

Current state of affairs and perspectives of development in Corporate Governance codes: An international comparison

Former and present financial crises and depressions show the great importance of good Corporate Governance in more or less regular intervals. When one compares their main features, it appears that the reasons for scandals are often very similar. Inadequate control mechanisms, non independent members of supervisory boards and the fact that stakeholders usually have little say in matters often motivate executives to engage in risky, deceitful and obscure behavior. The purpose of a good Corporate Governance code is to limit latitude of judgment and close loopholes that might have been left open by laws and contracts. Implementation of the regulations of such a code should, in the end, result in added value for investors, other groups of stakeholders and finally for the company as a whole.

Because of the increasingly international orientation of enterprises caused by a progressive merging of national economies, an arising question is to find out which of the existing Corporate Governance systems is the most promising and to what extent this system would be applicable in other countries. The comparison of sets of regulations of various states shall reveal the vulnerabilities of certain codes and point out alternatives as to how these flaws can be corrected. Simultaneously, those regulations which are particularly commendable shall be laid out. Moreover, the comparison shall clarify approaches within existing frameworks, and show whether amongst current regulations, a tendency towards stringent or more lenient arrangements is discernable.

In the theoretical part, the paper at hand explains different ideologies and various board systems as well as different mechanisms of Corporate Governance. Following this, political, juridical and economic backgrounds are examined more exactly, along with the development stages of Corporate Governance of selected states from continental Europe and the Anglo-Saxon economic area. From there on, the structure and the configuration of diverse Corporate Governance codes in these countries will be reviewed. As a guide for assessing quality, the criteria for good Corporate Governance of the 'Organization for Economic Co-operation and Development' in a slightly modified form are used. The subsequent analysis of the respective codes reveals how far they correspond to the criteria and to which standard of liability they are subject.

This is followed by a comparison of the codes, which very quickly points out the most commendable regulation for each criterion, and also uncovers weak points in each set of rules. However, the attempt to create a code by putting together the best regulations from each country is predestined to fail, because the states in question are too different in legal and cultural respects. Single regulations could, however, be applied to all other codes as they stand, but other improvement suggestions must be checked for compatibility with all other regulations of the existing code before change is adopted.

Furthermore, a convergence of Corporate Governance systems can be observed. The tendency of continental European ideologies to adapt to configurations of Corporate Governance systems shaped by shareholder-value is, however, stronger than tendencies toward another direction in the Anglo-Saxon economic area. Moreover, it is apparent that sets of rules generally become more and more extensive in form and content. The tendency towards stricter rules is caused, on the one hand, by fiercer competition for international capital; on the other hand, constantly emerging new economy scandals require new adaptations and expansions. Nevertheless, the escalating costs which can occur by new or stricter regulations must be considered. In addition, if regulations are very numerous or too stringent in character, enterprises are likelier to view the implementation of a code as nothing more than an imposition. Consequently, the code would be quite unpopular and not approved of and would not be applied as intended in enterprises. The goal of setting rules for Corporate Governance in order to favor the creation of added value for all groups of stakeholders would therefore be endangered. Because of this, the main challenge consists and will likely remain in finding a sensible compromise to the extent of regulations.