

The Effect of the Cultural Constraint on the Reform of Corporate Governance: The Observation of Taiwan's Efforts to Transform Its Corporate Governance

Authors : Yuanyi (Richard) Fang

Abstract : Under the theory of La Porta, Lopez-de-Silanes, Shleifer, and Vishny, if a country can increase its legal protections for minority shareholders, the country can develop an ideal securities market that only arises under the dispersed ownership corporate governance. However, the path-dependence scholarship, such as Lucian Arye Bebchuk and Mark J. Roe, presented a different view with LLS&V. They pointed out that the initial framework of the ownership structure and traditional culture will prevent the change of the corporate governance structure through legal reform. This paper contends that traditional culture factors as an important aspect when forming the corporate governance structure. However, it is not impossible for the government to change its traditional corporate governance structure and traditional culture because the culture does not remain intact. Culture evolves with time. The occurrence of the important events will affect the people's psychological process. The psychological process affects the evolution of culture. The new cultural norms can help defeat the force of the traditional culture and the resistance from the initial corporate ownership structure. Using Taiwan as an example, through analyzing the historical background, related corporate rules and the reactions of adoption new rules from the media, this paper try to show that Taiwan's culture norms do not remain intact and have changed with time. It further provides that the culture is not always the hurdle for the adoption of the dispersed ownership corporate governance structure as the culture can change. A new culture can provide strong support for the adoption of the new corporate governance structure.

Keywords : LLS&V theory, corporate governance, culture, path-dependent theory

Conference Title : ICLS 2016 : International Conference on Law and Society

Conference Location : Boston, United States

Conference Dates : April 25-26, 2016