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REVIEW ARTICLE

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Corporate governance and institutions—A review and research agenda

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Abstract

Research Question/Issue: Over the last decades, research on the relationship between national institutions, governance mechanisms, and firm outcomes has been increasing. This review aims at (i) analyzing extant research in this area, (ii) identifying influential current trends, and (iii) highlighting future avenues of research.

Research Findings/Insights: Using a content analysis of 165 articles published in top journals from accounting, finance, management, and organization disciplines, we explore research on institutions, corporate governance, and firm outcomes. Our results show that stronger national institutions aimed at protecting investors are mostly associated with better corporate governance and firm financial outcomes and that these relationships are moderated by some contingency factors.

Theoretical/Academic Implications: Our findings encourage scholars to further explore the relationship between national institutions, corporate governance, and firm outcomes by using theoretical frameworks and methods allowing them (i) to develop a "thicker" understanding of the national institutional context, (ii) to analyze powerful stakeholders' influence on the above relationships, and (iii) to better understand the role played by informal institutions.

Practitioner/Policy Implications: Our findings help policymakers and investors to (i) better understand how national institutions impact on both governance mechanisms and firm outcomes and (ii) develop policies or design governance mechanisms taking into consideration country-, industry-, and firm-level contingencies.

KEYWORDS
Corporate governance, bundle of governance mechanisms, formal institutions, informal institutions, review

1 | INTRODUCTION

Corporate governance research develops from a tradition of single country studies, mostly exploring the antecedents and consequences of corporate governance mechanisms in the United States and, to a lesser extent, the United Kingdom (Kumar & Zattoni, 2019). Moreover, these studies—and the few ones investigating corporate governance mechanisms in other countries—have been based on agency theory and have traditionally focused on firm-level governance and ignored national institutions (Kumar & Zattoni, 2013). This probably

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happened under the (implicit) assumption that national institutions were not relevant as invariant across countries or did not affect the efficacy of firm-level corporate governance mechanisms (Aguilera & Jackson, 2003; Zattoni et al., 2017).

Comparative studies on governance (or capitalist) models, published in the early 1990s, opened up the debate by providing a rich and relevant description of the main governance models characterizing the most developed economies (e.g., the Anglo-American, the German-Japanese, and the Latin model) (e.g., Albert, 1991; Charkham, 1995). However, this literature did not have a strong impact on mainstream corporate governance studies. It was only after the publication of the research program on law and finance (La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1997, 1998, 1999) that governance scholars started to explore the influence of the national institutional context (in this framework represented by the legal tradition and the investor protection) on several variables like ownership structures, IPOs, financial markets' size, and efficiency (Djankov, McLiesh, & Shleifer, 2007; Shleifer & Wolfenzon, 2002).

Since then, an increasing number of studies embarked upon exploring how formal and informal national institutions affect firm-level governance mechanisms (e.g., ownership structure, board of directors, and executive compensation) and outcomes (e.g., accounting and financial performance, R&D, strategy, and reporting). Over time, scholars broadened the scope of research by applying new theoretical lenses (e.g., various strands of institutional theory), employing new methods (e.g., QCA and multilevel analysis) and investigating new empirical settings (like transition or emerging economies).

Against this background, our goal is to conduct a comprehensive, interdisciplinary review of previous studies on the relationship between national institutions, corporate governance mechanisms, and firm outcomes in order to analyze the major results, identify existing gaps, and indicate future avenues for research. There are several important reasons to undertake a systematic review of this expanding area of literature (Aguilera & Jackson, 2010; Judge, 2012). First, this research subject is characterized by the application of alternative theoretical perspectives (e.g., agency theory, regulatory theory, and various strands of institutional theory) whose contributions should be addressed (e.g., Aguilera & Grøgaard, 2019; Jackson & Deeg, 2008). Second, there is ambiguity whether to investigate the influence of either individual institutions or bundles of institutions (Kumar & Zattoni, 2019; Schiehll & Martins, 2016). Third, scholars should better understand if national institutions complement or substitute firm-level governance mechanisms in addressing agency issues (Aguilera & Jackson, 2010; Kumar & Zattoni, 2013). Fourth, it is worth comparing various country settings (e.g., emerging and developed economies) and types of national institutions (e.g., formal and informal) to identify the relevance of contextuality and institutional embeddedness (e.g., Aguilera & Jackson, 2010; Zattoni et al., 2017).

To advance our knowledge on these issues, we undertook an interdisciplinary review of previous studies published in top journals. Following previous reviews (e.g., Cuomo, Mallin, & Zattoni, 2016; Pugliese et al., 2009; Schiehll & Martins, 2016), we collected and analyzed empirical studies on the topic using the following criteria: (i) use of theories; (ii) national institutions; (iii) research topic; (iv) research method; (v) data analysis; and (vi) research setting.

Our findings encourage scholars to explore the relationships between national institutions, corporate governance, and firm outcomes further. First, future studies should build on both meso-level theoretical frameworks and multilevel research methods to develop a "thicker" understanding of the national institutional context. Second, they should develop an actor-centered institutional perspective to analyze powerful stakeholders' influence on the above relationships. Finally, they should further investigate the role played by informal institutions as it has been largely neglected so far.

2 | CORPORATE GOVERNANCE AND INSTITUTIONS

2.1 | From firm-level governance mechanisms to country-level institutions

Since the pioneering work of Berle and Means (1932), corporate governance studies explored potential remedies to the negative consequences associated with the separation between ownership and control that characterizes widely held companies. The employment of agency theory and the focus on one country setting (i.e., the United States or the United Kingdom) led scholars to mature a rich understanding on firm-level governance mechanisms, but at the expense of ignoring the role of national institutional contexts (Aguilera & Jackson, 2003; Kumar & Zattoni, 2019).

The first works exploring the relationships between national contexts and firm-level mechanisms and outcomes were comparative studies on the competitiveness of the major capitalist models (e.g., Albert, 1991; Charkham, 1995; De Jong, 1997). However, despite these studies moving the attention of governance scholars from firm- to country-level analyses, mainstream research continued exploring whether and how firm-level governance mechanisms (e.g., boards of directors and executive compensation) could address public companies' agency problems (e.g., Daily, Dalton, & Cannella, 2003).

At the end of the 1990s, a survey of corporate governance literature (Shleifer & Vishny, 1997) reopened the debate on international corporate governance, by analyzing the effectiveness of both large investors and legal protection in addressing agency problems. During this period, governance scholars (e.g., La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1997, 1998, 1999) developed the so-called "Law and Finance" (L&F) perspective and used this conceptual framework to explore the relationships between legal tradition and financial markets in a number of countries. The L&F view had two important merits: (i) to promote a number of studies on the relationship between investor protection and several country- and firm-level variables (e.g., ownership structure, financial structure, and IPOs) and (ii) to propose a measure of investor protection that—in its original or revised form (e.g., Djankov, La Porta, Lopez-de-Silanes, & Shleifer, 2008; La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1998; Spamann, 2010)—

has been used as predictor or moderator by several studies (e.g., Cuomo, Zattoni, & Valentini, 2013; Kim & Ozdemir, 2014).

Few years later, scholars started to develop comprehensive frameworks to analyze how the economic activity is organized within the national institutional context. First, Whitley (1999) developed the so-called National Business System (NBS) model around four types of institutions: (i) the financial system (equity market- or credit market-based); (ii) the skills development and control system (e.g., education, training, and relationships between firms and unions); (iii) the state's role in the economy (e.g., direct intervention or quality of corporate law and regulations); and (iv) trust and authority relations (e.g., reliance on formal rules). Subsequently, Hall and Soskice (2001) developed the Varieties of Capitalism (VOC) approach suggesting that capitalist models and company behaviors vary between liberal market economies (e.g., the United States, the United Kingdom, and Canada) and coordinated market economies (e.g., Germany, Japan, and Sweden) due to the characteristics of institutions in five areas: industrial relations; vocational training and education; corporate governance; inter-firm relations; and relations with employees.

2.2 | The analysis of formal and informal institutions in governance studies

Despite the relevance of both NBS and VOC models, only few governance studies used them to both identify key national institutions and predict their influence on firm behavior and results (e.g., Judge, Fainshmidt, & Brown, 2014, and Zattoni et al., 2017, for NBS; Li, Cui, & Lu, 2014, and Witt & Jackson, 2016, for VOC). Governance scholars probably thought that their institutional determinism and relatively static approach could undermine the investigation of firm-level diversity and economic change respectively (e.g., Crouch, 2005; Morgan, 2007).

Lacking a dominant theoretical framework, accounting and finance (A&F) and management and organization (M&O) scholars followed different paths to investigate the relationship between national institutions, governance mechanisms, and firm outcomes. Building on agency theory and/or regulatory theory—like the L&F view (e.g., La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1997, 1998, 1999)—A&F scholars usually explored the impact of either the quality of national institutions (e.g., investor protection and rule of law) or changes in regulation (e.g., a new law strengthening investor protection) on firm-level governance mechanisms and outcomes (e.g., Cumming, Filatotchev, Knill, Reeb, & Senbet, 2017; Cuomo, Zattoni, & Valentini, 2013). Building on agency theory and/or one strand of institutional theory (e.g., new institutional economics, neo-institutional theory, and comparative capitalism), M&O scholars usually explored the diffusion of Anglo-American governance practices in other countries or the impact of one or few (or a bundle of) national institutions on governance mechanisms and firm outcomes (e.g., Aguilera & Jackson, 2010).

This preliminary review of the literature on national institutions, governance mechanisms, and firm outcomes underlines that further scholarly attention is required. While governance scholars agree that institutions matter, “how they matter remains a hotly contested question” (Jackson & Deeg, 2008, p. 540). As a consequence, analyzing the theoretical perspectives, the methods, the results, and the open issues of this literature are worthy of an investigation.

3 | METHOD

3.1 | Sample

To examine the literature on national institutions, governance mechanisms, and firm outcomes, we analyzed peer-reviewed studies published in high ranked journals (i.e., the 4 and 4* in the ABS list) in accounting, finance, management, and organization (see Table 1). We also included articles published in *Corporate Governance: An International Review* (CGIR)—currently classified as 3 in the ABS list—as this is the premier journal on corporate governance research.

For our literature search, we followed the structured approach of previous review studies (e.g., Cuomo, Mallin, & Zattoni, 2016; Pugliese et al., 2009). In particular, we used the database Business Source Ultimate to search for all potential papers of interest for our study. Our research strategy involved the following keywords, which were considered simultaneously: the journal name (e.g., “Corporate Governance: An International Review”) in the field “SO Publication Name”; the term “corporate governance” in the field “AB Abstract or Author-Supplied Abstract”; and the specific keyword indicating the formal or informal institution in the field “Tx All Text.” To identify papers on the core of this review, we used both two general terms (i.e., “formal institution” and “informal institution”) and several specific ones (i.e., “common law,” “investor protection,” “rule of law,” and “enforcement” for formal institutions; “culture,” “trust,” and “social norms” for informal institutions).

We conducted our search at the end of April 2019. We used a wide explorative search strategy that ended up in a huge number of articles. After the first step, we eliminated overlaps (i.e., papers counted two or more times in the dataset) or records not related to journal articles, for example, book reviews, commentaries, call for papers, and journal index. Then, we read through the text, and we eliminated a large number of articles that were not within the purview of our study, as, for example, they mentioned either the word “trust” or “culture” in relation to boardroom dynamics or the word “institution” in relation to financial institutions (e.g., banks, mutual, and pension funds). While not explicitly included in our review, our critical thinking and writing also took into account: (i) conceptual articles, (ii) review articles, (iii) editorials or commentaries, and (iv) descriptive and practitioners' articles.

3.2 | Content analysis

Building on previous review studies (e.g., McNulty, Zattoni, & Douglas, 2013; Pugliese et al., 2009), we applied content analysis to

TABLE 1 Number of relevant empirical articles published in the selected journal

#	Abbr.	Journal Name	# studies	Accounting and finance	Management and organization
1	CGIR	*Corporate Governance: An International Review*	44	28	16
2	AMJ	*Academy of Management Journal*	8	0	8
3	AMR	*Academy of Management Review*	0	0	0
4	TAR	*Accounting Review*	3	3	0
5	AOS	*Accounting, Organizations and Society*	0	0	0
6	ASQ	*Administrative Science Quarterly*	2	0	2
7	BJM	*British Journal of Management*	3	0	3
8	BEQ	*Business Ethics Quarterly*	0	0	0
9	CAR	*Contemporary Accounting Research*	10	10	0
10	HR	*Human Relations*	1	0	1
11	JWB	*Journal of World Business*	3	0	3
12	JAE	*Journal of Accounting and Economics*	4	4	0
13	JAR	*Journal of Accounting Research*	2	2	0
14	JCF	*Journal of Corporate Finance*	29	29	0
15	JF	*Journal of Finance*	5	5	0
16	JFE	*Journal of Financial Economics*	13	13	0
17	JFI	*Journal of Financial Intermediation*	1	1	0
18	JFQA	*Journal of Financial Quantitative Analysis*	7	7	0
19	JIBS	*Journal of International Business Studies*	6	0	6
20	JOM	*Journal of Management*	4	0	4
21	JMS	*Journal of Management Studies*	5	0	5
22	JMCB	*Journal of Money, Credit and Banking*	0	0	0
23	LQ	*Leadership Quarterly*	0	0	0
24	ORM	*Organization Research Methods*	0	0	0
25	OSC	*Organization Science*	4	0	4
26	OS	*Organization Studies*	1	0	1
27	RAS	*Review of Accounting Studies*	0	0	0
28	RF	*Review of Finance*	0	0	0
29	RFS	*Review of Financial Studies*	6	6	0
30	SMJ	*Strategic Management Journal*	4	0	4
		Total	165	108	57

codify all empirical studies on the basis of the following categories: (1) general information; (2) use of theories; (3) national institutions; (4) main research topic; (5) research method; (6) data analysis; and (7) research setting.

The coding scheme has been pretested by all raters independently on a subsample of 20 articles from various disciplines. Based on these preliminary results, all raters discussed and reached an agreement on which items to include and how to code them. Then, each scholar rated independently a subsample of articles within his/her disciplinary area of expertise. At the end, all data independently coded by the raters were collectively analyzed so as to eliminate any potential issues related to coding reliability.

Finally, we compared and analyzed coded papers across the complete field. More precisely, we classified all articles in terms of disciplinary domain (A&F and M&O) and relationships concerning (i) national institutions and firm outcomes, (ii) national institutions and governance mechanisms, and (iii) national institutions, governance mechanisms, and firm outcomes. Applying this multistep and structured content analysis allowed us to take stock, for the overall sample and for subsamples, of the knowledge accumulated over time and of the scholarly challenges that together build the research agenda for the future.

3.2.1 | General information

For each paper, we collected authors' name and discipline, year of publication, and journals' name and discipline. The journal name was used both to calculate the number of papers published in each journal and to distinguish between papers belonging to the A&F or the M&O

tradition. Authors' discipline was used to identify the disciplinary domain of papers published in CGIR. Finally, publication year was used both to count the number of papers published in each year and to better understand the evolution of the debate over time.

3.2.2 | Use of theories

For each paper, we coded (i) theory or theories used to develop—sometimes also implicitly—the theoretical framework; (ii) the use of one or more strands belonging to institutional theory; (iii) the number of theories employed, as studies may have been based on more than one theory.

3.2.3 | Formal and informal institutions

For each paper, we coded the formal and informal institutions used as independent, moderating, or mediating variables. Among formal institutions, we considered investor protection (and the related legal origin), as it protects minority shareholders and creditors from the risk of expropriation by powerful managers or influential shareholders (e.g., La Porta et al., 1997 and 1998); rule of law, that is, how the legal system regulates and enforces law, as it affects the efficiency of transactions (e.g., Judge, Douglas, & Kutan, 2008); and enforcement, as legal protection does not translate automatically in expected behavior if its enforcement is poor (La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1998). Among informal institutions, we considered culture, as its characteristics (e.g., power distance and individualism) may influence agency problems (Licht, Goldschmidt, & Schwart, 2005); trust, as informal and interpersonal relationships among actors may facilitate economic exchanges by reducing transaction costs (Zattoni et al., 2017); and social norms, as they are a potential substitute of legal rules that influences commitment and collaboration (Boytsun, Deloof, & Matthyssens, 2011). Finally, we also included two residual categories (i.e., other formal institutions and other informal institutions) to consider other possible national institutions.

3.2.4 | Main research topic

We analyzed the main research topic in all selected studies. Usually it concerns either governance mechanisms—for example, ownership structure, CEO or top management team, board of directors, and executive compensation—or firm outcomes—for example, operating or financial performance, capital structure, or earnings management.

3.2.5 | Research method

We classified papers in the quantitative method tradition when they collected numerical data (e.g., from secondary data or questionnaires) and used statistical techniques for analyzing them. Papers in the qualitative method tradition are studies collecting words and text from various sources (e.g., interviews, focus groups, and secondary data) and analyzing them by structuring and coding text into themes or groups with or without the use of specialized software. Mixed method papers combine both quantitative and qualitative methods in different phases of the study. Experiment design implies the variation of a condition to explore the effects on the dependent variable while controlling for other relevant conditions.

3.2.6 | Data analysis

We collected data on the nature of data analysis, by distinguishing cross-sectional and longitudinal studies. Cross-sectional studies collect and analyze data concerning the same point in time, while longitudinal ones collect and analyze data referring to a period exceeding 1 year. We also noted the year and the time period covered by each study.

3.2.7 | Research setting

Countries differ in terms of both ownership structure and main agency problem. Widely held Anglo-American companies are characterized by the separation between ownership and control, and their main agency problem is the principal–agent problem (Kumar & Zattoni, 2017). In other country settings, listed companies are often under the influence of a controlling shareholder, and their main agency problem is the principal–principal problem (Aguilera & Jackson, 2010; Kumar & Zattoni, 2019). We measured both the number of countries and the type of market economies included in the study (i.e., liberal market economies, coordinated market economies, emerging economies, transition economies, and global studies incorporating several or all the aforementioned types of market economies).

4 | RESULTS

4.1 | General characteristics of previous empirical studies

Our review builds upon a sample collection of 165 relevant empirical articles published in 30 journals from 1993 until 2019. In terms of discipline, 108 articles fall in the A&F realm, whereas the remaining 57 are in the M&O domain. The leading A&F journals are the *Journal of Corporate Finance* (29 articles), the *Journal of Financial Economics* (13), and the *Contemporary Accounting Research* (10). The leading M&O journals are the *Academy of Management Journal* (8), the *Journal of International Business Studies* (6), and the *Journal of Management Studies* (5). With 44 articles (28 in the A&F and 16 in the M&O domain), CGIR is the most important journal (see Table 1).

Figure 1 shows that the annual number of articles published increases over time and comes to a peak at the end of the period. In the 1990s, the interest in the topic is almost nonexistent as only one paper is published in 1993. In the following decade (2000–2009), the influential work by La Porta, Lopez-de-Silanes, Shleifer, and Vishny (1997, 1998, 1999) stimulated research (53 studies) in this area. In the last decade (2010–2019), the subject captured the growing interest (111 articles) of governance scholars.

Table 2 reports the main findings on theoretical lenses, institutions, and main research topics. The average number of theoretical lenses is slightly above one. A significant number of studies in accounting and, mainly, finance pay rather little attention to the explicit adoption or development of a theory. When present, the theoretical framework is built on agency theory (e.g., Daily, Dalton, & Cannella, 2003; Kumar & Zattoni, 2017) and, to a lesser extent, on regulatory theory (mostly L&F) (e.g., Cumming, Filatotchev, Knill, Reeb, & Senbet, 2017; Cuomo, Zattoni, & Valentini, 2013) or, more rarely, on new institutional economics. All M&O studies build on at least one theory and, on average, on about two theories. The most commonly used theory is institutional theory followed by agency theory. Studies may combine agency theory with institutional theory (e.g., Judge, 2008; Kumar & Zattoni, 2016) or different strands of institutional theory.

Regarding institutions, A&F studies explore on average the role of one institution, while M&O studies of more than two. Investor protection and the residual category "other formal institutions" (e.g., national regulations like SOX, employee rights, and market regulation) are by far the most frequently used in both disciplinary domains. Other formal institutions—like common law, rule of law, and enforcement—are less frequently investigated, while informal institutions—for example, culture, trust, social norms, and "other informal institutions"—are rarely explored.

With regard to the main research topic, while most of A&F studies focus on the impact of national institutions on firm outcomes (mainly performance), M&O studies usually analyze the impact of national institutions on governance mechanisms (e.g., the board of directors).

Table 3 summarizes research methods, data analyses, and empirical settings. Consistently with corporate governance literature (McNulty, Zattoni, & Douglas, 2013), most previous studies have tested theoretically derived hypotheses using primarily quantitative methods. Mixed methods (nine studies), qualitative methods (eight studies), and experiments (one study) are rarely used.

The majority of articles analyzes data over time using longitudinal (time series or panel) data analysis. This is predominant in the A&F field but also common in M&O studies. Some of the A&F studies apply very long estimation windows, for example, over 40 or 50 years. More recently, M&O scholars used multilevel studies (nine studies)—that is, hierarchical linear models clustering data at different (e.g., country, industry, and firm) levels—and fuzzy set qualitative comparative analysis (QCA) (four studies)—that is, an approach to identify multiple configurations of national institutions and/or governance mechanisms that are sufficient to produce a certain outcome.

About data collection, we found that most studies rely on well-known archival databases built by some international organizations (e.g., OECD, EU Commission, World Bank, and Heritage Foundation) or by some scholars (e.g., Hofstede, La Porta, and colleagues) to measure national institutions. As far as firm-level data are concerned, A&F scholars almost exclusively rely on commercial databases (e.g., Compustat, Thomson Eikon, Bloomberg, and Amadeus), while a number of M&O scholars hand collect data through annual reports, interviews, or questionnaire surveys.

Finally, Table 3 shows that literature is almost equally split between single-country studies—aimed at exploring the evolution of regulation or the diffusion of new governance practices in the country and multicountry studies—aimed at investigating the influence of national institutions on governance mechanisms and firm outcomes in two or more countries. With regard to the research setting, liberal market economies (e.g., the United States and the United Kingdom) have attracted most research interest, in both single and multicountry studies, followed by coordinated market economies, emerging economies, transition economies, and global studies (including also studies with data from more than 100 countries).

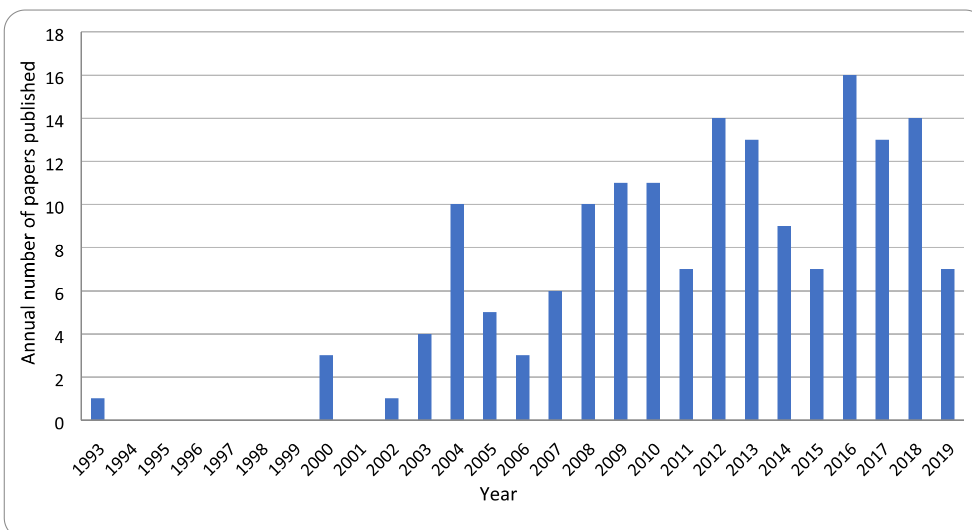

FIGURE 1 Historical development of research [Colour figure can be viewed at wileyonlinelibrary.com]

TABLE 2 Descriptive statistics on theoretical lenses employed

	Total		A&F		M&O	
	#	%	#	%	#	%
Use of theories						
Theoretical lenses (#)	178		80		98	
Theoretical lenses (mean)	1.38		0.74		1.72	
Agency theory	87	48.88%	53	66.25%	34	34.69%
Institutional theory	55	30.90%	5	6.25%	50	51.02%
Regulatory theory	22	12.36%	15	18.75%	7	7.14%
Other theories (e.g., stakeholder and RBV)	14	7.87%	7	8.75%	7	7.14%
No theory (or implicit)	46		46		0	
Type of institutional theory						
Institutional theory (#)	81		5		76	
New institutional economics	15	18.52%	5	100.00%	10	13.16%
Neo-institutional Theory	24	29.63%	0	0.00%	24	31.58%
Comparative capitalism	18	22.22%	0	0.00%	18	23.68%
Institution-based view	12	14.81%	0	0.00%	12	15.79%
Institutional logics	12	14.81%	0	0.00%	12	15.79%
Institutions						
Institutions (#)	1.63		1.36		2.14	
Common law	24	14.55%	11	10.19%	13	22.81%
Investor protection	70	42.42%	42	38.89%	28	49.12%
Rule of law	20	12.12%	9	8.33%	11	19.30%
Enforcement	27	16.36%	20	18.52%	7	12.28%
Any other formal institutions	84	50.91%	49	45.37%	35	61.40%
Culture	14	8.48%	5	4.63%	9	15.79%
Trust	5	3.03%	4	3.70%	1	1.75%
Social norms	13	7.88%	4	3.70%	9	15.79%
Any other informal institutions	12	7.27%	3	2.78%	9	15.79%
Main research topic						
Ownership	13	7.88%	6	5.56%	7	12.28%
CEO	21	12.73%	9	8.33%	12	21.05%
Board	18	10.91%	3	2.78%	15	26.32%
Governance	53	32.12%	28	25.93%	25	43.86%
Performance	76	46.06%	63	58.33%	13	22.81%
Other firm outcomes	14	8.48%	11	10.19%	3	5.26%
Total number of articles	165		108		57	

Note: The percentages reported on the table represent the frequency of each row item divided by the total number of items in each category.

4.2 | Studies on national institutions and firm outcomes

4.2.1 | Accounting and finance studies

The A&F literature underlines that national institutions differ in many aspects, including the extent to which they empower managers (or shareholders) as opposed to creditors and other influential groups. Building on the L&F view (La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1997, 1998), these studies highlight that high institutional quality (e.g., stringent regulatory financial reporting, corporate governance requirements, legal enforcement, and investor protection) enhances financial reporting's quality (Chen, Cheng, Lin, Lin, & Xiao, 2016) and timeliness (Ball, Kothari, & Robin, 2000) and promotes shareholder wealth (Lo, 2003). Moreover, higher investor protection reduces agency costs and cost of capital, stimulates corporate investments and innovation, increases market liquidity and firm value (Chung, Elder, & Kim, 2010), and promotes financial and economic

TABLE 3 Descriptive statistics on research methods, data analyses, and empirical settings

	Total		Accounting and finance		Management	
	#	%	#	%	#	%
Research method						
Qualitative	8	4.85%	2	1.85%	6	10.53%
Quantitative	152	92.12%	105	97.22%	47	82.46%
Mixed method	9	5.45%	5	4.63%	4	7.02%
Experiment	1	0.61%	1	0.93%	0	0.00%
Data analyses						
Cross-sectional	47	28.48%	17	15.74%	30	52.63%
Longitudinal	28	16.97%	7	6.48%	21	36.84%
Time series	90	54.55%	84	77.78%	6	10.53%
Datasets						
Commercial	135	81.82%	105	97.22%	30	52.63%
Specifically developed	29	17.58%	3	2.78%	26	45.61%
Empirical settings						
Single-country study	74	44.85%	50	46.30%	24	42.11%
Multiple-country study	91	55.15%	58	53.70%	33	57.89%
Research setting						
Liberal market economies	94	56.97%	59	54.63%	35	61.40%
Coordinated market economies	70	42.42%	37	34.26%	33	57.89%
Emerging economies	63	38.18%	38	35.19%	25	43.86%
Transition economies	53	32.12%	22	20.37%	31	54.39%
Global representation	46	27.88%	28	25.93%	18	31.58%
Total # of articles	165		108		57	

Note: The percentages reported on table above are calculated using the number of papers published in each category (i.e., 165 Total, 108 in Accounting & Finance, and 57 in Management).

growth (Djankov, McLiesh, & Shleifer, 2007; Shleifer & Wolfenzon, 2002). Finally, strong creditor protection is associated with greater availability of credit, lower cost of debt, and longer debt maturity (e.g., Bae & Goyal, 2009; Djankov, McLiesh, & Shleifer, 2007; Qian & Strahan, 2007).

Interestingly, recent studies underline that strong investor protection may sometimes negatively affect firm outcomes. For example, stronger creditor rights may decrease the use of corporate debt because managers and shareholders do not want to run the risk of losing corporate control in the event of financial distress (Cho, El Ghoul, Guedhami, & Suh, 2014). Moreover, stronger investor protection may excessively constrain managerial flexibility, prevent efficient decision making (Espenlaub, Goyal, & Mohamed, 2020), and facilitate the switch from accruals management to real-earnings management (Enomoto, Kimura, & Yamaguch, 2015), with a potentially negative impact on firm value, long-term performance, and survival.

A&F literature shows that enforcement is associated with positive market reactions and corporate benefits, like a lower cost of capital (e.g., De George & Shivakumar, 2016). However, some recent studies suggest that the contribution of enforcement is limited in developed countries (like the United Kingdom) as a result of significant compliance costs, inter alia, related to audit effort, risk, and fees (e.g., Florou, Morricone, & Pope, 2020). Moreover, the SEC enforcement significantly increases the shareholders' costs of monitoring agents in the United States, as enforcement is (almost) substituted by audit provision (Leventis, 2018). In sum, in contrast to conventional wisdom and prior empirical studies, stronger enforcement may reduce shareholder wealth in developed countries (Christensen, Liu, & Maffett, 2020).

A number of studies explore the consequences of new laws—like banking reforms (Hsieh & Wu, 2012), governance rules (Funchal & Monte-Mor, 2016), investor protection (Chen, Li, & Lin, 2015), and enhanced disclosures (Craighead, Magnan, & Thorne, 2004)—on the efficiency of regulations on shareholder litigation (Ni & Yin, 2018), takeovers (Cain, McKeon, & Solomon, 2017), and corporate governance (Aggarwal, Schloetzer, & Williamson, 2019). A main result of this literature is that new regulation is associated with significant abnormal returns, which do not necessarily increase corporate value (Larcker, Ormazabal, & Taylor, 2011) and whose effects are mitigated or amplified by country- or industry-level institutions (Giroud & Mueller, 2010).

Only four A&F studies explore the impact of informal institutions (i.e., culture or trust) on firm outcomes. Results show that culture affects dividend smoothing (Javakhadze, Ferris, & Sen, 2014), firm value, and performance (Fauver, McDonald, & Taboada, 2018).

Moreover, trust operates as a substitute for formal shareholder protection, limiting self-dealing behavior and increasing corporate cash holdings (Dudley & Zhang, 2016) and financial development (Cline & Williamson, 2016).

In sum, the A&F literature showed that a higher national institutional quality improves firm outcomes but also that excessive regulation may lead to opposite effects. As these studies are based on a “thin” view of institutions (Jackson & Deeg, 2008), it remains unclear whether the differences in countries' legal origin, investor protection, or enforcement correspond to broader differences in national institutions. Moreover, these studies consider companies as mere transmission belts of national institutions and so tend to neglect differences in firm-level behavior and practices (Wood, Mazouz, Yin, & Cheah, 2014). Then, they use proxies (e.g., legal tradition) to measure the strength of formal institutions and, despite improvements over time, how to measure institutions remains an open issue (e.g., Djankov, La Porta, Lopez-de-Silanes, & Shleifer, 2008; Spamann, 2010). Finally, this literature largely assumes that the formal institutions of the country where a firm's headquarters are located affect all firm's activities and, therefore, ignore the influence of the national context where foreign subsidiaries are incorporated (Cooney, Gahan, & Mitchell, 2011).

4.2.2 | Management and organization studies

The interest of M&O for the impact of national institutions on corporate outcomes has been relatively modest. The few studies combine agency with institutional theory—typically comparative corporate governance in the form of varieties of capitalism (Hall & Soskice, 2001)—and/or regulatory theory to address the lack of context characterizing mainstream agency theory. These articles address the relationship between formal institutions—mostly investor protection, alone or in combination with other formal institutions (e.g., employee rights, good governance codes, and creditor rights)—and firm outcomes. In line with the A&F literature, M&O emphasizes that investor protection increases firm value. For example, regulations provide shareholders with greater legal power to affect internal governance, that is, to nominate directors and to increase firm value (Campbell, Campbell, Sirmon, Bierman, & Tuggle, 2012); stronger investor protection is associated with higher IPO initial returns (Boulton, Smart & Zutter, 2016); firms in EU countries with a more developed legal framework, or with bank-based financial systems, had a better performance during the financial crisis (Van Essen, Engelen, & Carney, 2013). Some studies suggest that different country-level institutions affecting stakeholders' power may explain firm-level outcomes. For example, Capron and Guillén (2009) demonstrate that stronger investor protection in the acquirer country (compared to the target country) increases the acquirer's ability to restructure target's assets and to leverage its resources, while the protection of employee rights in the target country produces the opposite effects. Similarly, Schneper and Guillen (2004) provide robust support that legal investor protection increases hostile takeovers, while employee protection and banks' rights produce the opposite effect.

This conclusion is also supported by the few studies that, building on neo-institutional theory or institutional logic, explore the consequences of the international diffusion of Anglo-American governance practices (e.g., shareholder value orientation, outside directors, and equity incentives) (e.g., Bezemer, Zajac, Naumovska, van den Bosch, & Volberda, 2015; Del Bosco & Misani, 2016). For example, Bezemer, Zajac, Naumovska, van den Bosch, and Volberda (2015) find a negative relationship between the adoption of shareholder value orientation and subsequent firm performance in the Netherlands, although this effect is attenuated by greater alignment among major owners and a firm's visible commitment to shareholder value orientation.

Finally, building on the institution-based view (e.g., Peng, 2003), few papers underline the existence of significant institutional differences between developed and emerging or transition economies. So, for example, the privatizations in Russia determined a decline or destruction of corporate value (i.e., downsizing) (Filatotchev, Buck, & Zhukov, 2000); in emerging economies, outside directors have positive effects on sales growth but a limited impact on accounting performance during institutional transitions (Peng, 2004); the negative effects of board political capital on tunneling and financial performance are weakened in Chinese regions with more developed institutions (Sun, Hu, & Hillman, 2016).

In conclusion, empirical evidence indicates a fairly robust relationship between investor protection and corporate outcomes under several contingencies (i.e., type of institutions and countries). Despite this, there are still areas to explore further. For instance, building on an actor-centered institutional perspective (Aguilera & Jackson, 2003), future studies may investigate how key stakeholders (e.g., large shareholders, top managers, or the state) influence the relationship between national institutions and firm outcomes in order to increase the value they receive. Similarly, future studies may devote more attention to analyze the complex dynamic evolution between national institutions and firm outcomes (Aguilera & Jackson, 2010). Finally, they may devote more attention to explore how do informal institutions, alone or in combination with formal institutions, affect corporate outcomes.

4.3 | Studies on national institutions and corporate governance mechanisms

4.3.1 | Accounting and finance studies

A&F literature on the impact of institutions on corporate governance underlines that strengthening investor protection or issuing more stringent laws (such as SOX in the United States) increases turnover of management and other corporate overseers after firms' restatement (Kryzanowski & Zhang, 2013). Moreover, it shows that in countries with better investor protection, the corporate environment is more effective (Cline & Williamson, 2016), firm governance is more pronounced (Col & Sen, 2019), and boards include more shareholder

friendly directors (Lel & Miller, 2008). Empirical evidence also shows that strong law enforcement institutions and stricter regulatory frameworks are associated with higher CEO turnover (Defond & Hung, 2004), a significant decline in both CEOs incentive-based compensation (Cohen, Dey, & Lys, 2013) and compensation shielding (Joo & Chamberlain, 2017). Additionally, previous studies highlight that a higher judicial efficiency increases governance transparency (Bushman, 2004).

Despite the considerable differences among countries' institutional contexts, A&F literature underlines, with a few exceptions, that stricter regulatory frameworks have a positive impact on corporate governance mechanisms (Col & Sen, 2019; Lau, Shrestha, & Yu, 2016). However, some contradictory results remain as, for example, the introduction of antitakeover regulation may weaken corporate governance's effectiveness in mitigating managerial slack (Giroud & Mueller, 2010). Then, these studies use advanced methods (like difference in difference) to analyze the effects of newly introduced regulations but typically ignore the contemporaneous effects of other national- or industry-level institutions that may also change over time (De George & Shivakumar, 2016). Finally, like the previous type of A&F studies, this literature almost ignored the impact of informal institutions on governance mechanisms.

4.3.2 | Management and organization studies

Most M&O studies have analyzed the impact of national institutions on corporate governance mechanisms. These studies build their theoretical framework on different strands of institutional theory, often in combination with agency theory.

Building on neo-institutional theory, some studies explore the adoption of Anglo-American governance practices in other countries, like Germany (Buck & Shahrim, 2005; Fiss & Zajac, 2004), Italy (Zattoni & Minichilli, 2009), South Korea (Chizema & Kim, 2010), and Japan (Yoshikawa, Tsui-Auch, & McGuire, 2007). These studies emphasize that the international diffusion of the shareholder value orientation and its related governance practices (e.g., outside directors, equity incentives) is mediated by the culture, the interests, and the power of key stakeholders (e.g., shareholders, banks, top managers, employees, and governments) who influence their adoption and implementation (e.g., Fiss & Zajac, 2004). These studies also underline that both market forces and key stakeholders' power explain if the new governance practices are adopted to address agency issues or to fulfill powerful stakeholders' interests (e.g., Okhmatovskiy & David, 2012; Zattoni & Minichilli, 2009). Finally, they show that companies first select the governance practices to implement and then tailor them to reach the intended purposes (e.g., legitimation, efficiency, and value extraction) (Yoshikawa, Tsui-Auch, & McGuire, 2007).

Studies analyzing the diffusion of governance practices at the country level show that both efficiency needs and legitimation pressures lead to the worldwide adoption of good governance codes (Aguilera & Cuervo-Cazurra, 2004). Moreover, they underline that countries with weaker investor protection tend to adopt codes with more vague or weaker governance principles, in line with a symbolic perspective (Zattoni & Cuomo, 2008). Then, these studies highlight that three major institutional pillars (i.e., law and order, global competitiveness, and corruption) contribute to explain corporate governance legitimacy (Judge, Douglas, & Kutan, 2008) and that three forms of isomorphic pressures (i.e., coercive, mimetic, and normative) explain the adoption of IFRS (Judge, Li, & Pinsker, 2010). In sum, these studies underline that the search for social legitimization is the key driver behind the country- or firm-level adoption of governance best practices.

A second strand of research builds on institutional logics, sometimes in combination with neo-institutional theory, to investigate the adoption of new governance practices developed within a shareholder logic by companies localized in countries with a stakeholder logic. These studies emphasize that self-interested managers may promote a new practice (i.e., stock option plans) by leveraging the institutional logic of key stakeholders (i.e., foreign shareholders) in order to hide their personal advantages and avoid contestation (Geng, Yoshikawa, & Colpan, 2016); firms adopting practices introduced in a first reform are more likely to adopt practices inspired by the same logic during a second reform (Shipilov, Greve, & Rowley, 2010); top managers may use a shareholder logic to justify the adoption of new practices (like the CEO-only structure) that increase their power and entrenchment (Joseph, Ocasio, & McDonnell, 2014).

Studies developed on comparative capitalism underline that national institutional systems—and legal and cultural institutions within them—significantly explain the variation of governance practices (e.g., board gender diversity) (Grosvold & Brammer, 2011). Some studies adopt a configurational approach and use fuzzy set/qualitative comparative analysis (fs/QCA). Among them, Iannotta, Gatti, and Huse (2016) highlight that national configurations of complementary institutions influence the adoption of quota law, while Haxhi and Aguilera (2017) show that an institutional configurational approach uncovers relationships between national institutional domains and different features of good governance codes.

Another stream of research builds on the new institutional economics—sometimes in combination with agency theory or L&F view—to explore the influence of formal or informal institutions on governance mechanisms. For example, some studies investigate the role of culture—measured using the Hofstede model—in explaining board composition and leadership structure (Li & Harrison, 2008), firm-level governance ratings (Griffin, Guedhami, Kwok, Li, & Shao, 2017), and the diffusion of good governance codes (Haxhi & van Ees, 2010). Other studies explored, instead, how the quality of the national regulatory environment—measured through formal institutions like investor protection, rule of law, or corruption—influences board structure (Kim & Ozdemir, 2014), the ownership structure of foreign subsidiaries (Driffield, Mickiewicz, & Temouri, 2014), good governance codes' recommendations (Zattoni & Cuomo, 2010), and corporate governance ratings (Del Bosco & Misani, 2016).

Despite the high number of studies, there are still areas to further explore. For example, future studies may build on neo-institutionalism to explore the evolution of new governance practices over time

(Buck & Shahrim, 2005); the role of various stakeholders (like consultants or lawyers) in influencing the adoption of these practices (Yoshikawa, Tsui-Auch, & McGuire, 2007; Zattoni & Minichilli, 2009); and if and how existing governance mechanisms may inhibit their diffusion or modify their characteristics to preserve the fit in the national bundle (e.g., Fiss, Kennedy, & Davis, 2012; Yoshikawa, Tsui-Auch, & McGuire, 2007). Then, future studies may further investigate the competition among different levels of institutional logics (e.g., local vs. foreign and shareholders vs. stakeholders), the antecedents and the effects of the hybridization of logics, or the internal decisional-making processes leading to new practices' adoption (e.g., Joseph, Ocasio, & McDonnell, 2014; Shipilov, Greve, & Rowley, 2010). Finally, it would be interesting to further investigate if agency theory is culturally embedded, how informal institutions influence formal institutions, or also the substitutive or complementary nature of the relationships between national institutions and governance mechanisms (e.g., Haxhi & Aguilera, 2017; Kim & Ozdemir, 2014).

4.4 | Studies on national institutions, corporate governance mechanisms, and firm outcomes

4.4.1 | Accounting and finance studies

While the few A&F studies on the relationship between institutions (i.e., regulation), corporate governance, and firm outcomes do not provide concluding results (Berkman, Cole, & Fu, 2010; Chen & Huang, 2013), they underline that regulation and governance practices are more likely to act as substitutes rather than as complementary devices (Chen et al., 2009). Collectively, these studies show, in fact, that the impact of effective governance is more pronounced in countries with less efficient formal institutions: companies with better governance structures are valued more favorably in less investor-friendly countries (Durnev & Kim, 2005); foreign institutional ownership increases the probability that a cross-border merger deal is successful in countries with weaker legal institutions and less developed markets (Ferreira, Massa, & Matos, 2010); above a certain level of country development, stringent regulation impedes the performance of well governed companies or has a neutral effect on poorly governed companies (Bruno & Claessens, 2010).

4.4.2 | Management and organization studies

The few articles in the M&O field underline that national institutions influence the relationship between governance mechanisms and corporate outcomes. For example, they show that the pay–performance relationship is positively moderated by formal institutions protecting investors (Van Essen, Heugens, Otten, & Van Oosterhout, 2012); a stronger institutional environment levels out the superior performance of business groups (Zattoni, Pedersen, & Kumar, 2009); the impact of effective corporate governance practices on firm value is higher when financial markets require extensive disclosure (Renders & Gaeremynck, 2012); the ability of proper designed boards to increase the efficiency of micro finance institutions is amplified by effective agrarian institutions (Chakrabarty & Bass, 2015); effective national institutions and corporate governance mechanisms reduce the sensitivity of R&D to cash flow (Hillier, Pindado, De Queiroz, & De la Torre, 2011). A group of studies highlight the different effects of institutions promoting investors' or employees' interests: investor protection positively moderates the family control–performance relationship during crisis, whereas employee rights have a negative moderation effect (Van Essen, Strike, Carney, & Sapp, 2015); the effectiveness of blockholders is conditioned by specific labor institutions promoting competitive or collaborative relationships between them and the employees (Van Essen, Van Oosterhout, & Heugens, 2013); and stronger investor protection reduces, while stronger employees protection increases, the slack–innovation relationship (Malen & Vaaler, 2017). Finally, some studies adopting a QCA approach underline that there are both complementary and substitutive relationships between internal and external corporate governance mechanisms (Misangyi & Acharya, 2004) and that the relationship between governance bundles and investor valuation is moderated by the strength of investor protection (Bell, Filatotchev, & Aguilera, 2014).

Taken together, these articles contribute to the idea that the effectiveness of national institutions may affect the complex relationships between governance mechanisms and firm outcomes, but the variety of themes and topics does not yet reflect a coherent research field in this respect. A second finding is that a broader set of national institutions, including for example employee protection or sector-specific regulations, should be considered, so going beyond the narrow scope of financial markets and investor protection. Finally, also in this area, there is relatively little attention for the role of informal institutions.

5 | DISCUSSION

Table 4 presents theoretical frameworks, major results, open issues, and exemplary articles for the three types of studies developed in both disciplinary domains. In the next pages, we focus on major findings and open issues to identify promising avenues for future research.

5.1 | Implications for future studies

5.1.1 | National institutions and firm outcomes

Previous A&F and M&O studies on the influence of national institutions on firm outcomes highlight the large variance of the institutional context across countries, for example, between developed, emerging, and transition economies (e.g., La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1997, 1998). Moreover, this literature underlines that high-quality formal institutions (e.g., investor protection or enforcement) improve the efficiency of financial markets and stimulate firms'

TABLE 4 Synthesis of previous studies on national institutions, corporate governance mechanisms, and firm outcomes

Topics	National institutions and firm outcomes		National institutions and CG mechanisms		Interaction between national institutions, CG mechanisms and corporate outcomes	
Discipline	**A&F**	**M&O**	**A&F**	**M&O**	**A&F**	**M&O**
Theoretical framework is based on …	Agency theory and far less often regulatory theory, rarely new institutional economics.	Agency theory in combination with institutional theory (mostly comparative capitalism) and/or regulatory theory.	Agency theory and far less often regulatory theory or new institutional economics.	Institutional theory—mostly neo-institutional theory or institutional logics—sometimes together with agency.	Agency, less often regulatory, and rarely new institutional economics.	Institutional theory—usually neo-institutional theory—or agency theory, or a combination of both.
Major results are …	• More stringent regulatory financial reporting, governance requirements, legal enforcement, and investor protection enhance financial reporting quality and shareholder wealth. • Strong investor protection can sometimes also negatively affect firm outcomes. • Strong enforcement can reduce shareholder wealth in developed economies.	• Companies in countries with a stronger investor protection have better firm performance. • Employee and investor rights may have opposite effects. • Disclosure and transparency positively influence shareholder value in different institutional contexts. • Weaker national institutions favor the emergence of internal markets (e.g., business groups).	• Stronger formal institutions and antitakeover laws both reduce opaqueness and information asymmetry and increase financial statement informativeness. • The higher judicial efficiency associated with common low increases governance transparency. • Strong investor protection promotes boards with shareholder friendly directors. • Strong law enforcement and stricter regulatory frameworks are associated with higher CEO turnover and a decline in CEO incentive-based compensation and compensation shielding.	• The diffusion of governance practices in one country is mediated by stakeholders' culture and interests. • Both efficiency and legitimation reasons explain the international diffusion of governance practices. • Powerful actors may use shareholder value institutional logic to pursue their own interests. • National configurations of institutions influence governance practices. • Single formal or informal institutions influence governance practices.	• Regulation and governance practices are more likely to act as substitutes rather than as complementary devices. • The impact of effective governance is more pronounced in countries with less efficient formal institutions. • Companies with better governance structures are valued more favorably in less investor friendly countries. • Foreign institutional ownership increases the probability that a cross-border merger deal is successful in countries with weaker legal institutions and less developed markets.	• National institutions may hang together. • The (substitutability versus complementarity) relationship between national institutions and CG mechanisms influences the effectiveness of institutions. • National institutions have an impact on the relationship between governance mechanisms and corporate outcomes.
Open issues are …	• Lack of insights into the impact of informal institutions on firms' outcomes. • Efficiency of various formal and informal institutions. • Measurement of particular	• Most studies lack causality and focus on establishing correlations. • The idea that national institutions may bundle together is absent. • There is little attention for the role of informal institutions.	• Lack of insights into the impact of informal institutions on corporate governance mechanisms. • Measurement of particular formal or informal institutions.	• The role of several actors in the diffusion of governance practices. • The evolution of the adoption process over time. • The competition or the hybridization of	• Lack of insights into the impact of informal institutions on interactions. • The limited number of studies provide findings that are inconclusive and difficult to generalize.	• There is little attention for the role of informal institutions on interdependent (bundles) of corporate mechanisms and/or outcomes.

(Continues)

TABLE 4 (Continued)

Topics	National institutions and firm outcomes		National institutions and CG mechanisms		Interaction between national institutions, CG mechanisms and corporate outcomes	
Discipline	**A&F**	**M&O**	**A&F**	**M&O**	**A&F**	**M&O**
	formal/informal institutions (investor protection, enforcement, trust, religiosity). • Substitutive vs. complementary role of formal/informal mechanisms on performance.	• Firms outcomes are narrowly defined, and ignore value creation for all stakeholders.	• Substitutive vs. complementary role of formal/informal mechanisms on corporate governance.	competing institutional logics. • The systemic relationship between national institutions and governance mechanisms.		
Exemplary references	Armstrong, Balakrishnan, & Cohen (2012); Hong (2013); Lel & Miller (2008).	Boulton, Smart, & Zutter, (2010); Schneper & Guillen (2004); Van Essen, Engelen, & Carney (2013).	Giroud & Mueller (2010); Koch & Okamura (2019); Doidge, Karolyi, & Stulz (2007); Bartram (2019)	Aguilera & Cuervo-Cazurra (2004); Fiss & Zajac (2004); Joseph, Ocasio, & McDonnell (2014); Kim & Ozdemir (2014); Shipilov, Greve, & Rowley (2010); Yoshikawa, Tsui-Auch, & McGuire (2007); Zattoni & Cuomo (2008).	Berkman, Cole, & Fu, (2010); Chen & Huang, (2013); Chen et al. (2009); Ferreira, Massa, & Matos, (2010); Durnev & Kim, (2005).	Malen & Vaaler (2017); Misangyi & Acharya (2014); Van Essen, Heugens, Otten, & Van Oosterhout (2012).

shareholder value creation (Boulton, Smart & Zutter, 2016; Djankov, McLiesh, & Shleifer, 2007; Lo, 2003). While these findings are nowadays taken for granted by most governance scholars, some recent studies have produced contradictory results that may inspire future research.

For example, some studies show that strong investor protection may also produce unintended consequences, like constraining leverage or managerial decision making that generate potential negative effects on firm value (Cho, El Ghoul, Guedhami, & Suh, 2014; Espenlaub, Goyal, & Mohamed, 2020). Moreover, recent studies suggest that formal institutions (e.g., enforcement) may have reached—or may have overcome—efficient levels in developed economies. As a consequence, strengthening these institutions can imply additional monitoring costs that do not provide any additional benefits (Florou, Morricone, & Pope, 2020; Leventis, 2018). Finally, some studies underline that governance mechanisms (like privatizations or outside directors) aimed at improving corporate governance and performance may fail to produce the expected results in emerging or transition economies (Filatotchev, Buck, & Zhukov, 2000; Peng, 2004). In short, these studies highlight that strengthening formal institutions or using some governance mechanisms may produce differential effects in different country and industry contexts.

Furthermore, while scholars extensively explored the relationship between formal institutions, agency problems, and firm outcomes, they almost neglected to investigate whether informal institutions (e.g., culture, social norms, or trust) may attenuate agency problems and improve firm outcomes (e.g., Schiehll, Ahmadjian, & Filatotchev, 2014). Interestingly, the few studies exploring informal institutions highlight their effectiveness in limiting opportunistic behaviors and enhancing firm value (Cline & Williamson, 2016; Fauver, McDonald, & Taboada, 2018). Due to limited research, several questions on the role of informal institutions remain unaddressed and may inspire future studies. For example, governance scholars may explore if culture is a meta institution that contributes to determine the characteristics of all national institutions (Licht, Goldschmidt, & Schwart, 2005) or how interactions between informal and formal institutions affect firm-level outcomes.

5.1.2 | National institutions and governance mechanisms

Previous A&F studies indicate that strengthening formal institutions (e.g., investor protection) may improve corporate governance practices. For example, they show that when formal institutions protect minority investors, boards are more shareholder friendly (Lel & Miller, 2008), governance is more transparent, CEO turnover increases after restatement (Kryzanowski & Zhang, 2013), and the use of stock incentives (Cohen, Dey, & Lys, 2013) and compensation shielding (Joo & Chamberlain, 2017) decreases. In short, this literature provides a coherent view according to which higher investor protection triggers more shareholder-friendly governance practices at the firm level.

M&O studies exploring the relationship between national institutions and formal mechanisms provide a more complex view. For example, studies built on neo-institutional theory and/or institutional logics show that the growing diffusion of Anglo-American practices in other countries—assumed to be conducive to higher shareholder value—is mediated by stakeholders' interests and power (e.g., Fiss & Zajac, 2004; Yoshikawa, Tsui-Auch, & McGuire, 2007). As a result, the new governance practices are usually adopted to fulfill powerful stakeholders' interests or modified to reduce their monitoring effects (e.g., Geng, Yoshikawa, & Colpan, 2016; Joseph, Ocasio, & McDonnell, 2014). As such, the new governance practices may be mostly adopted to increase firm's or country's legitimation and may so have a purely symbolic value (Okhmatovskiy & David, 2012; Zattoni & Cuomo, 2008).

Finally, studies based on new institutional economics support the conclusions of A&F studies, showing that the higher quality of few selected formal or informal national institutions may promote better governance practices. These studies are based on a "thin" view of institutions; that is, they select one or few national institutions, measure them using simple quantitative indicators, and explore their impact (as unidimensional variables) on governance mechanisms in isolation (e.g., Jackson & Deeg, 2008, 2019). This approach builds on the idea that national institutions affect governance mechanisms independently and a particular institutional void cannot be compensated by other national institutions. However, configuration studies indicate that the reality is more complex and that national institutions may produce direct, mediated, or moderated effects on governance mechanisms (and firm outcomes). Building on comparative capitalism literature, future studies should adopt a "thick" view of institutions, that is, one that takes into account alternative stakeholders' interests, acknowledges the path-dependent nature and the interdependencies among national institutions (and governance mechanisms), and explores their national comparative advantage (e.g., Aguilera & Grøgaard, 2019; Fainshmidt, Judge, Aguilera, & Smith, 2018; Jackson & Deeg, 2008). In this "thick" view, where the institutional diversity refers to "differences in kind" (Jackson & Deeg, 2019, p. 15), the development of mid-range or meso-level theories may allow scholars to advance our understanding of the actor-centered relationships between (national) institutions, governance mechanisms, and firm outcomes.

5.1.3 | National institutions, governance mechanisms, and firm outcomes

While the A&F literature did not devote considerable attention to the interplay between national institutions, governance mechanisms, and firm outcomes, few studies provided interesting results on the topic. In particular, these works suggest the existence of a substitutive relationship between national institutions and governance mechanisms by showing that corporate governance plays a more important role when national institutions are less efficient (Bruno & Claessens, 2010; Chen et al., 2009; Durnev & Kim, 2005). This result contrasts with the

conclusions of studies that showed a complementary relationship between national institutions and governance mechanisms (e.g., Haynes, Zattoni, Boyd, & Minichilli, 2019; Lel & Miller, 2008) and with some M&O studies showing that national institutions and governance mechanisms have complementary effects on firm outcomes (e.g., Renders & Gaeremynck, 2012).

Moreover, this—and partly also the other two—type of studies indicates that increasing the strength of some national institutions contributes to protect and empower some stakeholders at the expense of other ones. In other words, literature suggests that country-level institutions affecting stakeholders' power contribute to determine the stakeholder or shareholder orientation of the firm. This is an interesting topic, and consequently, our study invites scholars to further analyze the different effects produced by formal institutions protecting various stakeholders (e.g., investors, creditors, and employees) on the relationship between corporate governance and firm outcomes (Capron & Guillén, 2009; Schneper & Guillen, 2004; Van Essen, Strike, Carney, & Sapp, 2015). Finally, our study also invites governance scholars to develop an embedded multiple agency model or an actor-centered institutional perspective to understand key stakeholders' influence on national institutions, governance practices and firm outcomes (Aguilera & Jackson, 2003).

The presence of substitutive or complementary relationships between national institutions and governance mechanisms can be further investigated using sophisticated theoretical frameworks allowing a "thick" interpretation of institutions (Jackson & Deeg, 2008). In combination with new theoretical frameworks, scholars should also employ appropriate research methods like a configurational approach (or a bundle perspective) by using fuzzy set qualitative comparative analysis (fsQCA) (e.g., Bell, Filatotchev, & Aguilera, 2014; Misangyi & Acharya, 2014) or a multilevel analysis of the relationships by using hierarchical linear modeling (e.g., Zattoni et al., 2017). In addition, they may employ qualitative or mixed methods to explore how national institutions affect governance mechanisms and firm outcomes by leveraging stakeholders' relative power in the decision making processes inside and outside companies (e.g., McNulty, Zattoni, & Douglas, 2013; Minichilli, Zattoni, Nielsen, & Huse, 2012). Finally, they may use a rich historical perspective to explore how powerful stakeholders shape the evolution of national institutions and which forces may oppose or promote the change (Aguilera & Jackson, 2010).

5.1.4 | Major synergies and differences between A&F and M&O studies

Our results show that while developed almost independently from one another, A&F and M&O literature have some common characteristics. For example, they both place less emphasis on the role of informal institutions, while some empirical evidence shows that they may drive the efficacy of formal institutions and their effects on governance mechanisms and firm outcomes (e.g., Licht, Goldschmidt, & Schwart, 2005). Then, they both treat firms as if they are located in one particular country or are affected by their headquarters' institutional environment, thereby ignoring the multinational nature of large companies and, consequently, preventing the analysis of how multiple national institutional contexts affect governance mechanisms and firm outcomes (Cooney, Gahan, & Mitchell, 2011).

At the same time, the A&F and the M&O literature diverges on several aspects, and this creates pathways one literature can synergize with the other. The A&F literature explores more than the M&O literature the relationship between single national institutions and corporate outcomes. A&F studies build on agency or regulatory theory, assume that stronger national institutions improve firm outcomes, focus on the efficiency of individual institutions (i.e., how they mitigate agency and/or transaction costs), and use rigorous methods (e.g., large samples of companies from several countries, longitudinal or time series analysis over long periods, rigorous treatment of causality through endogeneity, or self-selection). Representative examples are several studies that follow a critical incident approach to test the efficiency of new regulation in addressing agency issues and improving firm outcomes.

The M&O literature explores more than the A&F literature the relationship between national institutions and governance mechanisms. M&O studies devote larger attention to theoretical novelty and pluralism, explore a wider range of research topics, are more open to new methods (like QCA or multilevel analysis), and provide a richer interpretation and discussion of findings. As such, these studies have several merits like to show that the adoption and implementation of new governance practices are influenced by powerful stakeholders and may be explained by both efficiency and legitimation rationales. Then, building on a configurational approach of national institutions and governance mechanisms, these studies uncover both the complementary or substitutive relationships among them and the equifinality of multiples configurations.

5.2 | Practical implications

Our study also provides some practical implications. First, our review underlines that formal and informal institutions may interact with firm-level governance mechanisms to affect firm outcomes. As a result, when designing formal institutions (e.g., corporate law), policymakers should take into account their interaction with both other national institutions and firm governance mechanisms, as they may inhibit or facilitate the achievement of the intended effects of the regulatory reform.

Second, our review highlights that investors and directors should carefully consider the characteristics of the national- and the firm-level contexts, when they design new governance mechanisms. Our results show, in fact, that powerful stakeholders (e.g., controlling shareholders or top managers) may use institutional logics developed in other contexts (e.g., the United States) to support the introduction of governance practices that either fulfill their interests or only have symbolic effects and do not improve firm efficiency.

5.3 | Limitations and future avenues of research

Our review study has some limitations. First, we only collected and analyzed only articles published in top journals, and so we neglected papers published in less prestigious journals, books, or practitioners' reports. While top journals are the typical way to communicate scientific results in the selected disciplines (i.e., accounting, finance, management, and organization), this choice may have undermined the contribution to the debate of other disciplines, like law, sociology, and political science. To address this issue, future studies may expand our results by considering more explicitly other types of publications or increasing the range of disciplines covered. Second, our sample of articles is the result of a broad search that led us to collect and analyze a large number of papers. Despite the size of the sample, our search criteria may have led us to miss out some relevant papers, so we invite governance scholars to extend our results by using a larger set of keywords in order to capture all possible papers covering this important research area.

6 | CONCLUSION

This interdisciplinary review aims at taking stock of previous studies. The extant literature indicates that national institutions usually have complex interdependent effects on governance practices and firm outcomes, as these relationships may be contingent on the characteristics of specific industry or country contexts. Our findings provide a roadmap for future studies, encouraging governance scholars to further advance our understanding of the relationships between (national) institutions, governance practices, and firm outcomes by adopting an actor centered institutional perspective, developing a "thicker" view of national institutions, and building mid-range or meso-level theories.

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NOTE

[i] The * indicates articles that are included in the survey.

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