Shareholders and Stakeholders around the World: The Role of Values, Culture, and Law in Directors' Decisions*

Amir N. Licht
Interdisciplinary Center Herzliya
Harry Radzyner School of Law
Kanfe Nesharim St., Herzliya 46150, Israel
Phone: +972-9-952-7332
E-mail: alicht@idc.ac.il

Renée B. Adams
University of Oxford
Saïd Business School
Park End Street, Oxford, OX1 1HP, UK
Phone: +44-1865-288824
E-mail: Renee.Adams@sbs.ox.ac.uk

This study sets out to examine the relative importance of legal and cultural institutions and personal values in directors' discretion. We present evidence on the way personal and institutional factors could together guide public company directors in decision-making concerning shareholders and stakeholders. In a sample comprising more than nine hundred directors from over fifty countries of origin, we confirm that directors hold a principled, quasi-ideological stance towards shareholders and stakeholders, called shareholderism. Directors' shareholderism correlates with personal values, but also with cultural norms that are consistent with entrepreneurship. Among legal factors, only creditor protection exhibits a negative correlation with shareholderism, while general legal origin and proxies for shareholder and employee protection are unrelated to it.

JEL Codes: K22, M14

This version: 8 January 2020
Keywords: shareholderism, stakeholders, directors, values, culture, social norms, law, institutions, corporate governance, CSR, entrepreneurship

---

* We are particularly grateful for helpful comments from Ruth Aguilera. We are also grateful for comments we received at the University of Warwick, Sabançi University, Pompeu Fabra University, Global Corporate Governance Colloquium, Dolomites Winter Finance Conference, UBC Summer Finance Conference, 15th International Conference on Financial Systems Engineering and Risk Management, Ackerman Corporate Governance Conference at Bar Ilan University, the National University of Singapore's Finance Conference and the American Law and Economics Annual Meeting. We are grateful for the help we received from several research assistants, yet are particularly indebted to the indefatigable Uri Harel, Omri Ariav, Mati Goldberg, and Dor Marinovsky. Thanks also to Talia Ochayon and Maayan Nagar. This project would not have been possible without the cordial support of Jesse Fried. Licht acknowledges financial support from the Israeli Science Foundation (Grant No. 342/08).

INTRODUCTION

Controversies over the right way to handle shareholder and stakeholder relations have never been deeper despite decades of debate. In 2019, 181 U.S. chief executive officers (CEOs) signed the Business Roundtable's Statement on the Purpose of the Corporation, stating that they "share a fundamental commitment to all of our stakeholders." (See also Hart and Zingales, 2017; Mayer, 2019). Earlier, the *Wall Street Journal* ran a story on leading U.S. CEOs who eschew doing business in certain states for social causes such as gay and transgender rights (Langley, 2016). In 2015, however, then Chief Justice of the Delaware Supreme Court, Leo Strine, Jr. (2015: 768), sternly warned against "the dangers of denial":

> Despite attempts to muddy the doctrinal waters, a clear-eyed look at the law of corporations in Delaware reveals that, within the limits of their discretion, directors must make stockholder welfare their sole end, and that other interests may be taken into consideration only as a means of promoting stockholder welfare.

With four out of the six major companies mentioned by Langley (2016) incorporated in Delaware,[1] one may wonder what their top managers were thinking when they made their decicions, arguably in breach of applicable law. In this study, we set out to examine the hotly debated issue of the relative importance of formal (legal) and informal (cultural) institutions and of personal values for strategy formation in the face of tensions between shareholders and stakeholders. We hypothesize and show that values and culture play an important role in corporate leaders' contemplation and that the law may not trump them.

We present a multi-level theoretical account of the way in which directors exercise discretion over the shareholder-stakeholder dilemma. We argue that in favoring one constituency over another, directors are guided by both personal and social institutional factors, where such institutions comprise both informal and formal ones (Hambrick, 2007; Crossland and Hambrick, 2011). We thus extend Adams, Licht and Sagiv's (2011) evidence that directors are guided by normative, value-laden factors at the individual level by considering the role of institutions. In this view, a director's strategic choice is anchored firstly in her personal values; it may be affected by her cultural heritage; and it could also be sensitive to applicable law. The more compatible her values and social institutional

[1] Specifically, Salesforce.com Inc., Bank of America Corp., Walt Disney Co., and Intel Corp. are Delaware corporations; Apple Inc. is a California corporation; International Business Machines Corp. is a New York corporation. The law in the latter two states is not substantively different on this matter than Delaware law.

environment are with an entrepreneurial conception of equity investment, the more likely she is to side with shareholders. Legal doctrine, as was forcefully portrayed by Chief Justice Strine with regard to Delaware, might not be definitive or even dominant. Laws pertaining to other stakeholders (e.g., creditor rights) could be influential, and legal rules on the whole may or may not be dominated by culture and social norms.

To test our hypotheses, we implement a survey-based quasi-experimental approach. In order to get closer to discovering "what were they thinking" we canvass directors from more than 50 countries with an updated version of the survey instrument of Adams, Licht, and Sagiv (2011), which uses seminal court cases to elicit directors' stances on the primacy of shareholders—their "shareholderism". We measure value preferences at the individual level using an advanced psychometric instrument based on the Schwartz (1992, 2016) theory of personal values. We draw on new institutional economics, institutional theory, and cross-cultural psychology (respectively, North, 1990; Williamson, 2000; Scott, 2013; DiMagio and Powell, 1983; Schwartz, 1999, 2014) and law and finance (La Porta, Lopez-de-Silanes, and Shleifer, 2008) to derive measures of informal and formal institutional factors that could affect managerial discretion (Hambrick, 2007; Crossland and Hambrick, 2007, 2011; Matten and Moon, 2008; Ioannou and Serafeim, 2012).

We first confirm that the individual-level findings from Sweden in Adams, Licht and Sagiv (2011) appear to be universal: corporate leaders hold a principled, ideology-like stance towards shareholders and stakeholders, dubbed shareholderism, that associates positively with a personal value profile expressing self-enhancement and entrepreneurship. We show that this relationship is not driven by endogeneity due to plausible omitted country-level institutional factors, including culture and law. In this era of "replication crisis" (Shrout and Rodgers, 2018), we view the replication and extension of a prior survey-based study, which is particularly difficult to do, as a major contribution of our paper.

Turning to the institutional level, we find negative links between shareholderism and cultural embeddedness, harmony, and (more weakly) egalitarianism. These cultural orientations discourage exploitation and dynamic development, promote self-restraint, and endorse a view of all persons as moral equals, respectively.[2] The general social structure in

---

[2] We refer to "cultural orientations" rather than "cultural values" in order to clearly distinguish cultural-level stances from individual-level ones.

cultures that *de-emphasize* these orientations thus may be more conducive to shareholderist strategic choices. Among legal factors, we find that legal origin is unrelated to shareholderism. Creditor protection correlates negatively with directors' shareholderism, whereas legal shareholder- and employee protection are unrelated to it. While it is unlikely that individual directors' shareholderism stances could feed back and impact societies' culture and law, one could be concerned that these results are driven by potential omitted variable biases. As is common in the literature on slow-moving factors such as culture and the law (e.g. La Porta, Lopez-de-Silanes, and Shleifer, 2008), we address these concerns by showing that they are robust to the inclusion of a variety of different country-level characteristics in our regressions.

Our results speak to an open debate about the role of law and culture in corporate governance. A common law origin has been associated with shareholder-oriented corporate governance (Bradley *et al*., 1999; Liang and Renneboog, 2017), while La Porta, Lopez-de-Silanes, and Shleifer (2008: 311), for example, take issue with Licht, Goldschmidt, and Schwartz (2005), arguing that in explaining creditor rights, "cultural variables… do not make much of a dent in the explanatory power of legal origins." Schnyder, Siems, and Augilera (2018: 25) argue, however, that as used in the Law and Finance scholarship led by La Porta *et al.*, the concept of legal origin is "essentially void of any substantive meaning and may boil down to cultural rather than legal differences among countries."

Recent years have witnessed a surge of research on the relations between strategy formation and personal attributes of corporate leaders, predominantly CEOs. Informed and motivated by Hambrick and Mason's (1984) upper echelon theory (see also Hambrick, 1989, 2007; Jensen and Zajac, 2004), much of this literature has dealt primarily with demographic and otherwise observable attributes of CEOs and members of top management teams (TMTs) (see Bromiley and Rau, 2016, for a survey). Using such indicators was justified "given the great difficulty obtaining conventional psychometric data on top executives (especially those who head major firms)," even though such use "leaves us at a loss as to the real psychological and social processes that are driving executive behavior, which is the well-known 'black box problem'" (Hambrick, 2007: 335; see also Lawrence, 1997).

Against this backdrop, the present study makes several contributions to the literature. Rather than narrowing our focus to CEOs, we study board members (who may include CEOs serving in a director capacity). As key players in corporate governance, directors' mission and responsibility is to provide strategic guidance to the CEO and to monitor her performance (OECD, 2015; Adams, Hermalin, and Weisbach, 2010). In exercising discretion in situations that involve serious shareholder-stakeholder tensions the board may be at least as important as the CEO. Directors are also at least equally likely as the CEO to face litigation risk. Notwithstanding the senior level of these corporate leaders, in this study survey respondents completed an advanced psychometric instrument on personal values thus allowing us to peek into the proverbial black box.

Our study relates most closely to Crossland and Hambrick (2011) and to Griffin *et al.* (2017). The former focus on the manner in which managerial discretion determines corporate strategy; the latter examine how culture and law could affect firm-level corporate governance through a tradeoff between managerial expertise and certainty of control. This study deals with the substance of individual discretion with regard to a key strategic challenge and demonstrates how personal attributes and a diverse set of institutional factors - both cultural and legal - could affect such discretion. More generally, shareholderism adds a personal perspective that combines descriptive and normative elements with regard to individual decision makers to the vast literature on CSR/ESG, which need not be surveyed here (see, generally, Donaldson and Preston, 1995). As we show, shareholderism can be used to study CSR/ESG regardless of country of firm or director origin, law and culture.

THEORY AND HYPOTHESES

Corporate leaders often have ample discretion in making strategic decisions (Hambrick and Finkelstein, 1987). Their perception, assessment, and eventually, their choice of a particular line of action thus should be influenced by their personal attributes as well as by the institutional setting (Crossland, 2007, 2009; Crossland and Hambrick, 2011; Wangrow, Schepker, and Barker, 2015). We advance a unified theoretical framework that integrates both levels of analysis - the individual and the societal. Specifically, we hypothesize that at both levels, directors' stances on the fundamental conundrum of corporate governance will be affected by the respective factors at each level - namely, values and culture (see Appendix A1 for a concise background). That is, the exercise of directors' discretion is likely to be channeled by their personal value priorities and by the cultural context within which their decision is couched (Aguilera *et al.*, 2015; Licht, 2004, 2015; Matten and Moon, 2008). The resulting strategic choices thus should be conceptually compatible with their values and culture in that their decisions will reflect and actualize the abstract ideas about the desirable that those values and culture emphasize.

The individual level

Numerous studies argue that CEOs' personal traits affect strategic choices. These traits include life experience, ranging from traumatic early childhood events, to social class affiliation, to military service, to family status, to professional background. In light of the abovementioned "black box problem", researchers have come up with imaginative measures for indirectly assessing such personal attributes. For example, to assess CEOs' narcissism researchers implement Chatterjee and Hambrick's (2007, 2011) approach, which looks at unobtrusive observable indicators likely related to it, such as the prominence of the CEO's photograph in annual reports and in company press releases and her relative cash pay (e.g., Zhu and Chen, 2015). Gow et al. (2016) utilize computerized content analysis of corporate communications to glean information about CEOs' personality traits, based on a similar assumption, that "interviews and questionnaires of executives are not feasible for a large sample of public company executives".

In examining corporate financial policies and CEOs' risk attitudes financial economists have looked at indirect indicators such as possessing private pilot licenses or owning a sports car as proxies for personal risk-taking (Cain and McKeon, 2016) or sensation seeking (Sunder, Sunder, and Zhang, 2017; Brown *et al*., 2016). Recent work considers CEOs' physical attributes such as height and facial structure in connection with firm strategy (Adams, Keloharju, and Knüpfer, 2018; Kamiya, Kim, and Park, 2018; compare Hahn *et al*. 2017). Graham, Harvey, and Puri (2013) administered psychometric tests in a survey of U.S. and non-U.S. CEOs and chief financial officers to assess risk preferences (see also Brenner, 2014). Treating the Republican-Democratic divide as a proxy for ideology and using U.S. CEOs' political contributions to gauge it, others document links between such views and strategic outcomes, including with regard to stakeholders.[3]

[3] Briscoe, Chin, and Hambrick (2014); Bento, Mertins, and White (2016); Carnahan and Greenwood (2018); Chin, Hambrick, and Treviño (2013); Christensen et al. (2014); Di Giuli and Kostovetsky (2014); Francis BB *et al*. (2016); Gupta, Briscoe, and Hambrick (2016); Gupta and Wowak (2017); Hafenbrädl and Waeger (2017); Hutton, Jiang, and Kumar (2014, 2015).

The centrality of psychological factors, particularly personal values, as potentially important factors in strategic decisions was underscored already by Hambrick and Mason (1984). However, in contrast to the wealth of studies that have examined the effect of personality traits, especially narcissism, and of political ideologies on managerial discretion with regard to shareholder-stakeholder relations and CSR, only a few dealt with values, likely because of the challenge in observing value priorities. Agle, Mitchell, and Sonnenfeld (1999) examined whether personal values of American CEOs are linked to the salience of different stakeholders in their eyes but found mostly insignificant results in this respect. Shafer, Fukukawa, and Lee (2007) found that self-transcendence values are associated with personal ethical attitudes related to social responsibility in a sample of American and Chinese managers enrolled in MBA programs. Crilly, Schneider, and Zollo (2008) similarly linked self-transcendence values of middle managers in five multinational corporations with a propensity to engage in socially responsible behavior.

Adams, Licht, and Sagiv (2011) examined the links between value priorities of Swedish directors and CEOs and their shareholderism level. To assess respondents' shareholderism positions they employed an index derived from vignettes that are based on seminal court cases, in which actual directors had to defend their choice of one corporate constituency over another. Using principal component analysis, they empirically observed that directors in fact contrast shareholders and other stakeholders on a single dimension. They found that higher shareholderism correlates positively with self-enhancement values of power and achievement and negatively with the self-transcendence universalism value. Shareholderism also correlated positively with self-direction, which, when considered together with power and achievement, constitute a distinct Schumpeterian entrepreneurial spirit (Schumpeter, 1934; Kirzner, 1973, 1999). This value profile endorses tolerance for uncertainty and disruption, seeking new and/or complex combinations, and attaining material success in competitive settings.[4] This profile is especially compatible with the interests of shareholders as equity investors, such that more entrepreneurial directors would perceive enhancing shareholder wealth through this lens as promoting the interests of the company.

[4] Block, Fisch, and van Praag (2016); Gans, Stern, and Wu (2019); Holland and Shepherd (2013); Licht (2007); Locke and Baum (2006); Morales, Holtschlag, and Marquina (2015).

Adams, Licht, and Sagiv (2011: 1349) conjectured that due to the universality of the Schwartz model of personal values, “the basic findings of [their] study are generalizable beyond Swedish directors and corporate governance.” While plausible, this conjecture calls for empirical confirmation, especially in corporate governance systems that differ from Sweden in their cultural and legal environment such as the United States or the United Kingdom. Indeed, Roccas and Sagiv (2010: 1) argue that “the strength of the relationships between values and behavior differs across cultural groups.” (see also Schwartz, 2011). Thus, before we examine particular effects of culture and other societal factors on directors’ shareholderism, we will first examine if the relations between values and shareholderism observed in Sweden obtain universally despite potential effects of such factors and when other societal factors could influence these relations. Hence:

> *Hypothesis 1: The results in Adams, Licht and Sagiv (2011) generalize, i.e. board members’ support for shareholder welfare (higher shareholderism) will correlate positively with power, achievement, and self-direction and negatively with universalism even after controlling for societal factors.*

The cultural level

Our theory of culture, law, and shareholderism is informed by current views of culture as an informal social institution in new institutional economics and cross-cultural psychology. “Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction” (North, 1990: 3), where culture is “the latent, normative value system, external to the individual, which underlies and justifies the functioning of societal institutions” (Schwartz, 2014: 6) (for further background see Appendix A1). In this view, culture will affect board members’ propensity to address shareholder-stakeholder dilemmas in line with their personal values. Two equally entrepreneurial directors could assess the same dilemma differently, depending on what their culture indirectly channels them to consider as acceptable and expected.

We firstly hypothesize a positive link between cultural egalitarianism and a pluralist, multi-stakeholder corporate governance. Egalitarianism conceptualizes all people as moral equals, whereas cultural hierarchy condones differential treatment of societal members as more or less worthy than others. In hierarchical cultures, the legitimacy of shareholder *primacy* may seem natural, while in egalitarian societies people may cringe at the very idea, which connotes subordination of certain corporate constituencies to shareholders (consider

Strine's, 2015 quote, above; see also Jones, Felps, and Bigley, 2007; Bosse, Phillips, and Harrison, 2009; Orlitzky, 2015).

Extant literature provides some tentative support for this view. Siegel, Licht, and Schwartz (2013) report positive univariate correlations between egalitarianism and national averages of a series of firm-level practices such as paying greater firm surplus to employees and voluntary nonfinancial disclosure. Desender and Epure (2015) find positive relations between egalitarianism and indexes for corporate social performance (CSP), although limitations of current data on CSP render such analyses tentative. Desender, Castro, and de Léon (2011) document a negative relation between egalitarianism and earnings management - a barely legal discretionary practice of obfuscating financial disclosures, in line with a view that all stakeholders and market participants deserve candor. Hence:

> *Hypothesis 2: Board members' support for shareholder welfare (higher shareholderism) will be affected by their cultural heritage such that it will correlate positively with the level of hierarchy and negatively with the level of egalitarianism in their culture.*

The literature on the relations between culture and entrepreneurship is in a state of flux, possibly due to the subject' complexity and methodological difficulties (Hayton and Cacciotti, 2013; Morales, Holtschlag, and Marquina, 2015). Resolving these issues is beyond the present scope, as we do not analyze entrepreneurial activity per se but rather individual values that are consistent with entrepreneurship. Suffice it to note that societal endorsement of entrepreneurship is most closely related to cultural mastery/harmony. High mastery cultures emphasize such entrepreneurial values as daring, success, and ambition, and encourage societal members to exploit and change their environment. Cultural mastery further emphasizes venturing, assertiveness, and active determination of one's destiny. In contrast, cultural harmony discourages such venturing. Higher harmony thus may be related to stakeholderist strategies as it reflects lesser tolerance of exploiting the social and natural environment through Schumpeterian creative destruction. Evidence on relations between cultural mastery/harmony and entrepreneurship is limited. Liñán, Jaén, and Ortega (2015) document a negative correlation between harmony and the level of entrepreneurship, in line with the above reasoning (see also Liñán and Fernandez-Serrano, 2014; Siegel, Licht, and Schwartz, 2013). Hence:

> *Hypothesis 3: Board members' support for shareholder welfare (higher shareholderism) will be affected by their cultural heritage such that it will correlate*

> *positively with the level of mastery and negatively with the level of harmony in their culture.*

The autonomy/embeddedness dimension deals with the place of the individual in the social fabric - with "construals of the self" (Markus and Kitayama, 1991). Embeddedness is consistent with stronger perceptions of members of all stakeholder constituencies as mutually interrelated and therefore calling for consideration. Schwartz (2014: 551) avers that "embedded cultures also emphasize maintaining the status quo and restraining actions that might disrupt in-group solidarity or the traditional order." Important values in such cultures are social order, respect for tradition, and security. This facet of embeddedness is conceptually opposed to entrepreneurial disruption that equity investors seek but other stakeholders such as employees and communities may prefer to mitigate. Hence:

> *Hypothesis 4: Board members' support for shareholder welfare (higher shareholderism) will be affected by their cultural heritage such that it will correlate negatively with the level of embeddedness and positively with the level of autonomy in their culture.*

In contrast to the above hypotheses, we do not advance specific hypotheses about legal rules that purport to regulate shareholder-stakeholder dilemmas. Although common law and civil law jurisdictions have been characterized as shareholder-oriented and stakeholder-oriented, respectively (Bradley *et al*., 1999; Liang and Renneboog, 2017), company laws in major economies from both origins defy such classification (Licht, 2015). Crucially, Adams, Licht, and Sagiv (2011) have shown that Swedish directors and CEOs choose between shareholders and stakeholders seemingly heedless to an established legal doctrine that calls for maximizing profits, i.e., shareholder wealth.

In addition to general doctrines on shareholder primacy, a multitude of legal rules regulate the relations with stakeholders such as creditors, employees, etc. These rules would be found in bankruptcy laws, labor laws, and so forth. With regard to exercising strategic discretion in shareholder-stakeholder dilemmas, it is unclear whether laws that protect certain stakeholders - say, creditors - would encourage a director also to side with them, if she considers those laws as expressive social norms. Equally plausibly, a director may consider high legal protection afforded to such stakeholders as a license to promote shareholder interest. Schnyder, Siems, and Aguilera (2018: 25), in a critique of the Law and Finance approach, indeed argue that it "fails to provide any precise empirically testable hypotheses regarding the question of what links law to actors' behaviours and which substantive elements of law matter." Thus, we examine the empirical correlation between shareholderism and formal legal institutions, as proxied by legal regulations pertaining to the major stakeholders in every firm - namely, shareholders, creditors, and employees, while remaining agnostic about the signs we should expect on these correlations.

METHODS

Sample and data collection

The sample consists of board members of public companies from several countries around the world who participated in an online survey upon invitation by email. We obtained email addresses from two main sources: first, from Capital IQ, which held email addresses for some of the board members it follows; second, from Email Data Group, a commercial provider of email addresses for marketing purposes. In addition, we obtained email addresses for chairs of Israeli public companies through phone calls. The original quantities of email addresses varied substantially across countries, from dozens to thousands, as did the relative availability of addresses with respect to the population of board members. An email letter was sent to those directors during 2011-2013, inviting them to take the survey anonymously and providing a link to the online survey system. One reminder message was sent to addressees who failed to respond or to complete their survey. Table 1 provides details on the sample composition in terms of countries of origin of firms and directors. As is typical for this mode of data collection, especially for a corporate upper echelon population, the response rate was low (see Graham, Harvey, and Puri, 2013). While this raises concerns about response bias, we believe that a priori it is unclear how response bias could affect our results. The most obvious reason directors would not have responded to our survey is that they were simply too busy. But it is unclear how non-response due to workload could lead the coefficients on culture in a shareholderism regression to be biased in a particular direction—especially since we control for director characteristics in our regressions. While it is difficult to formally address response bias in an anonymous survey like ours, we believe the fact that we can replicate the survey results in Adams, Licht, and Sagiv (2011) goes a long way towards mitigating potential concerns about response bias.

Although our sample is anything but representative it is quite large, with some 1000 respondents overall. Importantly, the sample has substantial representation of major economies and, with smaller subgroups, a wide coverage of 55 countries of origin. This provides for necessary variability at the cultural level that in turn yields meaningful results.

[Table 1 about here]

Measures

The survey instrument comprised two main parts - one gauging respondents' value priorities and another for assessing their shareholder and stakeholder orientations (shareholderism). Another small section requested information about respondents' demographics, including age and country of origin (the country in which they grew up), and about their roles in the company, such as independent/non-executive status. The survey instrument was administered in the official language of the country of the firm. For the values module we used verified translations kindly provided by Shalom Schwartz. The rest of the instrument was translated and back-translated by native speakers of the language and corrections were made upon consultation with the authors. Upon linking to the online survey system, respondents were asked to indicate their gender such that they would get a gender-compatible values questionnaire in languages that are gender-sensitive.

We used the standard 40-item Portrait Values Questionnaire (PVQ) instrument for gauging value priorities (Schwartz *et al.*, 2001). Although longer to fill than other versions of the PVQ, the PVQ40 ensures comparability to Adams, Licht, and Sagiv (2011) and is considered more accurate (Beierlein *et al.*, 2012). When correlating values with external variables we center each individual's scores around their means to control for differences in scale use response style (Schwartz, 1992; 2007).

To assess board members' shareholderism stances we adopt Adams, Licht, and Sagiv's (2011) quasi-experimental approach of using vignettes on shareholder-stakeholder conflicts that are based on seminal court cases. In studying decision-making processes vignettes strike a balance between providing uniformity and control over the stimulus situation on the one hand and sufficient context on the other hand, while leaving enough room for several reasonable solutions (McFadden *et al.*, 2005; Barnett and Karson, 1989; Alexander and Becker, 1978; Barter and Renold, 1999). Each vignette presents a genuine shareholder-stakeholder dilemma with regard to a different corporate constituency: the general public, employees, creditors, the immediate community, and an item on general corporate philosophy borrowed from Tetlock (2000).[5] Consistent with the original court cases, each vignette specifies two propositions, one favoring shareholders and one favoring the non-shareholder constituency. Participants reported their agreement with each proposition on a 6-point scale ranging from "strongly agree" to "strongly disagree."

Adams, Licht, and Sagiv (2011) report that they had to omit from their analysis the creditors vignette, which was based on the Delaware *Credit Lyonnais v. Pathé* (1991) case, as it failed to load on the same factor as other items did. Swedish directors apparently did not perceive the extreme circumstances of that case as reflecting a realistic shareholder-stakeholder dilemma. We therefore dropped that vignette from our instrument. Instead, we included a vignette on shareholders-creditors dilemma based on the Canadian Supreme Court's decision in *BCE Inc. v. 1976 Debentureholders* (2008). In that case, institutional investors who held BCE debentures sued the directors over a leveraged buyout deal that would have caused their bonds to lose investment grade even though 99 percent of the shareholders approved it. In dismissing the claim, the Supreme Court of Canada adopted a stakeholderist approach, in stark contrast to Delaware law:

> The duty of the directors to act in the best interests of the corporation comprehends a duty to treat individual stakeholders affected by corporate actions equitably and fairly. There are no absolute rules… Directors may find themselves in a situation where it is impossible to please all stakeholders… There is no principle that one set of interests - for example the interests of shareholders - should prevail over another set of interests.

A principal factor analysis with promax rotation showed that the new creditors item loads significantly on the same factor that the other items do. We therefore included it in our shareholderism index. Cronbach alpha was acceptable though somewhat low (0.63), which is normal for such a heterogeneous sample and complex setting. This index and a four-vignette index that does not include the new creditors vignette (i.e., one identical to Adams, Licht, and Sagiv's, 2011 instrument) correlate nearly fully (r=.94). We replicated the analyses with the shorter index and obtained similar results. Appendix A2 presents the full set of vignettes.

[Table 2 about here]

---

[5] The other legal cases are Dodge v. Ford Motor Co. 1919. 170 N.W. 668 (general public); Parke v. Daily News Ltd. 1962. [1962] Ch 927(employees); Shlensky v.Wrigley. 1968. 237 N.E.2d 776 (community).

Finally, we implemented standard recommendations for minimizing common method bias (Podsakoff, MacKenzie, and Podsakoff, 2012).[6] In addition to centering scores, both the values and sharheolderism modules are fully balanced in terms of possible responses. By ensuring that there is no salient choice this approach blunts the effect of sociability and social desirability. Moreover, respondents had to complete a short task of visual perception and analytical judgment between the values and the shareholderism modules to ensure temporal and methodological separation of measurement.

Additional data and control variables

We utilize the 2006 release of the Schwartz cultural orientation dataset, which is in standard use in the literature.[7] Countries' classification into cultural regions comes from Schwartz (2014). For comparative tests we use data on the Hofstede (2001) and Inglehart (1997) dimensions drawn, respectively, from Hofstede's website and the World Values Survey (WVS) website. Data on Bond and Leung's theory of cultural social axioms are drawn from Bond *et al.* (2004). Data on cultural tightness/looseness come from Gelfand *et al*. (2011).

Data for legal origin and the Anti-Self-Dealing Index are drawn from Djankov *et al*. (2008). This index can be viewed as a proxy for the importance of shareholders in the legal system. For legal protections of creditors we use the 2011 index of "only credit: strength of legal rights" from the World Bank's Doing Business database. To capture legal protections of employees we use the variable of "strictness of employment protection - individual and collective dismissals (regular contracts)" from the OECD's employment protection legislation database. We also use data on the regulation of labor and social benefits from Botero *et al*. (2004). As a proxy of countries' legal environment for entrepreneurs we use the 2011 index of starting a business as measured by the number of procedures required to start a business by men, from the World Bank's Doing Business database, which is based on Djankov *et al*.'s (2002) regulation of entry methodology.

For countries' wealth we use the natural log of gross national income per capita (GNPc) in terms of purchasing power parity (PPP) in constant 2011 international dollars,

[6] These authors note (p. 540) that "although many authors believe that method bias is an important problem that needs to be controlled… some claim that it is a myth or urban legend." See also Harzing (2006), Maynes and Podsakoff (2014).

[7] See Schwartz (2014) for a detailed description of the data and a comparative discussion of scores on the Schwartz dimensions and scores on Hofstede and Inglehart dimensions.

drawn from the World Bank's Sustainable Development Goals database. Country averages of ownership concentration in public companies are drawn from Aminadav and Papaioannou (2018). These authors construct ownership concentration measures by summing the equity holdings (voting rights) of the single, three, and five largest shareholders for all public firms. For robustness checks we use data according to Holderness (2016, 2017), kindly provided by Clifford Holderness.

Directors typically sit on the boards of more than one firm at a time. These firms may have vastly different characteristics.[8] It is therefore unclear to what extent we should expect the coefficients on values to be biased due to omitted firm characteristics. As Adams, Sagiv and Licht (2011) show, including firm characteristics for the responding firm does not affect the coefficients on values significantly. Nevertheless, to perform a robustness check that includes a respondent firm characteristic, we match directors' respondent company to Capital IQ on firm name. While Capital IQ has comprehensive coverage, disclosure regimes for accounting variables differ across the countries in our sample. Because market data is more readily available, we ultimately focus on 2011 market capitalization (price at year end * number of shares outstanding) as our main firm characteristic.

ANALYSIS AND RESULTS

We begin the analysis by observing that shareholderism scores in our multinational sample of board members correlate significantly with the four values that comprise the entrepreneurial set of motivations - namely, positively with power, achievement, and self-direction, and negatively with universalism (Table 2, Panel A). This is in line with Adams, Licht, and Sagiv's (2011) finding for Swedish directors.[9] We therefore proceed to testing H1.

[Table 3 about here]

Table 3 reports regressions of directors' shareholderism scores on the four values, personal demographics of age, gender, and insider (i.e., executive or non-independent)

---

[8] For example, the 2017 release of the North American Boardex data set indicates that directors of listed firms have concurrent board seats in private firms in 55.37% of the 504,215 director-firm-year observations. In the UK directors of listed firms have at least 1 private board seat in 57.55% (53.24%) of director firm-year observations, Directors of listed firms in Boardex's rest-of-world data set have a concurrent seat in a private firm in 53.24% of director-firm-years.

[9] An online appendix reports a full set of correlations between shareholderism and the ten values. The results are consistent with those reported by Adams, Licht, and Sagiv (2011) for a Swedish sample. In line with theoretical predictions, opposite correlations with diametrically-opposite values in the circumplex model (e.g., power and universalism) and similar correlations with adjacent values (e.g., power and achievement).

director status, and country fixed effects to control for the role of omitted institutional factors, including culture and law. Throughout the paper we correct all standard errors for clustering at the firm's headquarter country level. We enter fixed effects for the firm's headquarter country, for the director's country of origin, and for both.[10] Finally, we enter a dummy variable labeled "Expatriate" taking a value of 1 if the director's country of origin differs from the firm's headquarters country and 0 otherwise. These specifications examine if, taken as a whole, social institutions in the firm/director country, as captured by the fixed effects, affect the links between personal values and shareholderism, while controlling for basic demographic factors. The results show that they do. At the same time, the links between all four values and shareholderism remain substantial. The latter point is noteworthy because the fixed effects specification should relieve potential concerns about country-level omitted-variable bias. Thus, our results are consistent with H1.

These findings indicate that shareholderism is a universal phenomenon. Corporate leaders hailing from different parts of the world and serving on boards of companies from various countries consider this core issue of corporate governance in relation to their deep-seated set of guiding principles in life. They indicate their likely course of action - how they would vote in the board in sharp shareholder-stakeholder conflicts - as if they intend to do the right thing according to their personal conceptions of the desirable. Demographic factors also play a role in determining directors' shareholderism levels, in line with the literature on the link between personal attributes and strategic choices. For example, an insider (non-independent) director designation correlates positively with shareholderism. This is consistent with the notion that independent directors may take a broader view of the company's objective, including with regard to its stakeholders, more than, say, directors nominated by controlling shareholders. In tandem, directors' putative votes are also influenced by country-specific factors, as captured by country fixed effects. This finding is consistent with Doidge, Karolyi, and Stulz's (2007) claim that "countries matter for corporate governance."

We begin the analysis of the role of institutional factors by exploring differences in shareholderism across cultural regions. Beugelsdijk, Kostova, and Roth (2017: 35) note that

[10] All *firm* countries have more than one observation. *Director* countries with only one observation do not contribute to the *director* fixed effects estimates. The number of singleton director country observations is at most 24, depending on the specification. The remaining sample of all-but-24 observations is large enough to identify a within-director country effect for a large portion of the sample (more than 900 observations).

"cultural values exhibit marked discrete jumps at the boundaries of supra-national cultural zones, which are more pronounced than the differences at the country levels." Karolyi (2016) makes a similar point from a financial economics perspective.

[Table 4 about here]

Table 4 presents *t*-test results of differences between means of shareholderism across regions distinguished by Schwartz (Panel A), Ronen and Shenkar (Panel B), and Inglehart (Panel C).[11] For example, in the Schwartz cultural regions, directors from the English Speaking region are on average higher on shareholderism than directors from Western European countries, although the difference between regional means is not too large. However, in the Ronen-Shenkar framework, the Anglo region does not differ from the Germanic/Nordic region or from the Latin-Europe/Near-East region. In the Inglehart regions, this difference obtains with regard to Catholic Europe but not with regard to Protestant Europe. These findings thus provide only weak support to general perceptions of Western Europe as particularly more stakeholder-oriented.

Before proceeding to the regressions, a methodological remark is in order. Our data have a hierarchical structure in that information about board members is grouped by countries such that the independence assumption of OLS regression is questioned. While clustering or fixed effects regressions may address the issue, in order properly to assess the effects of the higher-level factors - national institutions, for particular - a multi-level (hierarchical) analysis may be called for. Schwartz (2011) thus notes that the links between culture, values, and behavior may require multi-level modeling. Crossland and Hambrick (2011) have implemented this methodology in their study of managerial discretion (see also Griffin *et al.* (2017) and Holderness (2016, 2017) with regard to firm-level factors). In order to examine the role of cultural orientations on directors' shareholderism we therefore first tested multi-level regressions, with individual director-level data entered at the basic level and cultural data entered at the higher level, using the HLM7 software package. However, although the data is hierarchically nested within countries, only a small portion of the total variance in the dependent variable (shareholderism) was due to the country level (intraclass correlation

[11] To facilitate tractability and comparability with the other classifications we consolidate two pairs of regions distinguished by Ronen and Shenkar (2013), namely, Germanic and Nordic and Latin Europe and Near East.

coefficient, or ICC=.02). An ICC smaller than .05 indicates that an analysis for grouped data is unnecessary (Bliese, 2000). We therefore continue with level-1 linear regression models.

[Table 5 about here]

Table 5 presents the main findings. The dependent variable in all the regressions is board members' shareholderism score. To assess the role of culture we enter three polar orientations of the Schwartz dimensions - namely, egalitarianism, harmony, and embeddedness. We use polar orientations to avoid collinearity with the opposing orientations. All the specifications include the four personal values of power, achievement, self-direction, and universalism, as well as demographic controls for insider director status, gender, and age. In these specifications we do not include country fixed effects, since our main explanatory variables (culture and law) are collinear with the fixed effects. Instead, we address potential omitted variable concerns through the inclusion of other country-level factors.

The regressions present different specifications of informal (cultural) and formal (legal) institutional factors. The cultural factors are determined by the director's country of origin, namely, the self-reported country in which s/he grew up. To the extent that a director's strategic stances are sensitive to his or her cultural heritage, that heritage would be determined by their country of origin. The legal factors, ownership concentration data, and CSR scores relate to the headquarters country of the director's company, the logic being that in addressing the vignettes he or she are likely to assume, by default, that the scenario takes place in the same country in which they serve as directors. In all the regressions we control for log of GNP per capita and for legal origin of the firm's country.[12] National income has been shown to relate to value preferences in countries and in individuals (respectively, Inglehart, 1997; Rudnev, Magun, and Schwartz, 2018). While directors' income likely differs from the national average, their perception of the country's capacity to provide for the economic well-being of its residents may affect the way they weigh the interests of different stakeholders. Legal origin, according to a common-law/civil-law distinction, captures a general "style" of the legal system as a whole (Zweigert and Kötz, 1998; La Porta *et al.*, 2008). A common law origin could proxy for a broad shareholder-primacy policy, although

[12] Testing regressions that also included GNP per capita for the director's country of origin did not change the results, possibly due to collinearity between these two factors.

this is debatable, as noted above. We also enter a dummy variable to control for a mixed jurisdiction legal origin (Tetley, 2000).[13]

We first enter cultural orientations seriatim, to assess each dimension separately, and then together, to assess the joint effect of the country's cultural profile (Columns 1–4). In nearly all the models, the coefficients on individual values exhibit p-values better than 0.1 and have signs in line with H1. This is consistent with the evidence in Table 3 that the role of personal values in predicting shareholderism appears robust to institutional factors. In the single-orientation regressions, egalitarianism and harmony exhibit a strong negative sign, in line with H2 and H3, respectively. In the full cultural profile regression (Column 4), however, egalitarianism weakens, while embeddedness now shows a strong negative sign, in line with H4. As can be seen in the rest of Table 5, harmony and embeddedness remain highly negative throughout, while egalitarianism retains its negative sign but with varying strength.

This is unique empirical evidence for the role that cultural norms may play in managerial discretion with regard to corporate governance. The finding for harmony suggests that directors whose informal institutional environment has emphasized venturing, change, and development are more likely to pursue shareholderist strategies that tend to be more entrepreneurial, in line with shareholders' interests, above and beyond the effect of their personal values. Cultural embeddedness may imbue directors with greater concern for interrelated stakeholders in the firm. Somewhat surprisingly, cultural egalitarianism does not exhibit the central role that we expected to observe, although its sign is always consistent with our theory. Taken together, the findings support the notion that culture matters for stakeholder strategic management.

The effect of personal values and culture is robust to economic development. At the same time, national wealth exhibits a stable negative relation to shareholderism. Directors in richer countries tend to be more stakeholderist, all else being equal. This result should not be confused with post-materialist values *à la* Inglehart (1997) because values at both the

[13] This category consists of South Africa in our sample. South Africa's private law derives from civil law, while its fiduciary law derives from common law. Other mixed jurisdictions according to Tetley (2000) include Israel, Scotland, and Québec. Scotland and Québec do not have separate corporate laws and the role of civil law in Israel is negligible. Including Israel in the mixed jurisdiction group dummy does not affect the results but including South Africa does, such it calls for being accounted for separately. Results without the mixed jurisdiction dummy are largely similar.

individual and cultural levels are accounted for. This finding is open to different interpretations and invites theory development beyond the present scope.

We proceed to consider legal factors. A common law affiliation of the legal system shows virtually no relation to shareholderism.[14] This result thus challenges arguments that common law leads directors to endorse shareholder primacy (see e.g., Liang and Renneboog, 2017). The next regressions investigate the role of more focused legal regulation. In Columns 5–9, we enter measures for legal regulation pertaining to shareholder, creditor, and employee protection, and the regulation of entry separately and then together. In the combined specification (Column 9), creditor rights have a negative sign and regulation of entry - a positive sign; shareholder and employee protection do not relate meaningfully to shareholderism. These results do not lend themselves to straightforward interpretation, because the mechanisms that could relay the influence of legal regulation to directors' shareholderism are not specified (*cf*. Schnyder, Siems, and Aguilera, 2018). In any event, the results suggest that values' and culture's influence is not dominated by legal injunctions.

We next consider the corporate governance environment. In Column 10, we control for the national average of ownership concentration, proxied by the voting rights holdings of the largest shareholders in public firms.[15] Ownership concentration may affect strategic decisions in various ways, including with regard to relations with stakeholders (Desender and Epure, 2015; Zeitoun and Pamini, 2015; Desender *et al*., 2013; Clark, Murphy, and Singer, 2014; see Holderness, 2017 on egalitarianism and ownership concentration). This view is not borne out in our analysis, however. While values, insider director status, and other factors retain their sign, ownership concentration exhibits no link to directors' shareholderism.

Next, we look at the role of CSR social norms. All else being equal, if more firms in a country engage in CSR activities, beyond legal requirements, board members may feel justified in supporting stakeholderist strategies thanks to social normative pressures (Cialdini and Trost, 1998). Unfortunately, data for reliably testing this hypothesis is not currently available,[16] yet for the sake of completeness we present a specification that includes national

---

[14] When South Africa is coded as a common law country, the common law origin dummy exhibits a weak negative sign in some regressions, which does not change the thrust of text above.

[15] This is Aminadav and Papaioannou's (2018) C1 variable. We obtain similar results when considering the three and five largest shareholders, and with average aggregate block holdings from Holderness.

[16] The major data providers that compile firm-level CSR scores such as MSCI and ThomsonReuters today benchmark their scores by industry across countries. This practice renders firms' scores incomparable within

scores using MSCI data but do not get meaningful results (Column 11). Finally, in Column 12, we control for firms' market capitalization. Although the coefficient is statistically significant it is virtually nil in size. One notable effect is that the positive role of the power value weakens. This result is consistent with selection processes that channel directors who are especially high on power to larger firms.

[Table 6 about here]

Table 6 extends the analysis by examining the relations between shareholderism and cultural dimensions according to alternative or additional cross-cultural theories. These theories differ in the type of informal institution they purport to capture. Hofstede's theory, like Schwartz's, is premised on cross-cultural differences in values, whereas Inglehart's theory blends values with several other elements. In Columns 1–2 we therefore enter them in lieu of the Schwartz dimensions. In contrast, Bond and Leung's theory deals with beliefs - what cultures "assume" about the ways of our world. Gelfand points to another aspect - of how tightly societies regulate people's life. These two theories thus supplement rather than overlap with values-based models and can be entered together with the Schwartz dimensions.

Overall, only Hofstede's uncertainty avoidance shows a weak negative link to shareholderism and Gelfand's tightness shows a positive link in the joint specification with values-based dimensions. The former finding is consistent with the negative sign for harmony, although these two dimensions are not identical (Schwartz, 2014). The result for cultural tightness indicates that in tighter societies, that insist more forcefully on norm compliance, directors are more likely to heed to the normative call of shareholderism by exercising discretion less freely (see Crossland and Hambrick, 2011).

DISCUSSION

Using political contributions as a proxy for values, strategic management scholars have shown that conservative vs. liberal tendencies affect CSR choices by CEOs, directors, and firms (Chin, Hambrick, and Treviño, 2013; Gupta and Wowak, 2017; Gupta, Briscoe, and Hambrick, 2017). Financial economists have used owning a private airplane pilot license or sports cars as proxies for risk- or sensation seeking (Sunder, Sunder, and Zhang, 2017;

---

countries. National averages of CSR activities that once could be computed as proxies for CSR norms among firms (e.g., Siegel, Licht, and Schwartz, 2013) are currently not available, to our knowledge. Liang and Renneboog (2017) nonetheless analyze such averages.

Brown *et al.*, 2016). Private airplanes and sports cars don't travel well, however; neither do political contributions. Such proxies may be observable and unobtrusive, but they are also idiosyncratic and could carry different social meanings in different countries. Studies that used political contributions nearly invariably employ a Democrat-Republican/left-right/liberal-conservative distinction, notwithstanding reservations among scholars that this framework is limited (e.g., Feldman and Johnston, 2013; Piurko, Schwartz, and Davidov, 2011). It could be particularly insufficient for cross-national comparisons.

Against this backdrop, our study aims for the core of Hambrick and Mason's (1984) theory, which emphasizes corporate leaders' values as reflecting their normative inclinations. Although "executives' values are typically thought of as relatively opaque and out of view" (Chin, Hambrick, and Treviño, 2013, p. 219), we use an advanced psychometric instrument to extract directors' value profiles instead of relying on idiosyncratic proxies. We find that they exhibit principled stances on this fundamental issue of corporate governance that are linked to self- vs. other-regarding values and to self-direction values.

We thus take these findings several steps further. First, our results show that Adams, Licht, and Sagiv's (2011) findings for Sweden (as well as the above-mentioned indirect evidence from the U.S.) are universal. Corporate elite members from different countries consider shareholders and stakeholders similarly in terms of their motivational normative approach. Second, directors that exhibit a more entrepreneurial value profile tend to endorse shareholders' interests more than stakeholders'. Third, in forming their strategic approach to shareholder-stakeholder dilemmas, they may also be guided by institutional factors. Directors are more likely to endorse shareholders' interests, for any individual value profile, the lower are their cultural harmony, embeddedness and, more weakly, egalitarianism.

Legal reform is policy-makers' primary tool for inducing social change. In a recent example, U.S. Senator Elizabeth Warren (D-Mass.) proposed legislation that would require very large American corporations to consider the interests of all corporate stakeholders (Warren, 2018). The present results suggest, however, that corporate leaders probably cannot be told what to do with regard to shareholders and stakeholders, including by legal injunctions. The corporate leaders featured in the *Wall Street Journal* (Langley, 2016) likely are aware of U.S. litigation risk, yet still do what they perceive as the right thing. Our sample directors indicate that they would do the same.

This study underscores the complexity of the mechanisms involved in strategic stakeholder management. This points to the importance of the personal makeup of boards of directors (Adams, 2017). Who sits on the board (or in the corner office) matters at least as much as the formal rules she is expected to follow and the price signals she receives from the market. At the director level, the most intriguing question that firms may encounter is whether they should assess nominees for board membership not only according to observable traits such as education, experience, gender, or ethnicity, but also screen them according to their value preferences. We advocate caution, however, before drawing direct conclusions from the present evidence as well as the available evidence on CEOs' innate traits.

A large literature examining diversity on boards, especially in terms of gender and ethnicity supports the idea that group composition affects members' incentives to work together (see Adams, 2017; Rhode and Packel, 2014 for surveys). Research on demographic faultlines shows that within-group fissures increase conflicts and decrease team cohesion beyond mere diversity (Thatcher and Patel, 2011; 2012). Directors' diversity in personal attributes and skill sets could facilitate less conformist firm strategies while adversely affecting performance (Giannetti and Zhao, 2017; Adams, Akyol and Verwijmeren, 2018). Frijns, Dodd, and Cimerova (2016) find that diversity in Hofstede's individualism and masculinity within British boards affects the effectiveness of boards and firm performance. Our findings show that diversity and faultlines in boards may go even deeper. They are consistent with Giannetti and Zhao (2017), who relate directors' individual diversity to their ancestral diversity. Since taking a board seat is usually a matter of choice rather that a forced decision, directors are likely to adhere to their extant value priorities and beliefs (Bardi et al., 2014; Goodwin, Polek and Bardi, 2012). In developing their boards, firms should realize that diversity in these psychological traits and their effect on strategic decisions may yield to group dynamics only to a certain degree (Cronin, Weingart and Todorova, 2011), and remain stable and affect corporate performance.

No empirical study is without limitations and ours is no exception. One concern could be that values and culture may not influence how directors vote in real-life situations. Although not baseless, this objection could be raised about any study linking director traits to decisions and outcomes. Because directors' votes are generally not observable, it is not yet clear to what extent empirically measurable outcomes are direct reflections of actual decision-making votes. Our results should thus be viewed as systematically describing basic stances that plausibly correlate with directors' final decisions. With regard to causality, the cultural environment, if effectual as our findings suggest, is not susceptible to influence from individual factors. Personal values have been shown to be stable and causal for value-laden behavior, especially in voting (see Appendix A1), such that the present results are indicative.

The present results point to several new avenues of research. The limitations of this research, mostly in terms of coverage of more directors from more countries, call for broadening this coverage. Obtaining larger samples from Confucian cultures in East Asia might enrich the picture provided by this study. The present framework may also be implemented to addressing other basic issues in corporate governance that defy direct regulation - for example, the fiduciary relations between the company and its leaders. Finally, that directors' values and culture are so closely linked to their likely strategic decisions warrants humility in designing corporate governance reform programs through legal amendments. Any attempt to significantly change the corporate governance system of a country or a firm must take into account the informal nine tenths of the institutional iceberg.

CONCLUSION

This study implements a novel approach for investigating the role of personal and institutional factors in shaping the position that directors of public companies from around the world harbor with respect to a core problem of corporate governance - namely, the place of shareholders and other stakeholder in forming corporate strategy. The vignettes that our director respondents considered were not fanciful. They reflected disputes over real decisions, about which real directors were taken to court. The results suggest that in analyzing and deciding such cases board members apply a principled stance that is intimately linked with their personal value priorities. The effect of one's values, in tandem with one's demographic factors, is susceptible, however, to diverse effects from the institutional environment. One's culture, as well as elements of the applicable legal regime, exerts its effect jointly with personal attributes in conceptually compatible ways.

REFERENCES

Adams RB. 2017. Boards, and the directors who sit on them. In *Handbook of corporate governance*. Hermalin B, Weisbach M. (eds.) North Holland: Amsterdam.

Adams RB, Akyol A, Verwijmeren P. 2018. Director skill sets. *Journal of Financial Economics* **130**(3): 641–662.

Adams RB, Ferreira, D. 2009. Women in the boardroom and their impact on governance and performance. *Journal of Financial Economics* **94**(2): 291–309.

Adams R, Hermalin B, Weisbach M. 2010. The role of boards of directors in corporate governance: A conceptual framework and survey. *Journal of Economic Literature* **48**: 59–108.

Adams RB, Keloharju M, Knüpfer S. 2017. Are CEOs born leaders? Lessons from traits of a million individuals. *Journal of Financial Economics* **130**(2): 392–408.

Adams RB, Licht AN, Sagiv L. 2011. Shareholders and stakeholders: How do directors decide? *Strategic Management Journal* **32**(12): 1331–1355.

Agle BR, Mitchell RK, Sonnenfeld JA. 1999. Who matters to CEOs? An investigation of stakeholder attributes and salience, corporate performance, and CEO values. *Academy of Management Journal* **42**: 507–525.

Aguilera RV *et al*., 2015. Connecting the dots: Bringing external corporate governance into the corporate governance puzzle. *Academy of Management Annals* **9**(1): 483–573.

Alexander CS, Becker HJ. 1978. The use of vignettes in survey research. *Public Opinion Quarterly* **42**: 93–104.

Aminadav, G, Papaioannou E, 2018. Corporate control around the world. Working paper.

Barnett J, Karson M. 1989. Managers, values, and executive decisions. *Journal of Business Ethics* **8**: 747–771.

Barter C, Renold E. 1999. The use of vignettes in qualitative research. *Social Research Update,* 25. http://www.soc.surrey.ac.uk/sru/SRU25.html.

BCE Inc. v. 1976 Debentureholders. 2008 SCC 69.

Beierlein C *et al.* 2012. Testing the discriminant validity of Schwartz' Portrait Value Questionnaire items: A replication end extension of Knoppen and Saris (2009). *Survey Research Methods* **6**(1): 25–36.

Bento RF, Mertins L, White LF. 2016. Ideology and the balanced scorecard: An empirical exploration of the tension between shareholder value maximization and corporate social responsibility. *Journal of Business Ethics* **142**(4): 769–789.

Beugelsdijk S, Kostova T, Roth K. 2017) An overview of Hofstede-inspired country-level culture research in international business since 2006. *Journal of International Business Studies* **48**(1): 30–47.

Bliese PD. 2000. Within-group agreement, nonindependence, and reliability: implications for data aggregation and analysis. In Klein KJ, Kozlowski SWJ. (Eds.) *Multi-level theory, research and methods in organizations: Foundations, extensions, and new directions* 349–381. Jossey-Bass: San Francisco, CA.

Block JH, Fisch CO, van Praag CM. 2016. The Schumpeterian entrepreneur: A review of the empirical evidence on the antecedents, behavior and consequences of innovative entrepreneurship. *Industry & Innovation* **24**(1): 61–95.

Bond MH *et al*. 2004. Culture-level dimensions of social axioms and their correlates across 41 cultures. *Journal of Cross-Cultural Psychology* **35**: 548–570.

Bosse D, Phillips R, Harrison J. 2009. Stakeholders, reciprocity and firm performance. *Strategic Management Journal* **30**: 447–456.

Botero J *et al*. 2004. The regulation of labor. Quarterly Journal of Economics 119, 1339–1382.

Bradley M *et al*. 1999. The purposes and accountability of the corporation in contemporary society: Corporate governance at a crossroads. *Law and Contemporary Problems* **62**: 9–86.

Brenner S. 2014. The risk preferences of U.S. executives. *Management Science* **61**(6): 1344–1361.

Briscoe F, Chin MK, Hambrick DC. 2014. CEO ideology as an element of the corporate opportunity structure for social activists. *Academy of Management Journal* 57(6): 1786–1809.

Bromiley P, Rau D. 2016. Social, behavioral, and cognitive influences on upper echelons during strategy process: A literature review. *Journal of Management* **42**: 174–202.

Brown, S, *et al.* 2016. Sensation seeking, sports cars, and hedge funds. Working paper.

Cain MD, Mckeon SB. 2016. CEO personal risk–taking and corporate policies. *Journal of Financial and Quantitative Analysis* **51**(1): 139–164.

Carnahan S, Greenwood BN. 2018. Managers' political ideology and gender inequality within organizations. *Administrative Science Quarterly* **63**(2): 287–322.

Chatterjee A, Hambrick DC. 2007. It's all about me: Narcissistic chief executive officers and their effects on company strategy and performance. *Administrative Science Quarterly* **52**(3): 351–386.

Chatterjee A, Hambrick DC. 2011. Executive personality, capability cues, and risk taking: How narcissistic CEOs react to their successes and stumbles. *Administrative Science Quarterly* **56**(2): 202–237.

Chin MK, Hambrick DC, Treviño LK. 2013. Political ideologies of CEOs: The influence of executives' values on corporate social responsibility. *Administrative Science Quarterly* **58**(2): 197–232.

Christensen DM *et al*. 2014. Top management conservatism and corporate risk strategies: Evidence from managers' personal political orientation and corporate tax avoidance. *Strategic Management Journal* **36**(12): 1918–1938.

Cialdini RB, Trost MR. 1998. Social influence: Social norms, conformity and compliance. In *The Handbook of Social Psychology* 4th ed Gilbert D, Fiske S, Lindzey G (eds) 151–192 McGraw-Hill: New York.

Clark JR, Murphy C, Singer SJ. 2014. When do leaders matter? Ownership, governance and the influence of CEOs on firm performance. *Leadership Quarterly* **25**(2): 358–372.

Credit Lyonnais Bank Nederland N.V. v. Pathé Communications. 1991. 1991 WL 277613 (Del. Ch.).

Crilly D, Schneider SG, Zollo M. 2008. The psychological antecedents to socially responsible behavior. *European Management Review* **5**: 175–190.

Cronin MA, Weingart LR, Todorova G. 2011. Dynamics in groups: Are we there yet? *Academy of Management Annals* **5**(1): 571–612.

Crossland C, Hambrick DC. 2007. How national systems differ in their constraints on corporate executives: A study of CEO effects in three countries. *Strategic Management Journal* **28**(8): 767–789.

Crossland C. 2007. National institutions and managerial discretion: A taxonomy of 24 countries. *Academy of Management Proceedings* **2007**(1): 1–6.

Crossland C. 2009. Why do CEOs matter more in some countries than others? Managerial discretion at the national level. *Academy of Management Proceedings* **2009**(1): 1–6.

Crossland C, Hambrick DC. 2011. Differences in managerial discretion across countries: How nation-level institutions affect the degree to which CEOs matter. *Strategic Management Journal* **32**(8): 797–819.

Desender KA *et al*., 2013. When does ownership matter? Board characteristics and behavior. *Strategic Management Journal* **34**(7): 823–842.

Desender KA, Castro CE, de León SAE. 2011. Earnings management and cultural values. *American Journal of Economics and Sociology* **70**(3): 639–670.
Desender KA, Epure M. 2015. Corporate governance and corporate social performance: The influence of ownership, boards and institutions. Working paper 1398, Department of Economics and Business, Universitat Pompeu Fabra.
Di Giuli A, Kostovetsky L. 2014. Are red or blue companies more likely to go green? Politics and corporate social responsibility. *Journal of Financial Economics* **111**(1): 158–180.
DiMaggio PJ, Powell WW. 1983. The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociology Rev*iew **48**: 147–160.
Djankov S *et al*. 2002. The regulation of entry. *Quarterly Journal of Economics* 117 1–37.
Djankov S *et al*. 2008. The law and economics of self-dealing. Journal of Financial *Economics* 88, 430–465.
Doidge C, Karolyi GA, Stulz RM. 2007.Why do countries matter so much for corporate governance? *Journal of Financial Economics* **86**(1): 1–39.
Donaldson T, Preston L. 1995. The stakeholder theory of the corporation: concepts, evidence, and implications. *Academy of Management Review* **20**: 65–91.
Dyck A, Lins KV, Roth L, Wagner HF. 2019. Do institutional investors drive corporate social responsibility? International evidence. *Journal of Financial Economics***131**(3) 693–714.
Feldman S, Johnston CD. 2013. Understanding the determinants of political ideology: implications of structural complexity. *Political Psychology* **35**(3): 337–358.
Francis BB *et al*. 2016. CEO political preference and corporate tax sheltering. *Journal of Corporate Finance* **38**: 37–53.
Freeman RE. 1984. *Strategic Management: A Stakeholder Approach*. Pitman: Boston.
Frijns B, Dodd O, Cimerova H. 2016. The impact of cultural diversity in corporate boards on firm performance. *Journal of Corporate Finance* **41**: 521–541.
Gans JS, Stern S, Wu J. 2019. Foundations of entrepreneurial strategy. *Strategic Management Journal* **40**: 736–756.
Gelfand M *et al*. 2011. Differences between tight and loose cultures: A 33-nation study. *Science* **332**(6033): 1100–1104.
Gelfand MJ, Nishii LH, Raver JL. 2006. On the nature and importance of cultural tightness–looseness. *Journal of Applied Psychology* **91**(6): 1225–1244.
Georgalos K. 2018. Entrepreneurship under risk and uncertainty: A review of the experimental evidence. In *Inside the Mind of the Entrepreneur* Tur Porcar A, Soriano RD (eds) 59–74 Springer: Cham.
Goodwin R, Polek E, Bardi A. 2012. The temporal reciprocity of values and beliefs: A longitudinal study within a major life transition. *European Journal of Personality* **26**: 360–370.
Gow ID *et al.* 2016. CEO personality and firm policies. NBER working paper 22435, National Bureau of Economic Research, Cambridge, MA.
Graham JR, Harvey CR, Puri M. 2013. Managerial attitudes and corporate actions. *Journal of Financial Economics* **109**(1): 103–121.
Grankvist G, Kajonius P. 2015. Personality traits and values: A replication with a Swedish sample. *International Journal of Personality Psychology* **1**(1): 8–14.
Griffin D, Guedhami O, Kwok C, Li K, Shao L. 2017. National culture: The missing country-level determinant of corporate governance. *Journal of International Business Studies* **48**: 740–762.
Gupta A, Briscoe F, Hambrick DC. 2017. Red, blue, and purple firms: Organizational political ideology and corporate social responsibility. *Strategic Management Journal*

38(5): 1018–1040.
Gupta A, Wowak AJ. 2017. The elephant (or donkey) in the boardroom: How board political ideology affects CEO pay. *Administrative Science Quarterly* **62(1)**: 1–30.
Hafenbrädl S, Waeger D. 2017. Ideology and the microfoundations of CSR: Why executives believe in the business case for CSR and how this affects their CSR engagements. *Academy of Management Journal* **60**(4): 1582–1606.
Hahn T, et al. 2017. Facial width-to-height ratio differs by social rank across organizations, countries, and value systems. *PLoS ONE* **12**(11): e0187957.
Hall PA, Soskice D. 2001. Varieties of Capitalism: The Institutional Foundations of Comparative Advantage. Oxford University Press: Oxford.
Hambrick DC. 1989. Putting top managers back in the strategy picture. *Strategic Management Journal* 10(S1): 5–15.
Hambrick DC. 2007. Upper Echelons Theory: An update. *Academy of Management Review* **32**(2): 334–343.
Hambrick DC, Finkelstein S. 1987. Managerial discretion: A bridge between polar views of organizational outcomes. In Cummings LL, Staw B (eds.), *Research in Organizational Behavior*, **9**: 369-406. JAI Press: Greenwich, CT.
Hambrick DC, Mason PA. 1984. Upper echelons: The organization as a reflection of its top managers. *Academy of Management Review* **9**(2): 193–206.
Hart O, Zingales L. 2017. Companies should maximize shareholder welfare not market value. *Journal of Law, Finance, and Accounting* **2**: 247–274.
Harzing A-W. 2006. Response styles in cross-national survey research: a 26-country study. *International Journal of Cross Cultural Management* **6**(2): 243–264.
Hayton JC, Cacciotti G. 2013. Is there an entrepreneurial culture? A review of empirical research. *Entrepreneurship & Regional Development* **25**(9–10): 708–731.
Hofstede GH. 2001. *Culture's Consequences: Comparing Values, Behaviors, Institutions, and Organizations Across Nations*. 2d ed. Sage: Thousand Oaks, CA.
Holderness CG. 2016. Law and ownership reexamined. *Critical Finance Review* **5**(1): 41–83.
Holderness CG. 2017. Culture and the ownership concentration of public corporations around the world. *Journal of Corporate Finance* **44**: 469–486.
Holland DV, Shepherd DA. 2013. Deciding to persist: Adversity, values, and entrepreneurs' decision policies. *Entrepreneurship Theory and Practice* **37**(2): 331–358.
Hutton I, Jiang D, Kumar A. 2014. Corporate policies of republican managers. *Journal of Financial and Quantitative Analysis* **49**(5–6): 1279–1310.
Hutton I, Jiang D, Kumar A. 2015. Political values, culture, and corporate litigation. *Management Science* 61(12): 2905–2925.
Inglehart R. 1997. *Modernization and postmodernization: Cultural, economic and political change in 43 societies*. Princeton University Press: Princeton, NJ.
Ioannou I, Serafeim G. 2012. What drives corporate social performance? The role of nation-level institutions. *Journal of International Business Studies* 43(9): 834–864.
Jensen M, Zajac EJ. 2004. Corporate elites and corporate strategy: How demographic preferences and structural position shape the scope of the firm. *Strategic Management Journal* **25**: 507–524.
Jones TM, Felps WA, Bigley G. 2007. Ethical theory and stakeholder-related decisions: The role of stakeholder culture. *Academy of Management Review* **32**: 137–155.
Kaplan SN, Klebanov MM, Sorensen M. 2012. Which CEO characteristics and abilities matter? *Journal of Finance* **67**(3): 973–1007.
Kamiya S, Kim YH, Park S. 2018. The face of risk: CEO facial masculinity and firm risk. *European Financial Management* **25**(2): 239–270.

Karolyi GA. 2016. The gravity of culture for finance, *Journal of Corporate Finance* **41:** 610–625.
Kirzner I. 1973. *Competition and Entrepreneurship*. University of Chicago Press: Chicago.
Kirzner I. 1999. Creativity and/or alertness: a reconsideration of the Schumpeterian entrepreneur. *Review of Austrian Economics* 11: 5–17.
Koudstaal M, Sloof R, van Praag M. 2016. Risk, uncertainty, and entrepreneurship: Evidence from a lab-in-the-field experiment *Management Science* **62**(10), 2897–2915.
La Porta, R, Lopez-de-Silanes F, Shleifer A. 2008. The economic consequences of legal origins. *Journal of Economic Literature* **46**: 285–332.
Langley M. 2016. Salesforce's Marc Benioff has kicked off new era of corporate social activism, *The Wall Street Journal*, May 2.
Lawrence BS. 1997. The black box of organizational demography. *Organization Science* **8**(1): 1–22.
Leimgruber P. 2011. Values and votes: The indirect effect of personal values on voting behavior. *Swiss Political Science Review* **17**(2): 107–127.
Leung K, Bond MH. 2004. Social axioms: A model for social beliefs in multicultural perspective. In *Advances in experimental social psychology* Zanna MP (ed) Vol. 36, 119–197. Elsevier Academic Press: San Diego, CA.
Leung K, Bond MH. 2008. Psycho-logic and eco-logic: Insights from social axiom dimensions. In *Individuals and cultures in multilevel analysis* van de Vijver F, van Hemert D, Poortinga YP (eds.) 197–219. Erlbaum: Mahwah, NJ.
Liang H, Renneboog L. 2017. On the foundations of corporate social responsibility. *Journal of Finance* **72**(2): 853–910.
Licht AN. 2004. The maximands of corporate governance: A theory of values and cognitive style. *Delaware Journal of Corporate Law* **29**: 649–746.
Licht AN. 2007. The entrepreneurial spirit and what the law can do about it. *Comparative Labor Law and Policy Journal* **28**: 817-862.
Licht AN. 2015. Culture and law in corporate governance, in Gordon J, Ringe G (eds.) *Oxford handbook of law and corporate governance*. Oxford University Press, DOI: 10.1093/oxfordhb/9780198743682.013.13.
Licht AN, Goldschmidt C, Schwartz SH. 2005. Culture, law, and corporate governance. *International Review of Law and Economics* **25**(2) 229–255.
Liñán F, Fernandez-Serrano J. 2014. National culture, entrepreneurship and economic development: Different patterns across the European Union. *Small Business Economics* **42**(4): 685–701.
Liñán F, Jaén I, Ortega FJ. 2015. Understanding the role of culture and economic conditions in entrepreneurship. In *Entrepreneurship, regional development and culture: An institutional perspective* Peris-Ortiz M, Merigó-Lindahl JM (eds) 53–73. Springer: Heidelberg.
Locke EA, Baum JR. 2006. Entrepreneurial motivation. In *The Psychology of Entrepreneurship,* Baum JR, Frese M, Baron RA (eds). Erlbaum: Mahwah, NJ; 93-112.
Markus HR. Kitayama S. 1991. Culture and the self: Implications for cognition, emotion, and motivation. *Psychological Review* **98**: 224–253.
Matten D, Moon J. 2008. "Implicit" and "explicit" CSR: A conceptual framework for a comparative understanding of corporate social responsibility. *Academy of Management Review*, **33**(2): 404–424.
Mayer, C. 2019. Prosperity: Better business makes the greater good. Oxford University Press: Oxford.
Maynes TD, Podsakoff PM. 2014. Speaking more broadly: an examination of the nature, antecedents, and consequences of an expanded set of employee voice behaviors *Journal*

of Applied Psychology **99**(1): 87–112.
McCrae, RR, and Costa PT. 1997. Personality trait structure as a human universal. *American Psychologist* **52**: 509–516.
McFadden DL *et al.* 2005. Statistical analysis of choice experiments and surveys. *Marketing Letters* **16**: 183–196.
Miles A. 2015. The (re)genesis of values: Examining the importance of values for action. *American Sociological Review* **80**(4): 680–704.
Milfont TL, Milojev P, Sibley CG. 2016. Values stability and change in adulthood: A 3–year longitudinal study of rank–order stability and mean–level differences. *Personality and Social Psychology Bulletin* **42**(5): 572–588.
Morales CE, Holtschlag C, Marquina P. 2015. Individual values, culture and entrepreneurship: Moving beyond a single level of analysis. *Academy of Management Proceedings* **2015**(1): 13091–13091.
North DC. 1990. *Institutions, institutional change, and economic performance*. Cambridge: Cambridge University Press.
Orlitzky M. 2015. The politics of corporate social responsibility or: Why Milton Friedman has been right all along. *Annals in Social Responsibility* **1**(1): 5–29.
Piurko Y, Schwartz SH, Davidov E. 2011. Basic personal values and the meaning of left–right political orientations in 20 countries. *Political Psychology* **32**(4): 537–561.
Podsakoff PM, MacKenzie SB, Podsakoff NP. 2012. Sources of method bias in social science research and recommendations on how to control it. *Annual Review of Psychology*, **63**(1): 539–569.
Rhode, DL, Packel, AK. 2014. Diversity on corporate boards: How much difference does difference make? *Delaware Journal of Corporate Law*, **39:** 377–425.
Roccas S, Sagiv L. 2010. Personal values and behavior: Taking the cultural context into account. *Social and Personality Psychology Compass* **4**: 30–34.
Ronen S, Shenkar O. 2013. Mapping world cultures: Cluster formation, sources and implications. *Journal of International Business Studies* **44**(9): 867–897.
Schnyder G, Siems M, Aguilera R. 2018. Twenty years of ‘Law & Finance’: Time to take law seriously. Working Paper WP 501, Centre for Business Research, University of Cambridge, UK.
Schumpeter JA. 1912/1934. *The Theory of Economic Development.* Harvard University Press: Cambridge, MA.
Schwartz SH. 1992. Universals in the content and structure of values: theory and empirical tests in 20 countries. In *Advances in Experimental Social Psychology* **25***,* Zanna M (ed). Academic Press: New York; 1–65.
Schwartz, SH. 2014. National culture as value orientations: Consequences of value differences and cultural distance. In Handbook of the Economics of Art and Culture, Ginsburgh V, Throsby D (eds) Vol. 2 547–586. Elsevier: North Holland.
Schwartz SH. 2016. Basic individual values: Sources and consequences. In *Handbook of Value*: *Perspectives from Economics, Neuroscience, Philosophy, Psychology and Sociology*, Brosch T, Sander D (eds). Oxford University Press: New York.
Schwartz SH *et al.* 2001. Extending the cross-cultural validity of the theory of basic human values with a different method of measurement. *Journal of Cross Cultural Psychology* **32**: 519–542.
Scott, WR. 2013. *Institutions and Organizations*. 4th ed. Sage: Thousand Oaks, CA.
Shafer WE, Fukukawa K, Lee GM. 2007. Values and the perceived importance of ethics and social responsibility: The U.S. versus China. *Journal of Business Ethics* **70**: 256–284.
Shrout PE, Rodgers JL. 2018. Psychology, science, and knowledge construction: broadening perspectives from the replication crisis. Annual Review of Psychology **69**(1): 487–510.

Siegel JI, Licht AN, Schwartz SH. 2013. Egalitarianism, cultural distance, and FDI: A new approach. *Organization Science* **24**: 174–1194.
Strine, Jr. LE. 2015. The dangers of denial: The need for a clear-eyed understanding of the power and accountability structure established by the Delaware general corporation law, *Wake Forest Law Review* **50** 761–801.
Sunder J, Sunder SV, Zhang J. 2017. Pilot CEOs and corporate innovation. *Journal of Financial Economics* **123**(1): 209–224.
Tetley W. 2000. Mixed jurisdictions: Common Law v. Civil Law (codified and uncodified). *Louisiana Law Review* **60**: 677–738.
Tetlock PE. 2000. Cognitive biases and organizational correctives: do both disease and cure depend on the ideological beholder? *Administrative Science Quarterly* **45**: 293–326.
Thatcher SMB, Patel PC. 2011. Demographic faultlines: A meta-analysis of the literature. *Journal of Applied Psychology* **96**(6): 1119–1139.
Thatcher SMB, Patel PC. 2012. Group faultlines: A review, integration, and guide to future research. *Journal of Management* **38**(4): 969–1009.
Thurik R, Dejardin M. 2012. Entrepreneurship and culture. In *Entrepreneurship in Context*, Gelderen MV, Masurel E (eds). 175–186. Routledge: New York.
Wangrow DB, Schepker DJ, Barker VL. 2015. Managerial discretion: An empirical review and focus on future research directions. *Journal of Management* **41**(1): 99–135.
Warren A, 2018. Warren introduces Accountable Capitalism Act, press release, August 15, https://www.warren.senate.gov/newsroom/press-releases/warren-introduces-accountable-capitalism-act.
Williamson, OE. 2000. The new institutional economics: Taking stock, looking ahead. *Journal of Economic Literature* **38**: 595–613.
World Values Survey (WVS). 2010-2014, http://www.worldvaluessurvey.org/WVSDocumentationWV6.jsp.
Zeitoun H, Pamini P. 2015. Corporate ownership structure and top executives' prosocial preferences: The role of relational and external blockholders. *Corporate Governance: An International Review* **23**(6): 489–503.
Zhu DH, Chen G. 2015. CEO narcissism and the impact of prior board experience on corporate strategy. *Administrative Science Quarterly* 60(1): 31–65.
Zweigert K. Kötz H. 1998. *Introduction to Comparative Law* (Third revised ed., translated by Tony Weir). Clarendon Press: Oxford.

Table 1. Sample Composition

A. Firm Countries

Firm's Country	#	Legal Origin
Australia	127	UK
Austria	2	GE
Canada	142	UK
Germany	32	GE
HongKong	4	UK
India	59	UK
Ireland	5	UK
Israel	78	UK
Italy	13	FR
Jordan	4	FR
Korea	8	GE
Kuwait	7	FR
Malaysia	3	UK
Mexico	6	FR
Peru	4	FR
SaudiArabia	5	UK
Singapore	5	UK
SouthAfrica	28	UK
Spain	5	FR
Switzerland	29	GE
Taiwan	5	GE
UK	76	UK
US	462	UK

B. Director Countries

Director's Country	#	Cultural Region: Schwartz	Cultural Region: Ronen & Shenkar	Cultural Region: Inglehart
Andorra	1	Western Europe*	Latin Europe*	Catholic Europe*
Argentina	1	Latin America	Latin America	Latin America
Australia	103	English Speaking	Anglo	English Speaking
Austria	6	Western Europe	Germanic	Catholic Europe
Belgium	1	Western Europe	Latin Europe	Catholic Europe
Canada	100	English Speaking	Anglo	English Speaking
China	9	Far East	Confucian	Confucian
Colombia	1	Latin America	Latin America	Latin America
Cote d'Ivoire	1	Africa*	African*	African - Islamic*
Croatia	1	Eastern Europe	East Europe*	Catholic Europe
Cuba	1	Latin America*	Latin America*	Latin America*
Denmark	2	Western Europe	Nordic	Protestant Europe
Dominican Rep.	1	Latin America	Latin America*	Latin America*
Egypt	3	Arab*	Arabic*	African - Islamic*
France	5	Western Europe	Latin Europe	Catholic Europe
Gambia	1	Africa	African*	African - Islamic*
Germany	42	Western Europe	Germanic	Protestant Europe
Greece	1	Western Europe	Near East	Catholic Europe
India	73	Far East	Far East	South Asia
Iran	3	Not classified	Far East	Not classified
Iraq	1	Arab	Arabic*	African - Islamic
Ireland	7	English Speaking	Anglo	English Speaking
Israel	81	Not classified	Latin Europe	Not classified
Italy	19	Western Europe	Latin Europe	Catholic Europe*
Jamaica	1	Latin America	Far East	Latin America*
Japan	1	Far East	Confucian	Confucian
Jordan	6	Arab	Arabic*	African - Islamic
Korea	8	Far East	Confucian	Confucian
Kuwait	6	Arab	Arabic	African - Islamic*
Laos	1	Far East	Far East*	Confucian*
Malaysia	10	Far East	Far East	African - Islamic
Mali	1	Africa	African*	African - Islamic
Mexico	7	Latin America	Latin America	Latin America
Moldova	1	Eastern Europe	East Europe*	Orthodox
Morocco	1	Arab	Arabic	African - Islamic
Netherlands	7	Western Europe	Nordic	Protestant Europe
New Zealand	5	English Speaking	Anglo	English Speaking
Nicaragua	1	Latin America*	Latin America*	Latin America*
Norway	1	Western Europe	Nordic	Protestant Europe
Peru	5	Latin America	Latin America	Latin America
Poland	2	Eastern Europe	East Europe	Catholic Europe
Portugal	1	Western Europe	Latin Europe	Catholic Europe
Saudi Arabia	3	Arab	Arabic*	African - Islamic*
Singapore	3	Far East	Confucian	Confucian*
South Africa	30	English Speaking	African	African - Islamic
Spain	6	Western Europe	Latin Europe	Catholic Europe
Sweden	4	Western Europe	Nordic	Protestant Europe
Switzerland	25	Western Europe	Germanic	Protestant Europe
Taiwan	4	Far East	Confucian	Confucian*
Tanzania	1	Africa	African*	African - Islamic*
UK	85	English Speaking	Anglo	English Speaking
US	415	English Speaking	Anglo	English Speaking
Vietnam	1	Far East	Confucian*	South Asia
Zambia	2	Africa	African*	African - Islamic
Zimbabwe	1	Africa	Far East	African - Islamic

Panel A of Table 1 shows the distribution of respondents across firm-headquarter countries along with the legal origin of respondent firms' headquarters. Panel B shows the distribution of respondents by country of origin and the cultural classification of the countries of origin. The classification of legal origin is according to La Porta et al. (2008). The classification of cultural region is according to Schwartz (2014a), Ronen and Shenkar (2013), and World Values Survey (WVS) (2010-2014). Cultural region affiliations noted with an asterisk were ascribed by the authors.

Table 2. Summary Statistics

A. Individual Factors

Variable	Obs.	Mean	S.D.	Min	Max							
Shareholderism	1,010	3.503	0.826	1.000	5.875	1						
Power	1,109	0.553	0.753	-1.692	3.025	0.210	1					
Achievement	1,109	0.034	0.791	-2.600	3.325	0.190	0.410	1				
Self-direction	1,109	-0.832	0.627	-2.575	1.550	0.076	0.095	-0.062	1			
Universalism	1,109	-0.285	0.596	-2.208	2.050	-0.259	-0.403	-0.406	0.001	1		
Insider	941	0.453	0.498	0.000	1.000	0.089	0.007	-0.011	0.075	-0.026	1	
Female	1,109	0.117	0.322	0.000	1.000	0.110	0.057	-0.036	-0.003	-0.032	0.049	1
ln(Age)	921	4.019	0.197	3.135	4.419	0.051	0.044	0.103	-0.088	-0.016	-0.223	-0.204
"Expatriate"	1,109	0.185	0.388	0.000	1.000	-0.056	0.030	-0.011	0.015	-0.104	0.032	-0.080

B. Firm-level factors

Variable	Obs.	Mean	S.D.	Min	Max
Market Cap	712	6379	23284	0.002	211894

C. Country-level institutional factors

Variable	Obs.	Mean	S.D.	Min	Max
1. Firm-country					
Common	23	0.261	0.449	0.000	1.000
Anti-Self-Dealing Index	21	0.581	0.275	0.165	1.000
Employee Protection	18	2.139	0.531	1.147	3.032
Creditor Rights	23	5.913	2.729	0.000	11.000
Entry Procedures	23	7.087	3.246	2.000	14.000
MSCII CSR Score	21	2.834	0.690	1.126	4.000
Ownership Concentration	23	32.648	10.596	12.300	52.400
ln (GNP/capita)	22	10.312	0.731	8.433	11.315
2. Director-country					
Egalitarianism	37	4.753	0.297	4.230	5.270
Harmony	37	4.003	0.338	3.280	4.620
Embeddedness	37	3.631	0.377	3.030	4.450
Individualism	37	52.514	24.170	13.000	91.000
Power Distance	37	51.405	21.034	11.000	104.000
Uncertainty Avoidance	37	61.000	26.437	8.000	112.000
Masculinity	37	52.162	19.291	5.000	95.000
Traditional/Rational	40	0.016	-0.969	1.962	1.853
Survival/Self-Expression	40	0.463	-1.036	1.653	2.185
Dynamic Externality	24	64.371	6.453	56.800	80.900
Societal Cynicism	24	56.417	4.548	48.200	63.700
Tightness/Looseness	23	6.900	2.470	3.100	11.800

Table 2 shows summary statistics for the sample. The survey was conducted in 2012. Panel A shows summary statistics for director-level variables. Insider is a dummy variable if the director is not an independent/non-executive director, as indicated by the respondent. "Expatriate" is a dummy variable if the director's country of origin is different from the county where the firm's headquarters are located. Panel B shows summary statistics for firm-level variables. Panel C shows summary statistics for institutional and cultural variables at the firm-headquarter and director country of origin level. Director values are measured using the Schwartz PVQ in the language of the firm-headquarter-country. Market cap is price*number of shares outstanding at the end of fiscal 2011. Market cap data is from CapitalIQ. Institutional variables and cultural variables are from La Porta et al. (2008), World Bank's Doing Business database, Liang and Renneboog (2017), Aminadav and Papaioannou (2016), Schwartz (2014), Hofstede (2001), WVS (2010-2014), Bond et al. (2004), and Gelfand et al. (2011).

Table 3. Shareholderism, Values, and Country Fixed Effects

	(1)	(2)	(3)	(4)	(5)	(6)
Power	0.082	0.076	0.079	0.077	0.078	0.075
	[0.003]	[0.011]	[0.015]	[0.040]	[0.015]	[0.040]
Achievement	0.079	0.088	0.085	0.1	0.087	0.102
	[0.004]	[0.009]	[0.019]	[0.022]	[0.007]	[0.010]
Self-Direction	0.071	0.066	0.07	0.062	0.074	0.067
	[0.016]	[0.007]	[0.009]	[0.010]	[0.004]	[0.002]
Universalism	-0.266	-0.261	-0.277	-0.268	-0.272	-0.264
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]
Insider		0.113		0.132		0.136
		[0.039]		[0.019]		[0.018]
Female		0.195		0.151		0.166
		[0.055]		[0.125]		[0.067]
ln age		0.302		0.233		0.269
		[0.015]		[0.019]		[0.014]
"Expatriate"	-0.119	-0.114	-0.167	-0.152	-0.261	-0.25
	[0.007]	[0.002]	[0.023]	[0.033]	[0.001]	[0.001]
Firm Country FEs	yes	yes	yes	yes	no	no
Director Country FEs	no	no	yes	yes	yes	yes
Constant	3.144	1.736	3.289	1.134	3.477	1.494
	[0.000]	[0.001]	[0.000]	[0.014]	[0.000]	[0.002]
Observations	1,010	921	1,010	921	1,010	921
R-squared	0.144	0.163	0.183	0.204	0.164	0.185
Adj. R-squared	0.120	0.136	0.113	0.130	0.112	0.130

Table 3 shows regressions of shareholderism on individual values, demographic characteristics and country fixed effects. Columns 1-4 include firm-headquarter-country fixed effects. Columns 3-6 include fixed effects for directors' country of origin. Standard errors are clustered at the firm-headquarter-country level. P-values are in parentheses.

Table 4. Differences between Cultural Region Means of Shareholderism

A. Schwartz Regions

	Mean	Obs.	t	t	t	t	t	t	t
African (AF)	3.98	6							
Arab (AR)	3.23	20	3.06						
Eastern Europe (EE)	2.93	4	1.53	0.44					
English Speaking (ES)	3.39	678	2.90	1.14	0.71				
Far East (FE)	3.62	103	1.68	2.40	1.04	2.74			
Latin America (LA)	3.13	18	3.03	0.40	0.29	1.33	2.32		
Non Classified (NC/Isr.)	3.45	64	2.46	1.31	0.78	0.58	1.52	1.48	
Western Europe (WE)	3.24	113	3.51	0.12	0.48	2.10	3.76	0.56	1.90
			AF	AR	EE	ES	FE	LA	NC

B. Shenkar & Ronen Regions (partially consolidated)

	Mean	Obs.	t	t	t	t	t	t	t	t
African (AF)	3.80	35								
Anglo (AN)	3.38	649	3.51							
Arabic (AR)	3.23	20	3.08	1.02						
Confucian (CF)	3.68	24	0.65	1.94	2.15					
East Europe (EE)	2.93	4	1.30	0.68	0.44	1.10				
Far East (FE)	3.61	84	1.28	2.61	2.31	0.35	1.03			
Germanic, Nordic (GR-NR)	3.27	79	3.77	1.25	0.28	2.38	0.52	2.96		
Latin America (LA)	3.09	17	2.97	1.36	0.52	2.27	0.24	2.33	0.80	
Latin Europe, Near East (LE-NE)	3.35	98	3.30	0.31	0.80	1.94	0.64	2.38	0.78	1.19
			AF	AN	AR	CF	EE	FE	GR-NR	LA

C. Inglehart Regions

	Mean	Obs.	t	t	t	t	t	t	t
African Islamic (AI)	3.64	51							
Catholic Europe (CE)	3.08	24	3.17						
Confucian (CF)	3.66	20	0.10	2.53					
English Speaking (ES)	3.38	649	2.42	2.04	1.54				
Latin America (LA)	3.09	17	2.38	0.04	2.09	1.39			
Orthodox (OR)	2.60	1	.	.	.	.	.		
Protestant Europe (PE)	3.29	73	2.62	1.27	1.86	0.98	0.90	.	
South Asia (SA)	3.66	69	0.19	3.41	0.04	2.85	2.54	.	2.94
			AI	CE	CF	ES	LA	OR	PE

Table 4 shows means of shareholdersim in cultural regions and t-tests of differences between cultural-region means of shareholdersim. The classification of cultural region is based on Shwartz (2014a), Shenkar and Ronen (2013), and Inglehart (2010-2014) (see Table 1). t-statistics are reported in absolute values.

Table 5. Shareholderism, Values, Cutlure, and Law

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Egalitarianism	-0.289			-0.459	-0.471	-0.538	-0.41	-0.385	-0.494	-0.436	-0.408	-0.46
	[0.029]			[0.148]	[0.129]	[0.079]	[0.237]	[0.191]	[0.099]	[0.193]	[0.224]	[0.105]
Harmony		-0.271		-0.296	-0.306	-0.268	-0.282	-0.272	-0.199	-0.304	-0.3	-0.251
		[0.004]		[0.004]	[0.004]	[0.010]	[0.002]	[0.000]	[0.014]	[0.005]	[0.009]	[0.002]
Embeddedness			0.028	-0.464	-0.496	-0.474	-0.488	-0.451	-0.476	-0.458	-0.542	-0.372
			[0.735]	[0.044]	[0.030]	[0.031]	[0.062]	[0.030]	[0.030]	[0.049]	[0.035]	[0.100]
ln GNPc	-0.073	-0.118	-0.094	-0.142	-0.149	-0.093	-0.201	-0.047	0.037	-0.148	-0.151	-0.14
	[0.114]	[0.012]	[0.052]	[0.001]	[0.002]	[0.065]	[0.006]	[0.199]	[0.733]	[0.001]	[0.001]	[0.003]
Common Law	0.034	-0.044	0.086	-0.052	-0.061	0.036	-0.107	0.041	0.221	-0.075	-0.059	-0.102
	[0.726]	[0.670]	[0.406]	[0.580]	[0.561]	[0.728]	[0.410]	[0.615]	[0.329]	[0.410]	[0.525]	[0.311]
Mixed Jurisdiction	0.41	0.457	0.424	0.514	0.516	0.464	0.502	0.61	0.548	0.519	0.564	0.516
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]
Anti-Self-Dealing					0.026				-0.072			
					[0.891]				[0.780]			
Creditor Rights						-0.02			-0.035			
						[0.254]			[0.012]			
Employee Protection							-0.096		-0.049			
							[0.266]		[0.487]			
Entry Procedures								0.032	0.037			
								[0.002]	[0.002]			
Ownership Concent'n										-0.001		
										[0.642]		
MSCII CSR Score											-0.045	
											[0.641]	
Market Cap												0
												[0.003]
Power	0.089	0.086	0.092	0.089	0.091	0.09	0.086	0.085	0.082	0.089	0.087	0.061
	[0.014]	[0.012]	[0.012]	[0.010]	[0.011]	[0.010]	[0.015]	[0.012]	[0.016]	[0.010]	[0.016]	[0.138]
Achievement	0.091	0.09	0.094	0.088	0.088	0.091	0.086	0.091	0.094	0.087	0.092	0.091
	[0.007]	[0.004]	[0.005]	[0.005]	[0.006]	[0.003]	[0.010]	[0.005]	[0.005]	[0.005]	[0.005]	[0.020]
Self-Direction	0.05	0.061	0.056	0.07	0.069	0.07	0.07	0.068	0.07	0.07	0.072	0.082
	[0.034]	[0.014]	[0.022]	[0.002]	[0.003]	[0.003]	[0.003]	[0.004]	[0.005]	[0.002]	[0.003]	[0.038]
Universalism	-0.235	-0.246	-0.231	-0.248	-0.248	-0.245	-0.254	-0.251	-0.253	-0.249	-0.249	-0.205
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.001]
Insider	0.138	0.14	0.134	0.137	0.135	0.133	0.139	0.133	0.125	0.138	0.137	0.144
	[0.011]	[0.014]	[0.012]	[0.014]	[0.016]	[0.020]	[0.013]	[0.017]	[0.032]	[0.013]	[0.015]	[0.006]
Female	0.198	0.181	0.199	0.181	0.181	0.188	0.187	0.167	0.181	0.181	0.181	0.17
	[0.030]	[0.053]	[0.035]	[0.058]	[0.058]	[0.047]	[0.054]	[0.089]	[0.071]	[0.057]	[0.060]	[0.180]
ln Age	0.298	0.276	0.286	0.283	0.279	0.298	0.289	0.274	0.31	0.28	0.281	0.341
	[0.011]	[0.018]	[0.014]	[0.016]	[0.020]	[0.018]	[0.023]	[0.023]	[0.023]	[0.019]	[0.016]	[0.013]
Constant	3.996	4.277	2.758	8.467	8.753	8.303	9.071	6.754	6.33	8.496	8.759	7.761
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.002]	[0.002]	[0.013]	[0.000]	[0.001]	[0.000]
Observations	902	902	902	902	900	902	889	902	888	902	896	702
R-squared	0.130	0.137	0.127	0.143	0.144	0.144	0.144	0.149	0.152	0.143	0.146	0.131
Adjusted R-squared	0.120	0.127	0.116	0.130	0.130	0.131	0.130	0.135	0.136	0.129	0.132	0.113

Table 5 shows regressions of shareholderism on individual values, demographic characteristics and institutional and cultural variables. Cultural variables are measured for directors' country of origin. Institutional variables are measured at the firm-headquarter-country level. Standard errors are clustered at the firm-headquarter-country level. P-values are in parentheses.

Table 6. Shareholderism, Values, and Cutlure - Alternative and Additional Dimensions

	(1)	(2)	(3)	(4)	(5)	(6)
Egalitarianism				-0.41		-0.235
				[0.380]		[0.618]
Harmony				-0.207		-0.438
				[0.295]		[0.007]
Embeddedness				-0.411		-0.554
				[0.034]		[0.046]
ln GNPc	-0.105	-0.074	-0.099	-0.123	-0.071	-0.1
	[0.117]	[0.119]	[0.072]	[0.021]	[0.218]	[0.021]
Common Law	0.054	0.124	-0.009	-0.139	0.141	-0.021
	[0.678]	[0.318]	[0.948]	[0.264]	[0.345]	[0.865]
Mixed Jurisdiction	0.424	0.382	0.386	0.479	1.001	1.097
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]
Individualism	-0.001					
	[0.204]					
Power Distance	-0.003					
	[0.103]					
Uncertainty Avoidance	-0.004					
	[0.054]					
Masculinity	-0.001					
	[0.768]					
Traditional/Rational		0.03				
		[0.704]				
Survival/Self-Expression		-0.068				
		[0.113]				
Dynamic Externality			0.004	0.005		
			[0.387]	[0.694]		
Societal Cynicism			-0.007	-0.004		
			[0.409]	[0.570]		
Tightness					0.002	0.037
					[0.838]	[0.083]
Power	0.083	0.086	0.054	0.056	0.09	0.082
	[0.047]	[0.019]	[0.123]	[0.114]	[0.080]	[0.072]
Achievement	0.097	0.11	0.123	0.119	0.103	0.098
	[0.004]	[0.004]	[0.002]	[0.002]	[0.030]	[0.034]
Self-Direction	0.066	0.061	0.066	0.071	0.059	0.07
	[0.006]	[0.011]	[0.014]	[0.005]	[0.020]	[0.002]
Universalism	-0.245	-0.219	-0.266	-0.273	-0.279	-0.296
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]
Insider	0.133	0.156	0.136	0.137	0.129	0.127
	[0.017]	[0.002]	[0.010]	[0.012]	[0.041]	[0.042]
Female	0.211	0.232	0.172	0.151	0.197	0.192
	[0.036]	[0.016]	[0.114]	[0.181]	[0.048]	[0.059]
ln Age	0.281	0.364	0.185	0.178	0.216	0.214
	[0.015]	[0.003]	[0.124]	[0.111]	[0.057]	[0.050]
Constant	3.515	2.356	3.555	7.926	2.851	7.863
	[0.002]	[0.000]	[0.013]	[0.007]	[0.009]	[0.004]
Observations	896	824	755	755	733	733
R-squared	0.132	0.135	0.133	0.141	0.132	0.152
Adjusted R-squared	0.119	0.122	0.119	0.123	0.118	0.135

Table 6 shows regressions of shareholderism on individual values, demographic characteristics and additional cultural variables. Cultural variables are measured for directors' country of origin. Institutional variables are measured at the firm-headquarter-country level. Standard errors are clustered at the firm-headquarter-country level. P-values are in parentheses.