



Global corporate governance: On the relevance of firms' ownership structure



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ABSTRACT

This article addresses reviews research on corporate governance of the modern corporation around the world, with particular attention to the key variable of ownership structure. We first review the evolution of ownership studies from the early days of the Berle and Means to more contemporary research on how ownership has defined the various corporate governance systems around the world. We maintain that concentrated and family ownership structures in emerging economies, the role of the diverse type of large blockholders, and the evolution to more dispersed structures can help to inform broader questions around corporate governance and its relationship to economic development and the role of institutions in these economies. We propose that future research should draw on micro data on firm specific ownership structures and their corporate governance practices to better understand the cross-national diversity of governance and its meanings and consequences. We close by identifying some fruitful areas of future research.

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1. Introduction

In this article, to commemorate the 50th Anniversary of the *Journal of World Business*, we seek to take stock of research in comparative corporate governance which has been published in the *Journal of World Business* and its previous incarnation *Columbia Journal of World Business* (summarized in [Table 1](#) and marked with an *) and position it in the context of current corporate governance research. In addition, we identify fruitful areas of future research within the international business literature and in the context of the current global arena. Taking a world business perspective, it is clear that initial research on the theme of corporate governance was localized in the Anglo-American environment for much of its nascence, largely ignoring the global dimensions. Only in the 1990s, with the advent of accounting and financial fraud by globally present firms, and concurrently, when corporate governance became consolidated as a scholarly field, did scholarship expand to incorporate cross-national comparisons within the triad (mostly US, Japan and Europe). It was not until quite recently that the study of corporate

governance embraced first Asian nations (i.e., Japanese keiritsu and South Korean chaebols) and ultimately emerging markets, especially China.

Research on global corporate governance includes a wide array of fascinating and complex topics ranging from the structure of the board of directors to issues of transparency, responsibility, and accountability. We ground this article around the core governance construct of ownership because no firm exists without owners and the property rights allocated to these owners. Ownership is at the source of the conflict between owners and managers, a theme that has occupied much of the first wave of corporate governance research ([Jensen & Meckling, 1976](#)), as well as at the essence of the conflict between owners and owners which is occupying the more recent wave of governance research ([Young, Peng, Ahlstrom, Bruton, & Jiang, 2008](#)). Scholars have analyzed the effects of ownership on an array of firm outcomes such as firm performance ([Demsetz & Villalonga, 2001](#)), diversification strategies ([Banaliev & Eddleston, 2011](#)), CSR investment ([Cruz, Larraza-Kintana, Garcés-Galdeano, & Berrone, 2014](#); [Graves & Waddock, 1994](#)), resilience to the latest financial crises ([Crespí & Martín-Oliver, 2015](#)), to mention just a few.

The political sociology and political economy perspectives underscore the relevance of ownership structure in the cross-national context, particularly as it influences the types of capitalisms that have developed over time as well the salience of different

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Table 1

Summary of papers related to ownership structure and corporate governance published in CJWB and JWB.

| Author/year | Title | Main idea |
|---------------------------------------|--------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Kendall (1969) | Corporate Ownership. The international dimension | The President of PepsiCo Inc. advocates in the MNC for the participation of widespread local owners in parent companies while the reality is a drift to parent owners in the parent county |
| Beamish (1985) | The Characteristics of Joint Ventures in Developed and Developing Countries | Refer to the relevance of ownership stake is IJV when refer to the partners of joint ventures. The distinction among developing and developed countries matters. |
| Lieberman (1993) | Privatization. The Theme of the 1990s. An Overview | Ira Lieberman is was the president of a consulting firm that realized on the relevance of the ownership structure of privatization process, where managers and workers become part of the new dispersed ownership structure |
| Rubach and Seborá (1998) | Comparative Corporate Governance: Competitive Implications of an Emerging Convergence | Recalls as divergent paths of governance forms every day look more alike, with the adoption of best practices of the existing systems. The adoption of global stakeholders |
| Filatotchev et al. (2003) | Governance, organizational capabilities and restructuring in emerging economies | The authors propose a connection between governance and learning theory, suggesting that learning is inhibited by excessive managerial ownership. They argue that outside ownership involvement and the development of organizational capabilities may facilitate restructuring in Central and Eastern Europe |
| Liu et al. (2011) | Ownership, strategic orientation and internationalization in emerging markets | Using Chinese data, demonstrates that ownership structure, ownership concentration and CEO ownership can lead firms to choose different strategic orientations. Further, entrepreneurial orientation directly promotes a firm's internationalization activities, whereas market orientation has an inverse U-shaped relationship with internationalization activities |
| Muñoz-Bullon and Sanchez-Bueno (2012) | Do family ties shape the performance consequences of diversification? Evidence from the European Union | Product and international diversification lead to better performance to family firms compared to non-family firms, showing that the type of owners matters in diversification strategies. |
| Ma et al. (2014) | Facing global economic crisis: Foreign sales, ownership groups, and corporate value | Investigates the different impact of relational owners (i.e., business groups) and transactional owners (i.e., institutional investors) global economic crises on emerging market firms |

country organizations and the accountability of managers to society (Guillén, 2000; Hall & Soskice, 2001; Matten & Moon, 2008; Roe, 2008). Our international business perspective explores the idiosyncratic characteristics of firms, given the institutional context in which they are embedded. Our focus on the ownership structure of the individual firm intends to isolate the impact of owners on the governance of corporations. The diversity of the nature of ownership across countries and over time brings a diversity that overcomes the simplified categories of governance structures based on an identified representative agent in the economy. The typology of these owners explains the expected accountability of managers toward the large and minority shareholders which, ultimately, influence their accountability to the society.

Ownership as a construct can be easily compared across countries unlike other governance constructs such as board independence or labor engagement. Effectively cross-national research on ownership (La Porta, Lopez-de-Silanes, & Shleifer, 1999) pursues a straight forward comparison on who owns large listed firms around the world on the basis of a certain ownership percentage (i.e., 20% threshold) of the largest owner. This kind of criteria, with multiple variations such as Herfindahl values, the ownership of the three or five largest shareholders has been extensively used in the academic literature as well as among practitioners to systematically compare ownership structures. Other governance measures such as board independence, employee participation or shareholder engagement are more subjective to the institutional aspects of the country. For example, whether dual and single board structures exist; the role of external board members is likely to have different meanings and expectation depending on the existence of nominees, proprietary directors or former associates to the firm. The CEO-Chairman duality will vary with the definition of top executive and their functions; compliance with corporate governance practices is contingent to the country codes specifications, which differs widely as well as their enforcement.

We want to highlight how relevant the institutional context is, including its path dependent historical context. It shapes what

owners seek from the firm, what their responsibilities toward society are, and how they ultimately define the economy. These future lines of cross-national governance research also connect with the need to design better governance structures adapted to a growing number of internationalized corporations, via foreign direct investment, private equity efforts, or international joint ventures, as well as the emerging new types of organizations such as hybrid forms and temporal organizations.

Thus, the objective of this article is to review the relevance and nuances of the ownership structure of the governance of the modern corporation as it exists in the global business environment. The separation of ownership and control in the U.S. is the key feature that originated the theoretical and empirical approach to corporate governance in the 20th century. From this starting point, we review the diverse nature of the agency problem, first among shareholders and managers, known as Principal-Agent or type I and then among large and minority owners, known as principal-principal or type II. The focus on the conflict of interest between different types of owners captures the unique singularities of the corporate governance system in the U.S. and in the international contexts. Then, we briefly touch on the rich new research on corporate governance in emerging markets. We close by returning to the old debate on whether and how the convergence of governance systems toward a global corporate governance model has become a reality, and raise some research design issues to consider. We hope that this article encourages international business scholars to incorporate corporate governance dimensions in their studies and to think about how to effectively introduce checks and balances for decision makers running global organizations whether it is a traditional manufacturing multinational firm or a sub-unit in the global value chain.

2. Separation of ownership and control: beyond the agency theory approach

The analysis of separation of ownership and control by Berle and Means (1932) triggered research on the diverging interests of

managers and owners in a setting, the US corporations, where equity holders had no control over the wealth they created. Mizruchi (2004) revisits this seminal research updating the interpretation of the conflict as for Berle and Means (1932: 196) “managers consist of a board of directors and the senior officers of the corporation.” Nowadays, the distinction between management and board of directors becomes a key element to understand the influence of the ownership structure on the governance of corporations.

The Jensen and Meckling (1976) paper on agency costs develops a theory of the ownership structure of the firm centered on the “separation and control issue.” The monitoring expenditures of the principal, the bonding expenditures of the agent and the residual loss are based on the observation of the ownership structure of a typical large publicly traded US corporation characterized by dispersed ownership structure and large managerial discretion. The rise of dispersedly owned corporations in the US is a combination of economic efficiency forces and regulation (Roe, 1994). Roe argues that the restriction to the involvement of banks in corporate activities was a key regulatory barrier to the concentration of ownership. The fact is that the ownership structure of US corporations has been, and still mainly is, dispersed and has influenced the ways corporations have been governed. This has also been explained as a consequence of strong investor protection and the development of financial markets to provide adequate financial structures to the firms. La Porta, Lopez-de-Silanes, Shleifer, and Vishny (1997) claim that ownership concentration with its diverse set of control mechanisms is the response to inappropriate protection of investors. Others had offered counter arguments to the overall claim that strong legal institutions lead to dispersed ownership (Aguilera & Williams, 2009).

According to the agency view, when the ownership is widely dispersed, there is the risk that managers run firms to fulfill their own interests at the expense of the owners' interests. The design of corporate governance mechanisms is largely focused on mitigating or solving the managers-shareholders conflict in the context of widely held firms. To align interests of managers and shareholders, there is little incentive by shareholders to involve on monitoring activities, preferring the monitoring executed by others, the free riding behavior. Rubach and Sebora (1998) shared in the late 1990s in one of the first comparative governance pieces that under the dispersed ownership paradigm, individual shareholders in US are seen as dispersed, passive investors with a primary concern for financial returns and a fixation on firm's financial capital. These passive shareholders had almost no power to influence the corporate policies, and barely interfered in the operations of their firms. The “exit” solution dominated the “voice” option in the governance of the firm.

This innovative study by Rubach and Sebora (1998) classified the governance systems of the US, Germany and Japan. They note that the governance reactions of the US and Japan differ on the way investors are protected. The US model is better characterized by transparency, which enables investors to monitor corporations, whereas the Japanese model has long-term relationships among the investors and the firm. These differences across countries in the ownership and control of firms were categorized as ‘insider’ and ‘outsider’ systems. Outsider systems have wide dispersed ownership, while insider systems have concentrated ownership where the controlling shareholders may be families, individuals, financial institutions and other corporations acting through a holding company or cross shareholdings. Therefore, the corporate governance conflicts are, on the one side, between a controlling manager and ‘outside’ widely dispersed shareholders and, on the other side, between ‘inside’ controlling shareholders and outside minority shareholders (Shleifer & Vishny, 1997). Shleifer and

Vishny (1997: 769) argue ‘that both the legal protection of investors and some form of concentrated ownership are essential elements of a good corporate governance system. . .’ A subsequent classification based on countries' legal minority investor protection (La Porta, Lopez-De-Silanes, Shleifer, & Vishny, 1998; La Porta, Lopez-De-Silanes, Shleifer, & Vishny, 2000a; La Porta, Lopez-De-Silanes, Shleifer, & Vishny, 2000b) distinguishes common law countries with greater legal protection from civil law countries with higher ownership concentration. They conclude that where legal protection is scarce, firms are expected to have concentrated ownership.

Yet, recent methodological discussions on the empirical foundations of this country-level driven research (Holderness, 2014a, 2014b) claim that “country-average methodology over-weights firms from certain countries depending on the composition of the database and fails to control for systematic differences in firms across countries.” In other words, Holderness finds that the inverse relationship between the legal minority protection and ownership concentrated uncovered by La Porta et al. (2000a, 2000b) does not hold if instead of reporting country averages, one conducts the analysis at the firm-level. The basic result of an inverse relationship between the law and ownership turns insignificant or positive by weighting firm observations with individual firm characteristics such size or age. Additionally, sample composition seems to be a relevant source of distortion in the international comparison. La Porta et al. (2000a, 2000b) article on anti-director rights places different weights on individual firms depending on the composition of the database. Firms from small countries are often over-weighted both in comparison with firms from large countries and in comparison with firms from other countries where investors have the same legal protections. Thus, over weighting 475 times Argentina, compared to the United States sample drives to different conclusions as reported by Holderness (2014a).

Therefore, it seems critical that in order to advance research on the precursors and consequences of firm ownership structure across countries, it is imperative that we enhance our research design and capture the corporate governance of firms across countries by examining the influence of individual firms' ownership structure. Using firm level rather than the average (or equally weighted) ownership structure of firms in a country or a whole economy drives to results that are not influenced by the country ideal types or simply by the lack of available data. Thus, we would like to make a call for focusing on the firm as a unit of analysis. Country averages assume uniformity of firms in the governance of their corporations. This approach has key implications because corporate governance laws, corporate governance recommendations or even corporate governance culture in most countries is addressed to a diversity of ownership structures, from dispersed to concentrated, and a disparity of potential large controlling owners.

In addition to account for country-level institutional factors (Dojige, Karolyib, & Stulz, 2007), future research should focus more on the relationship between ownership structure and global corporate governance. Corporate governance practices differ significantly across firms' ownership concentration. Moreover, the type of owner matters in how it influences the board of directors' incentives and capabilities in advising and supervising (Desender, Aguilera, Crespi, & Garcia-Cestona, 2013). The relationship between ownership structure and firm performance has shown to bear important methodological challenges, especially endogeneity. Indirect influences on some corporate governance structures as board composition, board structure introduces further precision and is able to capture how these governance outcomes are driven by ownership structures, although explaining firm performance remains difficult. Instead of structure, by looking

into the combination of firm governance structures with specific actions of the managers or directors, it is easier to understand how such behavior potentially captures shareholders' preferences and, ultimately, has impact on the performance of the firm.

3. From dispersed to concentrated ownership structures: is it a one way direction?

The longitudinal comparison of ownership structures helps to understand the evolution and the determinants of ownership structures, globally. The study of over time trends brings about the discussion on the convergence or divergence of corporate governance regimes toward a global model in different countries such as Italy (Cuomo, Zattoni, & Valentini, 2013) or the UK (Marchica & Mura, 2005). Other approaches claim that behind ownership structures, there is an evolutionary competition (Coffee, 1999), where only the fittest models will survive. We propose that the variety of ownership structures of firms under different institutional regimes opens a new venue to understand whether there is a convergence or not in the underlying institutional settings of corporate governance.

Under this principal – agent premise, weak power of shareholders and the lower risk-preference of managers are the underlying fundamentals of the theoretical literature and empirical evidence. Managers as fixed claimants of the firm with their fixed compensation mostly bear the risk to lose their investment in specific human capital and have limited diversifying capacity, which explains their different behavior and preferences related with risk taking shareholders.

Ownership structure and ownership control mechanisms are obviously relevant in the international arena of the expansion of MNE, where uncertainly and capacity to monitor and advice becomes more difficult. Kendall's* (1969) pioneer article on the corporate governance of the multinational firm published in this journal, already asserted that the perceived widespread ownership of the parent stock distributed and listed on various exchanges outside the home country (United States), "it can be swapped for shares of a local company, it can be distributed to local executives and employees by means of options and purchase plans." Typically, stock drifts away from the public toward large institutional investors, and thus the ultimate purpose of global re-distribution fails as the shares ultimately come back to the United States. In other words, the simple distribution of parent company stock abroad is not an effective measure to achieve true multinationalism. Similarly, in the context of international joint ventures, Beamish* (1985) argues also in this journal that while there is no necessary correlation between ownership and control, in practice a relationship has often existed, particularly in developed countries.

For firms with concentrated shareholding structures, the nature of the agency problem is known as principal–principal (Young et al., 2008). Powerful and dominant shareholders have incentives to monitor and supervise managers properly. As the large shareholders controlling corporate operations, they have stronger incentives than managers to act in the interest of the corporation. Nevertheless, this behavior can be harmful for minority shareholders, when the private benefits of control are greater than the losses. This is when effective corporate governance mechanisms are needed to prevent actions of tunneling at the expense of the overall corporation's interests, including its minority shareholders towards the majority shareholders' interests.

To control the misalignment of interests between the controlling and minority shareholders, regulators impose the fiduciary duty, and mandate an equal treatment among all shareholders. Concentrated ownership is assumed to show high long term commitment levels, which potentially mitigates the agency costs

of expropriation. In this regard, large shareholders resemble managers, less risk averse than minority shareholders, who have easier exit option.

Interestingly, despite significant differences in the nature of ownership across countries and their influence on firm strategy, the recommendations for effective corporate governance practices remain rather similar. Some of them such as protection of shareholder rights, accountability, risk management, etc. have become governance hypernorms. In particular, the relevance of governance guidelines such as the recently released revision of the [OECD Corporate Governance Principles \(2015\)](#) for the development of the good corporate governance spans across many sectors and markets. It is certainly a guideline for developed markets to achieve sustainable value creation, for state owned firms to transition to effective governance within the new state capitalism, and for emerging market countries to build solid institutions that support their rapid economic development and integration into the global economy.

Previous research highlights the lack of dispersed ownership outside the Anglo-American model or the presence of different large controlling owners in the international arena, yet we still need to understand, for instance, how and why family or state owners behave differently across countries. The analytical comparison is striking because in general minority shareholders predominant in the original corporate governance studies behave similarly and are motivated to pursue shareholder value maximization. Different types of shareholders (e.g., banks, pension funds, individuals, industrial companies, families, etc.) exert different interests, risk preferences, time horizons, and strategies (Aguilera & Jackson, 2003, 2010). The strategic interests of ownership, rather than simply financial interests have been treated in the literature outside the bases of agency theory. For instance, banks as large significant shareholders can focus on the long term in order to provide financial services to the corporation instead of maximizing short term stock market returns (Dittmann, Maug, & Schneider, 2010).

Recent literature (Connelly, Tihanyi, Certo, & Hitt, 2010; Desender et al., 2013; Desender, Aguilera, LópezPuertas-Lamy, & Crespi, 2014; Ma, Yiu, & Zhou, 2014*) distinguishes between a more subtle categorization of relational owners (i.e., business groups) and transactional owners (i.e., institutional investors) to investigate their different effects on management decisions. Aguilera and Jackson (2003) refer to relational owners as long-term shareholders with complex performance goals, such as profits and growth, and have other relationships with those firms that yield benefits. Classic relational owners would be families or the state. Transactional owners lack any relationships with the firms in which they have ownership except obtaining returns.

Of particular interest is the ownership by influential families, the so-called family firms. There are a series of recent reviews on fusing the literature of family firms and governance drawing on different theoretical perspectives (i.e., Chrisman, Sharma, Steier, & Chua, 2013; Schulze & Gedajlovic, 2010; Special issue at CGIR on family business). Aguilera and Crespi-Cladera (2012) wrote a critical review of the main themes within this research. A special report by The Economist (April 18th, 2015) states that "[Far] from declining, family firms will remain an important feature of global capitalism for the foreseeable future." These firms both managed and owned by family members, or firms where a family is able to influence important decisions and/or own a significant share of the company, are present and relevant in both insider and outsider governance systems. They are most predominant in India, South East Asia, Latin America, Continental Europe and the US by this ordered sequence. The debate on the influence of family firms in the society is double sided.

On the one hand, family firms are singled out as shown by Fogel (2006)'s empirical cross-national study of largest corporations in

41 countries. Family firms drive some of the worse social and economic outcomes when oligarchic families control these large corporations. On the other hand, the sense of family ownership and identity with the family values (what has been labeled, socio-emotional wealth) overcomes to a certain degree the myopic market perspective, short termism of dispersed ownership public firms, and the principal – agent problem (Gómez-Mejía, Cruz, Berrone, & De Castro, 2011). Instead, they tend to focus on long term investment rewards and have strong incentives to monitor management. For example, Muñoz-Bullon and Sanchez-Bueno* (2012) with a sample of family and non-family firms in the European Union find that family involvement in ownership and control drives to better performance when they engage in joint product and international diversification. This finding is explained as a dominance of positive elements of family firms such as lower agency costs, long term perspective to ensure the continuity of firms' under family control for future generations, and propensity to diversification strategies to reduce the natural risk concentration of family wealth in a single or reduced number of firms, products and markets. These elements seem to dominate the drawbacks of family firms such as reluctance to attract external financing resources, to hire personnel from outside the family, and the overall strong need to perpetuate family values or status quo.

One of the arguments of The Economist (2015) Family Business report is that family firms, as a significant feature of global capitalism, become increasingly powerful in the Asian economy. This is shifting the dynamics of these countries and the interplay between different owners. Asia is where the family firms are most dominant and the world's most dynamic region. It will be interesting to see to what degree Asian firms follow the footsteps of European and American firms or because of their distinctive institutional and cultural background—quite diverse itself across Asia, they learn from other family firms and take different paths to growth and sustainability.

The variety of corporate governance mechanisms under different ownership configurations tends to take a complementary or substitute role toward the other governance practices (Aguilera & Jackson, 2003, 2010; Aguilera, Filatotchev, Gospel, & Jackson, 2008). This literature asserts that isolate corporate governance mechanisms become effective when considering the firms' contingencies and characteristics. The interaction between large shareholder and firms characteristics is a key element to understand the actual configuration of corporate governance where ownership structures are concentrated.

4. The emerging market economies

The dispersion of formerly concentrated state owned enterprises in the 90s in many developing countries has received attention in the literature. Lieberman* (1993) refers to the privatization process as a way to widespread ownership from the government control and to a wide base of dispersed owners including workers and managers on a preferential basis. This entails a shift from relational owners to transactional owners. Filatotchev, Wright, Uhlenbruck, Tihanyi, and Hoskisson* (2003) propose in the context of transition to market economies in central and eastern Europe that privatizations to foreign investors are linked to effective restructuring corporate governance than alternative forms of privatization. They argue that foreign ownership provides the key elements to effective governance and springboard for implementing better strategies: monitoring on managerial discretion and advice, knowledge and expertise. This case study results fit well with our empirical findings in developed countries such as Japan (Desender et al., 2014), where board monitoring is only activated when shareholder-oriented

foreign ownership is high and the influence of foreign ownership is especially strong in firms without large domestic owners.

In these markets, the agency perspective can be complemented by the arguments of institutional perspective. As Singh and Gaur (2009) assert, firm arrangements in the form of business groups is a mechanism to overcome the lack of institutions and efficient markets (i.e., fill in institutional voids). Although they uncover that in the changed economic environment of India and China, the costs of group affiliation will often outweigh the benefits, making group affiliation a costly governance mechanism.

In the emerging market of China, Liu, Li, and Xue* (2011) refer to ownership structure, ownership concentration and CEO ownership. CEO shareholdings capture the alignment of owners and executives' interests, which has significance for corporate governance in firms from emerging markets. They assert that there is an optimal level of ownership concentration and that also there is an optimal level of CEO ownership that leads to higher management and entrepreneurial orientation. The hypothesis is that the relationship between ownership concentration and management orientation is an inverse U-shape.

Claessens, Djankov, Fan, and Lang (2002) in Eastern Asia, Chong (2007) in Latin America, Joh (2003) in Korea, Qi, Wu and Zang (2000) in China, and Douma, George, and Kabir (2006), in India, report significant differences in ownership structures across and within emerging economies. The systematic cross-national and longitudinal comparison of ownership concentration with the identity of controlling shareholders would help to uncover the relative development of governance institutions in the emerging economies.

5. Does ownership lead to CG systems converge?

The convergence of corporate governance systems has been in the agenda of international regulatory organizations. The globalization and internationalization of the economy and corporation drives the practices to a natural convergence, until very recently based on Western codes, regulation or recommendations. Since the 2008 global financial crises, trust and accountability of financial markets has been put into question and other alternative governance models to the maximizing shareholder-value model are proposed as better at managing financial risk and more sustainable long term. An example would be the banking limits imposed in the Canadian system or family-owned capitalism.

Global efforts to improve corporate governance in terms of process, transparency and minimization of risk are commendable and a move in the right direction. Soft regulation based on governance guidelines endorsed by individual companies and monitored by other organizations are likely to be effective vis a vis hard regulation where firms seek for loopholes. Yet, the development of international corporate governance standards as the 1999 OECD Principles of Corporate Governance (revised in 2004) did not fully account for the different starting point in corporate governance practices across countries. It was mostly targeted to the large publicly traded firm with dispersed ownership and a particular set of challenges framed within developed financial markets. Yet, different economic and social values embedded in the national cultures prevent such governance convergence in real terms. A broader institutional approach is need in order to understand and enhance current governance practices around the world. The recently released 2015 G20/OECD Principles of Corporate Governance are more aware of different owners such as state owners, different types of organizations beyond the large publicly traded firms such as an emphasis on small and medium enterprises, banks, and the multinational firm, and different institutional characteristics shaping corporate governance.

The convergence debate emerged from the outset of the US managerial capitalism era. Thus, while Rubach and Seborá* (1998) identify individuals and institutions as the dominant owners in the US, the businesses, banks, individuals and institutions as key participants in Japan and banks as the referent in Germany at the time of their study, they argue that there was a convergence in the governance logic that would bring competitive advantage based on the transparency and disclosure of management actions as well as the establishment of long term relationship among manager and key owners. With a more complex methodology analyzing ownership structures across European countries and contrasting it with the dominant US structure, Barca and Becht (2001) introduce the mechanism for separating cash flow rights from voting rights as a move away from private control. Nonetheless, they find it difficult to predict that Continental Europe will move towards a management control bias with a US-style managerial entrenchment.

The dynamic evolution of corporate ownership is shaped by political institutions dealing with competing interests (Aguilera & Jackson, 2003; Gourevitch & Shinn, 2005; Pagano & Volpin, 2005). In countries where economies and institutions shifted toward democratic and open competitive economic systems, the expected evolution of corporate governance structures and mechanisms would be toward models of western economies. However, as noted by Schneider (2008), the expected significant shifts on corporate ownership forms in many developing countries, especially in Latin America after the period of democratization in 1980s, has yet to be seen. Changes from state to privately owned firms through the privatization process of state-owned firms in 1980s and market-oriented reforms, did not modify significantly governance structures as ownership concentrated in the hands of domestic business groups. These results dispute the accepted notion that concentrated ownership exists at any point in time because of institutional voids (Khanna & Palepu, 2000).

Continuing with the case of Latin American countries, they exhibit similar patterns of ownership concentration compared to Asia and continental Europe. Their average ownership stake of the largest shareholder is higher than the ownership concentration in the U.S. (Holderness, 2009), continental European (Thomsen and Pedersen, 2000) and Eastern Asian firms (Claessens, Djankov, & Lang, 2000). Yet they cope with concentration and the need to attract investments in a unique way. There is an extensive use of dual-class shares (see De Angelo & De Angelo, 1985), where policymakers allow dual-class shares enabling firms to use alternative mechanisms to finance their projects while increasing the minority investor protection in order to offset potential private benefits of control of controlling shareholders. This practice suggest that even though concentration is present, countries introduce additional practices such as dual-class shares which are frowned upon in some Western markets to attract capital investments.

In addition to the institutional context, the ownership structure is also shaped by a “dominant organizational form for managing large businesses” (Yiu, Lu, Bruton, & Hoskisson, 2007). Business groups as entities are two or more legally independent firms tied with shared ownership ties, directly or indirectly through one or more intermediate firms. A wider definition of business groups, legally independent firms that take collective actions, puts its emphasis beyond equity holdings ties. Social connections, as family ties are also relevant (Carney, 2005), interlocking directors or even buyer-seller strong ties (Chang & Hong, 2000) can be the source of business groups. In the international arena, these business groups are relevant players in the economy and they adopt different corporate governance practices (Colpan & Colli, in press). There was an estimation by Khanna and Yafeh (2005) that 20 percent of Chilean registered

firms belong to business groups, similar to emerging economies up to almost 67% of firms in Indonesia. Their estimated contribution to GDP in Latin American countries is 14% and 24% in Asia according to Guillén (2000).

These business groups embedded in different institutional settings exhibit different sources of cohesion. Effectively this is an unsolved question whether the ties among firms in business groups come for name-sharing, director interlocks, family ownership or family management. A comparison of international ownership structures would help uncover whether these ties are through wholly-owned subsidiaries or shared with minority investors. Moreover, the presence of professional managers or owner managed groups, as the diversification processes extends, are of interest to shape the structure of these relevant governance forms.

To conclude, we find that there are several factors that influence the divergent convergence in corporate governance systems which deserve further exploration. First, for even those companies not directly investing abroad, they tend to compete in a global space. This means that they are exposed and influenced by global business standards. Most firms are part of a global value chain which transmits values and practices. Second, firms are increasingly relying on governance arbitrage to gain efficiencies and enhance their legitimation. Think about firms that either de-list from the NYSE because governance standards are too stringent or foreign firms that get listed in the LSE to access capital and gain legitimation. Third, even if firms chose not to adopt global corporate governance standards, they are aware of other practices as these tend to diffuse more fluidly. Fourth, we count with a new type of private-public organizations of self-governance and monitoring which are the gatekeepers of governance such as governance ratings, media, shareholder activists, and corporate raiders. These are part of the external corporate governance forces that shape how the internal governance is structured (Aguilera, Desender, Bednar, & Lee, 2015). In sum, ownership structures and its related corporate governance practices are slowly changing around the world, but not necessarily converging toward each other, instead they are converging in their divergence toward the next stage.

6. Conclusion

Corporate governance models all over the world have been characterized, and still are, by a number of elements that include country institutional elements as capital markets development or the level of investors' legal protection. We focus our attention on the role assigned to the ownership structure during these years from the launching of the *Columbia Journal of World Business* up to nowadays. Indubitably the improvement of corporate governance practices to protect shareholders comes from the Anglo American setting of dispersed ownership structures. There was a failed attempt to transplant some of these corporate governance logics to the concentrated ownership structures of continental European countries and Japan, which typically ended in decoupling or local governance adaptation. The more recent developments of capitalism in Asia and Latin America show that concentrated ownership structures with relevant large shareholders as families play a significant role yet global corporate governance recommendations remain at the one rule fits all, standardized norm setting of the OECD principles that draw on the early logics of the UK Cadbury committee in 1992.

Ownership structure is such a versatile and powerful dimension to explain the observed governance of corporation around the world that it can no longer remain a simple characterization of the average dominant ownership form in a country. Recent improvements and accessibility of databases on listed and private firms

around the world allow, and require, cross-national firm level analysis on the impact of the ownership levels of concentration, the role of relevant shareholders, their individual corporate governance practices, etc. This firm level focus will bring a more nuanced understanding of the political interests within the firm and the capacity of different actors to engage in firm governance. In this sense, private equity owners, family owners, state participation in the economy, strategic large corporate owners, business groups, institutional investors in the international context can be compared, aside of the country institutional settings, with the recommended corporate governance practices of the most traditional dispersed ownership structures that coexist in any economy.

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