Corporate Governance and Disclosure Quality: Taxonomy of Tunisian Listed Firms Using the Decision Tree Method Based Approach

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Abstract : This study aims to establish a typology of Tunisian listed firms according to their corporate governance characteristics and disclosure quality. The paper uses disclosed scores to examine corporate governance practices of Tunisian listed firms. A content analysis of 46 Tunisian listed firms from 2001 to 2010 has been carried out and a disclosure index developed to determine the level of disclosure of the companies. The disclosure quality is appreciated through the quantity and also through the nature (type) of information disclosed. Applying the decision tree method, the obtained tree diagrams provide ways to know the characteristics of a particular firm regardless of its level of disclosure. Obtained results show that the characteristics of corporate governance to achieve good quality of disclosure are not unique for all firms. These structures are not necessarily all of the recommendations of best practices, but converge towards the best combination. Indeed, in practice, there are companies which have a good quality of disclosure, but are not well-governed. However, we hope that by improving their governance system their level of disclosure may be better. These findings show, in a general way, a convergence towards the standards of corporate governance with a few exceptions related to the specificity of Tunisian listed firms and show the need for the adoption of a code for each context. These findings shed the light on corporate governance features that enhance incentives for good disclosure. It allows identifying, for each firm and in any date, corporate governance determinants of disclosure quality. More specifically, and all being equal, obtained tree makes a rule of decision for the company to know the level of disclosure based on certain characteristics of the governance strategy adopted by the latter.