>R</i> ²	0.421			0.101		
Adj <i>R</i> ²	0.419			0.095		

****p* < 0.01; ***p* < 0.05; **p* < 0.1

of English legal origin existing in those countries. However, Table 5 shows that countries with *SOCIALCIVIL* and *ENGNDREG* tend to have a lower number of codes, while the results are insignificant for the other origins *GERMCIVIL* and *FRENDISLM*, which are mostly adopted by Arabic nations.

Worldwide governance indicators

OLS regression and fixed-effect models of Table 5 both show a positive and significant association between the regulatory quality index and the number of governance codes issued in a country. This result supports hypothesis 2, which proposes that countries with a high level of worldwide governance indicators are more likely to have a large number of good governance codes. This finding is in line with institutional theory, which suggests that countries with strong governance indicators are more prone to have higher levels of good governance codes as a reaction to the coercive pressure arises from internal parties, such as governments (Duh 2017). However, OLS regression and fixed-effect models of Table 5 report that there is a positive but insignificant

association between the number of good governance codes issued in a country and the control of corruption index. This finding is consistent with the outcomes reported by some scholars, who report that corporate governance can be used as an effective anti-corruption tool, since it can enhance transparency and accountability, thus improve their political legitimacy (Isukul and Chizea 2015). However, this result contradicts hypothesis 2, which proposes that countries with a high level of control of corruption are more likely to have a large number of good governance codes.

Hofstede cultural dimensions

OLS regression and fixed-effect models of Table 5 show a negative and significant association between power distance cultural index and the number of codes issued in a country. This finding is consistent with previous studies (Haxhi and Van Ees 2010). This result supports hypothesis 3, which suggests that countries with Anglo-Saxon cultural dimensions, namely a lower level of power distance index are more likely to have a large number of good governance codes. This result is in line with institutional theory, which assumes



that coercive pressure emerges from internal pressure, such as cultural forces, which enforce a society to develop and apply certain standards (DiMaggio and Powell 1983). However, the OLS regression model of Table 5 indicates that the uncertainty avoidance cultural dimension is positively but insignificantly correlated with the number of codes developed in a country, which led to the rejection of hypothesis H3. This result is in line with the finding stated by some previous research (Haxhi and Van Ees (2010)). This insignificant relationship shown is consistent with the results reported by some prior empirical studies (Haxhi and Van Ees 2010).

Further, the positive results shown in Table 5 between individualism cultural index and the number of good governance codes issued in a country led to the acceptance of H3, which proposes that countries with Anglo-Saxon cultural dimensions, namely higher levels of individualism cultural index are more likely to have a large number of good governance codes. Moreover, the positive results shown in Table 5 between masculinity cultural index and the number of codes developed by a country led to the acceptance of hypothesis H3, which suggests that countries with Anglo-Saxon cultural dimensions, namely higher level of masculinity cultural index are more likely to have a large number of good governance codes. These results are consistent with the findings reported by some prior studies (e.g., Haxhi and Van Ees 2010; Chan and Cheung 2012). The institutional theory is also supported by the positive relationship identified, since institutional theory argues that countries tend to develop good governance codes to satisfy their efficiency need imposed by internal parties, such as cultural forces (Aguilera and Cuervo-Cazurra 2004).

Financial indicators

OLS regression and fixed-effect models of Table 5 both show that the number of good governance codes developed in a country is positively and significantly correlated with financial indicators, namely FDI and foreign financial aids given to a government of a country by one of the international bodies such United Nations, World Bank, and IMF. The significant positive relationship shown is consistent with the results reported by most prior empirical studies (Gerner-Beuerle 2014). The institutional theory is supported by the positive relationship identified, which assumes countries tend to develop good governance codes to satisfy the needs of their foreign investors and to comply with the legitimacy forces imposed by external parties as responding to the normative or mimetic pressures arise from external forces such as financial markets to obtain more financial sources (Aguilera and Cuervo-Cazurra 2004; Zattoni and Cuomo 2008). Accordingly, the positive results verified by both OLS regression and fixed-effect models of Table 5 led to the acceptance of H4, which suggests that countries with a

large number of good governance codes are more likely to acquire higher levels of FDI and financial aids provided for countries by different international organizations around the world, which most of them require a country to have good governance codes to obtain financial aid.

Multinomial logistic regression analysis

Table 6 shows that the pseudo- R^2 value of 0.314 is greater than 20%, which implies that the fit of the multinomial logistic model is good. Table 6 shows that most governance codes issued by the coercive stock exchange group were from English common law countries with strong laws for investor protection and from those countries with mixed legal origins, which include English common law alongside civil or religious culture. This result is in line with the expectations of prior studies (Duh 2017), who reported that most countries tend to develop governance codes through the stock markets since they can enforce listed companies to mandatory disclose of compliance with their good governance codes in addition to their abilities to promote good governance codes regularly. Moreover, Table 6 shows a positive and significant association between voice and accountability index and good governance codes that were obtained by the normative and mimetic groups in addition to one coercive group, namely the investors' association group. However, Table 6 shows a negative and significant correlation between the regulatory quality index and good governance codes that were issued by the three normative groups, including governments, directors' associations, and professional associations, while Table 6 shows a positive and significant correlation between the regulatory quality index and good governance codes that were issued by the two coercive groups, including stock exchanges and investors' association. Additionally, Table 6 indicates that countries that issued their first codes of good governance by the two coercive groups (stock exchanges, and investors' association) suffer from a significant level of corruption, while countries that issued their first governance codes by the normative group (government) are characterized by having strong levels of control of corruption.

Regarding cultural dimensions, Table 6 indicates that most countries that issued their first good governance codes by the stock exchange group have European culture, which includes higher levels of power distance and uncertainty avoidance alongside lower levels of masculinity index. Table 6 reports that most countries that issued their first good governance codes by the investor's group have an Anglo-Saxon culture, which includes higher levels of individualism and masculinity cultural index, alongside lower levels of power distance and uncertainty avoidance. Table 6 shows that most countries that issued their first good governance codes by the government group have a Scandinavian culture, which includes lower levels of power distance and



Table 6 The results of multinomial logistic regression to examine the effects of socio-economic factors on the type of identity issued first codes for 160 countries over the period 1995–2014

Isomorphism groups	Coercive groups			Normative Groups			Mimetic Group					
	Stock exchanges			Government			Managers' association					
	Coef	P > t	Coef	P > t	Coef	P > t	Coef	P > t	Coef	P > t		
ENGLAW	0.888	0.025**	-13.137	0.487	-0.671	0.003***	-1.833	0.000***	-2.522	0.952	8.867	0.843
FRENCIVIL	-0.073	0.865	0.565	0.528	0.432	0.051*	-1.888	0.000***	-1.044	0.982	8.204	0.855
SPANCIVIL	-0.610	0.162	-11.198	0.479	0.248	0.346	-0.673	0.130	21.379	0.610	-1.597	0.984
PORTCIVIL	-0.610	0.244	-4.566	0.623	-0.532	0.081*	-8.747	0.394	18.569	0.658	-1.947	0.986
GERMCIVIL	0.600	0.159	0.778	0.474	-2.279	0.000***	0.152	0.747	3.779	0.928	8.570	0.848
SOCIALCIVIL	0.472	0.227	-12.342	0.001***	-1.450	0.000***	-9.482	0.053*	-3.300	0.942	-0.138	0.998
ENGNDREG	-0.690	0.282	-9.429	0.909	-1.106	0.017**	-0.074	0.918	2.013	0.990	-1.162	0.992
FRENDISLM	0.437	0.313	-2.948	0.855	-1.480	0.000***	-0.453	0.429	11.969	0.775	10.269	0.819
ENGNDISLM	0.863	0.040**	0.034	0.976	-1.056	0.000***	0.210	0.688	4.986	0.923	11.429	0.799
ENGNDICIVIL	1.091	0.012**	-8.104	0.782	0.511	0.061*	0.382	0.409	2.587	0.966	0.485	0.994
STRIVPR	0.109	0.001***	0.625	0.000***	0.043	0.177	-0.096	0.207	-0.896	0.000***	-0.068	0.426
VOCAACC	0.040	0.776	3.765	0.000***	0.323	0.007***	2.678	0.000***	3.044	0.000***	1.210	0.001***
REGQULT	1.221	0.000***	1.216	0.060*	-0.709	0.000***	-0.884	0.005***	-1.191	0.008***	0.050	0.896
CONCORR	-0.501	0.001***	-4.559	0.000***	0.252	0.069*	0.133	0.652	-0.118	0.831	-0.371	0.252
POWDIST	0.005	0.907	-1.485	0.000***	-0.083	0.041**	0.761	0.000***	2.419	0.000***	0.212	0.064*
INDIVID	-0.061	0.146	2.064	0.000***	0.004	0.909	-0.153	0.022**	-0.755	0.000***	-0.046	0.595
MASCULI	-0.127	0.000***	0.616	0.000***	-0.027	0.498	0.317	0.000***	2.954	0.000***	-0.290	0.002***
UNCAVOD	0.220	0.000***	-1.119	0.000***	0.131	0.000***	-0.287	0.000***	3.146	0.000***	0.121	0.212
FORDINV	0.001	0.000***	0.001	0.000***	0.001	0.000***	0.001	0.000***	0.001	0.000***	0.001	0.000***
FINAAID	0.001	0.000***	0.001	0.001***	0.001	0.000***	0.001	0.000***	0.001	0.000***	0.001	0.213
Intercept	-3.384	0.000***	-16.390	0.000***	-0.685	0.139	-7.699	0.000***	6.643	0.875	-11.64	0.795
N of observations	3200		3200		3200		3200		3200		3200	
$\chi^2, P > \chi^2$	2936.4	0.000***	2936.4	0.000***	2936.4	0.000***	2936.4	0.000***	2936.4	0.000***	2936.4	0.000***
Pseudo-R ²	0.314		0.314		0.314		0.314		0.314		0.314	

***p < 0.01; **p < 0.05; *p < 0.1



masculinity index alongside strong uncertainty avoidance and individualism cultural index. Moreover, Table 6 indicates that most countries that issued their first good governance codes by the directors' association group have the culture of western Asian countries, which are characterized by high levels of individualism cultural index and strong masculinity cultural index alongside lower levels of power distance and uncertainty avoidance cultural index. Table 6 shows that most countries that issued their first good governance codes by the professional association group have the culture of Latin American countries, which are characterized by large power distance and strong uncertainty avoidance with high levels of masculinity cultural index besides lower levels of individualism index.

Further, Table 6 indicates that most countries that issued their first good governance codes by the managers' association group have the culture of eastern Asian countries, which are characterized by large power distance and strong uncertainty avoidance cultural index alongside lower levels of and individualism and masculinity index. These findings are in line with prior research, which revealed that the type of issuers of codes is correlated to certain cultural beliefs in a country. For instance, countries with unequal power distribution have the most developed stock markets as a result of good reputations established with investors through their codes issued by their developed capital markets (Haxhi and Van Ees 2010).

Table 6 reports that most countries that issued their good governance codes for all types of issuers except managers' association group that have received significant levels of financial resources from FDI but insignificant resources as financial aid. This finding is consistent with the expectation reported by previous studies (Haxhi and Aguilera 2017), who stated that policymakers tend to develop codes of good governance as a signal to foreign investors about their intentions to protect investors' rights and to attract more FDI.

Conclusion

The relationship between socio-economic factors and the issuer and identity of good governance codes has been rarely studied by very few empirical research (Aguilera and Cuervo-Cazurra 2004; Zattoni and Cuomo 2008; Haxhi and Van Ees 2010), due to their limited understanding of what are the main reasons behind the adoption of good governance codes. This study, therefore, aims to investigate the impact of four socio-economic factors: legal, cultural, political, and financial factors on the number of good codes issued alongside the issuer of the first codes in a given country.

The finding of this research reports that the number of good governance codes is positively and significantly associated with common law countries with an Anglo-Saxon

culture and strong laws for investor protection rights to meet the efficiency needs imposed by three internal forces imposed by legal, political, and cultural systems. Moreover, countries that have mixed legal origin including English common law besides civil or religious origins have also developed a substantial number of governance codes. Furthermore, this study indicates that countries with higher levels of the regulatory quality index tend to develop a large number of good governance codes as a response to the external pressures imposed by three types of issuers: stock exchanges, governments, and professional associations to gain legal legitimacy. Moreover, this study concluded that there is a positive and significant association between the number of good governance codes developed by all types of good governance codes issuers and the external financial resources, including financial aids and FDI, indicating that investors highly trust good governance codes developed by all code's issuer types.

Additionally, this study revealed that countries with higher levels of the regulatory quality index tend to issue their first good governance codes for legitimate reasons as a response to the external forces that emerged from their coercive groups, namely stock exchanges and investor's associations. Besides, this study shows that only countries where their first governance codes were issued by the government group have experienced higher levels of corruption control for efficiency reasons as a reaction to the internal pressure emerged from the normative group. Likewise, this research indicates that only countries issued their first codes by the coercive pressure imposed by stock markets, and investors' associations are characterized by weak levels of control of corruption. Hence, most countries tend to issue good governance codes to govern their codes issued by the normative groups, namely government and directors' association groups, thus use them as effective anti-corruption tools to reduce corruption levels. This study also found that the issuer of good governance codes is primarily associated with certain cultural beliefs existing in a country.

This study provides important implications for different groups. Firstly, it offers implications for policymakers especially in civil law countries with weak laws for investor protection rights to issue new governance codes to protect investors' rights to increase investors' trust, which triggers to obtain more FDI. Secondly, this study also provides important implications for governments in countries with higher levels of corruption to issue new governance codes to use them as an anti-corruption tool to govern the association between stock exchanges, governments, and investors, since investors trust good governance codes issued by all code's issuer types. Thirdly, this study indicated that countries with Anglo-Saxon culture tend to protect investor rights due to the trust between corporate management and investors. An important social



implication can be also extracted from the findings of this paper. Specifically, the governments in Latin American countries need to perform a pro-active policy of transforming national culture because societies with a higher level of uncertainty avoidance culture suffer from a lack of trust (Hofstede 2001). Therefore, governments in Latin American countries can change the culture of their nations by increasing the cooperation between their local and multinational organizations by issuing rules which could increase the trust between institutions and investors.

Although this study has provided important implications for several parties, some limitations are acknowledged to address the potential weaknesses of conducting this study. Firstly, this study included a sample of 160 countries due to the limited availability of needed data. Secondly, this research has included only four socio-economic factors: legal cultural, political, and financial factors; future studies may include other socio-economic factors, such as economic growth and stock market development. Thirdly, this study has covered seven types of issuers that issued the first codes in a country, including no codes issued, stock exchanges, investors' association, government directors' association, professional association, and managers' association; further studies might investigate all types of the issuer during a certain time rather than those associations that issued the first codes in a country. Finally, this study applies the theoretical framework proposed by institutional theory to explain the reasons behind the diversity of identity and issuance of good governance codes among nations; future studies may employ other theoretical frameworks, such as resource dependence theory and stakeholder theory to explain the different perspectives of examining the diversity of identity and issuance of good governance codes.

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