

UNIVERSITY OF TARTU  
Faculty of Social Sciences  
School of Economics and Business Administration

Vusal Salimli

INTERRELATIONSHIPS BETWEEN VALUES AND CORPORATE GOVERNANCE  
SYSTEMS

Bachelor's Thesis

Supervisor: Lecturer Supriya Banerjee

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I have written this Bachelor's Thesis independently. Any ideas or data taken from other authors or other sources have been fully referenced.

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## Introduction

Corporate governance refers to the set of processes, principles, and values that guide the way in which an organization is directed, controlled, and managed. It is a critical aspect of any organization, as it helps ensure that the interests of stakeholders, including shareholders, employees, customers, and the wider society, are protected and managed effectively (Tricker, 2005; Mallin, 2013).

Effective corporate governance systems are essential for companies to achieve long-term success and sustainability. They help establish clear lines of accountability and responsibility within an organization, ensuring that decisions are made in the best interests of the company and its stakeholders. Corporate governance has become prominent as an important factor in economic development and has become a discipline that encourages companies to comply with these rules (Garzón-Castrillón, 2021). In fact, countries around the world are taking encouraging and/or compelling measures to ensure the continuation of sustainable development. When the reasons behind global financial crises and company bankruptcies are carefully examined, it becomes evident that the way of doing business and general rules on the basis of the state and the company were not fully clear in these instances; that is, the corporate governance and policies were insufficient (Schnyder, 2012). Although corporate governance initially appeared to be necessary to prevent managerial abuses in businesses managed within the framework of agency theory and to emphasise that stakeholder and shareholder interests are taken into account, the service sector, which operates according to a labour-intensive model, has developed and become dominant. This is as a result of an internal stakeholder or organisational subsystem interacting with systems outside of the organisation, making it an open system (Chibarinya, 2014).

Corporate governance systems differ crucially from country to country based on to certain key characteristics based on different types of values (Goegen & Renneboog, 2004). However, countries can choose which kind of corporate governance systems would be most suitable for their firms in terms of their cultural, social and individual values. Different research and practices show that there are two main and basic models of corporate governance systems: one of the most widely used corporate governance systems is the Anglo-American model, which is characterized by a shareholder-centric approach to corporate governance (Hilb, 2016). In this model, the board of directors is responsible for overseeing the management of the company and protecting the interests of shareholders. Shareholders have the right to vote on major decisions, such as the election of board members and mergers and acquisitions (Mallin

2013). Another corporate governance system is the German model (local type), which is characterized by a stakeholder-centric approach. In this model, the board of directors is composed of representatives from different stakeholder groups, including employees, customers, and suppliers. The board is responsible for balancing the interests of different stakeholders and ensuring the long-term sustainability of the company (Yermack, 2017; Hilb 2016). However, Hilb (2016) also introduced a new approach to corporate governance which brings the strength of both models, and it is known as the 'Glocal' corporate governance model. This new approach helps to combine the characteristics of both models and avoids the question of which approach should be followed for corporate governance: shareholder-value approach or the stakeholder-value approach (Hilb, 2016).

On the other hand, values are used to differentiate societies, cultural groups and individuals, to discover change over time and to understand the motivational bases of behaviour and attitudes (Schwartz, 2012a). Weber (1904/1958) and Durkheim (1897/1964) defined values were important for explaining personal and social organization and change. Additionally, Zetterberg (1997) claims values are generalised, important and consistent priority that affects our lifestyle. But Schwartz (1992) explains values as deeply rooted, life energy that justify, guide and explain norms, opinions and actions (Schwartz & Bilsky, 1987; Schwatz, 1992). They are individual values that people in all different cultures recognize and it shows ten motivationally well-defined types of values and explains the relations among them (Schwartz, 2008). Values are created in similar ways through culturally diverse groups. However, the nature of values and the way they are created may be individual and universal where groups vary considerably based on how they accept the values (Schwartz, 2012a).

Societal values combine the value systems of main groups of population (Hofstede, 1980). However, Hofstede (1980) has defined individual preferences and actions are related with social value orientation. Corporate governance systems refer to cultural, legal and organizational arrangements that determine what an organization does, who controls the firm, how this control is implemented and how all activities are allocated (Blair, 1995). This creates an organization's structure and actions which are affected by its social environment (Rottig, 2016). Because without acceptance and support by the social environment, organisations could risk their success and result in organizational collapse (Scott, 2014). These firms can be formal institutions that are built by a government or informal institutions that cover large groups of society (DiMaggio and Powell, 1983).

The issue of corporate governance has gained more importance in recent years and is mentioned more frequently. However, corporate governance systems have been evaluated by different classifications based on the quality of law and shareholders protection (Pagano & Volpin, 2005); law and finance (La Porta, Lopez-de-Silanes, Shleifer & Vishny, 1996); and political orientations of governments and electoral systems (Roe, 1994). Also, policymakers, theorists and practitioners have come to the conclusion that corporate governance systems reflect the societal values; therefore, the differences in corporate governance systems are the result of different social and cultural value orientations due to the country level different social environments (Licht, 2005; Schwartz, 1994; Hofstede, 1980, 2001). This paper is set to examine the interrelationship between societal and cultural value orientations and corporate governance at the country level. The study aims to achieve the goal of exploring the influence that value has on corporate governance and this will help us to fill the gaps in the literature and gain the a better understanding of how social and cultural values play an important role in corporate governance systems. Since existing theories do not always adequately reveal the interrelations between societal and cultural values and corporate governance systems (Licht, 2004).

In order to accomplish the research aim, the following tasks are set by the author:

- Analyse and define the concept of different corporate governance systems.
- Provide an overview of on dimensions of cultural and societal value orientations.
- Conduct an empirical study investigating the interrelations between corporate governance systems and societal and cultural value orientations.

This study will consist of two parts. In the theoretical part, studies about different orientations of societal and cultural values and corporate governance systems will be analyzed and synthesized: firstly, the definition of societal and cultural values together with three bipolar dimensions of Schwartz's cultural values will be described and results of different studies will be analyzed. Additionally, different models of corporate governance systems, both global and local, along with the GLOCAL approach will be summarised.

In the empirical part of this thesis, author will present the methodology of this research and explain the choice, then create an empirical study exploring the interrelationships between cultural & societal values and dimensions of corporate governance systems.

Keywords: societal and cultural values, corporate governance

## **1. Theoretical background of the values and Corporate Governance**

This section of this research work is dedicated to reviewing relevant concepts as it relates to value and corporate governance. The theoretical review of the phenomenon under study will be examined as well as reviewing some relevant studies that have contributed to the discourse.

### **1.1 Cultural and Society Level Values**

In responding to complex environmental and societal problems, value has been adjourned to an important role. However, the value differs across individuals, cultural groups, and societies as it is employed to explain the drive of attitudes and conduct. There have been different definitions of value by scholars at different times. Value has been defined by Weber (1958) and Durkheim (1964) as vital in giving insight into change in personal and social organization. The definition was further expanded by Bilsky (1987) who asserts that values are the abstract motivation that individuals or society are deeply rooted which explains opinions, norms, attitudes, and actions. Late in the 90s, the value was seen as a factor that influenced how individuals live (Zetterberg, 1997). To advance the work on value, Gini and Green (2014) portray value to be the beliefs and ideas influencing and directing the choices we made and subsequently our actions.

Basically, there are some individual values that are recognised by people from all cultural backgrounds, and there has been an illustration of 10 motivationally sound value categories that explain how they relate to one another (Schwartz, 2012a). Replica processes are used by culturally varied cultures to generate values. Although societies differ greatly in terms of how they embrace the values, the essence of values and the process by which they are generated may be personalised and universal (Schwartz, 2012a). In light of this, the parts that follow will discuss several sorts of values and provide a deeper understanding of each. It will be easier to see the similarities and contrasts between corporate governance systems in other nations if we can analyse various sorts of values individually.

Gyekye (1996) defined the concept of social value as values that indicate the value and importance of society. He stated that there are values in social life that define and direct this relationship by exhibiting the necessary behaviours and attitudes of individuals living in a society and that these include mutual assistance, care, social harmony and trust. This type of value shows that it is necessary to live in a peaceful way, which is necessary for any society to create social order and ensure its development. Gyekye (2016) submitted that social order has

the following attributes which are the state and order of the values of the society; social institutions can function properly; and continuity.

When this concept is defined more broadly, society means working in harmony with different aspects – such as economic, political, religious and technological characteristics. In order to work in harmony with social values and different aspects of society, individuals who make up society need to regulate their behaviours (Oyeshile, 2004). The values of the society differ according to their cultural structures. Values provide social control of society which can vary depending on the existence of certain values in the society's cultural system. Hofstede (2001) argues that the concept of culture is a mentally planned system of a social group, a concept in which the control of behaviour is provided socially according to the structure of values and hierarchical order of importance. In this case, values are seen as a part of the socio-cultural system and the control mechanism of society. Hierarchically, the value system makes positive or negative behaviours acceptable to everyone. However, as with individuals, the degree of importance of common values in societies differs (Lachman, Nedd & Hinings, 1994).

## **1.2 Schwartz's three bipolar dimensions of Cultural Values**

Three problems that must be addressed at the societal level were raised by Schwartz and these relate to defining boundaries between groups and individuals, a guarantee of responsible behaviour, and the treatment of resources inherent in both nature and humans. He further elucidates that the answers to all these challenges are not the same across cultures and that it is the value that is predominant in society that determines the answers. This motivated Schwartz to conduct a study that gave birth a theory and also seven cultural value orientations that encapsulate the different cultures. It further shows three bipolar dimensions of cultural value that address the three problems identified to be confronting society. This study he conducted will be of great importance to this current study as cultural value orientation can be employed to compare groups at the cultural and societal level. A pictorial representation of the cultural bipolar dimensions is presented in Figure 1.

Figure 1

*Cultural Value Orientations*



Source: Adapted from Banerjee (2020)

#### *Autonomy vs. Embeddedness:*

To address the challenge of boundaries between groups and individuals having specific definitions, we need to ascertain the level at which individuals in a group are autonomous or embedded. In a culture that is autonomous, people are perceived to have bounded entities and are viewed as autonomous. People in this culture are encouraged to find meaning in their uniqueness and to always express themselves in their preferences, ideas, abilities, and feelings. Two types of autonomy are identified which are intellectual and affective autonomy. The former supports the pursuit of the personal idea independently while the latter encourages pursuing positive experiences.

On the other hand, individuals are seen as embedded in the group in embeddedness cultures. Finding meaning in life is highly dependent on the social relationship via the group they are identified with. It also lingers to participate in a group that has a similar way of life. Another distinction in the embedded culture is its focus on avoiding any disruption to the solidarity in the group or the traditional order that is in place.

#### *Egalitarianism vs. Hierarchy:*

Guaranteeing responsible behaviour is the focus of the second societal problem identified by Schwartz (2008). This is essential as the social fabric will be preserved by it. The motivation of the egalitarian culture is that individuals are seen as moral equals as they treat

human beings as having basic interests. They seek to make every member look after each other's welfare and to cooperate in their relationship. People are to put others ahead of themselves and be motivated by the benefit of others when acting.

Responsible behaviour is achieved in the hierarchy culture based on roles that are derived from a hierarchical system. This cultural orientation maintains that the unequal distribution of roles, resources, and power is acceptable and legitimate. Living and operating with the hierarchical distribution are encouraged. They must also be in accordance with the obligation assigned to them as subordinates show reverence to them and they do the same to their superiors.

#### *Harmony vs. Mastery*

The way people treat the resources both natural and human is a real source of societal problems. To solve this problem, harmony culture stresses the aspect of integrating into the natural and social world, from the angle of appreciating it and not trying to exploit or alter it. On the other hand, the mastery culture emphasises involvement to the level of mastering and changing the social and natural environment to achieve personal as well as group goals.

### **1.3 Corporate Governance Systems: Overview**

Corporate governance includes the structures, processes, culture and systems that give rise to the successful activities of organisations (Lloyd-Jones, Maltby, Lewis & Matthews, 2006). Like the new horizons opened by the concept of "Total Quality" in the understanding of quality, corporate governance also brings radical changes in the management philosophy (Goergen, 2012). Corporate governance has a profound impact on how a business will perform. In their book, where they attempt to define corporate governance, Colley, Doyle, Logan, and Stettinius (2005) emphasise that successful businesses are those that find a way to manage their businesses effectively; conversely, the common point of low-performing businesses is ineffective boards of directors (Colley, Doyle, Logan & Stettinius, 2005). It can be stated that the quality of corporate governance should be increased to increase confidence in the private sector. The private sector, especially joint stock companies, gains increasing value in economic activities and plays a role in increasing the welfare level of society, based on their corporate governance. In other words, it affects the economic and social life of the company. It is, however, noteworthy that joint stock companies can cause great turmoil and economic losses despite their great success (Waring & Pierce, 2004). This can be seen in some of the business scandals experienced across the world and has caused problems in the management process of

these enterprises. Weaknesses in management have raised some questions. These include how much the businesses protect the interests of their stakeholders; whether there are conflicts of interest among the stakeholders; the extent to which senior managers within the business fulfil their duties and responsibilities; how the performance of the business management is evaluated; and the lengths the businesses try to go to gain the trust of their stakeholders (Waring & Pierce, 2004).

For management to be successful, organisations need to follow a set of guidelines and mould their actions accordingly. It is for this reason that the corporate governance strategy has become so crucial (Tricker, 2012). Businesses are encouraged to follow generally recognised management practices when adopting a corporate governance strategy. This facilitates the communication of legal responsibilities and procedures to investors; the assessment of the performance of the board of directors and the chief executive officer; and the establishment of a framework for the implementation of necessary changes to capital market legislation and company law (Tricker, 2012). In a globalised world where national economies are intertwined, access to the necessary investment capital is made possible and resources are managed effectively using a corporate governance strategy that fosters confidence in the investment process (Banerjee & Wahl, 2016).

Corporate governance is important both in terms of management and in terms of achieving sustainability in access to resources. In order to reach a position that can compete with the world and keep up with the developments, it is necessary to comply with the developing corporate governance principles. This should be done not because the EU, World Bank, IMF or foreign partners want it, but to be more competitive, to manage risks better, to benefit more from world resources and to ensure continuity in development (Wahl, 2006). It is therefore not surprising that interest in the subject of corporate governance is increasing day by day.

It has been challenging for the researcher to measure the dimensions of the 'good corporate governance system', in which the corporate governance system is socially legitimate and financially efficient (Schnyder, 2012). Schnyder (2012) also stated that there is a lack of theory behind measuring the corporate governance systems which could help us understand corporate governance indexes.

#### **1. 4 Models of Corporate Governance Systems**

Based on the previous finding, there are two primary and fundamental models of corporate governance systems, according to various studies and practises: the first is a global type of corporate governance system, also referred to as the Anglo-Saxon "market based while the second is a local type of corporate governance, "relationship-based". The former emphasises the maximisation of shareholder value; while the latter emphasises the interests of stakeholders (Hilb, 2016). However, Hilb (2016) also presented a novel method of corporate governance called the "Glocal" corporate governance model, which combines the strengths of both models. By combining the strengths of both models, this new strategy does away with the debate over whether to use a shareholder-value approach or a stakeholder-value approach for corporate governance.

##### **The Anglo-Saxon “global” type of corporate governance system**

The corporate governance model created within the framework of the Anglo-Saxon (Common Law) Legal System is called the global governance system (Hilb, 2016). The Anglo-Saxon Model, also referred to as the "Market Based System", is a system pioneered by the United States and the UK, where the capital markets are more developed (Hilb, 2016). However, although their ownership structures are different from the American and British markets, English-speaking countries such as Australia, New Zealand and Canada are considered within the Anglo-Saxon Model due to the importance given to shareholder rights, the dominance of institutional investors and their effectiveness in disclosure (Atamer, 2006). In addition, the effects of the model are also seen in Brazil, India, the Kyrgyz Republic and Malaysia (Atamer, 2006). In the model, priority in business management is given to the shareholders who are affiliated with the business through the right of ownership. Therefore, this model can also be referred to as “shareholder-based corporate governance”. In this understanding, it is seen that the demands of other groups related to the business are not taken into account, apart from the expectations of the shareholders. Model corporate governance based on the relationships between business executive management and shareholders deals with the rules that determine the control and administration of the enterprise and explains the relations between the primary participants of the enterprise (Wahl, 2006). This model is often referred to as the "outsider system" because the control of the business is in the hands of the business owners, who are outside the business and do not have a position in the business management team or on the board of directors (Mueller, 2006).

In the Anglo-Saxon Model, business managers, the board of directors and the problem of representation are the three main components that are given importance and corporate governance includes regulations related to these components (Hilb, 2016). The board of directors acts as the shareholders' proxy inside the context of their relationship with the company's senior management to guarantee that the company is run in a way that advances the shareholders' interests and fulfils the company's stated mission (Mueller, 2006). Those in management answer to the board of directors, who in turn answer to the shareholders. When dissatisfied shareholders sell their shares, it will be possible for them to fall into the hands of competitors, and this will put pressure on managers. For this reason, the model adopts a market-based approach with the assumption that competition and the market system will force the business to act in line with the interests of the shareholders (Hilb, 2016). The model aims to meet and protect the expectations of the shareholders by giving importance to them.

### **Local-type corporate governance system**

In the local governance system, the demands of other groups as well as the shareholders are taken into account in business management, and the model is also called the "stakeholder model of corporate governance systems". In the model, in addition to protecting the shareholders, meeting the expectations of all stakeholders affected by the activities of the enterprise and ensuring mutual communication between the enterprise and all its stakeholders are taken into consideration (Roe, 1994). Thus, stakeholders who are directly or indirectly related to business activities (for example, business owners, managers, shareholders, employees, suppliers, customers, financial institutions, competitors and the government) gain importance in the corporate governance approach (Goergen, 2012). In the model, protecting the interests of society and fulfilling its social responsibilities towards society are also considered among the main objectives of corporate governance, with the business continuing its activities by taking into account its internal and external stakeholders (Goergen, 2012).

This model, which was developed within the framework of the Continental European (Civil Law) Legal System, is defined as the "insider system" and is based on an internal control mechanism. Thus, in the organisational structure of the enterprise, there is an audit branch that is responsible for the board of directors and internal control in the areas determined by the committees established within the scope of this branch (Wahl, 2015). This model seen in Germany is very similar to the corporate governance approach in Japan and is therefore also referred to as the "German-Japanese System". However, the understanding in Japan also differs

in some aspects such as board structure and shareholding. It can be said that Austria, Switzerland, the Netherlands, France and the Scandinavian countries are closer to this model due to the weight of intra-company control mechanisms and bank dominance (Wahl, 2015).

### **“GLOCAL” type of corporate governance system**

The term "glocalisation" refers to the process of localising global and multinational goods for specific markets. It refers to the process of bringing a product or service that is normally sold on a worldwide scale to a regional or national audience. One way a worldwide product or service might be made more accessible is by being adapted to fit local regulations, cultural norms, or individual tastes (Hayes, 2022). End users will have a considerably higher level of interest in products that have been "glocalised". The reason for this is that although global products have usefulness for everyone, the localised version is tailored to the specifics of the user's environment and requirements. Companies that have a decentralised authority system and that operate in and compete across numerous cultural settings benefit the most from glocalisation. Costing a lot of money and taking up a lot of time, it pays off in the end since it opens up a wider and more diverse market for the business (Hayes, 2022). Moreover, this strengthens the competitiveness of such businesses in their respective marketplaces.

The key to a company's success is an ownership model that benefits both shareholders as well as society. Therefore, it is vital for the owners to establish a plan wherein all the stakeholders partake in the success of the business in accordance with the corporation's demand; and this process should be evaluated frequently. Most prior studies of corporate governance systems only looked at them from one angle. In light of this, it will become more crucial to analyse corporate governance from a holistic and "multi-theoretic" perspective going forward (Hilb, 2016).

Hilb (2016) drew from a number of theoretical frameworks to develop a progressive method for modernising corporate governance. According to resource dependence theory (Pfeffer & Salancik, 1978), directors may contribute significantly by providing access to resources and coaching or mentoring the CEO (Hilb, 2016). Davis, Schoorman and Donald's (1997) stewardship theory proposes that senior management may make decisions in the business's best interests even in the absence of monetary incentives and monitoring mechanisms (Hilb, 2016). The term "New Corporate Governance" refers to a set of practices through which businesses are guided, governed, and regulated in an entrepreneurial, moral, and contextually relevant manner (Hilb, 2016). Given the extensive outlining of corporate crises,

this novel approach to corporate governance remains controversial, and there is a significant study void in the field of corporate governance.

### **1.5 The World Bank and OECD principles and regulations**

According to Schnyder (2012), a significant challenge in corporate governance research has been defining and measuring the dimensions of an effective corporate governance system that is financially efficient and socially legitimate. Schnyder argued that the absence of a theoretical foundation for assessing corporate governance systems makes it difficult to make informed decisions about creating a corporate governance index.

The Organization for Economic Co-operation and Development (OECD) has developed a set of guidelines for corporate governance systems that it recommends its member countries adopt. The OECD principles provide a framework for good corporate governance practices and cover issues such as transparency, accountability, shareholder rights and board responsibilities. The guidelines are not legally binding, but they serve as a set of best practices and standards that member countries are encouraged to adopt and implement. Many countries have incorporated the OECD principles into their own corporate governance codes or regulations. (OECD, 2004; 2017)

The World Bank Group's (2020) Doing Business report shows objective measures of business regulations and helps to analyze the contrast between business regulations across the economies. Doing Business encourages economies to make changes towards efficient business regulations and covers a few areas in corporate governance systems. These are the relevant areas in corporate governance systems: Starting a business, Getting credit, Protecting minority investors, Paying taxes, Trading across borders, Enforcing contracts, and Resolving insolvency. (World Bank 2020).

### **1.6 Values and corporate governance system**

Several research works have been dedicated to explaining the relationship between values and corporate governance. One of the recent contributions is that of Turayev (2021) who investigated the corporate governance system and how to improve the external and internal factors. He noted that corporate governance practices are targeted more at promoting objectives and goals. This is because it has been highlighted as a key measure to raise the investment inflow. Based on the findings of the study, it is expected that as management pursues corporate governance reform, the internal structure and procedure must be established on the principles of transparency, responsibility, fairness, and accountability. Banerjee (2020) also examined

corporate governance system typology with value inclusion from the country-level perspective. The core of the research was to develop a theory that can explain the worldwide corporate governance system. The employed quantitative approach uses data sets from 190 countries to provide answers to the research question raised in the study. The findings of the study led to the development of corporate governance systems that factor in value at the country level. The typology constructed in this study can also assist owners of a business to assess the plan of ownership strategy before implementation. The research also gives insight to owners in order to comprehend the vital part that values is playing irrespective of the corporate governance systems adopted. This can aid them in being a successful corporation with long-term sustainability.

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Feng, Kang, and Nabar (2017) examined societal values at the national level and corporate governance. The study utilized quantitative analysis in which 22 emerging markets formed the sample of the study. A regression test was employed to answer the research questions raised in the analysis using data from Credit Lyonnais Securities Asia with Hofstede and Schwartz value scores. The findings of the study revealed that societal values in emerging markets are associated with corporate governance. However, corporate governance is more impactful for firms operating where individualistic societies prevailed. The study recommended that societal values are important and that plans that will be initiated should cover both formal and informal institutions.

Using meta-analysis, Majumder, Akter, and Li (2017) examined the association that exists between corporate social disclosures and corporate governance. The study utilized 29 previous studies that were published between the period of 2004 to 2016 for robust integration

of findings. The result obtained showed that there is a positive significant association between corporate social disclosure and the board size as well as the frequency of board meetings. However, an inverse association is found between corporate social disclosure and concentrated ownership. The further finds that the association between corporate social disclosure and gender diversity of the board are impacted by the variation of the country focused on in the study. Yusoff and Alhaji (2017) conducted a study in order to shed more light on the theories of corporate governance. The study reviewed seven distinct theories which are the agency theory, stakeholder theory, resource dependency theory, stewardship theory, social contract theory, legitimacy theory, and political theory. The study concludes that having the interest of the board of directors protected by the board of directors who are accountable is the outcome of good practice in corporate governance. Highlighting that investors are more interested in companies that will operate honestly, inculcating transparency and accountability components in corporate governance practice will help gain the trust of investors and shareholders. The theories reviewed variables such as board structure formation, independent directors that are non-executive and the responsibilities of management in view of their social and organizational responsibilities. The authors recommended a combination of two or more theories to achieve an efficient, effective, and sound corporate governance practice.

Jo and Harjoto also investigated firm value and corporate governance and considered corporate social responsibility (CSR) impact. The internal and external effect of corporate governance was the focus of their study and the mechanisms put in place to determine their engagement in CSR and the value it will add to the firm. The findings of the study revealed that the choice of CSR has a positive association with corporate governance at the internal and external levels as well as the monitoring mechanism which includes institutional ownership, board independence, board leadership, and other firm-related characteristics. The study controls for endogeneity and simultaneity using instrumental variable regression and the findings showed that the firm value that is proxied with industry-adjusted Tobin's  $q$  is positively influenced by CSR engagement. We find that analyst following has a significant positive impact on a company's value for companies that participate in CSR, whereas institutional ownership, block holder ownership, board independence, and leadership on the board have significantly less of an impact on a company's value. Furthermore, we discover that CSR activities that focus on internal social enhancement within the company, such as employee diversity, employer-employee relationships, and product quality, increase the value of the

company more than other CSR subcategories for more general external social enhancement, such as community relations and environmental concerns.

Licht, Goldschmidt, and Schwartz (2005) also investigated cultural governance with the motive of adjuring whether cultural values are reflected in the laws. Using data from 49 countries containing 122 samples, responses were collected from over 35,000 respondents. The study finds a correlation between the national cultural profiles and the investor's legal rights indices. Cultural priorities are also found to be correlated with the indices, showing that litigation is accepted by society. The result broadens the understanding of convergence and diversity inherent in the corporate governance system.

Table 1

*Summary of Divergent Review on Value and Corporate Governance*

<b>Author(s)</b>	<b>Sample</b>	<b>Methodology</b>	<b>Findings</b>
<b>Turayev (2021)</b>		DuPont Analysis	Corporate governance methods are more focused on advancing goals and objectives. This is due to the fact that it has been emphasised as a crucial step to increase the inflow of investment.
<b>Banerjee (2020)</b>	190 countries	Hierarchical and K-means clustering	The creation of a corporate governance framework that takes national value into account. The typology developed in this study can help business owners evaluate their plan of ownership strategy before putting it into action. The research also helps owners understand the crucial role that values are playing, regardless of the corporate governance structures used.
<b>Feng, Kang, and Nabar (2017)</b>	22 emerging markets	Regression Analysis	Corporate governance is linked to societal values in emerging markets. Corporate governance, however, has a greater impact on businesses operating in an individualistic society.
<b>Majumder, Akter, and Li (2017)</b>	29 past studies	Meta Analysis	The number of board meetings each year and the corporate social disclosure has a positive, statistically significant relationship. Yet, there is a negative correlation between concentrated ownership and corporate social transparency.

<b>Yusoff and Alhaji (2012)</b>	7 theories	Desk Review	Incorporating transparency and accountability into corporate governance practices will assist in winning the trust of investors and shareholders, as investors are more interested in businesses that will function honestly. To achieve an efficient, successful, and solid corporate governance approach, the authors advised combining two or more theories.
<b>Licht, Goldschmidt, and Schwartz (2005)</b>	122 samples	Correlational Analysis	The study discovers an association between the investor's legal rights indices and the country's cultural profiles. The result deepens our understanding of the convergence and diversity that make up the corporate governance system.

Source: constructed by the author based on the findings from different authors.

### **1.7 Nexus between Societal & Cultural Values and Corporate Governance Systems**

From a broad perspective, a value system that guides a large proportion of the population is seen as a societal value (Hofstede, 1980). However, it is important to note that societal value dimensions are closely linked with personal actions and preferences. Corporate governance reflects and spells out the mechanisms for controlling and organizing firms. To add specificity to the view of corporate governance, it depicts the arrangement (cultural, legal, and institutional) that governs what is done by a firm, who is in control of the firm, the implementation of the control, and the allocation of the risk and returns generated from the activities of the firm (Feng, Kang, & Nabar, 2017). Studies that have examined corporate governance and firm performance have found a positive association between the two. For instance, it was found in a study conducted during the COVID-19 pandemic by Khatib and Nour (2021) that corporate governance exhibits a positive effect on firm performance. Puni and Anlesinya (2020) also found a positive association between the financial performance of a firm and corporate governance. It was also noted that greater value is created when there is an effective corporate governance structure in place (Cooray, Gunarathne, & Senaratne, 2020).

The structure of an organization and the actions taken are influenced by the social environment it is operating. The environment comprises formal and informal institutions with the former consisting of rules, regulations, and laws that are put in place by the regulatory authorities and government while the latter are norms, beliefs, and values shared by the society's large groups. The life cycle of an organization can be cut short if it lacks the acceptance and support of the social environment where it operates which can threaten the

organizational success. Lattemann (2014) submit that legal enforcements and formal laws are essential for good corporate governance, however, it is not the only factor contributing to it. The informal institutions, societal values to be precise are also crucial to the success of a corporation (Feng, Kang, & Nabar, 2017).

Considering the unique social environment in which organizations are operating, formal and informal institutions are important. A study conducted by Webb et al. (2009), argued that more than half of the economic activities are governed by informal institutions in emerging markets. The supremacy shown over the formal institutions by the informal social institutions makes markets differ from each other. In the developed markets, economic activities are driven more by formal institutions than in the emerging markets where informal institutions are the basis for economic activities. In spite of the significant role played by informal institutions, more recent studies have not explored the effect societal value has on corporate governance. More so, the effort made in analyzing corporate governance in an aggregate approach has not been saturated across country-level.

## **2. Empirical analysis of interrelationships between values and corporate governance systems**

### **2.1 Methodology**

This section describes the research methodology that underlies the study's attempt to address the research issues it sets out to investigate. This part focused on the justification of the research approach, the research design, and the measurement. This study uses a quantitative methodology; thus, we will examine the theories, presumptions, and concepts that inform the analysis. Following the assertion of Collins and Hussey (2003), the term "methodology" refers to the methods and viewpoints of the research process used in the study. The methodology is focused on important factors that direct the research analysis, such as the data used for the study, data collecting, method, and format for the analysis performed.

The method of research analysis chosen for this study is the quantitative approach. The rationale for the chosen method is the conclusion that can be derived about the variables in this study. This strategy will demonstrate the connections between the study's variables. Given that the goal of this study is to identify the relationship between value and corporate governance, experimental research must establish a causal link between the dependent and independent variables. An experimental research design will demonstrate the effects that each variable has on the dependent variable (Reiter, 2000).

This research work seeks to examine the interrelationship between value and corporate governance at the country level. The study aims to achieve the goal of exploring the influence that value has on corporate governance. The effect of the seven attributes of cultural orientation on the corporate governance system is also a concern in this research. To provide the answer to the research questions raised in this study, the experimental research design addresses the cause-and-effect relationships more appropriately.

The analysis will start with descriptive statistics to assess the statistical properties of the data and inferential analysis will be employed to examine the interrelationship. Before the correlation and regression analysis on the cross-sectional data set, the normalization of the data will first be conducted and the dependent variable (corporate governance) measure will be reduced into one component with the principal factor analysis to represent the index. The impact of each value indicator on the corporate governance index will then be examined.

### 2.1.1 Variable Measurement

The variables employed in the study are cultural value orientations as well as business regulations. They are adopted from the work of Banerjee (2020) and are described in detail as follows:

Table 2

*Relevant dimensions of cultural value orientations and doing business.*

<i>Cultural Value Orientations</i>		
<b>Variable</b>	<b>Variable Code</b>	<b>Definition</b>
<b>Harmony</b>	HAR	Focused on the tranquillity of the world where the environment and nature are protected
<b>Embeddedness</b>	EMB	Respect for parents, elders, and traditions, obedient, polite, social order, moderate, forgiving, and national security
<b>Hierarchy</b>	HIE	Humble, wealth, social power and authority
<b>Mastery</b>	MAS	Independent, Ambitious, selecting own goals, social recognition, successful, and influential

<b>Affective Autonomy</b>	AFF	Exciting and enjoying life, varied life
<b>Intellectual Autonomy</b>	INT	Creative, broad-minded, and curious
<b>Egalitarianism</b>	EGA	Equality, responsible, honesty, helpful, loyal, social justice
<b><i>Business Regulations</i></b>		
<b>Starting a business</b>	STB	The mean of the components in starting a business
<b>Getting Credit</b>	GEC	Score reflecting respect to the regulations in getting credit
<b>Minority investors protection</b>	MIP	The score of the regulatory best practice in shielding the minority investors
<b>Paying Taxes</b>	PAT	Score reflecting the indicators of paying taxes
<b>Trading across borders</b>	TAB	The cost and time related to the three sets of the procedure associated with doing business
<b>Enforcing contracts</b>	ENC	The mean score for contract components covering judicial process quality as well as the cost and time it takes to settle a dispute
<b>Resolving insolvency</b>	REI	The average score of the components of resolving insolvency

Source: adapted from Banerjee, 2020

The analysis of Schwartz's cultural value orientations is based on data from the Schwartz Value Survey conducted between 1988 and 2007 to characterize different countries by culture. The survey measures the importance of seven cultural value orientations: Harmony, Embeddedness, Hierarchy, Mastery, Affective Autonomy, Intellectual Autonomy, and Egalitarianism. However, the author was unable to access the *World Bank*'s Doing Business data of 2023, because after 2021 World Bank paused the next Doing Business reports. Therefore, the study used 2020 data from the World Bank's Doing Business regulations to assess the validity of the preliminary typology constructed in this research. The study considered seven attributes measured as scores: Starting a business, Getting credit, Protecting

minority investors, Paying taxes, Trading across borders, Enforcing contracts, and Resolving insolvency.

The research covers 76 countries and these countries are Argentina (ARG), Australia (AUS), Austria (AUT), Belgium (BEL), Bolivia (BOL), Bosnia and Herzegovina (BIH), Brazil (BRA), Bulgaria (BGR), Cameroon (CMR), Canada (CAN), Chile (CHL), China (CHN), Colombia (COL), Costa Rica (CRI), Croatia (HRV), Cyprus (CYP), Czech Republic (CZE), Denmark (DNK), Egypt (EGY), Estonia (EST), Ethiopia (ETH), Fiji (FJI), Finland (FIN), France (FRA), Georgia (GEO), Germany (DEU), Ghana (GHA), Greece (GRC), Hong Kong (HKG), Hungary (HUN), India (IND), Indonesia (IDN), Iran (IRN), Ireland (IRL), Israel (ISR), Italy (ITA), Japan (JPN), Jordan (JOR), Republic of Korea (KOR), Latvia (LVA), Malaysia (MYS), Mexico (MEX), Namibia (NAM), Nepal (NPL), Netherlands (NLD), New Zealand (NZL), Nigeria (NGA), North Macedonia (MKD), Norway (NOR), Oman (OMN), Pakistan (PAK), Peru (PER), Philippines (PHL), Poland (POL), Portugal (PRT), Romania (ROM), Russian Federation (RUS), Senegal (SEN), Serbia (SRB), Singapore (SGP), Slovak Republic (SVK), Slovenia (SVN), South Africa (ZAF), Spain (ESP), Sweden (SWE), Switzerland (CHE), Taiwan (TWN), Thailand (THA), Turkey (TUR), Uganda (UGA), Ukraine (UKR), the United Kingdom (GBR), the United States of America (USA), Venezuela (VEN), Yemen (YEM), and Zimbabwe (ZWE).

## **2.2 Data Analysis and Interpretation**

The empirical analysis described under the methodology of the thesis is carried out in this section of the research work. The section starts with descriptive statistics, followed by correlational analysis, and regression analysis to examine the interrelationship.

### **2.2.1 Descriptive Statistics**

The statistical properties of the variable representing corporate governance index and societal or cultural value orientation. The observation shows that 76 countries make up the sample of the analysis. Of all the 7 indicators of corporate governance, it is only two variables (GEC and TAB) have a minimum value of zero. This indicates that one or two countries scored zero in their rating of getting credit and trading across borders. Further analysis revealed that Venezuela and Yemen had zero scores in their trading across borders while Yemen scored zero in getting credit.

The column labeled mean shows the average value of the variables and the standard deviation reveals the deviation from the mean for each of the variables. The minimum shows

the minimum value and maximum value of each variable.

Table 3

*Descriptive Statistics*

Variable	Obs	Mean	Std. Dev.	Min	Max
STB	76	86.174	10.896	25	99.98
GEC	76	63.882	18.25	0	100
MIP	76	64.811	15.131	10	88
PAT	76	74.534	16.654	11.4	99.71
TAB	76	80.8	21.92	0	100
ENC	76	62.273	11.285	34.29	84.53
REI	76	61.401	18.812	18.5	92.69
HAR	76	4.022	.29	3.43	4.62
EMB	76	3.808	.394	3.1	4.63
HIE	76	2.349	.441	1.49	3.49
MAS	76	3.936	.158	3.6	4.41
AFF	76	3.427	.515	2.13	4.39
INT	76	4.309	.38	3.58	5.13
EGA	76	4.676	.268	4.13	5.27

Source: compiled by the author using STATA 17

### 2.2.2 Correlational Analysis

Correlational analysis revealed the association between two variables and the direction of the association. The result of the correlational relationship showed a mixed association in which some turned out positive and others negative. Considering the number of relationships we have, we will only report the significant associations.

Embeddedness is associated with Starting a business and the direction is negative while a positive association exists between Affective Autonomy, Intellectual Autonomy, and Starting a business. The second column in which Getting Credit is found to be positively associated with it. Embeddedness has an inverse association with Minority investors' protection. However, a positive association is found between Mastery, Affective Autonomy, Intellectual Autonomy, and Minority investors' protection. Embeddedness is found to also exhibit a negative association with Paying Taxes. However, Affective Autonomy and Intellectual Autonomy have a positive association with Paying Taxes. The association between HAR and Trading across borders is positive while that of Embeddedness and Hierarchy is negatively associated with Trading across borders. Furthermore, Affective Autonomy, Intellectual Autonomy, and Egalitarianism are also positively related to Trading across borders. Embeddedness is found to be negatively related to Enforcing contracts while in the opposite direction, Affective

Autonomy and Intellectual Autonomy are positively related to Enforcing contracts. Similar to Trading across borders, HAR exhibits a positive association with Resolving insolvency while Embeddedness and Hierarchy exhibit an inversely related association with Resolving insolvency. Affective Autonomy, Intellectual Autonomy, and Egalitarianism are positively related to Resolving insolvency.

Table 4

*Pairwise correlations*

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(1) STB	1.000													
(2) GEC	0.367*	1.000												
(3) MIP	0.613*	0.505*	1.000											
(4) PAT	0.672*	0.288*	0.538*	1.000										
(5) TAB	0.537*	0.281*	0.546*	0.649*	1.000									
(6) ENC	0.418*	0.226*	0.321*	0.565*	0.539*	1.000								
(7) REI	0.530*	0.250*	0.584*	0.589*	0.695*	0.436*	1.000							
(8) HAR	0.095	-0.116	-0.068	0.077	0.366*	0.169	0.298*	1.000						
(9) EMB	-0.297*	0.193	0.330*	0.401*	0.583*	0.417*	0.645*	0.479*	1.000					
(10) HIE	-0.102	0.129	0.044	-0.203	-0.295*	0.099	0.360*	0.578*	0.491*	1.000				
(11) MAS	0.025	0.249*	0.251*	0.041	0.075	0.025	-0.037	-0.382*	-0.113	0.402*	1.000			
(12) AFF	0.327*	0.231*	0.446*	0.515*	0.593*	0.382*	0.630*	0.259*	-0.857*	-0.386*	0.177	1.000		
(13) INT	0.229*	0.081	0.226*	0.344*	0.595*	0.382*	0.626*	0.553*	-0.895*	-0.556*	0.054	0.752*	1.000	
(14) EGA	0.127	-0.119	0.004	0.010	0.125	0.040	0.265*	0.366*	-0.546*	-0.537*	0.200	0.338*	0.499*	1.000

\*\*\* $p < 0.01$ , \*\* $p < 0.05$ , \* $p < 0.1$

Source: compiled by the author using STATA 17

### 2.2.3 Principal Component Analysis (PCA)

The principal component was employed to generate the data for the corporate governance index. The variance of the seven metrics of doing business was modeled by the PCA. The PCA serves as the best tool as it helps to capture all the statuses for corporate governance. It also preserves the information of the original data set while condensing the data set. Based on the coefficient of the Eigenvalue that is close to one, the first two components

were picked as the two sufficiently explain about 70 percent of the maximum variance.

Table 5

*Principal Components*

Component	Eigenvalue	Difference	Proportion	Cumulative
Comp1	3.96849	3.0116	0.5669	0.5669
Comp2	0.956896	0.307278	0.1367	0.7036
Comp3	0.649619	0.12074	0.0928	0.7964
Comp4	0.528879	0.192277	0.0756	0.872
Comp5	0.336601	0.048527	0.0481	0.9201
Comp6	0.288074	0.016636	0.0412	0.9612
Comp7	0.271439	.	0.0388	1

Source: compiled by the author using STATA 17

### 2.2.4 Regression Analysis

To examine the impact of the value of the corporate governance index, this study developed a corporate governance index using the seven scales that pertains to doing business. The author first standardises the data through normalization and then reduces the data to a single index using principal component analysis. However, to run the regression with the corporate governance index as the dependent variable using each value orientation as the independent variable and in the final model, we use all the value orientation variables in one equation.

The impact of Embeddedness is negative on corporate governance and this effect is highly significant. Affective Autonomy exhibits a positive relationship with the dependent variable and the relationship is highly significant. Intellectual Autonomy is also highly significant and exerts a positive relationship with the corporate governance index. However, when all the independent variables are plugged into the model under column (8) where we have just only two variables that came out significant. Affective Autonomy has a positive relationship with the corporate governance index while Egalitarianism maintains a negative relation and both are highly statistical significance.

When all the variables of value orientation are included in the model, the R-square value of 0.386 revealed that the combination of the societal and cultural value orientation explains about 38 percent of the variability in the corporate governance of the sample in the study. Indicating the important impact that value orientation has on the corporate governance system

Table 6

*Regression using Corporate Governance Index as Dependent Variable*

VARIABLES	(1) HAR	(2) EMB	(3) HIE	(4) MAS	(5) AFF	(6) INT	(7) EGA	(8) <i>ALL</i>
HAR	0.732 (0.642)							-0.336 (0.776)
EMB		-2.168*** (0.405)						-1.907 (1.342)
HIE			-0.547 (0.421)					0.192 (0.517)
MAS				1.411 (1.181)				-0.761 (1.275)
AFF					1.842*** (0.295)			1.165* (0.651)
INT						1.905*** (0.442)		-0.318 (0.997)
EGA							0.472 (0.700)	-1.378* (0.797)
Constant	-2.946 (2.588)	8.257*** (1.551)	1.286 (1.006)	-5.556 (4.654)	-6.311*** (1.023)	-8.208*** (1.911)	-2.208 (3.279)	14.978 (15.257)
Observations	76	76	76	76	76	76	76	76
R-squared	0.017	0.279	0.022	0.019	0.345	0.201	0.006	0.386

Standard errors in parentheses  
 \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Source: compiled by the author

### 2.3 Discussion of findings

This study examined the interrelationship between the corporate governance system and societal value orientations using the Schwartz value orientation and the doing business of the World Bank. The first two aims of this research have been addressed in the previous section of this study while this study provides the empirical study investigating the interrelations between the two phenomena. Author found from the correlation analysis that the association follows a mixed direction. This finding is in agreement with the findings of Licht (2014) who found a correlational association between some sets of legal rules and egalitarianism. This current study only found a significant association between egalitarianism and resolving insolvency which is a doing business metric that addresses the legal framework. These findings also affirm the study conducted by Siegel, Licht, and Schwartz that found a positive correlation

between legal rules and egalitarianism.

The challenge of striking a balance in the pursuit of opportunities that abound in the market and maintaining ethical integrity has risen from the inception of the joint stock company and remains till today. The association and relationship that we observed with the cultural value and corporate governance system revealed that the responsibility and accountability of business ventures have been consistently subjected to question. The role that business ethics and corporate governance plays in the advent of the global financial crisis has also been seen with the relationship in which many of the societal and cultural values has a highly significant effect on the corporate governance index. This raises more awareness of getting a better corporate governance system. Considering the impact that value orientation has on corporate governance, developing high ethically informed system must be a paramount goal.

Societal and cultural values as examined in the literature review section include elements that significantly influence factors like the economy as a whole, employment, education, wellbeing and health, skills and training, air quality, environment, and carbon emissions that have an effect on people. This stresses the need for corporations to pay attention more to it. Corporations' understanding their place in vibrant local communities and routinely reviewing, reporting, and celebrating the value they add to the areas where people live, work, and play are good social responsibility practices for any business.

In light of these findings, following the Anglo-Saxon global type of corporate governance system that only pays attention to the shareholders only in the process of business management can be destructive to corporations. Considering that the value of the society has a significant impact on the corporate governance system, it is important that those value orientations that have significant effect should not be overlooked. More so, to achieve the expectation of the shareholders as counted the most important in the shareholder-based corporate governance model, it can not be done in isolation. All other stakeholders, society inclusive, must be accounted for to record tangible success. The model only assumes that competition and market system will constrain the business to act in line with the interest of the shareholders but the significant value orientation observed in this study showed that beyond those two (competition and market system), there are other things that can influence the action of the business.

The submission of the local-type corporate governance system partly aligns with the findings of this study. Based on the fact that some of the societal and cultural value orientations have significant effect on the corporate governance system, meeting the expectations of shareholders without totally neglecting other stakeholders is paramount to the survival and

longevity of a corporation. Main objective of the corporate governance system must incorporate the interest of the society and the social responsibility towards the society.

However, the GLOCAL type of governance idea is found more appealing in the finding of this study compared to others. Beyond the interest of the shareholder or considering the interest of the society. This idea also pays attention to the service and product that is offered. Since association is established with some of the societal value orientation, adapting the worldwide or global service offered by the corporation to include the cultural norm, local regulations, as well as individual taste will benefit the corporation more. Companies that are operating a decentralised authority system will have the chance of tailoring their operations to align with the standard of the cultural settings without letting eyes of their global goals.

More so, considering that some of the value orientation has a negative association and impact with the corporate governance index, maintaining a mix of the types of corporate governance as identified by Hilb (2016) will be a better framework to contextualise the corporate governance index. Having corporate governance guided by an entrepreneurial and moral basis is good for businesses. At the point where value is exhibiting negative outcomes must be carefully addressed to avoid corporate crises. Therefore, applying each of the value orientation must be cautiously done in order to get the best out of the system.

### **Conclusion**

This study explained the interrelationship between values and corporate governance systems by answering the research questions identified by the author. In this part, the author covers all the findings and conclusions of this study.

In the first chapter of the thesis, the author has created a systematic review of theories and approaches to values and corporate governance systems. The second chapter of the thesis covers research and methodology in which the author made reviews and conducted the analysis.

Firstly, the author analyzed the concept itself and gave a wide explanation from authors of previous studies about corporate governance systems and values. As corporate governance systems are country-level phenomena, the author chose societal and cultural values as a most relevant focus. With this in mind, the author explains the concept of values and their role in shaping societal and cultural behavior. It highlights the different definitions of values from previous studies and their importance in giving insight into personal and social change. Also explores the concept of social and cultural values and how they relate to different aspects of

society. The author emphasizes Schwartz's three bipolar dimensions of cultural values and how they address societal challenges. On the top of it, the author described the corporate governance system and its' models which is important for understanding the nexus between corporate governance systems and values. This concludes the first and second research tasks and leads the author to analyze the interrelationships of values and corporate governance systems.

The author analyzed the interrelationship between the corporate governance system and societal value orientations using data from the World Bank's Doing Business regulations and Schwartz's cultural value orientations (Schwartz, 2008b). However, this study analyzed data from 76 countries on Schwartz's value orientations and seven indicators of corporate governance, including starting a business, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency.

The author used principal component analysis to generate a corporate governance index and then used regression analysis to examine the impact of value orientations on the index. The author found that the combination of cultural value orientations explains about 38 percent of the variability in the corporate governance of the sample in the study, indicating the important impact that value orientation has on the corporate governance system. The study also found a mixed association between value orientations and corporate governance indicators, with some relationships being positive and others negative.

To further examine the interrelationship between the value and corporate governance, regression analysis was employed too. The findings regarding the significance of the relationship and the direction of it slightly vary from what we found in the correlation analysis. The regression was first run on using individual value orientation as the dependent variable and then later include all the societal value orientation together. The author observed that some of the value orientations exhibit positive relationships while others exhibit negative relationships. For instance, the intellectual autonomy variable was positive when it was examined on the corporate governance index alone, but when it was combined with all other value orientations, the impact became negative. Still looking at the twist when variables are alone and when combined with other variables to examine their impact on the corporate governance, egalitarianism had insignificant effect as the only dependent variable but when combined with all other value orientation variables, its effect on corporate governance became positive.

Author has also discussed the empirical results of this bachelor thesis and compared the results with previous researches in this topic. The findings of this thesis generally affirm with the conclusions of previous studies.

All in all, this bachelor thesis was the first attempt to analyse the interrelationships between societal and cultural values with corporate governance systems using the principal component analysis to generate a corporate governance index and then regression analysis to examine the impact of value orientations on the index. When considering the future scope of this topic, the author believes there is still a gap remaining to examine the interrelationships between values and corporate governance systems while societal and cultural values are changing over the time. To advance the contribution of this current thesis, future research work may consider bringing in other factors that have influence on the corporate governance index to see if the impact of value will be unaffected or change. When more recent data are released, future studies can use this to further assess the current trend between values and corporate governance.

### **Recommendations of the Study**

Based on the findings of this thesis that examined the relationship between societal value orientations and corporate governance, the following recommendations were given:

- i. Considering that there are significant associations and relationships between the phenomenon, companies are to pay attention to the cultural and societal values around their environment of operations and anywhere they plan to expand their operations to.
- ii. Policymakers must also carefully consider the combinations of each value orientation in line with their corporate governance to avoid getting an adverse or negative outcome.

### **Limitation of the Study**

This present study has contributed to the discourse on cultural and societal value orientation and corporate governance. However, this was not achieved without encountering some form of limitation or the other. The main limitation that was faced in this study is the availability of more recent data to conduct the analysis and provide empirical evidence to support the argument of this research work. Time was also a constraint as the study was conducted in a very short time frame that did not permit looking at other various variables that can influence the relationship between value and corporate governance.

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## Appendix A

Economy	Code	STB	GEC	PMI	PAT	TAB	ENC	REI	HAR	EMB	HIE	MAS	AFF	INT	EGA
Argentina	ARG	80.43	50.00	62.00	49.34	67.09	57.51	40.03	3.98	3.52	2.10	3.92	3.73	4.34	4.96
Australia	AUS	96.60	95.00	64.00	85.67	70.30	79.00	78.86	3.99	3.59	2.29	3.97	3.86	4.35	4.79
Austria	AUT	83.25	55.00	70.00	83.50	100.00	75.49	77.39	4.31	3.11	1.75	3.92	4.29	4.90	4.89
Belgium	BEL	92.32	65.00	68.00	78.38	100.00	64.25	84.07	4.35	3.25	1.69	3.84	3.94	4.64	5.20
Bolivia	BOL	69.36	35.00	38.00	21.62	71.59	55.57	42.29	4.11	4.07	2.66	3.87	2.71	4.34	4.74
Bosnia and Herzegovina	BIH	60.03	65.00	56.00	60.43	95.73	57.82	68.22	3.88	4.01	1.73	3.79	3.30	4.18	4.66
Brazil	BRA	81.29	50.00	62.00	34.40	69.85	64.08	50.41	4.03	3.62	2.37	3.93	3.52	4.27	4.89
Bulgaria	BGR	85.40	65.00	74.00	72.32	97.41	67.04	57.81	4.13	3.87	2.68	4.02	3.47	4.29	4.13
Cameroon	CMR	86.27	60.00	28.00	36.34	15.99	39.91	36.63	4.19	4.46	2.46	3.60	2.13	3.58	4.68
Canada	CAN	98.24	85.00	84.00	88.05	88.36	57.13	81.03	3.99	3.31	1.98	4.04	4.16	4.66	4.89
Chile	CHL	91.43	55.00	66.00	75.28	80.56	64.72	60.06	4.33	3.64	2.25	3.78	3.03	4.32	5.06
China	CHN	94.09	60.00	72.00	70.06	86.50	80.91	62.07	3.78	3.74	3.49	4.41	3.30	4.18	4.23
Colombia	COL	87.02	90.00	80.00	58.62	62.72	34.29	71.37	3.66	3.86	2.90	4.03	3.61	4.30	4.69
Costa Rica	CRI	79.91	85.00	48.00	77.99	77.60	55.19	34.64	4.13	3.49	2.29	4.01	3.49	4.37	4.85
Croatia	HRV	85.28	50.00	70.00	81.85	100.00	70.60	56.46	4.02	4.00	2.55	4.05	3.92	4.35	4.60
Cyprus	CYP	92.04	60.00	76.00	85.48	88.44	48.59	72.52	4.01	4.04	1.96	3.95	3.21	3.83	4.85
Czech Republic	CZE	82.06	70.00	62.00	81.35	100.00	56.38	80.08	4.27	3.59	2.22	3.75	3.49	4.62	4.45
Denmark	DNK	92.70	70.00	72.00	91.14	100.00	73.92	85.14	4.16	3.19	1.86	3.91	4.30	4.77	5.03
Egypt	EGY	87.84	65.00	64.00	55.14	42.23	39.97	42.24	3.98	4.45	2.20	3.66	2.50	3.90	4.42
Estonia	EST	95.36	70.00	58.00	89.88	99.92	76.06	60.06	4.31	3.81	2.04	3.79	3.36	4.23	4.58
Ethiopia	ETH	71.70	15.00	10.00	63.26	56.00	62.77	30.34	4.19	4.54	2.33	3.79	2.61	3.94	4.40
Fiji	FJI	73.56	25.00	54.00	71.08	77.89	57.05	43.78	3.83	4.33	2.58	3.77	3.20	3.85	4.67
Finland	FIN	93.47	60.00	62.00	90.89	92.44	66.40	92.69	4.34	3.37	1.80	3.66	3.96	4.93	4.90
France	FRA	93.15	50.00	68.00	79.18	100.00	73.47	74.62	4.21	3.20	2.21	3.72	4.39	5.13	5.05
Georgia	GEO	99.62	85.00	84.00	89.19	90.07	75.04	56.17	4.09	4.12	2.46	3.73	3.47	4.00	4.66
Germany	DEU	83.67	70.00	62.00	82.16	91.77	74.10	89.81	4.54	3.10	1.82	3.93	4.20	4.84	5.01
Ghana	GHA	84.96	60.00	60.00	56.03	54.84	54.00	25.41	3.53	4.27	2.68	4.12	2.49	3.89	4.73
Greece	GRC	96.00	45.00	70.00	77.14	93.72	48.12	53.13	4.40	3.41	1.83	4.25	3.92	4.39	4.84
Hong Kong	HKG	98.22	75.00	84.00	99.71	95.04	69.13	65.67	3.50	3.76	2.91	4.08	3.20	4.28	4.50
Hungary	HUN	88.19	75.00	54.00	80.57	100.00	70.98	55.03	4.34	3.60	1.94	3.73	3.63	4.57	4.51
India	IND	81.60	80.00	80.00	67.63	82.46	41.19	61.95	3.92	3.97	3.05	4.28	3.48	4.02	4.45
Indonesia	IDN	81.21	70.00	70.00	75.75	67.54	49.09	68.07	3.82	4.27	2.56	3.84	3.41	3.94	4.32
Iran	IRN	67.80	50.00	40.00	59.54	66.20	58.21	35.07	3.69	4.18	3.23	3.91	2.97	3.96	4.53
Ireland	IRL	94.40	70.00	80.00	94.59	87.25	57.88	79.15	3.77	3.41	2.09	4.04	4.05	4.54	4.90
Israel	ISR	94.08	70.00	78.00	89.61	83.42	58.86	72.74	3.43	3.85	2.56	4.06	3.58	4.41	4.69
Italy	ITA	86.81	45.00	66.00	63.95	100.00	53.11	77.48	4.62	3.46	1.60	3.81	3.30	4.91	5.27
Japan	JPN	86.10	55.00	64.00	81.63	85.94	65.26	90.22	4.21	3.49	2.65	4.06	3.76	4.78	4.36
Jordan	JOR	84.50	95.00	50.00	78.72	79.03	55.56	39.68	3.67	4.20	2.50	4.20	3.36	4.05	4.40
Republic of Korea	KOR	93.36	65.00	74.00	87.42	92.52	84.15	82.88	3.57	3.68	2.90	4.21	3.46	4.22	4.42
Latvia	LVA	94.14	85.00	68.00	89.00	95.26	73.51	59.79	4.46	3.83	1.80	3.75	3.48	4.22	4.32
Malaysia	MYS	83.32	75.00	88.00	75.96	88.47	68.23	67.04	3.65	4.35	2.25	3.91	2.98	4.15	4.41
Mexico	MEX	86.07	90.00	62.00	65.81	82.09	67.01	70.35	4.50	3.90	2.13	3.90	2.83	4.36	4.73
Namibia	NAM	72.20	60.00	56.00	74.52	61.47	63.44	36.93	3.74	4.04	2.53	4.06	3.29	4.03	4.48
Nepal	NPL	81.66	75.00	58.00	47.15	85.14	45.99	47.20	4.34	4.18	3.03	4.13	2.99	4.07	4.63
Netherlands	NLD	94.34	45.00	58.00	87.41	100.00	59.94	84.42	4.05	3.19	1.91	3.97	4.13	4.85	5.03
New Zealand	NZL	99.98	100.00	86.00	91.05	84.63	71.48	69.48	4.03	3.27	2.27	4.09	4.21	4.65	4.94
Nigeria	NGA	86.22	85.00	72.00	53.68	29.20	61.46	30.59	3.75	4.41	2.72	3.90	2.54	3.66	4.79
North Macedonia	MKD	88.62	80.00	82.00	84.72	93.87	66.01	72.73	4.03	3.91	2.72	4.00	3.01	4.24	4.40
Norway	NOR	94.34	55.00	76.00	85.13	96.97	81.27	85.39	4.40	3.45	1.49	3.85	3.69	4.68	5.12
Oman	OMN	93.46	35.00	56.00	90.16	84.07	61.87	43.98	3.71	4.50	2.15	3.83	2.87	3.73	4.49
Pakistan	PAK	89.27	45.00	72.00	52.93	68.83	43.49	58.99	3.99	4.31	2.44	4.00	3.11	3.76	4.65
Peru	PER	82.13	75.00	68.00	65.78	71.25	59.07	46.56	3.71	3.92	2.76	4.08	2.98	4.30	4.84
Philippines	PHL	71.28	40.00	60.00	72.56	68.45	45.96	55.08	4.04	4.03	2.68	3.76	3.00	3.95	4.59
Poland	POL	82.91	75.00	66.00	76.43	100.00	64.36	76.53	3.86	3.86	2.51	3.84	3.32	4.31	4.48
Portugal	PRT	90.90	45.00	62.00	83.75	100.00	67.91	80.17	4.27	3.43	1.89	4.11	3.62	4.53	5.21
Romania	ROM	87.68	80.00	62.00	85.22	100.00	72.25	59.13	4.11	3.78	2.00	4.06	3.45	4.61	4.48
Russian Federation	RUS	93.06	80.00	60.00	80.47	71.76	72.18	59.10	3.90	3.81	2.72	3.96	3.51	4.30	4.38
Senegal	SEN	91.19	65.00	44.00	51.24	60.85	50.61	44.26	3.58	4.45	2.63	3.74	2.39	3.89	4.92
Serbia	SRB	89.25	65.00	70.00	75.30	96.57	63.14	67.00	3.96	3.57	1.61	4.03	3.70	4.72	4.44
Singapore	SGP	98.23	75.00	86.00	91.58	89.57	84.53	74.32	3.76	4.00	2.82	3.88	3.30	3.86	4.60

Slovak Republic	SVK	84.81	70.00	56.00	80.62	100.00	66.12	65.45	4.47	3.82	2.00	3.83	2.99	4.29	4.58
Slovenia	SVN	93.03	45.00	78.00	83.27	100.00	54.82	84.40	4.45	3.71	1.62	3.71	3.72	4.88	4.56
South Africa	ZAF	81.22	60.00	80.00	81.25	59.64	56.88	54.59	3.86	4.03	2.59	3.89	3.48	3.85	4.52
Spain	ESP	86.95	60.00	72.00	84.74	100.00	70.90	79.22	4.47	3.31	1.84	3.80	3.67	4.99	5.23
Sweden	SWE	93.11	60.00	72.00	85.28	98.04	67.61	79.51	4.46	3.12	1.83	3.81	4.24	5.09	4.90
Switzerland	CHE	88.44	65.00	50.00	87.66	96.06	64.09	62.65	4.17	3.19	2.24	3.86	4.29	4.99	4.99
Taiwan	TWN	94.44	50.00	76.00	84.31	84.94	75.11	77.06	4.12	3.82	2.69	4.00	3.27	4.36	4.31
Thailand	THA	92.36	70.00	86.00	77.72	84.65	67.91	76.79	3.84	4.02	3.23	3.88	3.63	4.02	4.29
Turkey	TUR	88.79	75.00	76.00	86.64	91.63	71.40	38.46	4.23	3.77	2.97	3.98	3.37	4.45	4.77
Uganda	UGA	71.38	60.00	56.00	73.10	66.73	60.60	43.57	3.97	4.23	2.99	4.02	2.68	3.80	4.39
Ukraine	UKR	91.08	75.00	68.00	78.05	80.13	63.59	31.40	3.87	3.93	2.56	3.99	3.49	4.08	4.31
United Kingdom	GBR	94.58	75.00	84.00	86.18	93.76	68.69	80.32	3.91	3.34	2.33	4.01	4.26	4.62	4.92
United States	USA	91.59	95.00	71.60	86.76	92.01	73.44	90.48	3.46	3.67	2.37	4.09	3.87	4.19	4.68
Venezuela	VEN	25.00	40.00	24.00	11.40	0.00	46.89	18.50	3.99	3.74	2.09	4.01	3.26	4.44	4.77
Yemen	YEM	76.84	0.00	26.00	74.13	0.00	48.52	26.92	3.70	4.63	2.28	3.79	2.44	3.68	4.73
Zimbabwe	ZWE	72.00	65.00	54.00	58.71	54.34	39.66	32.88	3.62	4.04	2.67	4.19	3.60	3.80	4.30

Source: Schwartz, 2008b and The World Bank Group, 2020

## Resümee

### VÄÄRTUSTE JA ETTEVÖTTE JUHTIMISE SÜSTEEMIDE VAHELISED SEOSSED

Vusal Salimli

Käesolev töö uurib ühiskondlike ja kultuuriliste väärtusorientatsioonide ning ettevõtte juhtimise vahelisi seoseid riigi tasandil. Eesmärk on uurida väärtuste mõju ettevõtte juhtimisele ning see aitab meil täita kirjanduses leiduvaid lünki ja saada parem arusaam sellest, kuidas sotsiaalsed ja kultuurilised väärtused ettevõtte juhtimissüsteemides olulist rolli mängivad. Olemasolevad teooriad ei paljasta alati piisavalt ühiskondlike ja kultuuriliste väärtuste ning ettevõtte juhtimissüsteemide vahelisi seoseid.

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