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The Impacts of Culture on Corporate Governance: Corporate Governance's Effectiveness

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Master in International Management

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BUSINESS
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Marketing, Operations, and General Management
Department

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Abstract

This study analyzes the different impacts that the cultural dimensions created and developed by Hofstede have on corporate governance and the effect of the management of a company when influenced by a specific cultural background. The empirical study is based on a literature review conducted through articles and studies in the areas of economic and cultural impact, as well as the scores obtained from the EIKON database, and the scores studied by Hofstede. The combination of these values is then correlated using the statistical system SPSS to determine if there is a significant impact on a company's economic performance and management. The results obtained are consistent with predictions made in various previous studies, which demonstrate that certain dimensions will always have more impact than ones that are not as related to economic and financial areas. These results are consistent with earlier predictions and are coherent with the research carried out in the initial chapters, which support the hypotheses presented in this dissertation. Furthermore, the research suggests that certain cultural dimensions will always have a more significant impact on company management, as the correlation between the scores of cultural dimensions and governmental scores will be more significant, whether positively or negatively.

Keywords: Corporate Governance, Cultural Dimensions, ESG, Corporate Social Responsibility

JEL Classification System: M14, O16

Resumo

Este estudo analisa os diferentes impactos que as dimensões culturais criadas e desenvolvidas por Hofstede têm na governação empresarial, sendo também relevante para a gestão de uma empresa de uma determinada ascendência cultural. O estudo empírico baseado na revisão de literatura feita através de artigos e estudos feito nas áreas de impacto económico e cultural, e também nos *scores* obtidos pela base de dados EIKON e dos *scores* estudados por Hofstede. O conjunto destes valores é depois correlacionado com base no sistema estatístico SPSS que vai provar se existe ou não correlação significativa que justifique um claro impacto na economia de uma empresa e na sua gestão. Os resultados obtidos são consistentes com as previsões feitas em variados estudos anteriores, que mostram que algumas das dimensões terão sempre mais impacto que outras que não se relacionam tanto com áreas económico-financeiras. Estes resultados, sendo consistentes com previsões feitas anteriormente, são igualmente coerentes com a pesquisa elaborada nos primeiros capítulos que servem como apoio às hipóteses criadas. Além disso, a investigação sugere que determinadas dimensões culturais vão ser sempre mais impactantes que outras na gestão de uma empresa, porque a correlação entre os *scores* das dimensões culturais e os *scores* governamentais vão ser, positiva ou negativamente, mais significativos.

Palavras-chave: Governação Empresarial, Dimensões Culturais, ESG, Responsabilidade Social das Empresas

JEL Classification System: M14, O16

Abbreviations

ATX	Austrian Traded Index
CEO	Chief Executive Officer
CG	Corporate Governance
CSR	Corporate Social Responsibility
DSL	Digital Subscriber Line
ED	Executive Directors
ESG	Environmental, Social, and Governance
EU	European Union
FRC	Financial Reporting Council
GRI	Global Reporting Initiative
IDV	Individualism Index
ISCTE	Instituto Superior das Ciências do Trabalho e da Empresas
IVR	Indulgence versus Restraint
LTO	Long-Term Orientation
MAS	Masculinity versus Femininity
NAV	Net Asset Value
NED	Non-Executive Directors
OEC	Organization for Economic Co-operation and Development
OMX	Leading Exchange Operator
PDI	Power Distance Index
SAS	Sustainability Accounting Standards Board
SPSS	Statistical Package for Social Science for Windows
TCF	Task Force on Climate-related Financial Disclosures
UAI	Uncertainty Avoidance Index
UK	United Kingdom
UPM	United Paper Mills

USA United States of America

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1. Introduction

Corporate governance (CG) has been becoming a trend recently. Not only has the power of investors been increasing and their impact on societies but also differences in relation to cultural backgrounds are more prevalent, impacting the executive boards in a company.

It involves balancing the interests of stakeholders such as shareholders, customers, suppliers, and even the community, while also allowing the company to achieve its own goals and objectives through a specific framework based on the components of management.

When it comes to corporate governance and its research, the primary investigations are related to the determinants of a firm's performance by understanding the level of influence and which factors impact it. However, considering these factors, there are very few studies that have tried to identify how national culture can impact corporate governance structures.

Therefore, a better understanding of national cultures' impact on multinational firms when establishing corporate boards is critical to developing a holistic understanding of corporate governance. This is where Hofstede's research becomes of the essence, allowing for an in-depth study of how the different cultural dimensions can impact corporate governance in different European countries.

This study dives into the relationship of Hofstede's cultural dimensions (Minkov and Hofstede, 2011), and how each of them impacts corporate governance and its structure, with corporate governance variables such as board independence, composition, and board leadership structure.

This work starts with the Literature Review, followed by the proposed methodology and tools used, and concludes with the outcome of the results and the analysis.

2. Literature Review

2.1. Research Problem

Corporate governance can be seen as a set of rules and structures aimed at correcting business operations to better compensate the shareholders' interests (Du Plessis, 2018). This also accounts for managerial misbehavior - as mentioned before - which means it is a crucial aspect of any business strategy. It can relate to different activities that help companies rely on its processes to be directed and managed, such as law practice and internal businesses (Scherer, 2016).

Even so, major differences have been found in extremely important factors such as the board of directors' structure (Wymeersch, 1998), legal procedures, or corporate ownership; for example, it is either from family-controlled environments or widely held (Faccio and Lang, 2002).

On another note, with time companies have found themselves shifting towards more sustainable practices. This is mostly due to the constant evolution of a business, the imprinted results on its image and reputation when it comes to the final consumer, and new market opportunities (Poddar, 2019). This has led to a common understanding of how sustainability is directly linked to a company's profitability and, therefore, the overall context of the shareholders and consumers (which has since created a whole sector just for the environmental ambiance within a company's business model (Fernando, 2019)).

Even though sustainability plays a big role in any company's success, the law and finance theory provides a clear explanation of the different regimes of corporate governance around the globe, especially considering its dependency on the legal system in place when applying any of these regimes (la Porta, Lopez-de-Silanes, and Shleifer, 1999), being that in some cultures, the state has a bigger role in regulating the business when compared to others. As for the theory of legal origins, La Porta et al. (2008) reflects on the importance of common law in countries' corporate governance systems and how they tend to bring out better economic outcomes in comparison to civil law countries.

Both these theories, when accompanied and related to Doidge (2007), show that countries' characteristics explain how a firm's governance varies, but not the firm's characteristics. What

leads to a successful ruling of any business is the venture of both the firm's characteristics and the countries, thus understanding the importance of culture in corporate governance practices all over the globe (Aguilera and Jackson, 2010). For example, Portugal's business practices will differ from The Netherlands' mainly due to their underlying cultural differences.

Despite not having enough referential research, these practices are undoubtedly affected and influenced by each country's specific cultural traits. This is where Hofstede's research and six cultural dimensions (power distance, uncertainty avoidance, individualism-collectivism, masculinity-femininity, short vs. long-term orientation, and restraint vs. indulgence) sum up their massive importance.

To summarize, this study aims to understand how national culture and Hofstede's dimensions influence corporate governance structure and its leadership practices.

2.2. Hofstede's Cultural Dimensions

Culture can be an incredibly complex concept as Hofstede (2011) has attempted to define throughout the years. He has created a system based on a shared set of values that separate one from the next, allowing for a better understanding of what lies within each.

According to Hofstede (1991, pg. 5), "The collective programming of the mind which distinguishes the members of one group or category of people from another" implies that culture is always going to be different and shared as a collective deep-rooted phenomenon. This theory is defended by many who say that culture is fundamental to understanding how corporate governance (including subjects such as the political system, capital market, labor market, and legal system) is influenced by society.

This led Hofstede to collect corporate cultural data from 44 countries using four dimensions as a basis of comparison from one to the other and these dimensions are Power Distance Index (PDI), Uncertainty Avoidance Index (UAI), Individualism (IDV) and Masculinity (MAS), and alongside Michail Minkov, created Indulgence versus Restraint (IVR) and Long-Term Orientation (LTO) (Hofstede, 2011).

2.2.1. Power Distance

Power Distance relates to the tolerance and acceptance of the distributed power and its inequality, by society. The higher the index the bigger the distance between subordinates and superiors.

In countries with a high PDI, employees tend to avoid expressing disagreement with their superiors, just like they are not supposed to participate in any decision-making. The more loyal an employee is the more appreciation he will receive. Superiors tend to be more persistent where more time and supervision have been invested. This is an important aspect to employees, considering that they perceive this to be a positive factor.

However, in countries with a low PDI, communication is the most important factor, given that it is generally broader and provides access to information that is not directly related to a specific task. In these countries, the scenarios are different considering how employees are expected to be consulted before any decision is made, thus inviting them to be more active and participate in the daily life of any company.

Delegation of any functions usually means transferring rights allowing any employee to grow and be themselves within its workspace, being that supervision is only accepted during agreed “check-ups” and considering performance criteria. Employees are also aware of their company’s privileges and how they were set in place.

2.2.2. Uncertainty Avoidance

The Uncertainty Avoidance Index is considered to be a cultural feeling that is threatened by uncertain or unknown situations. It results in behaviors that are directly related to unforeseen consequences, whilst the opposite, which is uncertainty tolerance results in behavior that is less concerned with unknown outcomes.

If any country shows a high UAI, it shows that society encourages awareness and risk avoidance through the regulation and planning of specific actions to rule out situations that bring discomfort and uncertainty. These cultures offer to order and use experts with proven records to be seen as trust-building factors, any factors outside of this “line” will be considered threatening, even if positive.

On the other hand, countries with low UAI will embrace anything that falls out of line and pushes them out of their comfort zone, allowing for ambiguity and curiosity. encourages

experiments and testing, providing a much more relaxed work environment and a less stressful way to deal with chaos.

2.2.3. Individualism versus Collectivism

Individualism deals with the degree of interdependence any society manages to maintain within its members. Whilst individualistic countries tend to make decisions on their own based on what they consider to be the best option, collective countries are keen on making decisions that will benefit the group.

The higher the IDV the more individualistic the culture is, which means the value of freedom of choice and privacy. Work-life is completely independent of personal life, leading to the ability to choose who remains the closest. These cultures use low context communication, which means that the preferred type of communication is the one where it occurs through specific spelled out and defined words, where there is only the need to interpret the dialog exactly as it is, without hidden meanings.

Moreover, the lower the IDV score, the more collective are the cultures. This implies that these cultures give more importance to relationships and their outcomes instead of personal choices. By putting their relationships above everything else, they are showing immense respect and loyalty towards others in exchange for a place within society and protection. They are inclined to avoid conflict and follow others to maintain harmony and mainly use high-context communication. In collectivist societies, members who fall out of or act in disagreement with the rest of the group are seen as selfish and arrogant.

2.2.4. Masculinity versus Femininity

Masculinity versus Femininity concerns itself with how driven societies are towards achievement, which shows how masculinity emphasizes ambition or competitiveness, acquisition of wealth, and a big gap when it comes to gender roles. On the other hand, Femininity is seen as caring, and nurturing in different cultures, giving importance to sexual equality, environmental awareness, and other factors.

Countries with a high MAS score are the masculine ones, where both genders are expected to behave differently, meaning that men should be determined and career-driven whilst women should ideally be more tender and modest. Cultures differentiate the hero from the ones looking

for a hero and this means that confrontation and competition are expected and are intentionally created.

On the contrary, Feminine countries, with a low MAS score, value cooperation, long-term relationships, and gender equality. Where expectations from both men and women overlap and the above-mentioned modesty and caring are seen as good factors for both. This minimizes confrontation among individuals and allows diverging opinions to be dealt with in a tolerant and understanding way.

2.2.5. Indulgence versus Restraint

Indulgence versus restraint is related to the tendency of any society to allow gratification of desires and impulses, thus providing a better enjoyment of day-to-day life and the overall prevalence of individualized "fun".

Cultures with a high IVR score, show a bigger tendency to indulgence, where people value optimism and control over their lives. Giving importance to satisfaction and happiness, allowing time for leisure, and facing life with a smile is the norm. These cultures give little to no importance to material rewards considering how they are focused on every moment, little by little, without concerning themselves with stressful scenarios.

However, in cultures with a low IVR score, there is a constraint tendency, leading to refrained leisure and life control. By suppressing their impulses, these societies have a bigger moral discipline and people tend to be more negative instead of optimistic. There is also an expectation for material compensation for one's work, considering how important they are to people, and these material things are more important than friendships and leisure.

2.2.6. Long-Term Orientation versus Short-Term Orientation

Long-term orientation versus short-term orientation is the dimension that refers to the orientation to future rewards or past and present feelings such as tradition, preservation, and social obligations.

With cultures that have a high score that lean towards long-term, there is a tendency to reward hard work and continue searching for the right values and accomplishments. Countries where organizations envision their development through generations and throughout the years,

tend to consider how important market position and customer relationships are. Even though they are long-term oriented, there is a continuous adaptation to context, leading to pragmatic behaviors.

On the other hand, in cultures with a low score and are short-term oriented, people are encouraged to go for immediate results, changing objectives as the scenario changes too. The mindset is focused on spending and consuming, keeping the economy healthy, and always sticking to and following what is the traditional norm.

Hofstede along with Hickson and Pugh understood how these dimensions were directly correlated with organizational behavior, specifically how some scores related to different authorities and different hierarchies.

This continuous monitoring of what is good corporate governance is important to maintain the stability of financial markets, but while this monitoring helps, it still has not provided any definitive guidelines to keep it up. This concerns the cultural background of each of those markets and organizations.

These dimensions also allow for a better understanding of each culture's form of communication making up for an easier adaptation in all different areas, especially business-wise, which will eventually impact how executive boards are impacted by culture.

2.3. Corporate Board Effectiveness

A board of directors is one of the main entities in a company, helping with the correlation between shareholders and managers. It also has the role of assigning a Chief Executive Officer or a general manager to the business (Boland and Hofstrand, 2021).

Considering how crucial the roles of the board of directors are, the board must encompass characteristics such as composition, size, diversity, committee structure, the frequency of meetings, styles, structure, processes, activities, and their relationship. Jan and Sangmi (2016) shine a light on how the role include the management of activities and its supportive role in order to make sure that a company has a strategic direction mapped out towards the fulfillment of its goals.

2.3.1. Corporate Boards

Corporate boards play a crucial role in corporate governance, especially with regard to characteristics such as: composition, size, diversity, committee structure, the frequency of meetings, styles, structure, processes, activities, and their relationship. Jan and Sangmi (2016) further highlight the role of the board which encompasses monitoring the activities of management, assuming an advisory and supportive role, and ensuring the overall governance of the company by providing strategic direction to ensure organizational objectives are fulfilled. It is against these fundamental functions of the board that most board of directors are evaluated.

Board structure is defined by three very important variables: the number of directors, along with its proportion of outside directors (also known as Non-Executive Directors), and the difference between the Chief Executive Officer (CEO) and the Chairman of the board (Ooghe, 2002).

Following Tulung and Ramdani (2018), there is a clear connection between the board size and the company's performance. The larger a board of directors is, the more effective the provided information will be, with more inputs on the changeable details of different aspects of the company's management. This study also advises including a bigger number of Non-Executive Directors to best monitor the company from an external point of view.

On the other hand, it can also be negative because it can lead to the overturn of tasks from the Chief Executive Officer by delegating them to his employees in favor of their interests instead of considering the shareholders (Conyon and Peck, 1998).

When considering how the evolution of the board of directors has been developing over the years, it is understandable how Jensen, in 1993, saw that smaller-sized boards led to cost-cutting and downsizing stemming from technological and organizational change, and Hermalin and Weisbach, in 2003, argued that larger boards can be less effective than small boards.

However, board independence is an important tool of corporate governance, as well, that eliminates agency costs, as it allows for better monitoring of the directors' roles (Berghe and Baelden, 2005). What makes a board independent is the acquisition of several independent directors as members onto the board, stating the director's ability, willingness, and board environment which then leads to the overall independent attitude of each director.

Citing the UK CGC (2016, p. 11), "Except for smaller companies, at least half the board, excluding the chairman, should comprise of non-executive directors determined by the board to be independent", this suggests that non-executive directors help in conflict-of-interest resolution and ethics concerns within an internal board of directors. Various studies will show how there can be positive and negative impacts on the corporate governance of a company based on its board independence; Tulung & Ramdani's (2018) findings show a positive relationship between both, Naveen (2008) notes a negative one.

Considering the different studies, some variables need to be considered such as managerial behaviors and internal factors specific to each organization, that will eventually affect its performance, like Non-Executive Directors (NED), which refers to a member of a company's board of directors that is not a company employee, meaning that they do not engage in the day-to-day management of the organization. They act as independent advisors and get involved in any policymaking and planning exercises, monitoring executive directors, and acting on behalf of the corporate stakeholders.

This member of the board is important to maintain the legal obligations and challenge governance and ethical breaches, to the highest degree, upholding the highest possible standards of integrity. And even though NED exists to help, Executive Directors (ED) are equally responsible for its effectiveness.

2.3.2. Board Effectiveness and Firm Performance

Board Effectiveness is measured as the ability of a board to perform its tasks (Forbes & Milliken, 1999), distributed within three main categories: service, control, and strategy. The service category encompasses the management support activities of the board, the control emphasizes the control on decision making and monitoring the activities of the board to reduce opportunism (Huse, 2005), and lastly, strategy takes on the involvement of boards in strategy formulation and its implementation.

An effective board is directly related to the need to understand what is in its constitution. Quoting the Financial Reporting Council (FRC), which published its *Guidance on Board Effectiveness* [2018], an effective board "*develops and promotes its collective vision of the company's purpose, its culture, its values and the behaviors it wishes to promote in conducting*

its business”. It brings out the importance of teamwork and the strictness of the environment, creating value and long-term contributions to the company.

Under the UK’s Corporate Governance Code (CGC, 2016), the key factors that result in an effective board of directors are as mentioned before the board size, board structure, and the separation of the duties of the Chairman and the Chief Executive Officer (CEO), which include the effective remuneration policy and independent board committees. Further into the CGC, a board of directors should communicate transparently and openly with its shareholders when holding general meetings. This explains why there is a need for the afore-mentioned NED because it represents itself as a mechanism to monitor the executive directors and keep a working internal system to mitigate risks.

Consequently, it will lead to a further and deeper investigation of the link between an effective board of directors and the firm’s performance. A firm’s performance is measured by its efficiency, its effectiveness, and the value it has for the customers and shareholders, making it a necessary means to goal achievement (Abobakr, 2017).

Per Garret (2020), previous studies and even current information have shown different but conflicting concerns about poor corporate governance and how it is directly linked to business scandals and financial frauds. This makes the board of directors a very important pillar for a good and effective corporate governance strategy, considering how its effectiveness will depend on its members, as discussed. The nomination committee enters this stage because it will be the one recruiting for, planning for, evaluating the board, and then connecting these processes to the company’s recruitment and development (Chaudhry, 2020).

This shows how the board’s effectiveness is dependent on its members and how it will later impact the firm’s performance, however, that impact will be reflected in different ways between different countries and cultures.

Nowadays, there are two very common corporate governance models, which are:

1. The One-Tier Corporate Model, also known as the monistic governance model, reflects on the existence of only one board that includes the management and supervisors. A board where the control is laid upon the chairman elected by, usually, independent persons or individual shareholders. This type of board is extremely influenced by the external capital markets, through mergers and acquisitions but also through the control

over trading. A system like this requires an independent board, responsible for monitoring and control of management (Ungureanu, 2012).

Also referred to as the Anglo-Saxon model, it places a strong emphasis on achieved results and shareholder interests, putting less effort into long-term business development (Gandini, Astori & Cassano, 2009). Although the daily business is managed by individuals and not the board, most tasks require a need to execute some decisions and execution through senior managers, who are not necessarily board members.

According to Carsten (2006), the advantages of the one-tier model are the higher flow of information, the quick and active decision-making process, and the overall better understanding and development of the business by the executive board. However, this model is more common in countries such as the United States of America (USA), Australia, Canada, and the UK.

2. The Two-Tier Corporate Model will be the major subject of this study, (also known as the Germanic Model) considering how common it is in Europe. This model encompasses two different sets of boards, with a separation being made between supervisors and management.

Even though the management board represents the company outside of its bounds, it is also its responsibility to run the business along with the supervisory board. In other words, this management board guides the planning of different tasks within the company, it manages the workforce and the company focus (Carsten, 2006).

The supervisory board is mostly made of either shareholder representatives or employees, and the main tasks of this board is to appoint and dismiss the members of the management board and guide them throughout the process of managing their firm. They also represent the company in matters such as court actions and financial approvals, plus the obligation to intervene when the company's interests are in jeopardy (du Plessis et al. 2012).

The *German Corporate Governance Code* mentions the supervisory board “*advise regularly and supervise the management board in the management of the enterprise*”. So, these two boards are linked in a way where one serves as a consultant and advisor to the other.

In the following chapters, the research will be based on Hofstede's scores on different European countries that were chosen among the dimensions, it will be clear how these countries' board effectiveness is affected by culture.

3. Methodology

3.1. Research Method

This paper will serve as an in-depth study of the relationship between Hofstede's Dimensions, their scores, and different countries with the ESG information on the EIKON Database, as explained below.

The purpose of this research was determinant when choosing the appropriate research method. In this context, elements such as the collection sequence of data, the type of data to be collected, and its respective sources and availability, the investigation questions, the clarity regarding the contribution of using each method, were incredibly relevant, not to mention the analysis that best linked the different methods.

The chosen method was a quantitative one, consisting of the collection, analysis and therefore interpretation of above-mentioned quantitative data. The Secondary Research or the Systematic Review is defined (Gough et al, 2017) as "a review of existing research using explicit, accountable rigorous research methods" which serves as an explanation to any secondary level of research using already existing data.

A systematic review is based on observational research which means it can be subject to errors and Owen (2021) explains that these risks and errors can vary but also usually include selective reporting and other inconsistencies with previous statistics. However, when it comes to the significance that comes out of research like this, it is important to use it whether its results are highly significant or does not have any significance.

The common use of electronic data management tools, such as the database that was used for this study, can be proficient to the accuracy of the statistical results and can also be efficient to its process.

3.2. Data Collection

This secondary data was retrieved from Hofstede's dimensions scores and from the EIKON database, however, to gather all the necessary information, the rightful and meaningful dimensions, deduced from Hofstede's study, must be chosen, and analyzed.

Humphries and Whelan, two professors at Georgia College & State University, concluded that Hofstede's dimensions are directly linked to corporate governance, which contemplates what has been discussed in this paper. They believed that four specific dimensions - *Power Distance*, *Individualism versus Collectivism*, *Masculinity versus Femininity*, and *Uncertainty Avoidance* - are related and influence variables such as board independence, gender composition, CEO duality, and ultimately its structure.

Griffin, Kwok, Guedhami, Li, and Shan published a study that speaks about how Individualism is positively associated with disclosure and corporate behavior standards, just like Uncertainty Avoidance is more negatively associated with disclosure and shareholder protection. Thus, they claimed these two dimensions as the baseline for their study, adding in Power Distance and Masculine, just like Humphries and Whelan, because of the associated governance practices on a firm level.

Per the website, *Hofstede Insights*, created in 2017, the values that will be used as a baseline for this document are only estimated and recovered from Professor Hofstede's research in his initial studies between 1967 and 1973. His scale goes from 0 to 100, using 50 as a mid-section, even though said scores are relative considering how they compared themselves, meaning that one country has a score because it is compared to another country.

Following this exact train of thought, based on what has been looked at and researched, this study's methodology would be positively impacted by these four dimensions in the research and conclusions later on, along with the ESG approach.

ESG is an acronym for Environmental, Social, and Governance. The Environmental factor relates to the conservation of the natural world, measured through metrics such as climate change, pollution, energy efficiency, deforestation, and waste management. As for the social factor, it takes into consideration people and relationships using metrics such as customer satisfaction, gender and diversity, employee engagement, and human rights. Lastly, and the one of focus for this study, the Governance factor is used as the main standard for running a company, such as board composition, political contributions, executive compensation, and corruption.

To identify risk factors and opportunities for growth, investors are now applying non-financial aspects to their analysis. Although the metrics included in ESG are not mandatory for

any financial reporting, companies tend to disclose this information to provide sustainability in their reports.

ESG databases allow for a better exploration of the above-mentioned factors, databases such as ASSET4, Sustainalytics, MSCI ESG (KLD), and EIKON, enable quick analysis and comparison of different entities with each other, between sectors and across the world, thus justifying the continuous need for these types of data for investors (Ribando, Bonne 2010, p. 8).

EIKON, the database in use for this paper, is a specialist database from Refinitiv, formerly known as Thomson Reuters, that includes global economics, listed companies, and financial data. EIKON's scores will serve as a comparison with either the high or low scores that each country gets on the above-mentioned cultural dimensions.

Upon comparing different European countries, among themselves, and their dimensions scores on each of the chosen ones, it will be clear how each country is affected by their culture and how it impacts their corporate governance methods. The next step will be to rule out the top five companies based on the most unbalanced scores within the four dimensions taken into consideration for this study.

At a later stage, the EIKON database will be used to gauge these countries' companies' and Governance factors to get to how positively or negatively is culture impacting said countries, thus forming a conclusion based on the research.

4. Results Analysis and Discussion

4.1. Dimensional Scores

As mentioned before, using the Hofstede Insights website, twenty-four European countries were loaded in to see their dimension scores and how these scores differ from all the rest as seen in the following table.

	<i>Power Distance</i>	<i>Individualism vs. Collectivism</i>	<i>Masculinity vs. Femininity</i>	<i>Uncertainty Avoidance</i>
<i>Austria</i>	11	55	79	70
<i>Belgium</i>	65	75	54	94
<i>Denmark</i>	18	89	16	23
<i>Finland</i>	33	63	26	59
<i>France</i>	68	74	43	86
<i>Germany</i>	35	79	66	65
<i>Greece</i>	60	59	57	100
<i>Hungary</i>	46	71	88	82
<i>Iceland</i>	30	83	10	50
<i>Ireland</i>	28	58	68	35
<i>Italy</i>	50	53	70	75
<i>Luxembourg</i>	40	60	50	70
<i>Malta</i>	56	59	47	96
<i>Netherlands</i>	38	80	14	53
<i>Norway</i>	31	69	8	50
<i>Poland</i>	68	47	64	93
<i>Portugal</i>	63	27	31	99
<i>Romania</i>	90	46	42	90
<i>Russia</i>	93	46	36	95
<i>Spain</i>	57	67	42	86
<i>Sweden</i>	31	87	5	29
<i>Switzerland</i>	34	79	70	58
<i>Turkey</i>	66	46	45	85
<i>United Kingdom</i>	35	76	66	35

Table 1: Cultural Dimensions Index in 24 different European countries

For example, Austria, because it has low level of Power Distance and in accordance to Hofstede's research (and what was previously mentioned), is a very communication and people-oriented country whilst Russia and Romania are more power-driven because they sustain higher

levels on this dimension. To better compare these values, they were combined into a graph, which is represented on this page.

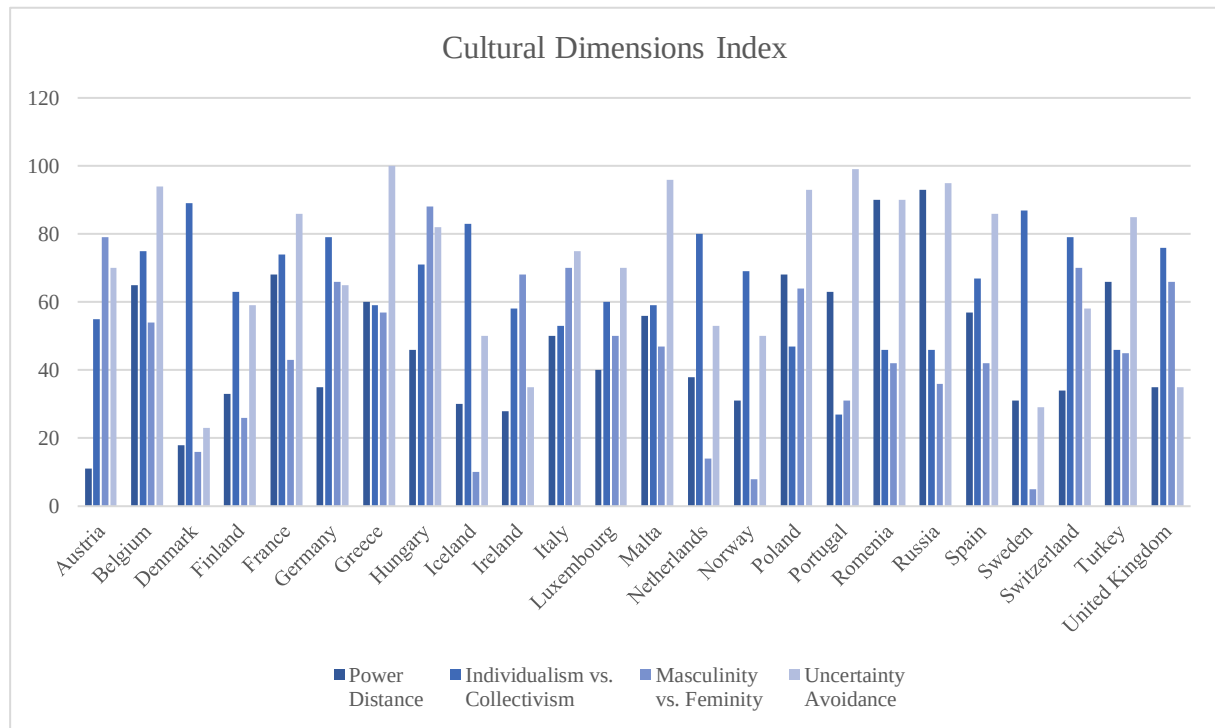


Table 2: Cultural Dimensions Index in 24 different European countries

To have a more concise study, it is easier to narrow down the study sample to twenty-four countries, taking into consideration the ones with more abrupt falls and peaks. When it comes to *Power Distance* and its index, the highest-rated countries are Russia, Romania, France, and Poland, on the other hand, the lowest ones are Iceland, Ireland, Finland and Norway. As for *Individualism* scores, Portugal is the lowest, scoring below the mid-level of 50 and the highest score are Denmark, Iceland, and Sweden. Concerning *Masculinity*, the highest index scores are from Austria and Hungary, and for the lowest scores, Iceland, Norway, and Sweden are the ones to look at. Finally, when analyzing the *Uncertainty Avoidance* index, the lowest-scoring countries are Norway, the Netherlands, and Finland.

This shows that cultural dimensions are more impactful in some areas within some cultures. The fact that the Netherlands, Finland, and Norway have a low score when it comes to *Uncertainty Avoidance*, will explain how these countries' cultures tend to face the unknown as a positive outcome instead of running away and avoiding situations that have not been planned.

The following chapter will dive into which companies were chosen for this study and why they were chosen.

4.2. National Companies

The focus of this study is to understand how culture impacts different sectors and how successful their management is. For this purpose, the chosen path was to collect the top 5 national-based companies, from different areas and fields of work, in each of the aforementioned countries. and analyze their ESG scores and how they relate to the scores on each dimension.

<i>Countries</i>	<i>Companies</i>				
Austria	OMV	Erste	Voestalpine	Strabag	Group Wiener
Belgium	Elia	Ackermans	Ageas	Solvay	Colruyt
Denmark	Maersk	Novo Nordisk	DSV	Orsted	Vestas Wind systems
Finland	Fortum Oyj	Kesko Oyj	UPM	Nokia	Outokumpu
France	LVMH	L'óréal	Total Energies	Sanofi	Schneider Electric
Germany	SAP	Siemens	Deutsche Telekom	Allianz	Porsche
Greece	OTE	National Bank of Greece	Danaos	GasLog	Mytilineos
Hungary	OTP Bank	MOL Magyarország	MBH Bank	Righter Gedeon Vegyeszeti Gyar	Magyar Telekom Tavkozlesi
Iceland	Marel	Islandsbanki	Icelandair	Össur	Arion banki
Ireland	Bank of Ireland	CRH plc	Accenture	Eaton	Apriv PLC
Italy	Enel	Ferrari	Intesa Sanpaolo	Generali	Moncler
Luxembourg	Spotify	Tenaris	Arcelor Mittal	Eurofins Scientific	Globant
Malta	Kindred Group	UIE PLC	Kambi Group	Gaming Innovation Group	Catena Media PLC
Netherlands	Aegon	ASML Holding	Shell	Ing Groep	Ahold Delhaize
Norway	Equinor	Norsk Hydro	Telenor	Storebrand	Yara
Poland	PKN Orlen	PKO Bank Polski	Dino Polska	Powszechny Zakład Ubezpieczeń	Allegro
Portugal	Petrogal	EDP Energias	Sonae	Jeronimo Martins	Navigator
Romania	RCS & RDS	BRD Groupe Societe Generale	Societaqtea Nationala Nuclearelectrica	Banca Transilvania	OMV Petrom
Russia	Gazprom	Lukoil	Rosneft	Sberbank	Magnit
Spain	Inditex	Iberdrola	Santander	BBVA	Amadeus IT Group

Sweden	Volvo	Ericsson	Epiroc	H&M	Atlas Copco
Switzerland	Glencore	Nestle	Roche Holding	Novartis	UBS Group
Turkey	Turkiye Is Bankasi	Turkiye Petrol Rafinerileri AS	Turk Hava Tollari AO	KOC Holding	QNB Finansbank
United Kingdom	Shell	Unilever	BP	GSK	British American Tobacco

Table 3: 24 countries with 5 companies each

In the following chapter, the explanation of what was understood from the dimensions versus what transpired from the EIKON database.

4.3. ESG Scores

The EIKON database can return a variety of results, but considering the exposed companies and the subject of this report, the results that will be considered are the ESG overall score, which is, as mentioned, the score of a company based on the reported information in the environmental, social and corporate governance pillars, the Governance Pillar score and its sub-pillars: Management Score, CSR Strategy Score, and Shareholders Score - to further narrow down the analysis.

The following tables show the different scores of each country.

AUSTRIA	OMV	Erste	Voestalpine	Strabag	Group Wiener
<i>ESG Score</i>	85	75	67	68	74
<i>Governance Score</i>	89	70	52	66	80
<i>Management Score</i>	96	75	37	73	87
<i>CSR Strategy Score</i>	88	50	80	50	80
<i>Shareholders Score</i>	63	68	82	54	56

Table 4: Austria's Scores

Austria's companies have an overall high score when it comes to the ESG Score which means that all the categories - environmental, social, and governance – are aligned making the performance of these six companies stand out. The lower scores stand on the Corporate Social Responsibility and Shareholders score, this relates to the company's effectiveness in the equal treatment of shareholders evolution and the integration of economic, social, and environmental dimensions in the day-to-day decision-making. The lower the score is the more it shows that companies are not focused on these two aspects of management within the hierarchy.

BELGIUM	Elia	Ackermans	Ageas	Solvay	Colruyt
<i>ESG Score</i>	56	41	74	86	57
<i>Governance Score</i>	46	47	85	92	21
<i>Management Score</i>	39	40	98	94	14
<i>CSR Strategy Score</i>	65	46	37	88	50
<i>Shareholders Score</i>	60	68	73	86	26

Table 5: Belgium's Scores

As for Belgium, its top companies have a lower ESG Score, with impact of a low management score in some companies skewing the average. The lower scores stand on the Management Score, which therefore relate to the Corporate Social Responsibility and Shareholders score, showing that companies should be concerned with how the shareholders view them and how the company's practices are coming out being that these last two scores are considerably low on some specific companies.

DENMARK	Maersk	Novo Nordisk	DSV	Orsted	Vestas Wind Systems
<i>ESG Score</i>	68	79	79	71	70
<i>Governance Score</i>	72	58	85	58	63
<i>Management Score</i>	86	68	84	56	65
<i>CSR Strategy Score</i>	6	11	86	42	52
<i>Shareholders Score</i>	98	82	87	92	66

Table 6: Denmark's Scores

FINLAND	Fortum Oyj	Kesko Oyj	UPM	Nokia	Outokumpu
<i>ESG Score</i>	75	79	89	84	85
<i>Governance Score</i>	84	74	86	92	92
<i>Management Score</i>	89	83	98	99	96
<i>CSR Strategy Score</i>	83	67	67	89	67
<i>Shareholders Score</i>	66	49	56	69	97

Table 7: Finland's Score

FRANCE	LVMH	L'óréal	Total Energies	Sanofi	Schneider Electric
<i>ESG Score</i>	74	79	83	90	77

<i>Governance Score</i>	51	57	61	84	77
<i>Management Score</i>	54	43	60	85	87
<i>CSR Strategy Score</i>	31	86	38	71	37
<i>Shareholders Score</i>	63	83	98	98	83

Table 8: France's Scores

GERMANY	SAP	Siemens	Deutsche Telekom	Allianz	Porsche
<i>ESG Score</i>	89	83	82	90	16
<i>Governance Score</i>	92	79	63	90	58
<i>Management Score</i>	98	81	54	98	74
<i>CSR Strategy Score</i>	70	62	89	57	44
<i>Shareholders Score</i>	95	95	67	100	0

Table 9: Germany's Scores

Between Denmark, Finland, France, and Germany, the highlights in the ESG performance reflects challenges and opportunities in each market, showing that all these four countries show high levels of each pillar determining that companies learn from each other within their own cultures, by showcasing improvement opportunities in CSR Strategy and emphasizing the collaboration among themselves and sharing knowledge.

GREECE	OTE	National Bank of Greece	Danaos	GasLog	Mytilineos
<i>ESG Score</i>	73	80	34	43	85
<i>Governance Score</i>	44	89	39	44	85
<i>Management Score</i>	37	95	44	47	95
<i>CSR Strategy Score</i>	53	73	5	42	50
<i>Shareholders Score</i>	64	84	64	30	84

Table 10: Greece's Scores

HUNGARY	OTP Bank	MOL Magyarország	MBH Bank	Righter Gedeon Vegyeszeti Gyar	Magyar Telekom Tavkozlesi
<i>ESG Score</i>	65	68	70	73	75
<i>Governance Score</i>	37	45	66	85	68
<i>Management Score</i>	36	50	79	92	64

<i>CSR Strategy Score</i>	21	7	50	92	64
<i>Shareholders Score</i>	64	79	29	42	93

Table 11: Hungary's Scores

ICELAND	Marel	Islandsbanki	Icelandair	Össur	Arion banki
<i>ESG Score</i>	63	49	34	72	60
<i>Governance Score</i>	80	76	31	63	76
<i>Management Score</i>	95	75	35	65	85
<i>CSR Strategy Score</i>	55	95	25	45	35
<i>Shareholders Score</i>	39	56	22	83	94

Table 12: Iceland's Scores

IRELAND	Bank of Ireland	CRH plc	Accenture	Eaton	Apriv PLC
<i>ESG Score</i>	58	86	84	69	63
<i>Governance Score</i>	50	74	90	30	69
<i>Management Score</i>	57	69	97	23	77
<i>CSR Strategy Score</i>	39	89	63	15	30
<i>Shareholders Score</i>	32	79	97	90	86

Table 13: Ireland's Scores

When taking this small sector of countries, certain companies within each country demonstrate leadership across ESG components, however there are clear variations in scores within each country such as Ireland and Hungary's scores and how they excel across different ESG pillars, meaning that there is room for improvement in other countries of this group.

ITALY	Enel	Ferrari	Intesa Sanpaolo	Generali	Moncler
<i>ESG Score</i>	90	68	92	91	84
<i>Governance Score</i>	79	69	89	96	69
<i>Management Score</i>	100	79	85	99	65
<i>CSR Strategy Score</i>	11	47	95	86	69
<i>Shareholders Score</i>	79	48	98	100	90

Table 14: Italy's Scores

LUXEMBOURG	Spotify	Tenaris	Arcelor Mittal	Eurofins Scientific	Globant
<i>ESG Score</i>	44	67	81	84	69
<i>Governance Score</i>	39	29	70	89	62
<i>Management Score</i>	39	18	77	94	55
<i>CSR Strategy Score</i>	32	18	50	82	65
<i>Shareholders Score</i>	51	96	63	77	92

Table 15: Luxembourg's Scores

MALTA	Kindred Group	UIE PLC	Kambi Group	Gaming Innovation Group	Catena Media PLC
<i>ESG Score</i>	54	31	27	51	60
<i>Governance Score</i>	90	44	50	65	64
<i>Management Score</i>	94	39	72	61	83
<i>CSR Strategy Score</i>	83	72	6	94	28
<i>Shareholders Score</i>	81	25	6	44	25

Table 16: Malta's Scores

NETHERLANDS	Aegon	ASML Holding	Shell	Ing Groep	Ahld Delhaize
<i>ESG Score</i>	86	78	93	78	78
<i>Governance Score</i>	87	85	97	88	86
<i>Management Score</i>	100	89	100	97	93
<i>CSR Strategy Score</i>	86	92	98	92	88
<i>Shareholders Score</i>	47	69	87	56	61

Table 17: Netherlands' Scores

From this group, Finland and The Netherlands have clear high values, fulfilling the stereotype that northern countries are better functioning. Being more developed and further advances into work methods and evolution is reflected in these scores and their values. The fact that only four companies, from these three countries, show values below fifty in the Shareholders score, demonstrates that their focus is aligned with the company growth and that their development and growth method/process is working, and these companies are therefore successful because of it.

NORWAY	Equinor	Norsk Hydro	Telenor	Storebrand	Yara
<i>ESG Score</i>	79	88	70	86	80
<i>Governance Score</i>	92	96	76	78	71
<i>Management Score</i>	99	98	92	72	77
<i>CSR Strategy Score</i>	96	88	95	95	95
<i>Shareholders Score</i>	62	95	9	87	34

Table 18: Norway's Score

POLAND	PKN Orlen	PKO Bank Polski	Dino Polska	Powszechny Zakład Ubezpieczeń	Allegro
<i>ESG Score</i>	61	63	37	77	64
<i>Governance Score</i>	73	58	45	83	51
<i>Management Score</i>	91	79	46	96	45
<i>CSR Strategy Score</i>	9	6	61	46	79
<i>Shareholders Score</i>	80	29	12	70	38

Table 19: Poland's Scores

PORTUGAL	Petrogal	EDP Energias	Sonae	Jeronimo Martins	Navigator
<i>ESG Score</i>	74	87	76	84	70
<i>Governance Score</i>	42	75	82	67	48
<i>Management Score</i>	36	75	86	69	58
<i>CSR Strategy Score</i>	50	91	56	50	18
<i>Shareholders Score</i>	58	64	86	69	36

Table 20: Portugal's Scores

ROMANIA	RCS/RDS	BRD	Societatea Nationala Nuclearelectrica	Banca Transilvania	OMV Petrom
<i>ESG Score</i>	35	74	29	81	73
<i>Governance Score</i>	50	73	19	89	61
<i>Management Score</i>	61	83	17	94	72
<i>CSR Strategy Score</i>	28	50	11	72	11
<i>Shareholders Score</i>	28	56	39	88	78

Table 21: Romania's Scores

RUSSIA	Gazprom	Lukoil	Rosneft	Sberbank	Magnit
<i>ESG Score</i>	61	68	72	59	63
<i>Governance Score</i>	34	38	72	41	53
<i>Management Score</i>	24	37	69	27	39
<i>CSR Strategy Score</i>	56	35	65	86	95
<i>Shareholders Score</i>	47	44	96	44	62

Table 22: Russia's Scores

SPAIN	Inditex	Iberdrola	Santander	BBVA	Amadeus IT Group
<i>ESG Score</i>	78	82	90	89	88
<i>Governance Score</i>	48	71	82	87	93
<i>Management Score</i>	47	90	86	81	93
<i>CSR Strategy Score</i>	27	5	73	99	95
<i>Shareholders Score</i>	81	71	71	99	91

Table 23: Italy's Scores

Spain and Portugal, when compared to Poland or Russia for example, display, higher overall scores, especially when considering the Governance score. In sum, these scores reflect variations in corporate sustainability and governance practices across different countries and industries, variations that are considered by investors and stakeholders when trying to assess companies' commitment to ESG principles and responsible business practices.

SWEDEN	Volvo	Ericsson	Epiroc	H&M	Atlas Copco
<i>ESG Score</i>	89	83	84	73	79
<i>Governance Score</i>	79	87	73	58	62
<i>Management Score</i>	90	97	80	50	72
<i>CSR Strategy Score</i>	38	71	31	65	20
<i>Shareholders Score</i>	86	61	98	86	71

Table 24: Sweden's Scores

SWITZERLAND	Glencore	Nestle	Roche Holding	Novartis	UBS Group
<i>ESG Score</i>	90	84	95	85	87
<i>Governance Score</i>	87	72	92	73	85

<i>Management Score</i>	91	84	96	88	90
<i>CSR Strategy Score</i>	67	26	87	18	63
<i>Shareholders Score</i>	96	82	79	82	96

Table 25: Switzerland's Scores

TURKEY	<i>Türkiye Is Bankasi</i>	<i>Tüpraş</i>	<i>Türk Hava Tollari AO</i>	<i>KOC Holding</i>	<i>QNB Finansbank</i>
<i>ESG Score</i>	86	68	84	84	30
<i>Governance Score</i>	73	43	60	76	17
<i>Management Score</i>	80	32	48	81	10
<i>CSR Strategy Score</i>	50	80	88	62	15
<i>Shareholders Score</i>	68	46	79	68	52

Table 26: Turkey's Scores

UNITED KINGDOM	<i>Shell</i>	<i>Unilever</i>	<i>BP</i>	<i>GSK</i>	<i>British American Tobacco</i>
<i>ESG Score</i>	93	89	85	92	85
<i>Governance Score</i>	94	92	92	88	84
<i>Management Score</i>	98	100	99	97	88
<i>CSR Strategy Score</i>	81	72	65	56	69
<i>Shareholders Score</i>	96	85	96	96	85

Table 27: United Kingdom's Scores

Sweden and Switzerland demonstrate balanced approaches across ESG components, with strengths in governance and management, however, opportunities for improvement exist in CSR Strategy and Shareholders scores, emphasizing the need for ongoing enhancements in sustainability strategies.

In the next chapter, there will be a demonstration of how these values reflect on the country's culture and how the business itself is, therefore, impacted by it, through this correlation.

4.4. Empirical Analysis

An empirical analysis starts with a systematic approach to answer different questions, based on the collection of data/evidence, with defined conditions, as defined by Calfee and Chambliss.

This collection of data allows for deep research that helps define which factors and how they influence human thought and action.

To help with this analysis, the tool used was IBM SPSS (*Statistical Package for Social Science for Windows*), a software mainly used for advanced statistical analysis, containing all the different steps of such an analysis, starting with the data preparation with an intake from different types of sources to its management and reporting.

With this tool, it was possible to reach a clear perception of the statistical analysis of each variable, with its minimum, maximum, mean and standard deviation, along with a count of each one, as it is possible to see in the following table.

	<i>Count</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Mean</i>	<i>Standard Deviation</i>
<i>Average of ESG</i>	24	44,60	88,80	63,80	13,64
<i>Average of Governance</i>	24	47,60	90,00	60,20	12,57
<i>Average of Management</i>	24	39,20	96,40	64,40	15,70
<i>Average of Shareholders</i>	24	34,40	93,80	47,00	13,79
<i>Average of CSR Strategy</i>	24	36,20	91,60	60,10	15,33
<i>Power Distance</i>	24	11,00	93,00	32,00	24
<i>Individualism vs. Collectivism</i>	24	27,00	89,00	54,00	15
<i>Masculinity vs. Femininity</i>	24	5,00	88,00	28,50	25
<i>Uncertainty Avoidance</i>	24	23,00	100,00	51,50	22

Table 28: Descriptive Statistical Analysis to the data

And, taking into consideration the ESG approach, the management pillar stands with a bigger value on the mean of observations and a higher standard deviation¹, which means that the data is more spread out in relation to the mean, but when in comparison to the governance pillar, the data is clustered around the mean because its value is lower.

For instance, the ESG intrinsic value, as indicated in the standard deviation column, exhibits a pronounced inclination toward variation among the analyzed countries and their corresponding scores. This suggests that certain countries have notably higher values, approaching the maximum variable score, while others reside at the opposite end of the

¹ Standard deviation is a measure of how dispersed the data is in relation to the mean.

spectrum, with lower values nearing the minimum statistical value in the table, and as a result, there are not that many countries closer to the mean.

This means that some countries have better developed strategies when dealing with the ESG approach, such as Sweden, Switzerland, and the UK, when in comparison to others, like Iceland, Malta, and Romania, that lack on organization and leadership on some of these important issues that are contained in the three pillars of the ESG approach.

Shifting focus to the dimensions, particularly the Power Distance dimension, it's noteworthy that the standard deviation value is lower compared to the other analyzed variables. This is indicative of the majority of countries in this study being closer to the minimum statistical value rather than the maximum value, signifying their proximity to the mean.

This indicates that most countries tend to have lower scores on the Power Distance dimension, suggesting an inclination to downplay hierarchical power and its distribution. Examples of such countries include Austria, Denmark, and Ireland. Conversely, nations like Poland, Romania, and Russia exhibit a greater tendency to assign higher significance to those in positions of power and prioritize respect for authority.

Although statistical description and analysis need to be considered, one of the most important factors that needs understanding is the correlation. Correlation is also a statistical measure, that expresses how two variables are linearly related or how they change together at a constant rate, and it is measured using a coefficient that quantifies the strength of the relationship.

The correlation coefficient is a measure of linear association and ranges between -1 and 1. Its absolute value shows the strength while its sign the direction of the linear relationship. The closer the correlation coefficient to 1 in absolute value, the stronger the linear association. On the other hand, the closer to zero, the weaker the linear association (or no linear association).

The statistical significance of the correlation coefficient (p-value) tests the null hypothesis: the correlation coefficient = zero. This means that low p-values (typically lower than 0.05) mean we likely have a correlation different than zero in the population.

In this analysis, a critical p-value of 0.05 will be used to assess significant correlation coefficients between the dimensions and the ESG pillars' scores.

This study takes in 24 observations, which are 24 European countries² and with this information understood, the obtained values from the EIKON database and the website *Hofstede Insights*, were analyzed with SPSS allowing for a Pearson Correlation³, between the each country's dimensional scores and the corresponding companies' ESG scores, thus leading to an understanding of the potential linear relationship between the dimensions and companies economy at a country level.

4.4.1. CSR Strategy Score vs. Hofstede's Dimensions

The following section will serve as a deeper analysis utilizing the CSR Strategy Score, enhancing clarity through the inclusion of tables.

		<i>CSR Strategy</i>
<i>Pearson Correlation</i>	Power Distance	-0,361
	Individualism vs. Collectivism	.433*
	Masculinity vs. Femininity	0,088
	Uncertainty Avoidance	-.524**
<i>Sig. (2-tailed)</i>	Power Distance	0,083
	Individualism vs. Collectivism	0,035
	Masculinity vs. Femininity	0,682
	Uncertainty Avoidance	0,009
<i>N</i>	Power Distance	24
	Individualism vs. Collectivism	24
	Masculinity vs. Femininity	24
	Uncertainty Avoidance	24

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Table 29: Correlation between CSR Strategy vs. Hofstede's Dimensions

For significance levels below 0.05, there is statistical evidence to reject that the correlation in the population is zero. Therefore, the correlation between the Individualism vs. Collectivism and Uncertainty Avoidance dimensions and the CSR Strategy score is significant. For the

² These 24 countries were chosen in accordance with the data gathered from companies in the EIKON database. Being that the objective was to get five companies in each country with their ESG scores, however, only 24 countries had valid companies' data to be used in this study.

³ Pearson Correlation is the coefficient measured in a linear correlation between two sets of data. Considered a covariance of two variables ratioed with the product of their standard deviations, with a result always between -0 and 1.

observed correlation (refer to the coefficient value), there are indications of the existence of a potential linear association between Individualism vs. Collectivism and Uncertainty Avoidance dimension, with CSR Strategy score, i.e., on average. And depending on a positive or a negative impact, either both scores increase or decrease at the same time, or they progress in opposite directions.

Because the CSR Strategy score seems linearly related to the way a company integrates all these aspects into the decision-making process, it means that a company's relation to the avoidance of unforeseen scenarios and the value they give to interdependence will impact the value under the CSR Strategic Score. Given the observed correlations, the higher the UAI, the lower the score of CSR and vice-versa (because of its negative correlation), but the higher the IDV, the higher the CSR Strategy score will be too (due to its positive correlation).

4.4.2. Shareholders Score vs. Hofstede's Dimensions

The section relates to a more in-depth analysis using the Shareholders Score, aiming to enhance clarity by incorporating tables.

		<i>Shareholders</i>
<i>Pearson Correlation</i>	Power Distance	-0,250
	Individualism vs. Collectivism	0,105
	Masculinity vs. Femininity	-0,232
	Uncertainty Avoidance	-0,157
<i>Sig. (2-tailed)</i>	Power Distance	0,238
	Individualism vs. Collectivism	0,626
	Masculinity vs. Femininity	0,275
	Uncertainty Avoidance	0,465
<i>N</i>	Power Distance	24
	Individualism vs. Collectivism	24
	Masculinity vs. Femininity	24
	Uncertainty Avoidance	24

Table 30: Correlation between Shareholders vs. Hofstede's Dimensions

At the significance level of 0.05, there is no statistical evidence to reject that the correlation in the population is zero. Therefore, the correlation between any of the Hofstede's dimensions and the Shareholders score is not significant, meaning that we didn't find statistical evidence on the linear relationship between Hofstede's dimensions and Shareholders score.

Because the Shareholders score is influenced by the company's effectiveness in following the best approach when it comes to dealing with the corporate governance principles of each one, it means that a company's relation to its culture does not linearly impact the value under the Shareholders Score.

4.4.3. Management Score vs. Hofstede's Dimensions

In the forthcoming chapter, there will be an explanation on the analysis employing the Management Score, offering clarity by incorporating tables.

		<i>Management</i>
Pearson Correlation	Power Distance	-.570**
	Individualism vs. Collectivism	.451*
	Masculinity vs. Femininity	-0,101
	Uncertainty Avoidance	-.523**
Sig. (2-tailed)	Power Distance	0,004
	Individualism vs. Collectivism	0,027
	Masculinity vs. Femininity	0,640
	Uncertainty Avoidance	0,009
N	Power Distance	24
	Individualism vs. Collectivism	24
	Masculinity vs. Femininity	24
	Uncertainty Avoidance	24

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Table 31: Correlation between Management vs. Hofstede's Dimensions

At the significance level of 0.05, there is statistical evidence to reject that the correlation in the population is zero. Therefore, the correlation between the Power Distance, Individualism vs. Collectivism and Uncertainty Avoidance dimensions and the Management score is significant in the population. For the observed correlation (refer to the coefficient value), there are indications of the existence of a negative correlation between Power Distance and Uncertainty Avoidance, i.e., on average, as the value of both dimensions increase the value of the Management score decreases, and vice versa. However, there is also a positive correlation between the Individualism vs. Collectivism dimension, i.e., on average, when the value of this dimension increases, so will the Management score.

Because the Management score refers to the commitment and effectiveness any company demonstrates toward following the best corporate governance principles, it means that a company's relation to the avoidance of unforeseen scenarios, their views on interdependence and how they tolerate distributed power will impact the value under the Management Score, the higher the UAI/PDI, the lower the score of Management and vice-versa and the higher IDV, the higher will the Management score be.

4.4.4. Governance Score vs. Hofstede's Dimensions

In the upcoming section, there will be a clarification of the analysis using the Governance Score, providing clarity through the incorporation of tables.

		<i>Governance</i>
<i>Pearson Correlation</i>	Power Distance	-.575**
	Individualism vs. Collectivism	.455*
	Masculinity vs. Femininity	-0,111
	Uncertainty Avoidance	-.538**
<i>Sig. (2-tailed)</i>	Power Distance	0,003
	Individualism vs. Collectivism	0,026
	Masculinity vs. Femininity	0,607
	Uncertainty Avoidance	0,007
<i>N</i>	Power Distance	24
	Individualism vs. Collectivism	24
	Masculinity vs. Femininity	24
	Uncertainty Avoidance	24

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Table 32: Correlation between Governance vs. Hofstede's Dimensions

At the significance level of 0.05, there is statistical evidence to reject that the correlation in the population is zero. Therefore, the correlation between the Power Distance and Uncertainty Avoidance dimension and the Governance score is significant in the population. For the observed correlation (refer to the coefficient value), there are indications of the existence of a negative correlation between Power Distance and Uncertainty Avoidance, i.e., on average, as the value of both dimensions increase, the value of the Governance score decreases, and vice versa. However, there is also a positive correlation between the Individualism vs. Collectivism

dimension, i.e., on average, when the value of this dimension increases, so will the Governance score.

Because the Governance score encompasses the combined values of Management, Shareholders, and CSR Strategy, it makes sense how it also shows that a company's relation to the avoidance of unforeseen scenarios, their views on interdependence and how they tolerate distributed power will impact the value under the Management Score, the higher the UAI/PDI, the lower the score of Governance and vice-versa and the higher IDV, the higher will the Governance score be.

4.4.5. ESG Score vs. Hofstede's Dimensions

In the next section, the analysis using the ESG Score will be made clear and explained with aid from different tables and figures.

The ESG Score serves, as mentioned, as a measure to relate the environmental, social, and governance performance of a company based on its data.

		<i>ESG</i>
<i>Pearson Correlation</i>	Power Distance	-0,370
	Individualism vs. Collectivism	0,247
	Masculinity vs. Femininity	-0,025
	Uncertainty Avoidance	-.441*
<i>Sig. (2-tailed)</i>	Power Distance	0,075
	Individualism vs. Collectivism	0,245
	Masculinity vs. Femininity	0,906
	Uncertainty Avoidance	0,031
<i>N</i>	Power Distance	24
	Individualism vs. Collectivism	24
	Masculinity vs. Femininity	24
	Uncertainty Avoidance	24

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Table 33: Correlation between ESG vs. Hofstede's Dimensions

At the significance level of 0.05, there is statistical evidence to reject that the correlation in the population is zero. Therefore, the correlation between the Uncertainty Avoidance dimension

and the ESG overall score is significant in the population. For the observed correlation (refer to the coefficient value), there are indications of the existence of a negative correlation, i.e., on average, as the value of the dimension increases, the value of the ESG overall score decreases, and vice versa.

Because the ESG overall score considers all the ESG performance values, it shows that a company's relation to the avoidance of unforeseen scenarios will impact the value under the ESG score, the higher the UAI, the lower the score of ESG and vice-versa.

The next chapter will include the conclusions taken out of the analysis made on this one, with a deeper explanation of how these calculations reflect upon the research hypotheses that was premised at the beginning of the dissertation.

5. Conclusion

Hofstede's Dimensions or the cultural impact on corporate governance defines the way each member of an executive board will be different, whether it is a one-tier or a two-tier model, whether there are non-executive officers or stakeholders making decisions for the company itself.

The primary objective of this report was to explore the influence of Power Distance, Individualism, Masculinity, and Uncertainty Avoidance dimensions on people's decision-making within corporate governance strategies employed by various companies and their executive boards. By examining the scores obtained from the EIKON database and correlating them with the dimensions' scores, the study has gained insights into how these factors interplay and impact one another.

Upon analyzing the various scores in the ESG (Environmental, Social, and Governance) Score, only governance and management are linearly negatively correlated with Power Distance and Uncertainty Avoidance.

This noteworthy influence of the Uncertainty Avoidance suggests a culture's inclinations towards either avoiding or embracing uncertain circumstances, and because these pillars are negatively correlated to the dimension, the indication is that the higher the tendency to avoid uncertain situations, the lower will the scores on governance and management be, as a result.

Also, the Power Distance dimension's influence relates to a culture's tendency to tolerate the distribution of power within a society. The fact that the linear correlation in these two dimensions is negative, it implies that the higher the intolerance to distributed power, the lower will the governance and management values be.

On the contrary, Masculinity vs. Individualism shows a linearly positive significant correlation with the governance and management pillars, which demonstrates an influence of any culture's drive towards achievement. Because it is positively correlated, the higher this drive is the higher will the values under each of these pillars be.

All these linear correlations and their significance will transpose to a significant effect how the executive board of a company in that particular country approaches and manages such situations.

This study, however, faced some limitations within its research for results and justification of hypotheses. The fact that the data access was limited by data protection, by the sole analysis of a website (Hofstede Insights) – that could be lacking the most recent updated data - and a database that is concrete but not as easy to understand as an interview process would be, makes it harder to reach conclusions on countries and their cultural communities. Also, choosing and narrowing down research to twenty-four European Union countries is still not enough as deeper research of other countries and cultures would add to justifying these hypotheses more firmly.

In terms of contributions to theory and as mentioned before, given the present of deep research on cultural impacts on corporate governance, speculation often outweighs the existing studies supporting such theoretical papers. This work aims to give more contributions to this area that still needs to be further explored. Nevertheless, this remains an ongoing work in progress, offering vast opportunities and neutral ground for further exploration. Culture will continue to exert its influence on various aspects of common and business life, evolving, and giving rise to new traditions that, in turn, impact diverse areas like politics, social dynamics, economy, finance, and, at the core of this study, corporate practices. The next step would be studying more countries, from different continents to understand how different their behavior is and how the analysis compares to the one made in this paper.

In terms of practical impacts, these hypotheses and conclusions underscore how the cultural environment sets the stage for diverse behaviors in corporate interactions, shaping the economic trajectory of every company. This is key for shareholders and stakeholders in general, as well as for managers, when setting the corporate governance for their companies.

6. References

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