

# **CORPORATE GOVERNANCE IN AN INTERNATIONAL CONTEXT: LEGAL SYSTEMS, FINANCING PATTERNS, AND CULTURAL VARIABLES**

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## **ABSTRACT**

Corporate governance systems develop from underlying legal systems, financing patterns, and cultural variables. This paper examines those factors and recent reforms in the U.S, UK, and Germany. A better understanding of the foundation of corporate governance may facilitate global convergence. The shareholder approach in the U.S. and UK emphasizes equity financing, individualism, tolerance for uncertainty and the protection of minority shareholder rights. The stakeholder approach in Germany emphasizes creditor financing, the protection of creditor rights, and employee governance. German governance is noted for bank and block ownership of shares, a collective approach to decision-making and uncertainty avoidance. The paper recommends improvements to strengthen Sarbanes-Oxley including requiring a report on corporate governance in the annual filing with stock exchanges. Regardless of recent changes in governance, the effort is not likely to be successful unless top management and the board establish an ethical culture in their organizations.