Research in the field of goodwill and corporate governance accounting: a synthesis bibliography in the 2011-2014 academic literature

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Abstract. *We present a quanitative study regarding the recent research in the field of goodwill and corporate governance accounting. We focus on the research done in 2011-2014. This research contributes to the existing one, being a synthesis of the literature review. We have included many important academic journals as part of the survey, with the goal to find a trend within the academic community for the publishing of scientifc papers within the boundries of goodwill accounting and corporate governance. We find that the existing body of scientific literature acts as a deterrant for the study of existing themes and it is used instead as a basis for new and innovative discourses beyond the scope of the previous studies..*

Keywords: *semantical analysis; frequencies, international accounting; corporate governance; goodwill.*

Introduction and literature review

Corporate governance is a set of rules under which companies are managed and controlled, that branch of economics that studies how companies can become more efficient, promote fairness, transparency and accountability at the company level. This can be viewed narrowly and broadly. Narrowly, corporate governance is a set of economic and legislative means to help ensure investors' interests. In a broad sense is a set of standards and controls applied in order to protect and harmonize interests, in many cases contradictory, of all categories of economic actors (stakeholders) of the organizations.

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Corporate governance is a combination of laws, regulations and codes of conduct adopted on a voluntary basis to ensure the company to attract financial and human capital necessary for its activity and ability to operate effectively in order to ensure existence by generating long-term value for its shareholders and society .

The stakeholders are „any group of individuals who can affect or is affected by the achievement of the organization objectives" (Freeman, 1984). The number of owners and shareholders and their role differ from company to company according to its size. Managers' role is to be accountable to the owner(s), to control, to organise, to take decissios, to plan etc. Employees are important to carry out the activities of a company. Another stakeholders are: investors (there are studies that explore the correlation between sustainality and performance, the main aspect that investors take note about), customers, suppliers, authorities, communities.

According to the literature, we found the sources of corporate governance theory, as were noted by James P. Hawley and Andrew T. Williams, in 1996. (Hawley & Williams, 1996). These were the starting point for the Organization for Economic Cooperation and Development (OECD), which consider the existence of the four theoretical sources of corporate governance:

- The Agency Theory;
- The Stewardship Theory;
- The Stakeholder Theory;
- The Legitimacy Theory.

The Agency Theory (The Agent's Theory or the Principal - Agent Theory or the Shareholder Model) (La Porta et al., 1999; Hart, 1995; Eisenhardt, 1989; Fama & Jensen, 1983; Fama, 1980; Jensen & Meckling, 1976) aims at monitoring managers by administrators to eliminate the potential negative effects. The sole responsibility of an organization is the profit, legally obtained, as Milton Friedman said, a professor at the University of Chicago, Nobel laureate for Economics. In 1776, Adam Smith, the author of the „Wealth of Nations, Research on its Nature and its Causes", brings into the spotlights the notion of the „invisible hand", emphasizing the regulatory function of the market in terms of rational allocation of the resources. The Agency Theory is tackled later by Mill (1848/1909) and Berle and Means (1932/1991), who highlights the idea that managers act in their own interest, considering the existing divergences. The Agent Theory is based on the fact that managers (agents) must act in the interest of shareholders (principal). It thus appears the clear separation between ownership and control. However, it is interesting to note why managers should act in this direction.

The Stewardship Theory shows that the managers work in the interests of stewards (Muth & Donaldson, 1998; Donaldson & Davis, 1991; Donaldson, 1990). The Stakeholder Theory (Kolb, 2010; Laplume, Sonpar & Litz, 2008) establishes the responsibilities of all stakeholders (Laplume, Sonpar & Litz 2008; Jonge, 2006; Roberts & Mahoney, 2004; Jensen, 2001; Stoney & Winstanley, 2001; Mitchell et al., 1997; Donaldson & Preston, 1995). Freeman (1984, p. 45) is also the proponent of this theory, which refers to the sustainability or triple bottom line (Elkington, 1997).

The Legitimacy Theory provides that organisations agree to undertake various social activities. (Mathews, 1993; Gray, Kouhy & Lavers, 1995a; Neu et al., 1998; Campbell, 2000; Parker, 2005, De Villiers & Van Staden, 2006). As shown in the literature, the Agency Theory is the fundamental theory in corporate governance.

The Corporate Governance Models (Feleagă, Feleagă & Dragomir, 2010; Feleaga, 2008; Short, 1998):

The Anglo-Saxon Model or the Outsider Model or the Shareholder Model is characterized by:

the capital allocation;

- the Stock Exchange is the main financier;
- the one tier system: board of directors ((non)executive directors);
- the information transparency;
- the authorities' non-involvement in the economy;
- the external control;

• the accounting disconnected from fiscality;

• the accounting system: Generally Accepted Accounting Standards (GAAP);

• the accounting profession has an important role in normalizing;

• the increased liquidity;

• the common law system;

• is specific for: Australia, United Kingdom, United States of America, Hong Kong etc.

The Continental Model or The Insider Model or The Stakeholders' Model is characterized by:

• the focus on capital;

• the banking system is the main financier;

• the two tier system: Board Supervisor, Board of Directors;

• the direct involvement of the company owners in management;

• the state involvement in accounting normalization;

• the internal control;

• the accounting connected to fiscality;

• the accounting system: International Financial Reporting Standards (IFRS);

• the constant concern to improve the quality of human capital;

• the unstable economic environment;

• the written legal system;

• is specific to continental countries and Japan.

The cultural and the legal differences help trying to converge to global corporate governance systems. We cannot say there is a best model of corporate governance, all systems presenting pluses and minuses, the perfect model of corporate governance being only an illusion. (Elkington, 2006). The study done by Rafael La Porta and his research team (La Porta, 1997) is a comparison of the corporate governance systems. The research conducted on a sample of 49 countries, reflects from a legal point of view that the English system offers the highest protection of investors, followed by the German one, while the French system provides a small degree of protection.

The existence of furthermore models of corporate governance can be argued, as stated above, in terms of different national cultures and, in this case, is relatively difficult to build a single model of corporate governance able to fit perfectly on each country. It is the same thing with trying to put the same ring on the finger of furthermore people, the opportunity to suit perfectly to all of them being very low. The classification and the framing, is useful for various analyzes and empirical research. A challenge is to find the representative points of convergence of corporate governance models. The wide range of corporate governance systems directs us to the question: "which one is more reliable?". The corporate governance systems from United Kingdom (where the focus is on protection of investors, unlike with the one from continental-European countries), France, Germany are some of the best, and their differences are not so significant to other states. (Abbott & Snidal, 2004). At the opposite pole there are the least developed or in transition countries, within the corporate governance systems are not practically implemented. A reliable system of corporate governance is the one able to anticipate and prevent the shareholders-managers conflicts or the shareholders-creditors conflicts.

There is a very fine line between corporate governance, goodwill, corporate social responsibility and sustainability. All are extremely important for a company and should not be viewed separately. Responsibility for society is a strong differentiating factor for companies, with implications on sustainable development of society. Social responsibility actions, on short-term, includes costs for the organisation, but on long term they brings a win-win-win relationship, if we try to look beyond the numbers. Social responsibility is not a necessity, is an important economically, ecologically, and socially obligation.

There are two definitions of reputation, one of the organization's perspective and from the perspective of stakeholders. Organizational reputation is an intangible asset (Ferguson et al., 2000). Organizations can be viewed as a network of relationships (Jones, 1995), and their ability to be in good relations with several stakeholders at the same time can be a core value.

In the Information Age, intangible assets provide an ever greater assistance to stakeholders and improve the social peace of their respective entities. Improvements in technology have allowed an ever greater number of entities to improve their communications with its stakeholder network. This network has seen the rise of a new class of assets described intially by Menger, which writes "Of special scientific interest are the goods that have been treated by some writers in our discipline as a special class of goods called 'relationships'. In this category, there are firms, goodwill, monopolies, copyrights, patents, trade licenses, authors' rights, and also, according to some writers, family connections, friendship, love, religious and scientific fellowships, etc." (Menger, 2004; Magliulo, 2010). From an Austrian perspective goodwill and communications are assets of a company and a measure of real wealth.

According to the guidance set by 35-3C Transition Guidance 350-20-65-1, as amendments to SFAS 142, several circumstances should be considered while performing impairment tests on an entity's goodwill accounts.

Such circumstances are subject to the entity as well as its stakeholder/shareholder framework, including a definitive list of socio-economic and operational factors which interfere with the entity's capability of presenting itself as an appropriate enterprise within its stakeholder framework.

Table 1. List of Socio-Economic and Operational Factors (based on FAS 142)

Factors	Related parties	Risk
Macroeconomical factors	National and international agencies	Interest risks, Political risks
Apprisals of the market and the sector	Competitors, lenders, clients, the central banks	Political risks, marketing risks, operational risks
Cost fluctuations	Unions, lenders, state	Operational risks
Relevant events	Partners and managers	Political and operational risks
A drop in the share prices	Investors, Central Bank	Capital and Operational risks

This decision framework relies on an appropriate level of corporate governance disclosure, as a risk mitigator factor in the relationship with the appropriate related parties. Such parties can be considered from the ranks of both the shareholders and stakeholders alike. While the markers of impairment are loose and apply to a variety of business models, the underlying factor in all business models is a good model of corporate governance.

Critics like Lev and Zarowin argue that the accounting treatment of the intangible assets (omitting several key intangible assets from the balance sheet) has reduced the utility of the balance sheet and comprehensive income. Lev's analysis draws on two benefits of using intangible assets namely (a) the complementary use and (b) the chain effects. An adequate corporate governance disclosure system fulfills this demands.The complementary use implies that intangible assets can be used simultaneously to fulfill many tasks. An adequate corporate governance disclosure system enchances the quality of the financial statements by earning the trust of the investors. According to Aishah Hashim and Devi(2008), firms which disclosed complience with corporate governance codes in Malasyia had a greater earnings quality. The users of financial statements are more likely to accept the financial results of a company with a higher level of corporate governance transparency. Also, disclosing the corporate governance structures reduces litigation risks as third parties will find the appropriate person to voice their concerns and thus be less likely to sue the company over unsatisfactory interactions. Moreover by ensuring the stakeholders are awknoledged in the annual report, reduces the alienation of these parties.

Lastly, disclosing the corporate governance system in an appropriate manner reduces audit costs by limiting the time required for the collection of evidence. Thus the corporate governance disclosure system provides multiple purposes satisfies the first criteria for inclusion as demanded by Lev.

Regarding the chain effects, this implies that an insignificant early advantage can lead to significant later advantages leading to the control of the market. Effective corporate governance codes are a game changer and insignificant advantages such as a better board disclosure prevent fraud and save investors millions. Chung et al. (2007) find that firms with better corporate governance have narrower spreads, higher market quality index, smaller price impact of trades, and lower probability of information-based trading. Moreover intangible assets such as a corporate governance disclosure system produce other means of gaining onto the market such as goodwill and dividends for the owners.

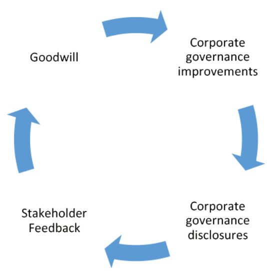

Figure 1. The link between goodwill and corporate governance

It is obvious from the cycle that better corporate governance disclosures will demand more resources from the company's management and thus be likely to incur a cost on the shareholders. However if the initial setting provide an advantage over the competitors such costs are likely to be mitigated by the benefits of the endorsement and the costs will contribute to a better stakeholder framework. Such a shift in the balance of power is likely to benefit the stakeholders with impacts over the accounting policies and principles endorsed by the company and thus provide even more benefits for the company.

Hypothesis, sample selection and methodology

A problem for academics is if the planning of their research initiatives. Such planning has to be considered within the larger body of scientific literature with respect to originality, prior research and relevance. Since the issues of goodwill and corporate governance can combine in many contexts the problem in hand is to find a method to plan the scope of the research.

The issue thus in question for the paper is whether the interest expressed by researchers in topics related to goodwill and corporate governance are limited by the pre-existent body of literature and what is the exploratory limit available to authors at the present moment. A natural formulation of the problem would be that the more a theme is studied within the body of scientific literature the less likely an author would be to approach the issue as part of his or her research.

Thus, the hypothesis in question for the study and its null hypothesis can be formulated accordingly:

H0: Research initiatives in the matters pertaining to goodwill and corporate goverance are significantly dependant on previous research!

H1: Research initiatives in the matters pertaining to goodwill and corporate goverance are not significantly dependant on previous research!

We opted for a quantitate analysis of a qualitative data set through epistemic mapping and numericalanalysis of the data derived from the meta-data. The data reflected research which focused on areas related to goodwill accounting and corporate governance and represent an appropriate mirror of the interference between those epistemic areas. The research papers were selected for relevance and meaning and were excluded those research papers which focus on corporate governance and goodwill accounting in a superflous manner or are irrelevant to the accounting discourse which focus on other social sciences such as sociology and political sciences.

The data was extracted from the Science Direct database and it includes 45 relevant research papers which bridge the gap between goodwill accounting and corporate governance for the period 2011-2014.

We have included in our sample academic journals such as Critical Perspectives on Accounting, International Review of Financial Analysis, Emerging Markets Review, Journal of Accounting and Public Policy, Journal of Accounting and Economics, Research in Accounting Regulation, Advances in Accounting, Management Accounting Research, Journal of Corporate Finance, Journal of Financial Economics, International Business Review, Journal of Comparative Economics, World Development, Management Accounting Research, International Journal of Information Management, The International Journal of Accounting, International Journal of Project Management, International Business Review.

Results

The time period for this review is 2011-2014. While we could not review exhaustively the literature, we identified those articles which we considered relevant for our research. The main ideea of our research is that to find the relevant papers on the basis of the keywords detection. We used in the present study a quantitate analysis of a qualitative data set through epistemic mapping and numerical analysis of the data derived from the meta-data.

While we researched the relationship between corporate governance and goodwill we discovered that the nowadays evidence is too variable to scatch up some generalizable conclusions. By this quantitative research we conduct a meta analysis of 45 studies.

No	Article	Author 1	Author 2	Author 3

Emerging Market Sample	Keyword 1	Keyword 2	Keyword 3	Keyword 4	Year

Figure 2. The basis of the quantitate analysis

Table 2. The semantic areas

Semantic Areas	Number of Keywords	Precen-tage	Priority
business combinations	8,00	5%	17
closed governance systems	6,00	3%	12
corporate governance theory	24,00	14%	2
Fraud	10,00	6%	8
Globalization	6,00	3%	13
governance mechanisms	3,00	2%	19
IT	6,00	3%	10
macroeconomic risks	4,00	2%	18
Methodology	13,00	7%	3
Metrics	22,00	13%	1
organizational behaviour	3,00	2%	16
Others	7,00	4%	5
Ownership	5,00	3%	11
Politics	10,00	6%	6
Regulation	9,00	5%	9
risk management	7,00	4%	14
Sampling	9,00	5%	7
stakeholder theory	6,00	3%	15
Stakeholders	3,00	2%	20
Values	13,00	7%	4
Total	174,00	100%	-

From the articles we extracted the four top keywords and the number of contributing authors:

Table 3. The epistemic areas

Epistemic area	Total Unique Key-Words	Sample
Business combinations	4	Merger
Small-scale governance systems	6	S&M enterprises
Corporate governance theory	12	Corporate Social Responsibility
Creative accounting	8	Moral hazard
Globalization	6	Internationalization
governance practice	4	Stock based incentives
Information Technology	6	IT-based co-creation of value
macroeconomic risks	3	2007/2008 financial crisis
Research methodology	11	Labor theory creation
Performance metrics	20	Goodwill
Organizational behaviour	3	OCB
Others	6	Learning from failures
Ownership	8	Family firms
Politics	9	Privatization
Regulation	8	Sarbanes Oxley
risk management	7	Information asymmetry
Sampling	8	Athens Stock Exchange
Public Relations	6	Social performance
Related Parties	3	nongovernmental organizations
Value systems	13	Justice
Total	152	X

Some keywords which belong in practice to a two or more epistemic areas were grouped based upon the dominant aspect of the keyword. In the case of cross-border M&A for instance the focus of the discourse is at the crossroads of globalization and business combinations, but from an ideological perspective the discourse emphasizes globalization in contrast with domestic M&A. After we determined the major epistemic areas , we mapped the keywords in the research papers based upon the categories. From the mapped research papers we derived two numeric variables and two variables which were analyzed in an univariate regression. Regarding the relative research priority metric which is the depenedent variable of the study was derived from a popular keyword density formula adapted for use in the paper's context. The original formula is the following where X_j represents the presence of the phrase, T_i represents the word count of the phrase and $\sum_{k=0}^{n} i_{kj}$ represents the total word count from the text.

$$\rho_{ij} = X_j \times T_i \div \sum_{k=0}^{n} i_{kj}$$

This formula was modified for the purpose of the paper with the following variables:

$$\rho_{ij} = N_j \times f_i \div \sum_{k=0}^{n} i_{kj}$$

and

$$\bar{\rho}_i = \sum_{j=0}^{n} \rho_{ij} \div m$$

where represents the average focus on a particular epistemic area, N_j represents the total number of authors which contributed to the publication of a research paper, represents the frequency of mentioning of the epistemic area within the keywords and $\sum_{k=0}^{n} i_{kj}$ as in the previous model represents the total number of epistemic areas tackled within the paper's keywords. The m variable represents the total number of research papers sampled. The rank of the paper was determined according to Mirimanoff's (1917) set theory. This variable depicts the average interest expressed in the subfield by researchers and forms the dependent variable of the model.

Regarding the independent varibale, we picked the average presence of the epistemic area within the literature. This was determined by the following manner, where $\bar{\alpha}_i$ represents the average interest in the field weighted from all the key-words mapped by the procedure.

$$\bar{\alpha}_i = f_i \div \sum_{k=0}^{n} i_k$$

The regression involves describing and evaluating the possible links between several variables.

Table 4. The Regression- Summary Output

Multiple R	0.81	$R_{y/x_1,x_2,\ldots,x_k} = \sqrt{\frac{\sum_{i=1}^{n}(\hat{y}_i - \bar{y})^2}{\sum_{i=1}^{n}(y_i - \bar{y})^2}} = \sqrt{1 - \frac{\sum_{i=1}^{n}(y_i - \hat{y}_i)^2}{\sum_{i=1}^{n}(y_i - \bar{y})^2}}$
R Square	0.65	$R^2 = \frac{\Delta^2_{y/x}}{\Delta^2_y} = 1 - \frac{\Delta^2_e}{\Delta^2_y} = \frac{\sum_{i=1}^{n}(\hat{y}_i - \bar{y})^2}{\sum_{i=1}^{n}(y_i - \bar{y})^2}$
Adjusted R Square	0.63	$\hat{R}^2 = 1 - \frac{\Delta^2_e / n-k-1}{\Delta^2_y / n-1}$
Standard Error	3.55	$s_e = \sqrt{\frac{\Delta^2_e}{n-2}} = \sqrt{\frac{\sum_{i=1}^{n}(y_i - \hat{y}_i)^2}{n-2}}$

According to the table above, the R^2 is close to tends to one, meaning the model explains 63% of the empirical observations. According to the Fisher test performed in order to rule out the null hypothesis, the significance of the model is satisfactory 1.42E-05<5%. Thus the model is valid.

Table 5. The Anova test

Anova	*df*	*SS*	*MS*	*F*	*Significance F*
Regression	1	437.6669	437.6669	34.65401	1.42E-05
Residual	18	227.3331	12.62962		
Total	19	665			

Also, the p-value stats of the variables within the model fit the required statistical tests.

Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
17.80845	1.474047	12.08133	4.53E-10	14.71159	20.90531	14.71159	20.90531
-146.169	24.8301	-5.88677	1.42E-05	-198.335	-94.0029	-198.335	-94.0029

$$\bar{\rho}_i = -146.169 \times X + 17.80845$$

Regarding the coefficients, the suprising findings are that authors try to expand beyond the confines of the previous body of scientific literature and are discouraged to replicate previous studies or to adapt them to a new context. Instead, most authors try to explore new niches distinct from their predecesors. Thus, while the body of scientific literature does no encourage convergence of the studies towards a common topic, it does encourage a diversification of the scientific effort. For the emerging market research, where research is only beginning, such a trend could only mean a boom of scientific literature breaking new grounds awaits to be written.

Conclusions

It is challenging to study and analyze corporate governance in periods of economic turbulence. These activities should be communicated by presenting concrete results and achievements; this contributes to greater understanding of the nowadays research. Corporate governance is recognized as a key element in attracting investment and increasing economic performance and competitiveness in the long run. However, due to cultural factors, economic and social in emerging economies can not speak yet of a comprehensive approach, especially when it is compared with developed economies. \regarding the research of the relationship between corporate governance and goodwill we can say that the nowadays evidence is too variable to scatch up some generalizable conclusions. By this quantitative research of the relevant papers which bridge the gap between goodwill accounting and corporate governance we conduct a meta analysis of studies for the period 2011-2014. The data was extracted from the Science Direct database. Through our demarch we noted that the R^2 is close to tends to one, meaning the model explains 63% of the empirical observations. According to the Fisher test performed in order to rule out the null hypothesis, the significance of the model is satisfactory 1.42E-05<5%. Thus the model is valid. Also, the p-value stats of the variables within the model fit the required statistical tests.

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