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Editorial

What Level of Analysis is Most Salient for a Global Theory of Corporate Governance?

By William Q. Judge

We have five rigorous and relevant new comparative corporate governance studies in this issue. Each of these studies contributes to our journal's overarching mission of moving toward a rigorous and relevant theory of corporate governance that can be meaningfully applied throughout the world. In this editorial, I would like to focus on the multiple levels of analysis involved with arriving at a global theory.

As discussed in my previous editorial, the primary focus of all corporate governance research is at the firm-level of analysis. However, the antecedents and effects of corporate governance operate at multiple levels of analysis. I will illustrate this assertion in my following discussion of the five articles published in this general issue.

In our lead article, Liu and Magnan examine the joint effect of national self-dealing regulations and the firm's ownership structure to predict firm value in 22 nations from Asia and Western Europe. Building on agency theory, they find that there is an interaction effect between national regulations and the "ownership wedge" across these governance environments. Their study refines and extends LaPorta, Lopez-de-Silanes, Shleifer and Vishny (2002) study which demonstrated a rather general impact of national regulations on firm value. Specifically, this study demonstrates both a national-level and firm-level impact on firm valuation.

In our second article, Grosvold and Brammer seek to explore how national institutions may influence the proportion of women on corporate boards within a nation. In their comprehensive analysis of boards of directors operating in 38 nations from 2001–07, they reveal that national institutions were systematically related to gender diversity. Furthermore, they find that cultural and legal institutions are the predominant institutional drivers. While they did not explore firm- or industry-level antecedents, they did find that national-level antecedents explained 40 to 60 per cent of the variance in the proportion of women on corporate boards.

Our third article is another multi-country study authored by Du, Deloof and Jorrisen. This pioneering study fills a rather large void in the international business and corporate governance literatures by seeking to understand why some boards for foreign subsidiaries are active, while others are not. In this study, board involvement at the subsidiary level was operationalized as the board being more active than what the law requires in Belgium. Specifically, they studied multi-national firms headquartered in 14 different nations which operated foreign subsidiaries in Belgium. They found that firm-level predictors, such the subsidiary's strategic mandate, prior performance, and size relative to the parent firm to all be systematically related to subsidiary board involvement. In addition, they found that the individual CEO's role back at headquarters, the cultural distance between the two national cultures, and the overall national governance system all influenced subsidiary board involvement. This study has implications for both agency and resource dependency perspectives on corporate governance.

Arora and Dharwadkar were the authors of our next article. This empirical study seeks to better understand how corporate governance is related to corporate social responsibility (CSR) outcomes. In terms of CSR outcomes, they distinguish between "positive" CSR (i.e., proactive stakeholder management) and "negative" CSR (e.g., violation of societal standards and regulations). They examine larger firms in the United States during the period of 2001–05, and they employ the behavioral theory of the firm (BTOF) to understand the moderators of the corporate governance-corporate social responsibility relationship. Interestingly, they find that "effective" corporate governance constrains positive CSR and it also reduces negative CSR. Furthermore, they also note that firm slack and goal attainment discrepancies moderate this relationship, as the BTOF predicts. Therefore, this study reveals the unique role of firm-level antecedents to influence socially-important outcomes within a single nation.

Our final study by Lin, Yeh, and Li addresses the inabilities of existing theories to predict the evolution of corporate governance in rapidly changing industrial environments, and proposes a contingency approach to fill the gap. Using Taiwan's high-technology industries as case studies, the authors provide insights on how corporate governance

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changes among inter-organizational governance modes depending on three contingency factors: technological dependencies, capital availability and relative firm performance. As such, this industry-level study focuses on the stage of the product life cycle to make predictions on the most efficient corporate governance mode within the value chain for high-technology inter-organizational relationships.

While we still have much to learn before a global theory of corporate governance emerges, this issue brings this endeavor into sharper focus. First, these articles suggest that there should be multiple levels of analysis in the global theory and two of the levels should involve both national-level factors as well as firm-level factors. It is still premature to know whether industry-level factors should be explored further, as Lin and associates suggest, but it is worth exploring further. Second, universal theories, such as agency theory, fail to consider national and industry context sufficiently. Similarly, only considering national-level context, as many institutional researchers do, is insufficient given substantial firm heterogeneity within a national context. Finally, we need to learn much more about how governance bundles (Aguilera, Filatotchev, Gospel & Jackson, 2008; Ward, Brown & Rodriguez, 2009) work at multiple levels of analysis. For example, do national-, industry- and firm-level governance mechanisms complement or substitute for each other?

Of course, multiple levels of analysis may eventually show that one level of analysis for the antecedents of corporate governance is most parsimonious. As such, there is no formal requirement that all levels be included in our global theory. Furthermore, the field may settle on the ultimate effect of corporate governance to be only at the firm- or national-level. However, my reading of the literature suggests that multiple-level "meso" studies of corporate governance will prove to be most influential in future research. Notably, other thoughtful researchers are coming to the same conclusion (e.g., Brickson, 2005; Pitelis & Vasilaros, 2010; Terjesen, Sealy & Singh, 2009). Please consider submitting your research to our journal if you want to engage in this simulating "conversation" on the antecedents and effects of corporate governance throughout the global economy.

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