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Corporate governance codes: a review and research agenda

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ABSTRACT

Manuscript Type: Review

Research Question/Issue: This study reviews previous country-level and firm-level studies on corporate governance codes up to 2014 in order to highlight recent trends and indicate future avenues of research.

Research Findings/Results: Our data show that research on codes increases over time consistently with the diffusion and the relevance of the empirical phenomenon. Despite previous studies have substantially enriched our knowledge of the antecedents and the consequences of governance codes, our study shows there are still several opportunities for making significant contributions in this area.

Theoretical Implications: Agency theory is the dominant theoretical framework, although other theoretical perspectives (especially the institutional one) are increasingly adopted. Future studies should be aimed at widening and combining various theoretical lenses so as to develop new interpretations and a better understanding of governance codes.

Practical Implications: Legislators and policy makers should continue to develop and update the recommendations of national governance codes in order to address the potential failures of corporate governance mechanisms in place.

Keywords: Corporate Governance, Good Governance Codes, Corporate Governance Guidelines.

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INTRODUCTION

Since the publication of the Cadbury Code in 1992 there has been a proliferation of corporate governance codes and guidelines (hereafter codes). As a result, over the last two decades codes have become a popular means of encouraging corporations to increase their transparency and accountability (Mallin, 2013). Simultaneously with the worldwide diffusion of corporate governance codes, governance scholars have increasingly devoted their attention to understand codes' characteristics, the rationale behind their diffusion and the implications for governance effectiveness and firm performance.

Despite the increasing attention by governance scholars, a previous review (Aguilera and Cuervo-Cazurra, 2009) covering publications on this topic until the middle of 2008 showed that there was still 'an apparent lag between advances in the creation of codes and the studies analyzing the importance of codes' (p.385). To address this lag, the review invited governance scholars to extend their studies in several directions, e.g. to provide a more careful examination of the codes' content, to analyze the effects of the code's issuer on its content and enforceability, to examine the consequences of codes issued by transnational institutions, to analyze the evolution of codes over time, and to explore in more depth the relationship between code compliance and firm performance.

In addition, the recent financial crisis and the related corporate scandals have underlined the failure of existing governance mechanisms, including good governance codes. Therefore scholars, public opinion and politicians have invited the legislators and the financial community to reinforce both regulations (hard law) and governance codes (soft law) in order to increase transparency and accountability of, and to restore battered reputations and investor confidence in, financial and non-financial companies (e.g. Mallin, 2013; Zattoni and Cuomo, 2010). As a consequence, since the first appearance of the global financial crisis in 2007-08, the number of corporate governance codes increased exponentially over time.

Consistent with the growing diffusion of codes and the call for new research on this topic (Aguilera and Cuervo-Cazurra, 2009), there has been a proliferation of studies on governance codes so that the number of papers published after 2008 is significantly higher than the number of papers published before then. After such a recent and intense effort to reform corporate governance practices and to investigate the characteristics and the effectiveness of corporate governance codes, it is time to undertake a comprehensive review of the contribution of such a large flow of studies to the advancement of our understanding of codes.

That being said, the aim of this article is to undertake a review of previous country-level and firm-level studies on corporate governance codes in order to take stock of the knowledge accumulated and to highlight future avenues of research. This study extends the results of a previous review on codes (Aguilera and Cuervo-Cazurra, 2009) by significantly increasing the number of papers and by expanding the length of the period under investigation. The review focuses on more recent phenomena, such as transnational codes, the diffusion of soft law, the impact of the global financial crisis on the developments of governance codes and the co-existence of hard and soft law. At the same time, the review devotes particular attention to more recent studies, i.e. the ones published between 2009 and 2014.

In order to reach this goal, we first empirically analyze the speed and the path of the worldwide diffusion of corporate governance codes issued until the end of 2014. For this purpose, we take a wide view of 'codes', i.e. we analyze formal as well as informal codes, including also national and transnational principles and guidelines, e.g. Pan-European, and Organisation for Economic Co-operation and Development (OECD) principles. Then, following previous reviews (e.g. Pugliese et al., 2009), we analyze the literature and codify previous studies on corporate governance codes using the following criteria: (i) the type of articles (i.e. conceptual, empirical), (ii) the theories used (i.e. agency, institutional, other theories, multiple theories), (iii) the research topics (at both country-level and firm-level). In addition, only for empirical studies, we consider also: (iv) the research setting (i.e. single country or multiple-countries), (v) the data analysis (qualitative, quantitative, mixed methods and experiment). Finally, for each paper we identify the major findings.

The plan of the paper is straightforward. First, we describe the diffusion and the characteristics of corporate governance codes around the world. Second, we present the method used to select and analyze previous studies on codes and we summarize their characteristics. Third, we outline the results of our review of recent country-level and firm-level studies on corporate governance codes. Then, in the discussion section, we integrate previous literature and empirical evidence on corporate governance codes, highlight new directions for future research and discuss the main limitations of our review. Finally, we present the main conclusions of our study.

CORPORATE GOVERNANCE CODES

Aims and scope of codes

Contrary to other forms of regulation (i.e. hard law or hard regulation such as the Sarbanes-Oxley Act of 2002), governance codes (i.e. a form of soft law or soft regulation) are "formally nonbinding and voluntary in nature, issued by multi-actor committees, flexible in their application, built on the market mechanism for evaluation of deviations and evolutionary in nature" (Haxhi and Aguilera, 2014, p.2). They provide a voluntary means for innovation and improvement of corporate governance practices as the “comply or explain” and the “freedom with accountability” principles form the foundation of their application (Aguilera and Cuervo-Cazurra, 2004 and 2009; Mallin, 2013). This means that companies have the option to comply with codes’ recommendations or to explain the reasons why they do not comply. The rationale behind these principles is to allow firms some flexibility – i.e.

to choose which corporate governance structure to adopt to better pursue their objectives – while guaranteeing better transparency to the market.

Following the dominant agency theory (e.g. Fama and Jensen, 1983; Jensen and Meckling, 1976), corporate governance codes encourage the board of directors to play an active and independent role in controlling the behavior of top management. Consistent with this view, the main codes' recommendations on boards suggest increasing the number of non-executive and independent directors, the splitting of Chairman and CEO roles, the creation of board committees (audit, remuneration, and nomination committees) made up of independent non-executive directors and several other practices aimed at increasing board accountability and effectiveness (see Aguilera and Cuervo-Cazurra, 2009; Zattoni and Cuomo, 2008).

Corporate governance codes can be designed at three hierarchical levels: international, national and individual firm level. First, there are codes issued by transnational institutions (such as Pan-European, Commonwealth, OECD, International Corporate Governance Network (ICGN)) to promote the diffusion of good governance practices around the world or to increase governance standards in a specific geographic region. Second, there are codes issued – individually or jointly – by several institutions within individual countries (e.g. the stock exchange, the government, and also investors', directors', managers' or professional associations) with the objective of positively influencing corporate governance practices in that specific national environment. Third, there are codes issued by individual firms (such as the code issued by General Motors) whose objective is to establish, and to communicate to investors and other stakeholders, the governance principles adopted by the firm.

Regarding national codes, Aguilera and Cuervo-Cazurra (2004) show that the type of issuer differs across and within countries. In addition, they show that the type of institutional pressure to adopt codes' recommendations varies with the type of issuer: it is a coercive pressure when codes are issued by the stock exchange or investors, a mimetic pressure when codes are issued by a managers' association and a normative pressure when they are issued by the remaining types of issuers.

National and international codes are generally issued for listed companies, although there are also codes designed for non-listed companies or even for both listed and non-listed companies. More recently, there has also been the issuance of codes designed for companies with a specific ownership structure (e.g. state-owned or family-owned), for different types of financial institutions (e.g. commercial banks, institutional investors, mutual funds) or for voluntary and charitable organizations.

The disclosure of the compliance with national corporate governance codes differs among countries. More precisely, the disclosure on the adoption or explanation can be mandatory (i.e. voluntary adoption and mandatory disclosure) or voluntary (i.e. voluntary adoption and voluntary disclosure). On the one hand, this mandatory disclosure can be required by the listing authority (as, for example, in Australia, Canada, Estonia, Luxembourg, Malta, Malaysia, Russia, Singapore and the UK,) or by law (as, for example, in several EU countries, including Belgium, France, Germany, Italy, the Netherlands and Spain[1]). When the disclosure of governance practices is mandatory, the effectiveness of governance codes increases, because the external (i.e. market) disciplinary mechanism can work well only with informative disclosure on adoption and/or explanation.

On the other hand, the voluntary adoption and the voluntary disclosure of corporate governance practices (that is the standard in some emerging economies – e.g. Algeria, Lebanon, Tunisia and Yemen - and even for companies listed on the Alternative Investment Market in the UK until August 2014) is less informative and noisier because when the company does not disclose its governance practices, investors cannot understand if the company does not adopt the best practices or adopts the best practices, but does not disclose their adoption. Such lack of disclosure may decrease the effectiveness of governance codes (soft law), because external (i.e. market) disciplinary mechanisms cannot work well without informative disclosure on adoption and/or explanation.

Despite the several positive aspects of the “comply or explain” approach, scholars cast doubts on its effectiveness (e.g. Pietrancosta, 2011). First, contrary to hard law regulation, codes cannot improve the governance practices of all companies as they leave them free to comply, or not, with the requirements of the code. In addition, the empirical evidence also shows that when companies comply with codes’ recommendations, they comply more in form than in substance (e.g. Krenn, 2014). As a result, codes can help avoid, or significantly reduce, the use of bad governance practices, but they are unable to promote the universal adoption of best governance practices (Haxhi and Aguilera, 2014).

At the same time, hard law regulation also has both positive and negative implications for governance practices. Previous studies show, in fact, that the Sarbanes-Oxley Act favored de-listings and discouraged IPOs in the US due to the increased costs of compliance with regulation (Sasseen and Weber, 2006). These costs can be particularly high for some types of firms, such as small firms (e.g. Block, 2004; Engel, Hayes and Wang, 2007) and poorly performing firms (Leuz, Triantis and Wang, 2008). On the other hand, some recent studies show that the benefits of being cross-listed on US stock exchanges continue to exceed the costs and that it is more beneficial to be cross-listed in the US than in the UK (Bartlet, 2009; Zingales, 2007).

In sum, it is still too early to judge the efficacy of both the hard law and the soft law approaches. First, the effectiveness of these two approaches can vary in different contexts (Aguilera, Goyer and Kabbach-Castro, 2013; Pietrancosta, 2011). Second, soft law is increasingly seen as a complementary rather than an alternative way to solve corporate governance problems (Hopt, 2011). A few recent studies (Carvalho and Pennacchi, 2012; Chavez and Silva, 2009) show that Brazil is successfully adopting hybrid versions of these two forms of regulation to overcome the rent seeking action by interest groups opposed to reforms. Coherently, scholars call for additional studies on the co-existence of hard and soft law regulations in the field of corporate governance (Aguilera et al., 2013).

Diffusion of codes around the world

We collected information on the speed and the path of the diffusion of governance codes around the world up to the end of 2014 in order to update the results of previous studies (Aguilera and Cuervo-Cazurra, 2004 and 2009) and to highlight both the role of transnational institutions and the impact of the global financial crisis. We took a wide view of codes and we built a database of all corporate governance codes including formal as well as informal codes, national as well as transnational ones. Our main source of information was the "Codes and Principles" section on the European Corporate Governance Institute website (http://www.ecgi.org). For reasons of consistency, we excluded laws and legal regulations, reports on compliance with codes already issued, initial drafts, consulting firm reports, and codes targeting individuals (such as codes of conduct for top managers). Furthermore in order to avoid double counting of codes, we included only the final version of each code.

We classified codes into two groups: transnational and national ones. The first group is composed of codes issued by transnational institutions (such as Pan-European, Commonwealth, OECD, ICGN) and the second group is composed of codes issued by institutions within individual countries. Figure 1 shows that 14 transnational institutions issued 21 corporate governance codes by the end of 2014. Corporate governance codes issued by transnational institutions diffused very slowly. In particular, the issue of codes started at the end of the 1990s, in parallel with the Asian and Russian stock market crashes that probably gave impetus to their issue, and accelerated between 2004 and 2006 – a few years after the deflation of the internet bubble in 2000 and various high profile corporate scandals including Enron, Worldcom and Parmalat. There was then a second wave immediately after the recent financial crisis in 2007-2008.

- Insert Figure 1 about here -

Figure 1 also shows that the number of institutions and codes were aligned prior to 2004 as it was only after that year that some institutions (i.e. OECD and ICGN) started both to revise their codes as a reaction to governance scandals or to issue codes targeted at particular types of firms (for example the OECD issued new guidelines for Non-Listed Companies in Emerging Markets and for State-Owned Enterprises in 2005).

Data show that international institutions were more active than all other transnational institutions (i.e. Baltic countries, Commonwealth, Latin America and Pan-European) as they issued 13 out of 21 codes. In addition, only 3 international institutions out of 14 transnational institutions revised or issued new corporate governance codes over time. Amongst international institutions, the OECD and the ICGN were the most active as they issued 8 out of 21 codes. In particular, the OECD issued its first code in 1999, following the influential report "Corporate Governance: Improving Competitiveness and Access to Capital in Global Markets" (i.e. "the Millstein Report"). Still in 1999, the ICGN issued its first international corporate governance code building on and extending the OECD principles. In the following years, the two institutions continued to update and extend their corporate governance codes: the OECD in 2004 and more recently in 2015; the ICGN in 2005, 2009 and in 2014.

Regarding the scope of codes issued by transnational institutions, the vast majority of them are designed for all listed companies. However, an increasing number of institutions are also issuing governance codes for non-listed firms, for specific types of companies (e.g. state-owned) and for different types of financial institutions (e.g. institutions offering Islamic financial services, microfinance institutions and sovereign wealth funds).

Regarding governance codes issued by individual countries, Figure 2 shows that 91 countries issued a code and that a total of 345 codes (91 first codes and 254 revisions) have been developed around the world by the end of 2014. The Figure also shows that developed countries – and especially European ones – play a significant role in the diffusion of codes. More precisely, European countries issued more than half of codes issued by all countries (i.e. 174 out of 345) and were among the first ones to adopt a code. The first national code included in our sample is the Cadbury Code issued in the UK in 1992[2]. From 1992-1998 four other EU countries followed the UK example by issuing their first national code: i.e. France with the Vienot Report in 1995, the Netherlands with the Peters Report in 1997, Belgium with the Cardon Report in 1998, and Spain with the Olivencia Code in 1998.

In addition, our analysis shows that a smaller number of developed countries issued more codes than a larger number of developing countries. In particular, between 1992 and 1998 only three developing countries issued a code: i.e. South Africa in 1994, India and Thailand in 1998. Moreover, developing countries were reluctant to revise their first code as only 30 out of 53 developing countries issued more than 1 code and only 15 out of 53 issued more than 2 codes.

Insert Figure 2 here

Table 1 shows that countries vary not only in the speed of adoption, but also in the scope of their codes. The vast majority of countries issued codes targeted at all listed companies. However, an increasing number of countries also issued governance codes for specific types of companies (e.g. state-owned, family-owned, and small and medium enterprises), for different types of financial institutions (e.g. commercial banks, institutional investors, mutual funds) and for voluntary and charitable organizations. In particular, our data show that, by the end of 2014, 9 countries issued 11 codes for specific types of companies such as state-owned enterprises (Egypt, Pakistan, the Netherlands and the UK), family-owned enterprises

(Colombia, Morocco, Switzerland) and small and medium enterprises (Colombia, France, New Zealand and the United Arab Emirates). In addition, there are also some codes encouraging institutional investors to play an active role in engaging with boards of directors on key issues like governance, strategy and performance. By the end of 2014, 20 countries (e.g. Ireland, Italy, Japan, Luxemburg, Malaysia, Malta, South Africa and Nigeria) issued 30 codes targeted at institutional investors or other financial institutions. Their number increased significantly after the recent financial crisis 2007-08 and the issuance of the UK Stewardship Code (2010, 2012). Finally, it is interesting to note that a few countries (i.e. Australia, Canada, the UK and Ireland) also issued a code for voluntary and charitable organizations.

Insert Table 1 about here

Figure 2 shows that after the issuance of the Cadbury Code, the diffusion of codes has been initially slow and accelerated only after the issuance of both the OECD Principles of Corporate Governance and the ICGN Statement on Global Corporate Governance Principles in 1999. Only 9 countries around the world issued a corporate governance code by 1997, while a further 34 countries joined the group by issuing their first code by 2002. Among European countries, the total number of corporate governance codes issued increased after the publication of two influential reports (i.e. the European Union Action Plan on "Modernising Company Law and Enhancing Corporate Governance in the EU" published in 2003 and the report by the High-Level Group on Financial Supervision in the EU published in 2009) aimed at furthering the convergence of company law and corporate governance practices within the EU.

Our data show a first peak of new and updated national codes issued in 2002 just after several corporate frauds and financial scandals (e.g. Enron, WorldCom, Tyco in the US). Interestingly, the development of new corporate governance codes happened in parallel with the promulgation of stricter legal norms aimed at increasing investors' protection, like the

Sarbanes-Oxley Act in the US. A second peak of national codes development (first code and revisions) happened between 2009 and 2010, just after the corporate scandals and collapses related to the global financial crisis. After 2011, the number of new codes issued per year decreased over time – only a few small countries (i.e. Azerbaijan, Barbados, Guernsey and the Republic of Maldives) issued their first codes in this period – and the same is true for the issuance of revisions and updates of codes, with the exception of the last two years considered.

To sum up, our analysis of the corporate governance codes issued by national countries and transnational institutions around the world shows that the number of codes (first issues and revisions) increased over time. The most active countries were the developed ones, with the UK and the US issuing the greatest number of codes. Moreover, the creation of national corporate governance codes usually accelerated after the issuance of influential transnational codes and the occurrence of corporate scandals and frauds. Finally, it is interesting to note that beyond the traditional codes aimed at addressing corporate governance deficiencies of all listed companies, there is an increasing proliferation of codes aimed at improving the governance of specific types of companies, of financial institutions and institutional investors, and of voluntary and charitable organizations.

REVIEW OF THE LITERATURE ON CORPORATE GOVERNANCE CODES

Method

We undertook a review of previous studies on corporate governance codes around the world up to early November 2014 in order to understand what we know and what is still missing. Regarding the search criteria, the main databases (i.e. Business Source Complete, Scopus, Science Direct and JSTOR) provided by EBSCOhost were used to search for all publications (only peer reviewed articles) in English containing the terms "Governance code*" or

"Governance guideline*" in their Title/Abstract or Subject terms. We considered all journals included in the above mentioned databases.

Our initial search resulted in 860 articles. Then, after a detailed reading of the abstracts, and sometimes also of the content of papers, we excluded papers on other types of codes (for example codes of ethics, IT codes, fishery codes), book reviews, duplicates, case studies, letters from the editors, papers published by university's journals and student papers. In this phase, we also excluded papers focused on different topics or on related topics not relevant to our study[3]. This careful analysis enabled us to identify a final sample of 149 articles published in 82 journals from 1993 to November 2014.

Following previous reviews (e.g. Aguilera and Cuervo-Cazurra, 2009; McNulty, Zattoni and Douglas, 2013; Pugliese et al., 2009; Zattoni and van Ees, 2012), we did a content analysis of the selected papers in order to codify the selected articles using the following criteria: (i) the "empirical" or "conceptual" nature of the article, (ii) the theories employed, (iii) the research topics. For empirical studies we considered also: (iv) the research setting and (v) the data analysis (see Table 2). Regarding the coding scheme and the procedure followed to codify the selected articles, three coders initially developed and tested the coding scheme on a sample of 16 articles. Then, we randomly split the selected articles into two equal sub-samples and we assigned them to two different coders to codify them independently. Moreover, a third coder codified all of the studies independently. Then, we matched the three sets of data in order to measure inter-rater reliability using per cent agreement (Dewey, 1983). We found a high overlap as the per cent agreement was equal to 0.94 and to 0.93 respectively and above the appropriate minimum level of reliability. Finally, we met to discuss the few cases where there was a difference of opinion in order to reach agreement about them.

Results

Following previous reviews (e.g. Saggese, Sarto and Cuccurullo, 2015), we identified the most influential articles to illustrate the evolution of previous studies on codes. A common view among scholars is that relevant changes in a field of study often happen after the publication of influential articles (Bergh, Perry and Hanke, 2006; Kuhn, 2012). Coherently, we ranked all 149 articles according to the number of citations on Google Scholar at the end of January 2015 (Furrer, Thomas and Goussevskaia, 2008; Saggese et al., 2015). Our search shows that the articles published by Aguilera and Cuervo-Cazurra in 2004 (411 citations), by Drobetz, Schillhofer and Zimmermannin 2004 (457 citations) and the previous review by Aguilera and Cuervo-Cazurra in 2009 (189 citations) have been very influential in the development of research on corporate governance codes. Consistent with our criteria, we identified 2004 and 2009 as the initial years of a new period. Then, following a common practice in previous review papers in the field of corporate governance (Pugliese et al., 2009; Saggese et al., 2015), we assigned each article to one of the three resulting research periods (i.e.1993-2003, 2004-2008 and 2009-2014) according to the year of publication.

Figure 3 shows that the number of articles on corporate governance codes increased over time. Parallel to the slow development of codes, the years after the publication of the first paper in our sample (Stiles and Taylor, 1993) – published just one year after the issuance of the Cadbury Code in the UK – saw a low interest in the topic. Only 10 out of 149 papers (7 per cent) were, in fact, published between 1993 and 2003. The number of papers on codes increased significantly in the second period, with a total of 58 articles published between 2004 and 2008. This trend continued in the third period, which includes the majority of the papers in our sample, and reached a peak of 20 papers in 2011.

- Insert Figure 3 about here -

Tables 3 summarizes the characteristics of previous studies on corporate governance codes. Our results show that the large majority of articles are empirical, while conceptual papers are much less common. In addition, our data highlight that the majority of articles on codes are not built on an explicit theory or that the theoretical grounding can be found only inductively. At the same time, the increasing use of explicit theories over time underlines the maturation of the academic debate on the development of good governance codes.

Several theories from a variety of disciplines (including finance, economics, law, politics, and organizational theory) have been used to explore corporate governance phenomena (see for example Aguilera and Jackson, 2010; Clarke, 2004; Cohen, Krishnamoorthy and Wright, 2008). Historically, researchers have mostly focused on governance practices at firm level using the agency lens (see for example Fama and Jensen, 1983; Jensen and Meckling, 1976) to study governance issues (e.g. compensation policy, composition of the board of directors, CEO duality, relationship between firm governance practices and firm performance, and so on). While, on the other hand, they have mostly focused on the role of the national institutional environment and its influence on governance practices at country level in order to explain differences across countries (see for example Aguilera and Cuervo-Cazurra, 2004; Aguilera and Jackson, 2003). More recently, scholars (Aguilera,Filatotchev, Gospel and Jackson., 2008; Judge, 2009) suggest using multiple lenses to address governance issues as previous studies using a single lens failed to explain governance phenomena.

Among these several theories, our data indicate that agency theory has affected the development of research on codes the most, often as a unique theoretical lens and sometimes also in combination with other theories. As codes are developed to address agency issues related to the principal-agent problem in widely held companies and to the principal-principal problems in companies controlled by large shareholders, agency theory has been used – mostly in firm-level studies – as the main theory or as the implicit theoretical background.

The second most used theory is institutional theory which has been used both in firm-level studies to explain the (legitimation) reasons behind compliance with codes' recommendations and in country-level studies to explore the (legitimation) reasons behind the diffusion of governance codes and to explain diversity in the worldwide diffusion of this practice. Other theories (e.g. stakeholder theory, political theory, efficiency theory, stewardship theory, contingency theory, conflict and signalling theories, and financial system theory) are rarely adopted. This result confirms both the dominance of agency theory and the increasing use of institutional theory – alone or in combination with other theories (especially agency) – in the explanation and interpretation of governance phenomena (Judge, 2008).

- Insert Table 3 about here -

Regarding the research topics[4], country-level studies are mostly focused on the mechanisms for code implementation, on the content of a national code and on the internationalization and the convergence-divergence of corporate governance principles. On the other hand, firm-level studies are mostly focused on compliance with a national code and on the relationship between code compliance and firm performance.While our review of governance codes underlines the influence that both some national and transnational codes had on their diffusion across countries, it is interesting to note that our review of previous studies shows that there is still a relatively scarce number of studies investigating codes at international level.

Regarding the country setting of the empirical studies, Table 4 shows that emerging economies are the most common empirical setting, followed by Continental European countries and the UK. However, our results vary significantly over the three periods mainly due to the different times of the diffusion of codes. In the first period, the UK provides the most common setting, due to the importance of the Cadbury Code and the UK experience in influencing not only the diffusion of codes, but also the academic debate on governance practices. In the second period, Continental European countries provide the most common setting, followed by emerging economies and the UK. In the third period, emerging economies provide the most common setting, consistent with the increasing attention of governance scholars to governance mechanisms and issues in those countries. As stated above, studies on more than one economy are still limited probably due to the difficulties in data collection.

Finally, our analysis on the evolution of the methods shows an increasing number of studies with quantitative data analysis and mixed methods. This trend highlights the continuous maturation of the empirical research on codes.

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THE EVOLUTION OF COUNTRY-LEVEL STUDIES ON CODES

Our review of the existing literature on corporate governance codes shows that a first stream of research on this topic consists of country-level studies investigating (i) the mechanisms for the implementation of codes, (ii) the reasons behind the adoption of codes, (iii) the content of a specific national code, (iv) the comparisons of the content of national codes at international level, (v) the internationalization and the convergence-divergence of governance codes, and (vi) the consequences of codes issued by transnational institutions.

Studies on the mechanisms for code implementation

A first set of articles includes studies on the mechanisms for the implementation of codes (i.e. mandatory versus voluntary regulation). Our data show that a large number of existing studies focused on this topic and that the debate evolved over time and is still alive, especially with regard to emerging and transition countries.

Several conceptual studies focus on the advantages and disadvantages of the two regulatory mechanisms used to solve agency problems and to implement codes (i.e. hard versus soft law regulation). In particular, some articles in the first two periods cast doubts on the efficacy of the soft law approach, as the lack of monitoring and the weak enforcement reduce its effectiveness, and suggest different ways to solve the deficiencies of this approach (see for example Cuervo, 2002; Dewing and Russell, 2004). More recently, scholars ask for the use of directives and mandatory rules (i.e. hard law) and for the strengthening of institutional enforcement mechanisms in transition and emerging economies (Osemeke and Adegbite, forthcoming; Wanyama,Burton and Helliar, 2009). In their opinion, in fact, the soft law approach is not efficient – i.e. it is useful, but not sufficient – to improve governance practices in poor institutional environments, i.e. in countries characterized by weak investors' rights, poor enforcement of law and undeveloped capital markets. Consistent with this view, Wanyama et al. (2009, p. 159) argue that "the mere emergence of detailed governance codes in developing countries does not necessarily mean that de facto practices will improve". Moreover, Keay (2014) suggests introducing a regulatory body and some sanctions for non-compliance or for the failure to adequately explain the reasons for non-compliance. Finally, arguing against such emphasis on the hard and soft law mechanisms, some papers (see for example Chiu, 2012) focus on the role of institutional investors (i.e. shareholder empowerment) as a complementary "market-based" governance mechanism whose effectiveness has been reinvigorated by the issuance of the UK Stewardship Code.

Studies on the reasons behind the adoption of codes

A second set of articles focused on the reasons behind the diffusion of national codes as a particular type of best practice. In 2004, the pivotal work of Aguilera and Cuervo-Cazurra (2004) opens up the debate on the reasons behind the adoption of codes. Building on institutional theory, the study aims at investigating if "efficiency" or "legitimation" reasons explain the worldwide diffusion of codes. Following this perspective, several studies are published in the following years (e.g. Enrione, Mazza and Zerboni, 2006; Zattoni and Cuomo, 2008). Their results show that both reasons contribute to explain the diffusion of codes around the world. On the one hand, they find that there is a positive association between the issuance of codes and country's economic integration, government liberalization, size of the capital market and the degree of investors' protection (Aguilera and Cuervo-Cazurra, 2004; Zattoni and Cuomo, 2008). On the other hand, they find that civil law countries – characterized by lower investors' rights than common law countries – are more inclined to extend codes' recommendations to non-listed companies (Zattoni and Cuomo, 2008).

Thereafter the variety of theoretical perspectives increase over time from the efficiency and institutional views to the cultural and political ones. For example, Haxhi and van Ees (2010), building on Aguilera and Cuervo-Cazurra (2004) and on Hofstede (2001), show that informal institutions (i.e. national culture) matter in the development of corporate governance codes. In particular, their results show that individualistic cultures develop more governance codes than collectivistic cultures, the stock exchange and investors' groups of issuers (i.e. the coercive group) are more likely to issue the first code in countries with low power distance while the government, directors' or professional associations (i.e. the normative group) are more likely to issue the first code in countries with high power distance (Haxhi and van Ees, 2010).

Finally, a few recent studies building on political theory show that various interests play a relevant role in the development of codes. Among them, Haxhi, van Ees and Sorge (2013) argue that the issuance of codes in the UK has been affected by the national business elites, while Mosley (2010) argues that political institutions have hindered the diffusion of codes in middle-income OECD countries.

Studies on the content of a specific national code

A third set of articles focused on the analysis of a specific national code. Up to the end of 2008 these articles (e.g. Cromme, 2005; Fernández, 1999; Roberts, 2004; Webb, Beck and McKinnon, 2003) describe the content of the first national code issued in a single country (e.g. Germany, UK, Russia and Spain). In more recent years, our results show that studies extend their focus in two directions: first, they go beyond the Western European countries' experience and start to analyze emerging countries' codes (e.g. Nigeria, Hungary, Indonesia, Malaysia) and, second, they focus on the evolution of the content of national codes in several institutional settings (e.g. Martin, 2010 for Hungary; Haxhi et al., 2013 and Nordberg and McNulty, 2013 for the UK). For example, a recent article published by Haxhi et al. (2013) on the development of corporate governance codes in the UK since the publication of the Cadbury Code, shows how good governance practices evolve over time in relation to several characteristics of boards of directors, such as board composition and independence, criteria for identifying an independent director, board performance evaluation and board sub-committees' composition. Finally, our analysis shows that the issuance of the Stewardship Code (2010, 2012) in the UK led to a new avenue of research on the role of institutional shareholders (e.g. Chiu, 2012; Reisberg, 2011).

Studies on comparisons of the content of national codes at international level

Despite the proliferation of codes around the world, our analysis shows that a limited number of articles focused on the comparisons of the content of different national codes over time. Early articles on this topic are published only after 2004 and their number decreased in the last period. The majority of them analyze and compare the content of codes issued by a small number of countries (i.e. between 2 and 7). Regarding the country setting, the EU is the most common one as half the articles review the content of codes issued by a number of EU countries (e.g. Collier and Zaman, 2005; Hermes, Postma and Zivkov, 2006 and 2007). This empirical emphasis is consistent with the increasing political pressure of the EU to harmonize several elements of regulation across European countries, including corporate law and governance codes.

Despite the increasing pressure coming from institutional investors and supra-national organizations to homogenize codes' content, studies using a large international sample (see for example Heugens and Otten, 2007; Zattoni and Cuomo, 2008) are very uncommon and are published only after 2007. Among them, Zattoni and Cuomo (2008), by analyzing the content of codes issued in 60 countries around the world, find that the codes' content varies across countries (i.e. civil law countries issue codes with less stringent and rigid recommendations than common law countries). Studies on this topic also remain very limited in the third period. Among them, Cicon, Ferris, Kammel and Noronha (2012) find that the difference and changes across 23 European countries are explained by both the strength of the legal protection and the type of issuer. Coherently, Zattoni and Cuomo (2010) find that the definition of independent directors differs across 44 international countries and that the country origin legal system only partially explains these differences.

Finally, regarding the methods, it is interesting to note that less than one quarter (i.e. 4 out of 15) of the empirical studies on this topic use quantitative or mixed methods (Cicon et al., 2012; Hermes et al.2007; Zattoni and Cuomo, 2008 and 2010) and only one is based on a longitudinal sample (i.e. Cicon et al., 2012).

Studies on the internationalization and the convergence-divergence of corporate governance codes

Another set of articles in this line of research focused on the reflections on the internationalization and the convergence-divergence of corporate governance principles. The first studies on the codes' internationalization are published only recently, i.e. after 2004. Despite the strong pressure for convergence toward the Anglo-American corporate governance model, these studies show that divergence prevails around the world and that the content of codes is not converging either in European or in emerging countries (e.g. Collier and Zaman, 2005; Hermes et al., 2006; Roberts, 2004; Zattoni and Cuomo, 2008). Several recent studies focused on this topic confirm that divergence prevails around the world (e.g. Böhm, Bollen and Hassink, 2013; Cicon et al., 2012; Davies and Hopt, 2013; Johanson and Østergren, 2010; Zattoni and Cuomo, 2010). Overall, these results support the limited convergence of the different corporate governance systems toward the Anglo-American governance model (see Aguilera and Jackson, 2010 for a recent review).

Studies on the consequences of codes issued by transnational institutions

Finally, there are studies focused on the consequences of codes issued by transnational institutions. Governance scholars argue that transnational codes have undoubtedly had a key influence on the development of national corporate governance codes around the world (Aguilera and Cuervo-Cazurra, 2009; Mallin, 2013; Reid, 2003). The empirical evidence show, in fact, that the key recommendations advanced by codes issued by transnational organizations have been incorporated in many national codes (for example in Greece, China, Czech Republic, Egypt, Hungary) and that international organizations (like the World Bank, the OECD and the International Monetary Fund) promoted and assessed the implementation of these codes around the world.

Despite the importance of this topic, our data show that academic research is still limited. In particular, only a few empirical articles assess the extent to which the principles and the recommendations of these transnational codes have been incorporated in the content of corporate governance codes around the world. Regarding the empirical articles, the EU is the leading geographical setting as most of the articles review the content of codes issued by a relatively small number of European countries in order to analyze the codes' coverage of EU company law directives (e.g. Böhm et al. 2013; Hermes et al., 2007; Soltani and Maupetit, 2015). Their findings show that European countries deviate substantially from the EU recommendations and that the rate of coverage of each recommendation differs across countries.

THE EVOLUTION OF FIRM-LEVEL STUDIES ON CODES

A second stream of research on corporate governance codes consists of firm-level studies investigating (i) compliance statements at national level, (ii) compliance statements at international level, (iii) explanations for deviations from a corporate governance code, and (iv) the relationship between code compliance and firm performance.

Studies on compliance statements at national level

A first group of firm-level studies includes surveys of compliance statements at national level exploring if, and how, national companies tend to comply with codes' recommendations. Our data show that the literature on this topic is very extensive. In particular, comparative analyses of governance practices before and after the introduction of a code show the positive effect of codes on the evolution of corporate governance practices (e.g. Chen and Nowland, 2011; Conyon, 1994; Jones, Li and Cannella, 2015; Peasnell, Pope and Young, 2000; Stiles and Taylor, 1993). Companies tend to comply with codes' recommendations for several reasons, mostly for increasing their legitimation among investors and improving the effectiveness of their governance practices (Zattoni and Cuomo, 2008).

In addition, previous studies show that several factors can influence the rate of compliance with codes' recommendations. For example, a number of studies find that firm size is a powerful driver of firm compliance. This relationship has been supported in several countries, like the UK (Conyon and Mallin, 1997), Germany (von Werder, Talaulicar and Kolat, 2005), and the Netherlands (Akkermans et al., 2007). The main explanations behind this evidence are that the costs of compliance grow more than proportionally with firm size, larger companies need more sophisticated governance practices, and the pressure to comply is higher for larger companies as their ownership structure is more dispersed and they are under more scrutiny from the external environment.

Furthermore, previous studies find that the extent of compliance with codes' recommendations and the level of detail of the information disclosed on corporate governance increase over time (Akkermans et al., 2007; MacNeil and Li, 2006; O'Shea, 2005; Price, Román and Rountree, 2011). So a second factor explaining firm compliance is increasing market pressure over time.

The level of compliance varies across codes' recommendations, as some of the more controversial recommendations are associated with a higher level of non-compliance. For example, studies on the German Corporate Governance Code find a lower level of compliance with some critical recommendations, such as personal liability and compensation of management and/or of supervisory board members (see for example Andres and Theissen, 2008; Chizema, 2008). So a third factor affecting the compliance is the overall institutional environment, including both the legal norms and the cultural values. In addition, the presence of a multiplicity of corporate governance codes and of potential conflicts among their recommendations can allow firms to comply with a limited and strategically selected number of items (see the empirical evidence on Nigerian firms collected by Osemeke and Adegbite, forthcoming). Finally, further studies show that the level of compliance with codes varies significantly across countries: being higher in developed countries – like the UK (Conyon and Mallin, 1997), Italy (Bianchi, Ciavarella, Novembre and Signoretti, 2011) and Germany (von Werder et al., 2005) – and lower in less developed countries that lack a tradition of sound corporate governance – e.g. Cyprus (Krambia-Kapardis and Psaros, 2006). So another variable of importance is the development of the national economy.

Studies on compliance statements at international level

A second set of articles along this line of research includes surveys of compliance statements at international level, investigating if, and how, there are significant differences in the compliance of firms located in different countries.

Among them, Nowland (2008) analyzing data for several East Asian countries (i.e. Hong Kong, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan and Thailand) finds that the level of compliance of small and family-owned firms is lower than the level of compliance of firms with larger size and more dispersed ownership. Furthermore, Florou and Galarniotis (2007), in an empirical study aimed at comparing the governance practices of Greek firms with three governance standards characterized by different strictness of their recommendations (i.e. low, the Greek law; medium, the Greek Code; and high, the UK Combined Code), show that the average rating of compliance is very low and largely decreases for more stringent standards. More recently, Salterio, Conrad and Schmidt (2013), in an empirical study on Canadian and Australian listed companies, show that companies in the two countries adhere to the "comply or explain" principle differently. In more detail, compliance in terms of adoption of best practices is more common in Canada, whereas compliance in terms of either adoption or explanation is more common in Australia. In addition, the study shows that the companies in the two countries comply with different sets of recommendations. As Canada and Australia can be considered broadly similar countries, this study encourages governance scholars to analyze firm compliance behavior across countries more extensively.

Studies on deviations from a corporate governance code

A further set of articles includes searches on the explanations for deviations from codes' recommendations. The limited existing literature on this topic shows that smaller firms tend to have a lower level of compliance with codes' recommendations than larger firms (e.g. Talaulicar and von Werder, 2008 for Germany; Hooghiemstra and van Ees, 2011 for the Netherlands; Arcot, Bruno and Faure-Grimaud, 2010 for the UK). In addition, they find that family-owned firms are less likely to comply with voluntary recommendations than non-family firms (e.g. Arcot et al., 2010 for the UK; Zeidan, 2014 for Brazil).

More recently, the few studies on this topic have also started to explore the quality and type of explanations for non-compliance and whether some firms' characteristics contribute to explain their choice to provide more or less informative explanations. A study by Arcot el. (2010) finds that both widely held and family-owned non-financial UK companies are more likely to use standard explanations for deviations from compliance. Furthermore, recent studies in the Netherlands find that Dutch firms with concentrated ownership structure, a larger number of analysts following them and stronger boards are more likely to provide more informative explanations (Hooghiemstra, 2012). Moreover, empirical evidence suggests that firms complying with the same recommendations are more likely to use similar explanations for non-compliance (Hooghiemstra and van Ees, 2011).

Seidl, Sanderson and Roberts (2013) analyze the application of the 'comply or explain' principle by the 130 largest companies in Germany and the UK and find that non-compliance is not uncommon both in Germany and in the UK. Following institutional theory, they also empirically derive a “taxonomy for explanations” (p.803). More recently, Shrives and Brennan (2014) expand Seidl et al.’s (2013) study by developing six criteria to analyze the explanations for non-compliance used by UK FTSE companies. Their study underlines that the level of compliance increases over time, but the quality of explanations for non-compliance remains very low and presents only marginal improvements. Furthermore, they show that some differences exist between non-compliance explanations for FTSE100 and FTSE250 companies. Finally, regarding the research setting, our review shows that the majority of articles focus on a single country and refer mostly to a limited number of European economies (i.e. Germany, the Netherlands and the UK).

Studies on the relationship between code compliance and firm performance

A further set of articles within this line of research consists of studies on the relationship between code compliance and firm performance. Our review shows that a limited number of studies have explored this topic over time. Regarding the research setting, our review shows that the majority of articles focus on a single country and that only two cross-country studies have been published until now on this topic (i.e. Nowland, 2008; Renders, Gaeremynck and Sercu, 2010). In addition, while early studies focus on UK companies, more and more studies are developed with regard to emerging economies.

Despite considerable research effort, the empirical findings from a number of studies on several countries around the world are mixed and inconclusive as to whether a higher level of code compliance enhances firm performance, even though several measures for performance have been used and scholars have significantly improved the methodology over time. In particular, some studies find that higher code compliance enhances firm performance (e.g. Del Brio, Maria-Ramires and Perote , 2006 and Fernández-Rodríguez, Gómez-Ansón and

Cuervo-García, 2004 for Spain; Luo and Salterio, 2014 for Canada; Machuga and Teitel, 2007 for Mexico; Nowland, 2008 for seven East-Asian countries and Renders et al., 2010 for 14 European countries) or that the stock markets appreciate firm compliance (e.g. Goncharov Werner and Zimmermann, 2006 and Chavez and Silva, 2009 for Germany and Brazil). Contrary to the previous ones, some studies find no association (e.g. Haniffa and Hudaib, 2006 for Malaysia; Price et al., 2011 for Mexico) or provide mixed results (e.g.McKnight and Weir, 2009 and Weir, Laing and McKnight, 2002 for the UK) on the relationship between codes' compliance and firm performance.

An extensive debate exists on the reasons that might explain the lack of conclusive findings on the relationship between firm compliance with good governance codes and performance. In particular, the mixed results of previous studies seem to be due to both conceptual and methodological issues. Among the conceptual ones, previous studies did not adequately explore the role of the national institutional environment whilst recent studies find that it can have a significant impact on this relationship. For example, Renders et al. (2010) argue that codes' content (i.e. the definition of independent directors and, in general, the strictness of their recommendations) and national institutional environment (e.g. the level of corruption, the quality of law enforcement, the strength of investors' protection, and the cultural and political environments) may significantly affect this relationship.

With regard to the methods employed, scholars have highlighted a number of limitations of previous studies, including: (i) the lack of control for firm's specific characteristics (such as firm leverage, size, type of owners, presence of institutional investors); (ii) the use of OLS regression and the lack of control for endogeneity and selection bias (see Weir et al., 2002; Renders et al., 2010), (iii) the use of proxies to measure good governance (i.e. governance index), shareholder protection (e.g. the "anti-director rights index" developed by La Porta et al., 1998) and firm performance (e.g. book or market value) (e.g. Aguilera and Desender, 2012; Renders et al., 2010). Therefore future studies should also try to address all these deficiencies from a methodological point of view.

DISCUSSION

The recent global financial crisis reinvigorated the debate on good governance practices and consequently stimulated a further wave of new codes or the revision of existing codes. As a consequence, the number of studies on codes published after 2008 is larger than the number of studies published previously. This growing interest in codes shows that the academic debate is still hot and will probably also be lively in the coming years especially after recent scandals such as Petrobras in Brazil, Deutsche Bank,Volkswagen in Germany and Toshiba in Japan. The 2015 G20/OECD Principles of Corporate Governance are also likely to give further impetus to the debate on corporate governance practices around the world.

Our results show that recent research on codes is evolving in its sophistication. While agency theory is still the dominant framework, other theoretical perspectives (especially institutional theory) are gaining ground as well as multi-theory studies. In terms of geographical settings, the majority of recent studies explore governance codes in transition and emerging economies, while research on the UK and Continental European countries still persists. Finally, empirical papers explore a wide set of research questions using different research methods including mixed methods and experiments.

Our analysis of publications on good governance codes up to the end of 2014 indicates that some of the gaps highlighted by a previous review on codes (Aguilera and Cuervo-Cazurra, 2009) have been appropriately, or at least partly, addressed. First, recent studies have started both to investigate how codes change over time (Johanson and Ostergren, 2010; Nordberg and McNulty, 2013) and to explore the role of institutional actors and the business elite in the code-issuing political process (Haxhi et al., 2013). Second, some recent works have explored the impact of formal and informal institutions (including cultural variables) on the issuance of codes and on the types of issuer in different countries (Haxhi and van Ees, 2010). Third, some studies have contributed to enrich the comparative analysis of the codes' content (Cicon et al., 2012) and have devoted attention to analyze the differences in the definition of directors' independence across national codes (Zattoni and Cuomo, 2010). Fourth, recent studies have started to investigate the consequences of codes issued by transnational institutions in the EU (Böhm et al., 2013; Cicon et al., 2012). Finally, some papers have investigated how firm compliance/non-compliance evolves over time (Arcot et al. 2010; Chen and Nowland, 2011) and have provided a richer empirical evidence on the explanations for deviations from a corporate governance code (Hooghiemstra, 2012; Shrives and Brennan, 2014).

Despite recent studies having significantly contributed to advance our knowledge on good governance codes, research on this topic is still full of interesting opportunities for further exploration. Based on our extensive review of previous studies, in the next pages we provide a roadmap for future research on codes at country-level and firm level respectively.

Country-level studies on codes

An interesting way to extend previous country-level studies is to further analyze how codes diffuse, evolve and adapt over time. Institutional theory seems to be a promising theoretical lens to address this objective (e.g. DiMaggio and Powell, 1983). Based on this theory, few practices, if any, come out of the diffusion process unchanged as an adopter strives to create a better fit between an external practice and the need to increase its "zone of acceptance" during implementation (Lewis and Seibold, 1993). Consistent with this view, some studies suggest that the diffusion of a practice is a dynamic process, and that diffusing practices may be modified or "adapted" by adopters (Ansari, Fiss and Zajac, 2010; Fiss, Kennedy and

Davis, 2012). So, following institutional theory, governance scholars could explore patterns of practice variation in the diffusion of governance codes across time and countries, for example to understand if early and late adopters follow different rationales as in the diffusion of other contested practices (Fiss and Zajac, 2004).

A second topic that may deserve further attention by governance scholars is the consequence of codes issued by transnational organizations. Despite the fact that these codes could have significantly influenced the diffusion and the content of national codes, a limited number of studies explore this issue and mostly with regard to the EU experience (Böhm et al., 2013; Soltani and Maupetit, 2015). So future studies could, for example, explore to what extent the codes issued by influential transnational organizations have affected the issue, the revision and the content of national codes. This research would facilitate the development of a better understanding of the links between the governance debate at the international and at the national level.

Moreover, further studies could focus on the process of codes' development. On this issue it would be important to get a better understanding of which subjects play an influential role on codes' development, which interests shape their content, and which parties are interested or not in their proper implementation (e.g. Haxhi et al., 2013; Nordberg and McNulty, 2013). Future studies could, for example, analyze the political process leading to the development of codes and shaping their content, in order to better understand the role of institutional investors, directors' associations, large shareholders, government authorities and other parties. Finally, the extension of studies beyond the UK can help scholars to develop a more contextualized view of the political process leading to the development of codes and to their implementation. The issuance of the revised OECD Code in 2015 and the various comments received on the preliminary draft, could also be an area worth exploring.

Furthermore, our results show a growing diffusion of codes targeted at specific types of companies, e.g. family- or state-owned companies. So an additional topic that can be further investigated is the development of codes relevant to firms with specific characteristics (i.e. ownership structure, size or industry). This recent phenomenon is based on the idea that these types of companies have a significant impact on national economies (think, for example, of the relevance of state-owned companies in some emerging economies like China, Brazil and Russia) and that good governance practices can increase their accountability and performance. As such, future studies should explore both the soundness of the conceptual reasons behind the issue of these specific codes (e.g. do we need further codes if good governance codes are flexible in their nature?), and their effectiveness in improving the governance practices of targeted companies (e.g. their impact on firm adoption and performance).

Finally, we believe that the extension of studies on the co-existence of hard and soft law is crucial to the better understanding of this topic. The debate about the efficacy of both hard and soft law mechanisms in solving agency problems is still open. Recent studies show that soft law does not solve governance issues in poor institutional environments (Wanyama et al., 2009) and advance the idea that more regulation (e.g. better rules or the introduction of regulatory bodies) are necessary to improve governance practices (Chiu, 2012; Keay, 2014). Based on these findings, future studies should try to better explore the effects of the interaction between codes' recommendations and the quality of the institutional environment on governance practices and effectiveness. The careful consideration of the national (formal and informal) institutional context can be crucial for the development of a better understanding of these issues (e.g. Aguilera and Cuervo-Cazurra, 2004; Haxhi and van Ees, 2010; Zattoni and Cuomo, 2008).

Firm-level studies on codes

A first topic that seems to be worthy of further exploration is the understanding of the reasons behind compliance and deviations from good governance codes' recommendations. Governance codes have been conceived as flexible tools to promote the diffusion of best practices, e.g. they leave companies the possibility to deviate from their recommendations if this allows them to design the most appropriate corporate governance in light of their specific characteristics. Future studies are invited to collect more empirical evidence on the reasons (e.g. spillover or contagion effect) behind compliance and non-compliance (e.g. Salterio et al., 2013), and on the type and quality of explanations provided to justify deviations from codes' recommendations (Seidl et al., 2013; Shrives and Brennan, 2014).

A second topic that may be usefully investigated by governance scholars is the interaction between board best practices – as proposed by national codes – and the configuration of other governance mechanisms. A relatively unexplored perspective in corporate governance suggests that governance mechanisms interact amongst themselves, creating substitution and complementarity effects (e.g. Rediker and Seth, 1995; Ward, Brown and Rodriguez, 2009). Following this view, the understanding of the effectiveness of governance best practices requires that scholars go beyond the analysis of a single mechanism and consider all mechanisms at the same time. While this approach can enrich the understanding of the reasons behind deviations and explanations of non-compliance, it may also provide avenues of research in other directions. This view questions, for example, the possibility of developing universal governance indexes or best practices, or at least invites scholars and practitioners to think in term of bundles of governance practices (García -Castro, Aguilera and Ariño, 2013; Schiehll, Ahmadjian and Filatotchev, 2014). Furthermore, additional studies can analyze the role of some key firm variables (e.g. the identity of the major shareholder or the capital structure of the firm) in affecting the relationship between code compliance and firm performance.

Finally, another line of investigation involves the collection of international samples combining data about national institutional variables and firm governance variables (e.g. Kumar and Zattoni, 2013). This further avenue of research can contribute to addressing the long lasting question of convergence and divergence of governance practices. Recent publications show, in fact, that national economies and governance models continue to differ and that pressure to converge does not automatically produce the diffusion of the Anglo-American practices everywhere (e.g. Zattoni and Cuomo, 2008; Zattoni and Judge, 2012).

Limitations

Our literature review has some limitations. First, following previous review papers in the field of corporate governance (Pugliese et al., 2009; Saggese et al. 2015), we selected and analyzed only peer-reviewed articles in English. As such, other types of publications on this topic have not been included in our review (e.g. academic books like van den Berghe, 2002 or consultancy reports like Gregory and Simmelkjaer, 2002). So, future studies could include also other types of publications or explore if, and how, they have contributed to the development of our knowledge on governance codes.

Second, we excluded papers focused on the impact of code compliance on the effectiveness and efficiency of firm operation (e.g. internal control) and the quality of information disclosure (e.g. financial accounting information). So, future studies could enrich our review by analyzing some related areas of research like the two mentioned before.

Third, we assigned previous studies on codes to three research periods based on the year of journal publication of very influential articles. We acknowledge that assigning papers based on the year of publication is a crude proxy as it could take some years before a paper is published and because publication date and sample period are not necessarily linked. At the same time, the year of publication is when the article receives most exposure and influences subsequent work in the area. Then, this criterion allowed us to classify also conceptual papers with no empirical data collection. Therefore, whilst we recognize the crude nature of the proxy, we believe that the year of publication is the most appropriate criterion for this study.

CONCLUSION

Our review contributes to corporate governance research by both analyzing the diffusion of governance codes, and reviewing all previous studies on codes. Our study underlines the increasing importance of governance codes and the key role of supranational institutions and corporate frauds in stimulating their worldwide diffusion and revision. In addition, it describes key theoretical and methodological trends in recent research on codes. Our findings provide a roadmap for future research on codes both at country-level and firm-level.

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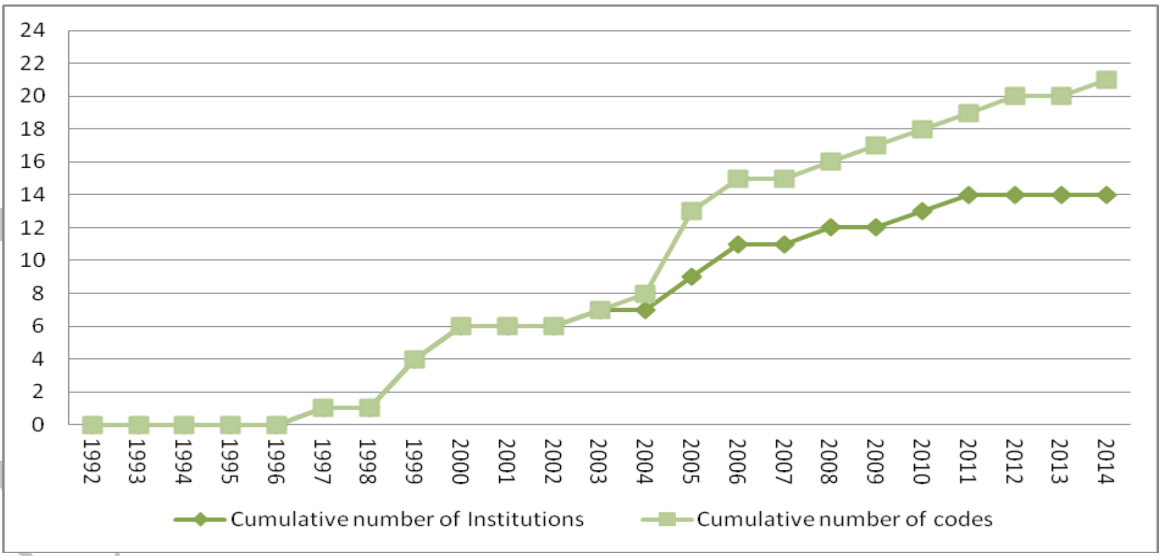

FIGURE 1: The diffusion of transnational corporate governance codes around the world (1992-2014)

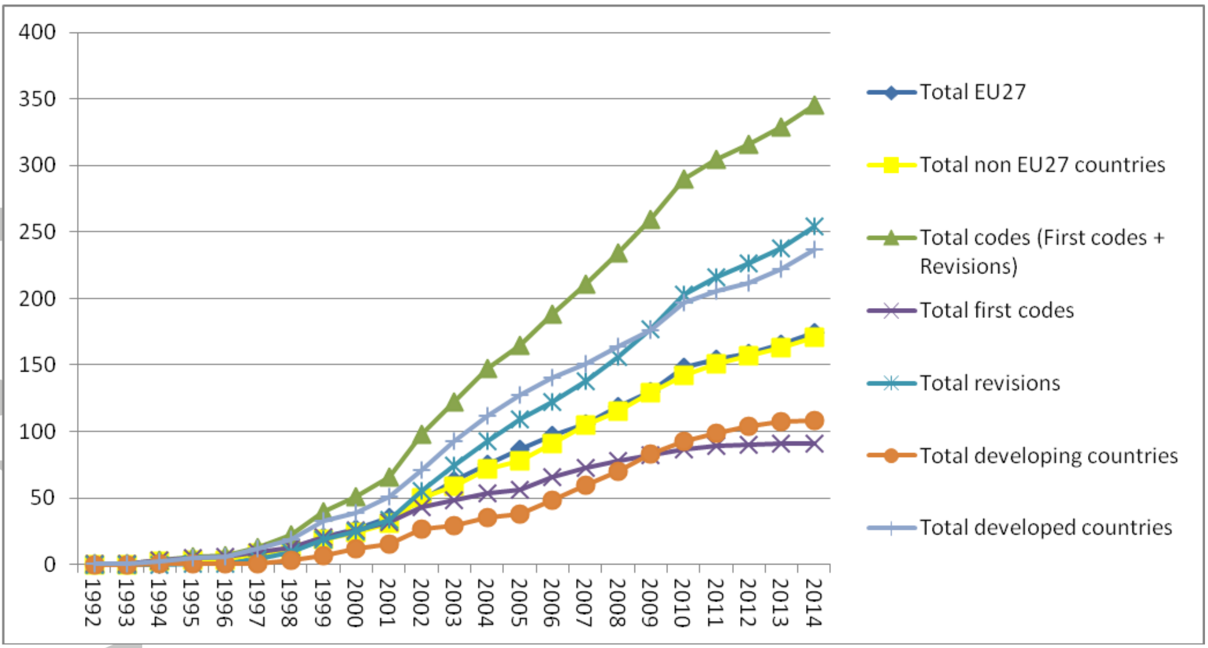

FIGURE 2: The diffusion of national corporate governance codes around the world (1992-2014)

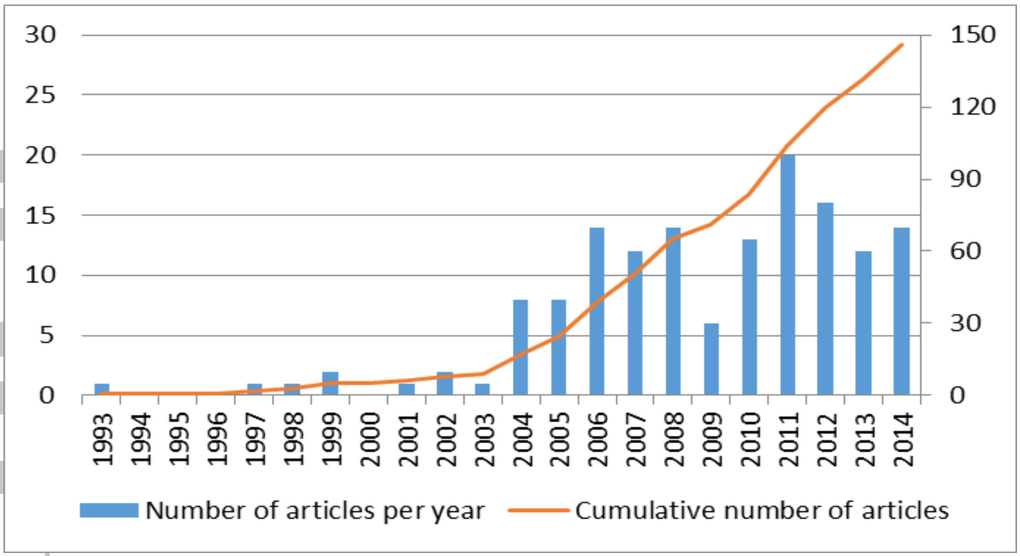

FIGURE 3: The evolution of research on corporate governance codes (1992-2014)

TABLE 1: The issuance of corporate governance codes by countries (1992-2014)

Country	Developing countries	Year of first code	Total stock of codes (2014)	Number of codes issued for listed companies or all companies	Codes targeting specific companies or managers (year)
Albania	1	2008	1	0	Non-listed Firms (2008)
Algeria	1	2009	1	1	
Argentina	1	2004	1	1	
Armenia	1	2010	1	1	
Australia	0	1995	9	6	Investment Managers (1999), Fund managers (2002), Charity (2013)
Austria	0	2002	6	6	
Azerbaijan	1	2011	1	1	
Bahrain	1	2010	1	1	
Bangladesh	1	2004	1	1	
Barbados	1	2013	1	1	
Belgium	0	1998	7	6	Non-listed Firms (2005)
Bosnia and Herzegovina	1	2006	3	3	
Brazil	1	1999	4	4	
Bulgaria	1	2007	2	2	
Canada	0	1994	8	7	Voluntary organizations (1999)
China	1	2001	2	2	
Colombia	1	2007	3	1	Closed Societatis and Family Firms (2009), Small and Medium-Size Enterprises (2004)
Croatia	1	2009	2	2	
Cyprus	0	2002	4	4	
Czech Republic	0	2001	2	2	
Denmark	0	2000	11	10	Private Equity Funds (2008)
Egypt	1	2006	3	1	State-Owned Firms (2006), Private sector (2006)
Estonia	0	2006	1	1	
Finland	0	2003	4	3	Non-listed Firms (2006)
France	0	1995	12	11	Small and Medium-Size Enterprises (2009)
Georgia	1	2009	1	0	Commercial Banks (2009)
Germany	0	1998	17	16	Asset Management Companies (2005)

Ghana	1	2010	1	1	
Greece	0	1999	4	4	
Guernsey	0	2011	1	0	Finance Sector (2011)
Hong Kong	0	1999	4	4	
Hungary	0	2002	4	4	
Iceland	0	2004	4	4	
India	1	1998	3	3	
Indonesia	1	2000	3	3	
Ireland	0	1999	9	8	Reinsurance Undertakings (2007), NGOs (2008), Credit institutions and Insurance Undertakings (2010, 2013), Investment Funds (2010), Domiciled Collective Investment Schemes (2010), Collective Investment Schemes (2011), Community, Voluntary and Charitable Organisations (2012)
Israel	0	2006	1	1	
Italy	0	1999	6	5	Banks (2008)
Jamaica	1	2006	1	1	
Japan	0	1997	5	4	Institutional Investors (2014)
Jordan	1	2007	3	2	Banks (2007)
Kazakhstan	1	2007	1	1	
Kenya	1	2002	2	2	
Korea	0	1999	2	2	
Latvia	0	2005	2	2	
Lebanon	1	2006	2	2	
Lithuania	0	2003	1	1	
Luxembourg	0	2006	5	3	Investment Funds (2009, 2013)
Macedonia	1	2006	1	1	
Malawi	1	2010	1	1	
Malaysia	1	2000	4	3	Institutional Investors (2014)
Malta	0	2001	4	3	Investment Companies and Collective Investment Schemes (2014)
Mauritius	1	2004	2	2	
Mexico	1	1999	2	2	
Moldova	1	2007	1	1	
Mongolia	1	2007	1	1	
Montenegro	1	2009	1	1	
Morocco	1	2008	3	2	Small and Medium-Size Enterprises and Family Firms (2008)
New Zealand	0	2003	2	2	
Nigeria	1	2003	5	2	Banks and Discount Houses (2014), Licensed Pension Operators (2008), Banks (2006)
Norway	0	2004	9	7	

Oman	1	2002	1	1	
Pakistan	1	2002	3	2	State-Owned Firms (2013)
Peru	1	2001	2	2	
Poland	1	2002	6	5	
Portugal	0	1999	10	10	
Qatar	1	2008	2	1	Banks and Financial Institutions (2008)
Romania	1	2000	2	2	
Russia	1	2002	2	2	
Saudi Arabia	1	2006	2	2	
Serbia	1	2008	1	1	
Singapore	0	2001	4	3	Banks, Financial Holding Companies and Direct Insurers (2010)
Slovakia	0	2002	2	2	
Slovenia	0	2004	4	4	
South Africa	1	1994	4	3	Institutional Investors (2011)
Spain	0	1996	8	7	Non-listed Firms (2005)
Sri Lanka	1	2008	1	1	
Sweden	0	2001	6	6	
Switzerland	0	2002	3	2	Family Firms (2006)
Taiwan	0	2002	3	3	
Thailand	1	1998	5	4	Investors (2006)
The Netherlands	0	1997	8	5	Insurance Companies (2010), Banks (2009), State-Owned Firms (2000)
The Philippines	1	2000	3	3	
Trinidad and Tobago	1	2006	2	2	
Tunisia	1	2008	1	1	
Turkey	1	2003	2	2	
Ukraine	1	2003	1	1	
United Arab Emirates	1	2007	2	1	Small and Medium-Size Enterprises (2011)
UK	0	1992	31	23	Institutional investors (2010, 2012), State-Owned Firms (2005, 2011), Non-listed Firms (2010), Banks and other financial industry entities (2009), Private Equity (2007), Voluntary and Community Sector (2005)
USA	0	1997	14	13	Asset Managers (2004)
Yemen	1	2010	1	1	

Source: ECGI (2015)

TABLE 2: The criteria used to review articles on corporate governance codes (1992-2014)

Criteria	Meaning	Variables
Type of Articles	*Nature of the article*	0 = conceptual, 1 = empirical
Use of Theories	*Type of theories employed*	0 =No theory or implicit theories, 1 = Agency theory only, 2 = Institutional theory only, 3 = Other theories only, 4 = Multiple theories (including agency theory), 5 = Multiple theories (excluding agency theory)
Research Topics	*Country-Level Studies* -Studies on the mechanisms for code implementation - mandatory versus voluntary regulation -Reasons behind the adoption of codes -Analyses of the content of a specific national code -Comparisons of the content of national codes at international level (at least two countries) -Reflection on the internationalization and the convergence-divergence of corporate governance codes -Studies on codes issued by transnational institutions *Firm-Level Studies* -Surveys of compliance statements at national level -Surveys of compliance statements at international level -Studies on the explanations for deviations from a corporate governance code -Studies on the relationship between code compliance and firm performance	0 = no, 1 = yes
Method (only empirical articles)	*Research Setting*	1 = UK, 2 = Liberal market economies (excluding UK and US), 3 = Liberal market economies (including UK and US), 4 = Continental European countries, 5 = Emerging economies, 6= Transition economies, 7 = More than one economies (excluding UK and US), 8 = More than one economies (including US and UK)
	Data Analysis	1 = Qualitative, 2= Quantitative, 3 = Mixed method, 4 = Experiment

TABLE 3: Evolution of previous studies on corporate governance codes

	1993-2003		2004-2008		2009-2014		overall	
	N	%	N	%	N	%	N	%
Type of Articles								
Conceptual	4	40%	14	24%	15	18%	33	22%
Empirical	6	60%	44	76%	66	82%	116	80%
Total	10	100%	58	100%	81	100%	149	100%
Use of Theories								
Agency theory only	3	30%	14	24%	27	33%	44	30%
Institutional theory only	0	0%	3	5%	7	9%	10	7%
Other theories only	1	10%	3	5%	7	9%	11	7%
Multiple theories (including agency theory)	0	0%	6	10%	9	11%	15	10%
Multiple theories (excluding agency theory)	0	0%	2	3%	4	5%	6	4%
No theory or implicit theories	6	60%	30	52%	27	33%	63	42%
Research Topics								
Country-Level Studies								
Studies on the mechanisms for code implementation - mandatory versus voluntary regulation	2	20%	20	34%	21	26%	43	29%
Reasons behind the adoption of codes	0	0%	2	3%	5	6%	7	5%
Analyses of the content of a specific national code	4	40%	14	24%	22	27%	40	27%
Comparisons of the content of national codes at international level (at least two countries)	0	0%	13	22%	10	12%	23	15%
Studies on codes issued by transnational institutions	0	0%	3	5%	6	7%	9	6%
Reflection on the internationalization and the convergence-divergence of corporate governance codes	0	0%	15	26%	13	16%	28	19%
Firm-Level Studies								
Surveys of compliance statements at national level	5	50%	22	38%	31	38%	58	39%
Surveys of compliance statements at international level	0	0%	3	5%	4	5%	7	5%
Studies on the explanations for deviations from a corporate governance code	1	10%	8	14%	8	10%	17	11%
Studies on the relationship between code compliance and firm performance	2	20%	12	21%	18	22%	32	21%

TABLE 4: Evolution of the method used in the empirical articles on corporate governance codes

	1993-2003		2004-2008		2009-2014		overall	
	N	**%**	**N**	**%**	**N**	**%**	**N**	**%**
Research Setting								
UK	5	84%	6	14%	7	11%	18	16%
Liberal market economies (excluding UK and US)	0	0%	1	2%	4	6%	5	4%
Liberal market economies (including UK and US)	0	0%	0	0%	0	0%	0	0%
Continental European countries	1	16%	14	31%	12	18%	27	23%
Emerging economies	0	0%	10	23%	28	42%	38	33%
Transition economies	0	0%	3	7%	6	9%	9	8%
More than one economy (excluding UK and US)	0	0%	0	0%	1	2%	1	1%
More than one economy (including US and UK)	0	0%	10	23%	8	12%	18	15%
Total	6	100%	44	100%	66	100%	116	100%
Data Analysis								
Qualitative	2	50%	17	39%	21	32%	41	35%
Quantitative	2	50%	20	45%	34	52%	57	49%
Mixed method	0	0%	7	16%	9	14%	16	14%
Experiment	0	0%	0	0%	2	2%	2	2%
Total	4	100%	44	100%	66	100%	116	100%

[1] From 2006 EU Directives state that companies listed on an EU listed market must publish a separate corporate governance statement in the annual report in order to mandatorily disclose their level of voluntary adoption of a legally non-binding code or to explain the reasons of non-compliance with it.

[2] For a review of history on codes see Aguilera and Cuervo-Cazurra (2009) and Haxhi and Aguilera (2012).

[3] Articles on different topics may be focused, for example, on the adoption of ethics codes, the role of institutional investors, banks and financial market law, and the compensation of executive and non-executive directors, while articles on related topics not relevant to our study focus on, for example, the relationship between code compliance and the effectiveness and efficiency of the operation (e.g. internal control), the quality of information disclosure (e.g. financial accounting information), and the adoption of IFRS.

[4] As some articles analyse more than one research topic within the same study, multiple coding is possible and so the total related to this item can exceed the number of papers considered.