

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

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This study sets out to examine the relative importance of formal (legal) versus informal (cultural) institutions and personal values for strategy and corporate governance. We present first evidence on the way personal and institutional factors 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 universally hold a principled, quasi-ideological stance towards shareholders and stakeholders, called shareholderism. Directors' shareholderism correlates systematically not only 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, as theory would suggest, while general legal origin and proxies for shareholder and employee protection are unrelated to it. Personal values and cultural norms thus appear to dominate legal rules in shaping directors' shareholderism stances, or, put simply, legal decrees could be ineffective for regulating shareholder/stakeholders situations.

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INTRODUCTION

Controversies over the right way to handle shareholder and stakeholder relations have never been deeper despite decades of debate. In recent work, Nobel laureate Oliver Hart discusses whether, and should, “the board of directors of a public company have a legal duty to maximize shareholder value?” (Hart and Zingales, 2016, 2017). In mid-2016, the *Wall Street Journal* ran a story on a growing trend of leading U.S. chief executive officers (CEOs), led by Salesforce’s Marc Benioff, flexing their corporate muscles for social causes such as gay and transgender rights (Langley, 2016). Only a year earlier, however, the Chief Justice of the Delaware Supreme Court, Leo Strine, Jr. (2015), sternly warned against “the dangers of denial” and emphasized:

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 in Langley (2016) being Delaware corporations,¹ one may wonder what their top managers were thinking when they decided to take such bold moves that appear to be in breach of applicable law. In this study, we set out to examine the hotly-debated issue of the relative importance of formal (legal) versus informal (cultural) institutions and values for strategy and corporate governance. We hypothesize and show that values and culture play an important role in corporate leader’s decision-making and that the law does not trump them.

We extend Adams, Licht and Sagiv (2011)’s evidence that directors are guided by normative, value-laden factors at the individual level by considering the role of institutions. We present a multi-level theoretical account of the way in which directors exercise discretion

¹ Of the companies mentioned, Apple is a California corporation; IBM is a New York corporation. Applicable law in these states is not substantively different than Delaware law.

over the shareholder-stakeholder dilemma. We argue that in favoring one constituency over another in particular circumstances, directors are guided by both personal and social institutional factors, where such institutions comprise both informal (cultural) and formal (legal) ones (Hambrick, 2007; Crossland and Hambrick, 2011).

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 environment are with an entrepreneurial conception of equity investment, the more likely she is to side with shareholders. Legal doctrine about the objective of the corporation, as it was forcefully portrayed by Chief Justice Strine with regard to Delaware, may not be definitive or even dominant. Laws pertaining to other stakeholders (e.g., creditor rights) could be equally influential, and legal rules on the whole could 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 in more than 50 countries with an updated version of the survey instrument in Adams, Licht, and Sagiv (2011), which uses seminal court cases to elicit directors' shareholderism level. We measure board members' value preferences at the individual level using an advanced psychometric instrument based on the Schwartz (1992, 2009, 2016) theory of personal values. We draw on new institutional economics, institutional theory, and cross-cultural psychology (respectively, North, 1990; Williamson, 2000; Scott, 2013; DiMaggio and Powell, 1983; Schwartz, 1999, 2014) and law and finance (La Porta, Lopez-de-Silanes, and Shleifer, 2008) to derive measures of formal and informal institutional features which may be exerting their effect on managerial discretion (Hambrick, 2007; Crossland and Hambrick, 2007, 2011; Matten and Moon, 2008; Ioannou and Serafeim, 2012).

We first show that Adams, Licht and Sagiv's (2011) results for Sweden are robust to changes in the institutional environment: corporate leaders hold a principled, ideology-like stance towards shareholders and stakeholders, called shareholderism, that associates positively with a personal value profile expressing self-enhancement and entrepreneurship (power, achievement, self-direction) and negatively with universalism. As they are robust to including country fixed effects, our results confirm the universality of the shareholderism concept and its relation to personal values and provide a much-needed replication of empirical findings in this era of "replication crisis" (Shrout and Rodgers, 2018).

At the institutional level, we find that a common law legal origin is unrelated to shareholderism. Among particular legal regulations, creditor protection correlates negatively with directors' shareholderism, as one would expect, whereas legal shareholder- and employee protection are unrelated to it. These 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."

The present findings place this debate in a more general framework and suggest that in contrast to common law, culture matters with regard to firm stakeholders. We observe negative links between shareholderism and cultural embeddedness, harmony, and (more weakly) with 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 cultures that *de-emphasize* these orientations (that is, show a negative sign) thus may be more conducive to shareholderist strategic choices.

Recent years have witnessed a surge of research on the relations between personal attributes of corporate leaders, predominantly CEOs, and strategic outcomes. 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). Numerous studies thus argue, for instance, that CEOs' life experience, ranging from traumatic early childhood events, to social class affiliation, to military service, to family status, to professional background could affect their strategic choices.³

The centrality of psychological factors, particularly personal values, as potentially important factors in strategic decisions was underscored already by Hambrick and Mason (1984). Berson, Oreg and Dvir (2008) observed that firm sales growth linked positively with the importance that Israeli CEOs attributed to self-direction values and negatively with their benevolence value priorities. Yet the received wisdom has justified using demographic indicators as predictions of strategic actions "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

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

³ Malmendier, Tate, and Yan (2011); Kish-Gephart and Campbell (2014); Bernile, Bhagwat, and Rau (2017); Benmelech and Frydman (2015); Roussanov and Savor (2014); Nicolosi and Yore (2015); Custódio and Metzger (2014); Dahl, Dezsö, and Ross (2012); Dittmar and Duchin (2016); Schaltenbrand *et al.* (2018); Piaskowska and Trojanowski (2014); Biggerstaff, Cicero, and Puckett (2015); see also, with regard to gender, Dezsö and Ross (2012); Francis *et al.* (2015); Palvia, Vähämaa, and Vähämaa (2015); see also Bianchi (2014).

executive behavior, which is the well-known ‘black box problem’” (Hambrick, 2007: 335; see also Lawrence, 1997). Researchers thus have come up with imaginative measures for indirectly assessing such personal attributes. For example, to assess CEOs’ personality trait of 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).⁴ Gow et al. (2016) implement a more systematic approach that considers the full Big Five personality trait model (McCrae and Costa, 1997). They 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” (see also Green, Jame, and Lock, 2015).

Financial economists have been particularly interested in the relations between CEOs’ risk attitudes and overconfidence on the one hand and corporate financial policies on the other hand. To assess these attributes authors usually use indirect indicators, such as possessing private pilot licenses as a proxy for personal risk-taking (Cain and McKeon, 2016), while others have used a pilot license or owning a sports car to proxy for 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). Some researchers have administered psychometric tests in a survey of U.S. and non-U.S. CEOs and chief financial officers to assess risk preferences (Graham, Harvey, and Puri,

⁴ See also Colbert, Barrick, and Bradley (2013); De Jong, Song, and Song (2011); Engelen, Neumann, and Schmidt (2016); Gerstner *et al.* (2013); Olsen and Stekelberg (2016); Picone, Dagnino, and Minà (2014); Tang *et al.* (2014); Wales, Patel, and Lumpkin (2013); Williams (2014); Zhu and Chen (2015).

2013).⁵ Finally, in an attempt to get closer to managerial values, another line of research looks at the political inclinations of U.S. CEOs. Treating the Republican-Democratic divide as a proxy for managerial ideology in general and using observable information such as CEOs' political contributions to gauge their ideological convictions, this literature, too, documents links between such views and strategic outcomes, especially with regard to non-shareholder stakeholders and corporate social responsibility (CSR).⁶

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 a decent number of them completed an advanced psychometric instrument on values in addition to the corporate governance module, thus allowing us to peek into the proverbial black box. Based on this framework, we are able to test hypotheses of universal validity - that is, relating to directors regardless of country of origin, law, and culture - which prior work could not.

This study advances a universal approach to conceptualizing and operationalizing CSR (or ESG, for "environment, social, and governance"). The vast literature on CSR/ESG need not be surveyed here. Suffice is to mention that there are several modes of strategic

⁵ Ahmed and Duellman (2013); Banerjee, Humphery-Jenner, and Nanda (2015); Bernile, Bhagwat, and Rau (2017); Brenner (2014); Ferris, Jayaraman, and Sabherwal (2013); Hirshleifer, Low, and Teoh (2012); Malmendier and Tate (2005); Malmendier, Tate, and Yan (2011); Oliver, McCarthy, and Song (2014); Otto (2014); Schrand and Zechman (2012).

⁶ Briscoe, Chin, and Hambrick (2014); Bento, Mertins, and White (2016); Carnahan and Greenwood (2016); 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).

analysis of stakeholder issues, from descriptive, instrumental, or normative perspectives (Donaldson and Preston, 1995). The shareholderism concept used in this study adds a personal perspective that combines descriptive and normative elements with regard to individual decision makers. Our main contribution lies at the institutional level. This study thus relates most closely to Crossland and Hambrick (2011) and to Griffin *et al.* (2017). The former authors focus on the manner in which corporate strategy is determined through managerial discretion; the latter examine how culture and law could affect firm-level corporate governance (i.e., not individual discretion) 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 challenges and demonstrate how personal attributes and a diverse set of institutional factors - both cultural and legal - may affect such decisions.

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

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 inherent 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. Their study, based on value items from Rokeach (1973), yielded mostly insignificant results in this respect. Shafer, Fukukawa, and Lee (2007) found that self-transcendence values based on Schwartz (1992) 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, power and achievement values and negatively with the self-transcendence universalism value. This finding is in line with a monist promotion of one corporate constituency's welfare, even at the expense of others, as opposed to a pluralist corporate governance approach premised on a

view of several constituencies whose welfare deserves fair consideration. 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.⁷ 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.

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 of the universality of relations between personal values and strategic approaches - in particular, in corporate governance systems that differ significantly in their cultural and legal environment such as the United States or the United Kingdom. Roccas and Sagiv (2010: 1; see also Schwartz, 2011) indeed argue that “culture determines the meaning of behavior, so that seemingly similar behaviors may have different meanings in different cultures.” They conjecture that “people from different cultures vary in the extent to which they use their internal attributes to guide their behavior. Thus, the strength of the relationships between values and behavior differs across cultural groups. Culture also moderates the relationships between values and behavior by determining the repertoire of normative behaviors.” Our first task therefore would be to test the following hypotheses:

Hypothesis 1a: Board members’ support for shareholder wealth maximization (higher shareholderism) will correlate negatively with an other-regarding value profile

⁷ Acemoglu, Akcigit, and Celik (2016); Block, Fisch, and van Praag (2016); Holland and Shepherd (2013); Licht (2007); Locke and Baum (2006); Morales, Holtschlag, and Marquina (2015); Terjesen, Hessels, and Li (2016); see also Brandstätter (2011); Frese and Gielnik (2014).

(positively with universalism; negatively with power and achievement) regardless of their cultural heritage.

Hypothesis 1b: Board members' support for shareholder wealth maximization (higher shareholderism) will correlate with an entrepreneurial value profile (positively with power, achievement, and self-direction; negatively with universalism) regardless of their cultural heritage.

The cultural level

Our hypotheses are informed by current views of culture in cross-cultural psychology and new institutional economics as forming constraints for specific institutions and behaviors. We therefore hypothesize that the relevant 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.

In terms of particular cultural orientations, a positive link between cultural egalitarianism and societal endorsement of a pluralist, multi-stakeholder corporate governance seems intuitive. Egalitarianism reflects a view of all people as moral equals, whereas cultural hierarchy condones differential treatment of societal members as more or less worthy than others. Policies and actions that entail differential allocation of resources are thus more likely to be legitimized in more hierarchical cultures. In such cultures, the legitimacy of shareholder *primacy* may be self-evident,⁸ while in egalitarian societies people may cringe at the very idea, which connotes subordination of the interests of certain corporate constituencies to those of shareholders (see Freeman, 1984; 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

⁸ Consider the above quote from Delaware's Chief Justice Strine (2015: 771): "Non-stockholder constituencies and interests can be considered, but only instrumentally, in other words, when giving consideration to them can be justified as benefiting the stockholders."

averages of a series of firm-level practices such as paying greater firm surplus to employees, voluntary (i.e., non-legally-mandated) nonfinancial disclosure, organizational practices that consider human rights in the process of selecting or terminating suppliers or sourcing partners and that take the general community into consideration more generally. Desender and Epure (2015) find positive relations between egalitarianism and a set of indexes for corporate social performance (CSP), although limitations of current data on CSP render such analyses tentative at this stage. Desender, Castro, and de León (2011) document a negative relation between egalitarianism and earnings management - a (barely legal) discretionary practice of obfuscating financial disclosures. This finding is in line with a view that all stakeholders and market participants deserve candor. Hence:

Hypothesis 2: Board members' support for shareholder wealth maximization (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 about the relations between culture and entrepreneurship is in a state of flux, possibly due to the complexity and the methodological difficulties that this subject entails (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. For our purposes suffice is 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 dominate 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 toward exploitation of 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) examine the relations between economic development and cultural orientations and the level of entrepreneurship and document a negative correlation with harmony, in line with the above reasoning (see also Liñán and Fernandez-Serrano, 2014). Siegel, Licht, and Schwartz (2013) observe that foreign direct investments flow mainly from low harmony (high mastery) to high harmony countries. This indirect evidence is consistent with the idea that firms in high mastery countries are more active in reaching out to new markets and that in choosing where to expand, they find high harmony countries especially attractive because they can anticipate less competition there (see also Licht, Goldschmidt, and Schwartz, 2005). Hence:

Hypothesis 3: Board members' support for shareholder wealth maximization (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 in Schwartz's theory addresses basic social issues that deal with the place of the individual in the social fabric - primarily with "construals of the self" (Markus and Kitayama, 1991). Embeddedness appears 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 or avoid. Hence:

Hypothesis 4: Board members' support for shareholder wealth maximization (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. Consider the Delaware doctrine described in the Introduction. Countries espouse different policies on the subject but those are not always anchored in formal statutes, and even when they are, court decisions sometimes stray from them. Thus, 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), a closer look at some examples defies such classification. Beyond Delaware, the United Kingdom’s Companies Act, 2006 authorizes board members to consider the interests of non-shareholder constituencies yet subordinates the latter to a primary objective of promoting “the success of the company for the benefit of its members [shareholders] as a whole.” Some authors nonetheless interpret this provision as reflecting an “enlightened shareholder interest” philosophy (Keay, 2010).⁹ In Canada, as we shall see shortly, the Supreme Court leveraged a statutory provision to endorse an approach that balances the interests of different constituencies. India’s Companies Act, 2013 requires directors “to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.” 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 shareholder wealth.

In addition to general doctrines prescribing or rejecting shareholder primacy, there exist a multitude of legal rules that regulate the relations with major stakeholder constituencies 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-

⁹ The U.K. Act also preserves decision law that requires directors to shift their focus to creditors’ interest when the company approaches insolvency (Section 170).

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, or the other way round. Equally plausibly, a director may consider high legal protection afforded to such stakeholders as a license to promote shareholder interest, and vice versa. 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 treat formal legal institutions as control variables. In doing so, we strive to control for legal regulations pertaining to the major stakeholders in every firm - namely, shareholders, creditors, and employees. Regulation relating to other constituencies such as the community or the environment is much more firm-contingent, and reliable comparative data about it are not available.

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, response rate was low (see Graham, Harvey, and Puri, 2013). 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 variability at the cultural level that in turn yields meaningful results. To the extent that there was any bias in the willingness to respond, it would stack the deck against finding significant results in this study. Furthermore, possible concerns about bias in the sample are mitigated by the fact that the results for shareholderism and personal values closely resemble the respective findings of Adams, Licht, and Sagiv (2011) who accessed the universe of public firm directors in Sweden.

[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.

There exist several questionnaires for gauging value priorities according to Schwartz (1992). We used the standard 40-item Portrait Values Questionnaire (PVQ) instrument (Schwartz *et al.*, 2001). Although longer to fill than other versions of the PVQ and thus potentially costly in terms of response rate from our sample members, the PVQ40 ensures comparability to Adams, Licht, and Sagiv (2011) who also used it, and is considered more accurate for its purpose (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 in the shareholderism module presents a genuine shareholder-stakeholder dilemma with regard to a different corporate constituency: the public at large, employees, creditors, the immediate community, and an item on general corporate philosophy borrowed from Tetlock (2000).¹⁰ 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."

¹⁰ The non-creditors-related 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 (Ill. App.) (community).

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% of the shareholders approved it. In dismissing the claim, the Supreme Court adopted a stakeholderist approach, in stark contrast to Delaware's doctrine according to Strine (2015):

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 to be expected 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 ($r=.94$). For consistency tests we replicated the analyses with the shorter index and obtained similar results. Appendix A2 presents the full set of vignettes.

[Table 2 about here]

Finally, we implemented standard recommendations for minimizing common method bias (Podsakoff, MacKenzie, and Podsakoff, 2012).¹¹ In addition to centering scores, both the values and shareholderism 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. The data originate from his large-scale value survey of urban teachers who teach the full range of subjects in grades K–12 in the most common type of school system in over 60 countries on every inhabited continent. Among other things, focusing on teachers largely from the dominant cultural group in each nation allows for obtaining samples matched on critical characteristics (e.g., distributions of age, education, and occupation). Teachers, moreover, are particularly appropriate sources for cultural data as they are key transmitters of culture in socialization processes.¹² Countries' classification into cultural regions comes from Schwartz (2014a).

For comparative tests we use data on the Hofstede and Inglehart cultural 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).

¹¹ 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).

¹² See Schwartz (2014) for a detailed description of the survey and a comparative discussion of scores on the Schwartz dimensions and scores on Hofstede and Inglehart dimensions.

With respect to legal institutions, we use comparative data on legal protection of the major stakeholders - shareholders, creditors, and employees. 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). In addition, 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, drawn from the World Bank’s Sustainable Development Goals database. Country averages of ownership concentration in public companies are drawn from Aminadav and Papaioannou (2016). 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.¹³ This means that it is unclear to what extent we should

¹³ 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

expect the coefficients on values in our regressions 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.¹⁴ 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 independent director status, and country fixed effects. 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

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.

¹⁴ 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's country of origin, and for both. This table also reports specifically the fixed effects for select countries for which we have substantial sub-samples. Finally, we enter a dummy variable titled "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 those are captured by the fixed effects, affect the links between personal values and shareholderism as Roccas and Sagiv (2010) and Schwartz (2011) suggest, 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 and in line with theory. 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 both H1a and H1b.

These findings indicate that shareholderism - as a principled, motivated personal stance about the preferred mode of strategic management of shareholders and stakeholders - 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 independent director designation correlates positively with shareholderism. This finding might disappoint those who hope that independent directors would take a broader view of the company's stakeholders more than directors nominated by controlling shareholders, for instance, but it is consistent with the involvement of institutional investors in independent directors' nomination. The positive sign of the "expatriate" dummy

variable is consistent with selection processes that channel more shareholderist non-native directors to the board, having been identified and appointed by shareholders to the job.¹⁵ In tandem, directors' putative choices are also influenced by country-specific factors, as indicated by country fixed effects. This finding is consistent with Doidge, Karolyi, and Stulz (2007), who argue that "countries matter for corporate governance." However, a different analysis is needed for examining if the coefficients for fixed effects reflect an influence of cultural and/or legal institutional factors.

We begin the analysis of the role of institutional factors by testing for cross-regional cultural differences in shareholderism. These regional classifications are based on mappings of countries according to cultural dimensions and other institutional factors such that each cultural region comprises countries that are culturally close to one another. In a survey of country-level culture research of international business, Beugelsdijk, Kostova, and Roth (2017: 35) note that "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." These authors link cross-regional differences to varieties of capitalism (Hall and Soskice, 2001) and suggest that important liability-of-foreignness effects likely occur at the supra-national cultural region level. Karolyi (2016) makes a similar point from a financial economics perspective. Cross-regional comparisons are also valuable for practical reasons. First, they allow us to consider respondents from countries for which cultural data are not available by ascribing their country of origin to a recognized region. Second, this analysis groups directors from cultures for which we have small samples into meaningful larger

¹⁵ We have 65 such "expatriate" directors in our sample. Because the director's country of origin is self-reported as the country in which he or she grew up, we cannot distinguish between directors who immigrated to the firm's country after adolescence and foreign directors who were recruited to the board from abroad. We therefore cannot rule out that such higher level of shareholderism could stem from their past experience as migrants, although the literature on value preferences is mixed (e.g., Bardi *et al.* 2014, Tartakovsky *et al.* 2017).

groups, e.g., the Arab region in the Schwartz panel. Third, as these comparisons focus on mere differences, they abstract from countries' scores on the cultural dimensions.

[Table 4 about here]

Table 4 presents *t*-test results of differences between cultural region means of shareholderism between regions distinguished by Schwartz (Panel A), Ronen and Shenkar (Panel B), and Inglehart (Panel C).¹⁶ These results support a general inference that strategic stances on the shareholderism/stakeholderism continuum vary systematically across cultural regions around the world. In the Schwartz cultural regions, one first notes that 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 more stakeholder-oriented.¹⁷

Another noteworthy finding is the particularly high level of shareholderism among Asian directors - in the Far East Schwartz region, Confucian and Far East regions by Ronen and Shenkar, and the Confucian and South Asian Inglehart regions. Perhaps contrary to popular images of Asian cultures as harmony-seeking, Far Eastern cultures are especially high on mastery (and low on harmony), which endorses assertive change and development (Schwartz, 2014a). We return to this point in more detail below. The Israeli group (Non-Classified in the Schwartz panel) is indistinguishable from the English Speaking one and is

¹⁶ 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.

¹⁷ For example, Post *et al.* (2011) note the rising European Union leadership in environmental regulation and find that boards with a higher proportion of directors educated in Western Europe score higher on reported environmental CSR. Dyck *et al.* (2018) find that as a group, only European institutional investors impact firms' environmental and social performance.

therefore also higher on shareholderism than European countries. The Latin American region stands out as relatively low on shareholderism, but the smaller size of this group suggests caution in drawing inferences from the results.

Before proceeding to the regression analyses, 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 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. All the specifications include the four values of power, achievement, self-direction, and universalism, as well as demographic controls for independent director status in the respondent's company, gender, and age. Notably, in nearly

all the models the coefficients on values exhibit p-values better than 0.1 and have signs that are in line with H1, i.e. they reflect a negative relation between shareholderism and other-regarding value priorities and a positive relation between shareholderism and entrepreneurial values of power, achievement, and self-direction. Consistent with the fixed effects tests reported in Table 3, the role of personal values in predicting shareholderism stances is highly robust to institutional 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 the director's strategic stances may be affected by 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.¹⁸ 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 doctrinal shareholder-primacy policy, although this is

¹⁸ Testing regressions that also included GNPc for the director's country of origin did not change the results, possibly due to collinearity between these two factors.

debatable, as noted above. We also enter a dummy variable to control for a mixed jurisdiction legal origin, comprising South Africa in our sample (Tetley, 2000).¹⁹

To assess the role of culture we enter three polar orientations of the three Schwartz dimensions - namely, egalitarianism, harmony, and embeddedness - first seriatim, to assess each dimension separately, and then together, to assess the joint effect of the country's cultural profile (columns 1-4).²⁰ 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 (columns 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 the first empirical evidence for the role that cultural values 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 as residual claimants in the corporation, above and beyond the effect of their personal values. Cultural embeddedness may imbue directors with greater awareness of and concern for interrelated stakeholders in the firm, which is reflected in the negative relation with shareholderism. Somewhat surprisingly, cultural egalitarianism does not exhibit the central role that we expected to

¹⁹ 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 national-level corporate law 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, available in the online appendix, are largely similar.

²⁰ The online appendix reports consistent results for the opposite polar orientations - hierarchy, mastery, and autonomy, respectively. The cultural autonomy score is the average of the intellectual autonomy and affective autonomy scores.

observe, although its sign is always consistent with our theory. Taken together, the findings support to the notion that culture matters for shareholder-stakeholder strategic management.

The effect of personal values and culture is robust to economic development and legal origin. 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. Observers who link shareholder primacy with capitalism and economic development may find this result surprising. This result should not be confused with post-materialist values *à la* Inglehart (1997) because values at both the 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. With regard to legal origin, a common law affiliation of the legal system shows virtually no relation to shareholderism.²¹ It does not appear conducive to endorsing shareholder primacy by individual board members through some general style or spirit of the legal system. This result thus challenges arguments to that effect, e.g., by 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 different stakeholder constituencies - i.e., shareholders, creditors, and employees - and a measure of legal regulation of starting a business. Again, these measures are first entered separately and then together, bearing in mind potential collinearity between them. 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. On the one hand, these results support the notion that legal regulation may enhance motivational forces in addition to

²¹ 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.

those exerted by personal values and institutional constraints that culture imposes on strategy formation by suggesting what strategy is expected and accepted. On the other hand, such an interpretation should be considered with great caution, because the mechanisms that could relay the influence of legal regulation to directors' shareholderism are not specified (*cf.* Schnyder, Siems, and Aguilera, 2018). That we do observe substantial links between certain legal policies and directors' putative decisions in strategic scenarios is actually rather surprising. One cannot readily assume that directors have a detailed knowledge of the legal rights of shareholders, creditors, employees, and small entrepreneurs, neither in this quasi-experimental study nor in reality. Nevertheless, the results suggest that board members could have an impression of such regulation and that they bring it to bear on their strategic choices in a meaningful way. An indirect mechanism separate from values and culture likely is at work here but it is unclear how it operates.

The observed positive relation of regulation of entry with shareholderism is somewhat unexpected. Recall that this measure is the number of different procedures needed to start operating as a legal entity. Put otherwise, this variable can fairly be treated as reflecting how *inhospitable* the country is to entrepreneurs. This finding could be due to the fact that our respondents come from public companies that tend to be larger in size. A shareholderist strategy of a large firm may differ from that of a young start-up. Alfaro and Charlton (2006) have pointed out the difficulty of starting a business in a country dominated by older and larger firms. Separate research is needed to explain this finding.

The latter point leads to the next part of Table 5, in which we 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.²² 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). One might conjecture that due to selection processes in countries where controlling shareholders dominate the public firm landscape, directors are more likely to adopt a shareholderist attitude to appease the controller regardless of what they personally believe to be the preferable policy. Our empirical analysis does not support this view, however. While values, independent director status, and other factors retain their sign, ownership concentration exhibits no link to directors' shareholderism.

Next, we attempt to investigate the role of CSR social norms . All else being equal, if more firms in a country engage in CSR activities - beyond legal requirements, that is - 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. The major data providers who compile firm-level CSR scores such as MSCI and ThomsonReuters today benchmark their scores by industry across countries. This practice, which has advantages for industry-peer comparisons, renders firms' scores incomparable within 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 (2016) nonetheless analyze such averages, so for the sake of completeness we present a specification that includes national scores from their study using MSCI data but do not get meaningful results (column 11).

²² This is Aminadav and Papaioannou's (2016) C1 variable. We obtain similar results when using their C3 and C5 variables that respectively sum the holdings of the three and five largest shareholders, and with average aggregate block holdings from Holderness.

Finally, in the last regression in Table 5 (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. While values are conceptions of the desirable, beliefs deal with the extant. 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 overlap little (Schwartz, 2014; see Licht, Goldschmidt, and Schwartz, 2005). The result for cultural tightness is consistent with our conceptualization of shareholderism as a principled strategic approach (rather than an idiosyncratic response to varying business circumstances). In tighter societies, that insist more forcefully on norm compliance, directors are more likely to heed to the normative call

of shareholderism, while exercising discretion more narrowly and less freely (see Crossland and Hambrick, 2011).

DISCUSSION

Recent research is beginning to empirically establish the relevance of corporate leaders' personal values for strategy formation. Using political contributions as a proxy, strategic management scholars have shown that conservative vs. liberal values are important factors in determining CSR choices by CEOs, directors, and firms (Chin, Hambrick, and Treviño, 2013; Gupta and Wowak, 2017; Gupta, Briscoe, and Hambrick, 2017). Financial economists Sunder, Sunder, and Zhang (2017) have used owning private airplane pilot license as a proxy for CEOs' sensation seeking, which in turn affects corporate innovation, while Brown *et al.* (2016) examine hedge-fund managers owning sports cars. Private airplanes and sports cars don't travel well, however. Likewise for political contributions: such proxies may be observable and unobtrusive but they are also idiosyncratic and potentially biased in that they could carry different social meanings in different countries, among other things due to local conditions (e.g., country size), legal regulations, and social norms. Political contributions, moreover, are limited as proxies for managerial political ideology. Studies that used them nearly invariably employ a Democrat-Republican/left-right/liberal-conservative distinction, notwithstanding reservations among scholars that this framework is too limited; it could be particularly insufficient for cross-national comparisons.²³

Against this backdrop, our study of several hundred directors of public companies from around the world aims for the core of Hambrick and Mason's (1984) upper echelon

²³ Ashton *et al.* (2005); Bauer PC *et al.* (2017); Feldman (2003); Feldman and Johnston (2013); Feldman and Huddy (2014); Freire and Kivistik (2013); Graham, Nosek, and Haidt (2012); Jou (2010); Lesschaeve (2017); Pjurko, Schwartz, and Davidov (2011); Robbins and Shields (2014); Tetlock *et al.* (2013); Thorisdottir H *et al.* (2007).

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 board members' value profiles instead of relying on idiosyncratic proxies. We leverage Schwartz's (1992) model of individual values and Schwartz's (1999) model of cultural orientations to provide first evidence on universal personal and societal mechanisms that may affect the formation of corporate strategy with regard to shareholders and stakeholders. For this purpose, we implement a quasi-experimental approach, harnessing and improving Adams, Licht, and Sagiv's (2011) novel instrument. We find that board members exhibit principled stances on this fundamental issue of corporate governance that are linked to both self-vs.-other-regarding values and to self-direction values.

We thus take the above-mentioned findings about CSR-related and sensation-seeking values several steps further. First, our results confirm that Adams, Licht, and Sagiv's (2011) findings for Sweden (as well as the above-mentioned indirect evidence from the U.S.) are indeed universal. Corporate elite members from different countries consider shareholders and stakeholders similarly in terms of their motivational normative approach. Second, value preferences on both dimensions operate together, such that board members 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, upper echelon members may also respond to social institutional factors in a conceptually consistent manner. That is, board members 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.) in late-2018 introduced her Accountable

Capitalism Act. According to Warren (2018), “there is an urgent need to end the grip of shareholder value maximization and return to the era when American corporations produced broad-based growth that helped workers and shareholders alike.” The Act would require very large American corporations to obtain a federal charter, which obligates company directors to consider the interests of all corporate stakeholders - including employees, customers, shareholders, and the communities in which the company operates. Putting aside the political feasibility of this initiative, our findings cast a doubt on its likelihood to effect the change it aspires to induce in Corporate America’s strategic behavior - and, by extension, on similar initiatives in other countries as well. The present results indicate that corporate leaders probably cannot be told what to do with regard to shareholders and stakeholders, including by legal injunctions. Their personal values and cultural norms appear to dominate legal rules. In complying with any legal duty to “consider” or even prefer certain stakeholders, such corporate leaders are more likely to act in line with their values and norms. The corporate leaders featured in the *Wall Street Journal* (Langley, 2016) are subject to Delaware or similar laws and are likely aware of litigation risk in the United States, 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 management of shareholders and other stakeholders. Uni-dimensional views of the subject - either drawing on neo-classical economics or on moral-ethical analyses - should be discarded. Strategy formation appears inseparable from the individuals who do it and from the social environment in which it is enacted (compare Scott, 2013; DiMagio and Powell, 1983). More than anything, this insight points to the utmost 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 in handling strategic dilemmas and the price signals she receives from the market.

In considering the implications of directors' value preferences and cultural heritage one should distinguish between the individual director and the board as a group. 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 and experience - or gender and ethnicity if such traits are sought - but also screen them according to their value preferences. Arguably, in implementing a stakeholder approach to strategic management (to borrow Freeman's (1984) words), candidates with a more entrepreneurial value profile would be more attractive to start-up companies, more stakeholderist directors would fit firms that expect more extensive engagement with consumers or organized labor, and so forth. If the firm or its controllers have a clear policy on this subject than this could be a useful tool. We militate caution, however, before drawing such direct conclusions from the present evidence as well as the evidence available on CEOs' innate traits. Even accepting that such traits could affect long-term performance outcomes (which is debatable; e.g., Chatterjee and Hambrick, 2007), CEOs are singular leaders whereas board members constitute teams.

As teams of individuals with different backgrounds, characteristics and incentives, boards are exceedingly complex (Adams, 2017). For example, boards vary in their decision-making rules. Some boards may be dictatorships. In others, decisions will be reached by consensus. In dictatorships, the identity of the dictator is the most important factor. In some countries the CEO may be the dictator; in others - the controlling shareholder. In democracies, the characteristics of all directors are important. Firm outcomes therefore will be a function of both board composition and its decision-making rules. While we can observe some aspects of board composition, we cannot observe board decision-making processes. Theory on these interactions is still underdeveloped, which makes it difficult to draw conclusions from the data.

With this caveat in mind, the idea that group composition affects members' incentives to work together is at the core of a large literature examining diversity on boards, especially in terms of gender and ethnicity.²⁴ Such diversity is often touted as beneficial for enriching board discussions with valuable information from different walks of life and potential stakeholders. Substantial research on demographic faultlines shows, however, that within-group fissures increase conflicts and decrease team cohesion beyond mere diversity (Thatcher and Patel, 2011; 2012). Recent work on directors' diversity in terms of personal attributes and skill sets suggests that such diversity may facilitate less conformist firm strategies while adversely affecting performance (Giannetti and Zhao, 2017; Adams, Akyol and Verwijmeren, 2018; compare Bernile, Bhagwat and Yonker, 2018). Using Hofstede's framework, Frijns, Dodd, and Cimerova (2016) find that diversity in 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. The links we document between board members' strategic stances and their values and culture are consistent with Giannetti and Zhao (2017), who relate directors' individual diversity to their ancestral diversity, in light of evidence that the culture of immigrants reflects ancestral culture even after several generations (Guiso, Sapienza and Zingales, 2006). Since taking a board seat is usually a matter of choice rather than a forced adjustment to life circumstance, directors are likely to adhere to their extant value priorities and beliefs (Bardi et al., 2014; Goodwin, Polek and Bardi, 2012). The upshot is that 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 is more likely to remain stable and affect corporate performance.

²⁴ For surveys see Adams (2017); Rhode and Packel (2014); Ferreira (2010). For a meta-analysis of women on boards see Post and Byron (2015).

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 top leaders. Finally, that directors' values and culture exert such a profound effect on 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 yardsticks, or beacons, that every person uses to assess and choose a course of action. 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.

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APPENDIX A1: VALUES AND CULTURE

Personal values

Personal values are abstract desirable goals that serve as guiding principles in peoples' lives (Kluckhohn, 1951; Rokeach, 1973; Schwartz, 1992). Among the numerous psychological factors on which individuals may differ, values emerge as particularly central. Based on their values, individuals view different acts, objects, people, and events as more or less valuable. People's values are therefore central to their identities and concepts of self (Hitlin, 2003; Hitlin and Piliavin, 2004; Rokeach, 1973). While individuals recognize the same system of values, they differ in the *relative* importance they ascribe to different values. Table 1A provides concise definitions and examples of the ten basic values according to the leading theory by Schwartz (1992).²⁵ Personal values have been associated with several individual-level psychological attributes (Roccas and Sagiv, 2010). In particular, the dynamic structure of values is linked to political ideologies. These factors in turn explain value-laden behavior, especially voting in national elections, and there is evidence that values are causally linked to compatible behavior.²⁶ Values thus were found to mediate the link between personality traits and political orientations (Caprara *et al.* 2006; Caprara, Vecchione, and Schwartz, 2009).

[Table A1A about here]

Personal profiles of value priorities are relatively stable. They form at a relatively early age - at least during adolescence or late childhood and apparently already during childhood years (Daniel *et al.* 2012; Bilsky *et al.* 2013; Cieciuch, Davidov, and Algesheimer,

²⁵ Schwartz *et al.* (2012) advance a refined version of this theory that features and validates nineteen values, most of which are distinct elements in the basic 10-value model. Schwartz (2016) describes additional features of the dynamic relations among values: social focus vs. personal focus, growth-oriented vs. self-protection-oriented, etc.

²⁶ Fischer and Boer (2015); Grankvist and Kajonius (2015); Haslam, Whelan, and Bastian (2009); Leimgruber (2011); Parks-Leduc, Feldman, and Bardi (2014); Roccas *et al.* (2002); Vecchione *et al.* (2013); for studies linking general value priorities to compatible behaviors see Bardi and Schwartz (2003); Miles (2015); Schwartz *et al.* (2017); Verplanken and Holland (2002).

2015). Recent research links the core values to neuroeconomic valuation and decision-making mechanisms (Brosch *et al.*, 2011; Brosch and Sander, 2015). Ratings of values have also been linked to measures of white matter and grey matter parameters in the brain (Zacharopoulos *et al.*, 2017). Other findings indicate genetic influences on value priorities (Knafo and Spinath, 2011; Zacharopoulos *et al.*, 2016). While the relative importance of values remains stable (Milfont, Milojev, and Sibley, 2016), priorities evolve systematically with age and other factors. Older people ascribe higher importance to security, for instance. Relative priorities also change in response to severe circumstances (Schwartz and Bardi, 1997). However, because people often choose the circumstances they experience based on their value priorities, these circumstances do not promote value change (Bardi *et al.*, 2014).

Cultural Orientations

Culture constitutes the fundamental informal institution of society. According to North's (1990: 3) famous definition, "institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction." Williamson (2000) has elaborated this notion with a model of stratified social institutions, in which informal institutions (culture) located at a basic level interact with formal institutions (law) located at another stratum. The basic-level informal institutions are "pervasively linked with complementary institutions," both formal and informal, such that the resulting institutions "have a lasting grip on the way a society conducts itself" (Williamson, 2000: 597). Pivotal actors in organizations thus operate within this institutional environment, usually unaware of its existence (Scott, 2013; DiMaggio and Powell, 1983). Alternatively, informal institutions are modeled as endogenously-appearing self-enforcing rules that are the equilibrium of a repeated game, in which the content of such institutions constitutes common knowledge (Gorodnichenko and Roland, 2017; Aoki, 2001; Greif and Laitin, 2004). In sum,

culture is “the latent, normative value system, external to the individual, which underlies and justifies the functioning of societal institutions” (Schwartz, 2014b: 6, 2014c).

A meaningful, rigorous analysis of informal institutions requires a methodology for operationalizing culture, i.e., identifying factors with which cultures could be represented and compared (Licht, 2015). To this end, work in cross-cultural psychology has yielded several dimensional frameworks for comparing cultures. A common postulate in cross-cultural psychology is that all societies confront similar basic issues or problems when they come to regulate human activity. The cultural responses to the basic problems that societies face are reflected, among other things, in prevailing value emphases of individuals (Rokeach, 1973; Kluckhohn and Strodtbeck, 1961; Schwartz, 2014b).

From among the various dimensional theories for cross-cultural analysis we harness the one developed by Schwartz as our primary framework and buttress the analysis with dimensions from Hofstede (which have inspired the GLOBE dimensions by House *et al.*, 2004), Inglehart, and others. The Schwartz framework is currently considered the more advanced (Smith *et al.*, 2013), as it affords a variety of advantages: (a) It derives cultural orientations from a priori theorizing. (b) It designates a priori the value items that serve as markers for each orientation. (c) It uses as measures only items tested for cross-cultural equivalence of meaning. (d) It includes a set of items demonstrated to cover the range of values recognized cross-culturally, a step toward ensuring relative comprehensiveness of cultural value dimensions. (e) It specifies how different cultural orientations are organized in a system of related dimensions and has verified this organization. (f) It has demonstrated empirically that the order of national cultures on each of the orientations is robust across different types of samples from each of a large number of nations.

The theory derives three bipolar cultural value dimensions from three basic issues Schwartz identifies as confronting all societies. In coping with these issues, societies exhibit

greater or lesser emphasis on the values at one or the other pole of each dimension. Seven value orientations on which cultures can be compared derive from the analysis of the bipolar dimensions (due to a distinction between intellectual autonomy and affective autonomy). The theory also specifies the structure of relations among these types of values. Table 1B provides definitions of these cultural value dimensions. Schwartz (2014a) discusses similarities, differences, and relations between his dimension and the dimensions identified by Hofstede and Inglehart.

[Table A1B about here]

Schwartz (2014a) further used the seven validated cultural orientations to generate a worldwide mapping of national cultures. This map reveals eight distinct world cultural regions that reflect the influence of geographic proximity, history, language, and other factors. For robustness checks we consider two other classifications of countries into cultural regions or zones, as follows. Led by Inglehart, the World Values Survey (WVS) also classifies countries into cultural regions according to the two cultural dimensions it identifies. We employ its classification for Wave 6 of the WVS. Ronen and Shenkar (2013) conducted a comprehensive hierarchical clustering analysis of data from ten broad cross-cultural studies, confirming that cultural regions indeed form a meaningful classification. Table 2B specifies the cultural regions of the countries in our study.

The cultural dimensions derived by Schwartz, Hofstede, and Inglehart tend to focus on notions of desirability manifested primarily in values. We expand the analysis with two theoretical accounts - of societal axioms and of tightness. Social axioms serve to augment value-based cultural dimensions. Social axioms are general beliefs about oneself, the social and physical environment, or the spiritual world (Leung and Bond, 2004, 2008). Societal axioms - i.e., social axioms at the societal level of analysis - are enduring beliefs shared by society members, with contents that are perceived by them as characterizing their society,

thus allowing people to interact and communicate with each other, providing them with a common social identity, and guiding them toward a consensual course of action. In another direction, Gelfand, Nishii, and Raver (2006) have advanced cultural tightness-looseness as a distinct societal-level factor that characterizes cultures beyond values-based dimensions. Societal tightness has two key components: the strength of social norms, or how clear and pervasive norms are within societies, and the strength of sanctioning, or how much tolerance there is for deviance from norms within societies.

Table 1. Sample Composition

A. Firm Countries			B. Director Countries				
Firm's Country	#	Legal Origin	Country	#	Cultural Region: Schwartz	Cultural Region: Ronen & Shenkar	Cultural Region: Inglehart
Australia	127	UK	Andorra	1	Western Europe*	Latin Europe*	Catholic Europe*
Austria	2	GE	Argentina	1	Latin America	Latin America	Latin America
Canada	142	UK	Australia	103	English Speaking	Anglo	English Speaking
Germany	32	GE	Austria	6	Western Europe	Germanic	Catholic Europe
HongKong	4	UK	Belgium	1	Western Europe	Latin Europe	Catholic Europe
India	59	UK	Canada	100	English Speaking	Anglo	English Speaking
Ireland	5	UK	China	9	Far East	Confucian	Confucian
Israel	78	UK	Colombia	1	Latin America	Latin America	Latin America
Italy	13	FR	Cote d'Ivoire	1	Africa*	African*	African - Islamic*
Jordan	4	FR	Croatia	1	Eastern Europe	East Europe*	Catholic Europe
Korea	8	GE	Cuba	1	Latin America*	Latin America*	Latin America*
Kuwait	7	FR	Denmark	2	Western Europe	Nordic	Protestant Europe
Malaysia	3	UK	Dominican Rep.	1	Latin America	Latin America*	Latin America*
Mexico	6	FR	Egypt	3	Arab*	Arabic*	African - Islamic*
Peru	4	FR	France	5	Western Europe	Latin Europe	Catholic Europe
SaudiArabia	5	UK	Gambia	1	Africa	African*	African - Islamic*
Singapore	5	UK	Germany	42	Western Europe	Germanic	Protestant Europe
SouthAfrica	28	UK	Greece	1	Western Europe	Near East	Catholic Europe
Spain	5	FR	India	73	Far East	Far East	South Asia
Switzerland	29	GE	Iran	3	Not classified	Far East	Not classified
Taiwan	5	GE	Iraq	1	Arab	Arabic*	African - Islamic
UK	76	UK	Ireland	7	English Speaking	Anglo	English Speaking
US	462	UK	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

* Classified by Authors.

Table 2. Summary Statistics

A. Individual Factors

Variable	Obs.	Mean	S.D.	Min	Max							
Power	1,109	0.553	0.753	-1.692	3.025	1						
Achievement	1,109	0.034	0.791	-2.600	3.325	0.410	1					
Self-direction	1,109	-0.832	0.627	-2.575	1.550	0.095	-0.062	1				
Universalism	1,109	-0.285	0.596	-2.208	2.050	-0.403	-0.406	0.001	1			
Independent	941	1.453	0.498	1.000	2.000	0.007	-0.011	0.075	-0.026	1		
Female	1,109	0.117	0.322	0.000	1.000	0.057	-0.036	-0.003	-0.032	0.049	1	
ln(Age)	921	4.019	0.197	3.135	4.419	0.044	0.103	-0.088	-0.016	-0.223	-0.204	1
"Expatriate"	1,109	0.185	0.388	0.000	1.000	0.030	-0.011	0.015	-0.104	0.032	-0.080	-0.060

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 Concent'n	23	32.648	10.596	12.300	52.400
ln (GNP/capita)	22	10.312	0.731	8.433	11.315
Patience	17	0.310	0.364	-0.418	0.811
Risk Tolerance	17	0.094	0.314	-0.275	0.971
Positive Reciprocity	17	-0.098	0.390	-1.038	0.316
Negative Reciprocity	17	0.081	0.259	-0.315	0.665
Altruism	17	-0.037	0.321	-0.813	0.406
Trust	17	0.055	0.216	-0.357	0.390
Ambiguity Aversion	16	0.578	0.105	0.390	0.820
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
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 3. Shareholderism, Values, and Country Fixed Effects

	(1)	(2)	(3)	(4)	(5)	(6)
Power	0.082*** [0.003]	0.076** [0.011]	0.079** [0.015]	0.077** [0.040]	0.078** [0.015]	0.075** [0.040]
Achievement	0.079*** [0.004]	0.088*** [0.009]	0.085** [0.019]	0.100** [0.022]	0.087*** [0.007]	0.102*** [0.010]
Self-Direction	0.071** [0.016]	0.066*** [0.007]	0.070*** [0.009]	0.062*** [0.010]	0.074*** [0.004]	0.067*** [0.002]
Universalism	-0.266*** [0.000]	-0.261*** [0.000]	-0.277*** [0.000]	-0.268*** [0.000]	-0.272*** [0.000]	-0.264*** [0.000]
Independent		0.113** [0.039]		0.132** [0.019]		0.136** [0.018]
Female		0.195* [0.055]		0.151 [0.125]		0.166* [0.067]
In age		0.302** [0.015]		0.233** [0.019]		0.269** [0.014]
"Expatriate"	-0.119*** [0.007]	-0.114*** [0.002]	-0.167** [0.023]	-0.152** [0.033]	-0.261*** [0.001]	-0.250*** [0.001]
Firm Country FEs (select cases)	yes	yes	yes	yes	no	no
Canada	0.127*** [0.000]	0.161*** [0.000]	0.173 [0.117]	0.163 [0.189]		
Germany	0.187*** [0.000]	0.282*** [0.000]	0.061 [0.566]	0.170 [0.147]		
India	0.483*** [0.000]	0.474*** [0.000]	0.533*** [0.000]	0.528*** [0.000]		
Israel	0.321*** [0.000]	0.307*** [0.000]	0.449* [0.096]	0.360 [0.194]		
UK	0.216*** [0.000]	0.211*** [0.000]	0.176 [0.102]	0.169 [0.116]		
US	0.266*** [0.000]	0.258*** [0.000]	0.214** [0.024]	0.194* [0.063]		
Director Country FEs (select cases)	no	no	yes	yes	yes	yes
Canada			-0.211 [0.653]	0.843*** [0.000]	-0.214*** [0.000]	0.507*** [0.000]
Germany			-0.009 [0.985]	0.981*** [0.000]	-0.015 [0.870]	0.722*** [0.000]
India			-0.210 [0.672]	0.773*** [0.000]	0.072 [0.126]	0.718*** [0.000]
Israel			-0.274 [0.676]	0.798** [0.014]	-0.023 [0.508]	0.643*** [0.000]
UK			-0.069 [0.902]	0.910*** [0.000]	-0.051 [0.286]	0.599*** [0.000]
US			-0.083 [0.878]	0.931*** [0.000]	-0.048* [0.094]	0.624*** [0.000]
Constant	3.144*** [0.000]	1.736*** [0.001]	3.289*** [0.000]	1.134** [0.014]	3.477*** [0.000]	1.494*** [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

Dependent variable: shareholderism (5 vignettes)

Robust p-values in brackets

*** p<0.01, ** p<0.05, * p<0.1

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

*** p<0.01, ** p<0.05, * p<0.1

t-statistics are reported in absolute values.

Table 5. Shareholderism, Values, Culture, and Law

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Power	0.089** [0.014]	0.086** [0.012]	0.092** [0.012]	0.089** [0.010]	0.091** [0.011]	0.090*** [0.010]	0.086** [0.015]	0.085** [0.012]	0.082** [0.016]	0.089** [0.010]	0.087** [0.016]	0.061 [0.138]
Achievement	0.091*** [0.007]	0.090*** [0.004]	0.094*** [0.005]	0.088*** [0.005]	0.088*** [0.006]	0.091*** [0.003]	0.086*** [0.010]	0.091*** [0.005]	0.094*** [0.005]	0.087*** [0.005]	0.092*** [0.005]	0.091** [0.020]
Self-Direction	0.050** [0.034]	0.061** [0.014]	0.056** [0.022]	0.070*** [0.002]	0.069*** [0.003]	0.070*** [0.003]	0.070*** [0.003]	0.068*** [0.004]	0.070*** [0.005]	0.070*** [0.002]	0.072*** [0.003]	0.082** [0.038]
Universalism	-0.235*** [0.000]	-0.246*** [0.000]	-0.231*** [0.000]	-0.248*** [0.000]	-0.248*** [0.000]	-0.245*** [0.000]	-0.254*** [0.000]	-0.251*** [0.000]	-0.253*** [0.000]	-0.249*** [0.000]	-0.249*** [0.000]	-0.205*** [0.001]
Independent	0.138** [0.011]	0.140** [0.014]	0.134** [0.012]	0.137** [0.014]	0.135** [0.016]	0.133** [0.020]	0.139** [0.013]	0.133** [0.017]	0.125** [0.032]	0.138** [0.013]	0.137** [0.015]	0.144*** [0.006]
Female	0.198** [0.030]	0.181* [0.053]	0.199** [0.035]	0.181* [0.058]	0.181* [0.058]	0.188** [0.047]	0.187* [0.054]	0.167* [0.089]	0.181* [0.071]	0.181* [0.057]	0.181* [0.060]	0.170 [0.180]
In Age	0.298** [0.011]	0.276** [0.018]	0.286** [0.014]	0.283** [0.016]	0.279** [0.020]	0.298** [0.018]	0.289** [0.023]	0.274** [0.023]	0.310** [0.023]	0.280** [0.019]	0.281** [0.016]	0.341** [0.013]
Egalitarianism	-0.289** [0.029]			-0.459 [0.148]	-0.471 [0.129]	-0.538* [0.079]	-0.410 [0.237]	-0.385 [0.191]	-0.494* [0.099]	-0.436 [0.193]	-0.408 [0.224]	-0.460 [0.105]
Harmony		-0.271*** [0.004]		-0.296*** [0.004]	-0.306*** [0.004]	-0.268*** [0.010]	-0.282*** [0.002]	-0.272*** [0.000]	-0.199** [0.014]	-0.304*** [0.005]	-0.300*** [0.009]	-0.251*** [0.002]
Embeddedness			0.028 [0.735]	-0.464** [0.044]	-0.496** [0.030]	-0.474** [0.031]	-0.488* [0.062]	-0.451** [0.030]	-0.476** [0.030]	-0.458** [0.049]	-0.542** [0.035]	-0.372* [0.100]
In GNPC	-0.073 [0.114]	-0.118** [0.012]	-0.094* [0.052]	-0.142*** [0.001]	-0.149*** [0.002]	-0.093* [0.065]	-0.201*** [0.006]	-0.047 [0.199]	0.037 [0.733]	-0.148*** [0.001]	-0.151*** [0.001]	-0.140*** [0.003]
Common Law	0.034 [0.726]	-0.044 [0.670]	0.086 [0.406]	-0.052 [0.580]	-0.061 [0.561]	0.036 [0.728]	-0.107 [0.410]	0.041 [0.615]	0.221 [0.329]	-0.075 [0.410]	-0.059 [0.525]	-0.102 [0.311]
Mixed Jurisdiction	0.410*** [0.000]	0.457*** [0.000]	0.424*** [0.000]	0.514*** [0.000]	0.516*** [0.000]	0.464*** [0.000]	0.502*** [0.000]	0.610*** [0.000]	0.548*** [0.000]	0.519*** [0.000]	0.564*** [0.000]	0.516*** [0.000]
Anti-Self-Dealing					0.026 [0.891]				-0.072 [0.780]			
Creditor Rights						-0.020 [0.254]			-0.035** [0.012]			
Employee Protection							-0.096 [0.266]		-0.049 [0.487]			
Entry Procedures								0.032*** [0.002]	0.037*** [0.002]			
Ownership Concent'n										-0.001 [0.642]		
MSCII CSR Score											-0.045 [0.641]	
Market Cap												0.000*** [0.003]
Constant	3.996*** [0.000]	4.277*** [0.000]	2.758*** [0.000]	8.467*** [0.000]	8.753*** [0.000]	8.303*** [0.000]	9.071*** [0.002]	6.754*** [0.002]	6.330** [0.013]	8.496*** [0.000]	8.759*** [0.001]	7.761*** [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 6. Shareholderism, Values, and Culture - Alternative and Additional Dimensions

	(1)	(2)	(3)	(4)	(5)	(6)
Power	0.083** [0.047]	0.086** [0.019]	0.054 [0.123]	0.056 [0.114]	0.090* [0.080]	0.082* [0.072]
Achievement	0.097*** [0.004]	0.110*** [0.004]	0.123*** [0.002]	0.119*** [0.002]	0.103** [0.030]	0.098** [0.034]
Self-Direction	0.066*** [0.006]	0.061** [0.011]	0.066** [0.014]	0.071*** [0.005]	0.059** [0.020]	0.070*** [0.002]
Universalism	-0.245*** [0.000]	-0.219*** [0.000]	-0.266*** [0.000]	-0.273*** [0.000]	-0.279*** [0.000]	-0.296*** [0.000]
Independent	0.133** [0.017]	0.156*** [0.002]	0.136*** [0.010]	0.137** [0.012]	0.129** [0.041]	0.127** [0.042]
Female	0.211** [0.036]	0.232** [0.016]	0.172 [0.114]	0.151 [0.181]	0.197** [0.048]	0.192* [0.059]
In Age	0.281** [0.015]	0.364*** [0.003]	0.185 [0.124]	0.178 [0.111]	0.216* [0.057]	0.214* [0.050]
Egalitarianism				-0.410 [0.380]		-0.235 [0.618]
Harmony				-0.207 [0.295]		-0.438*** [0.007]
Embeddedness				-0.411** [0.034]		-0.554** [0.046]
In GNPC	-0.105 [0.117]	-0.074 [0.119]	-0.099* [0.072]	-0.123** [0.021]	-0.071 [0.218]	-0.100** [0.021]
Common Law	0.054 [0.678]	0.124 [0.318]	-0.009 [0.948]	-0.139 [0.264]	0.141 [0.345]	-0.021 [0.865]
Mixed Jurisdiction	0.424*** [0.000]	0.382*** [0.000]	0.386*** [0.000]	0.479*** [0.000]	1.001*** [0.000]	1.097*** [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		0.030 [0.704]				
Survival/Self-Expression		-0.068 [0.113]				
Dynamic Externality			0.004 [0.387]	0.005 [0.694]		
Societal Cynicism			-0.007 [0.409]	-0.004 [0.570]		
Tightness					0.002 [0.838]	0.037* [0.083]
Constant	3.515*** [0.002]	2.356*** [0.000]	3.555** [0.013]	7.926*** [0.007]	2.851*** [0.009]	7.863*** [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

Robust p values in brackets; *** p<0.01, ** p<0.05, * p<0.1

Table 1A. The Schwartz individual-level values and representative items

Power	Social status and prestige, control or dominance over people and resources (social power, authority, wealth)
Achievement	Personal success through demonstrating competence according to social standards (successful, capable, ambitious, influential)
Hedonism	Pleasure and sensuous gratification for oneself (pleasure, enjoying life)
Stimulation	Excitement, novelty and challenge in life (daring, a varied life, an exciting life)
Self-Direction	Independent thought and action-choosing, creating, exploring (creativity, freedom, independent, curious, choosing own goals)
Universalism	Understanding, appreciation, tolerance and protection for the welfare of all people and for nature (broadminded, wisdom, social justice, equality, a world at peace, a
Benevolence	Preservation and enhancement of the welfare of people whom one is in frequent personal contact (helpful, honest, forgiving, loyal, responsible)
Tradition	Respect, commitment and acceptance of the customs and ideas that traditional culture or religion provide (accepting my portion in life, humble, devout, respect for
Conformity	Restraint of actions, inclinations and impulses likely to upset or harm others and violate social expectations or norms (self-discipline, obedient, politeness, honoring
Security	Safety, harmony and stability of society, of relationships and of self (family security, national security, social order, clean, reciprocation of favors)

Table 1B. The Schwartz cultural dimensions

Embeddedness/ Autonomy	This dimension concerns the desirable relationship between the individual and the group. Embeddedness represents a cultural emphasis on maintenance of the status quo, propriety, and restraint of actions or inclinations that might disrupt the solidary group or the traditional order. The opposite pole describes cultures in which the person is viewed as an autonomous, bounded entity who finds meaning in his or her own uniqueness. It is possible to distinguish conceptually between two types of autonomy. <i>Intellectual Autonomy</i> : A cultural emphasis on the desirability of individuals independently pursuing their own ideas and intellectual directions. <i>Affective Autonomy</i> : A cultural emphasis on the desirability of individuals independently pursuing affectively positive experience.
Hierarchy/ Egalitarianism	This dimension refers to the ideal way to elicit cooperative, productive activity in society. Egalitarianism represents an emphasis on transcendence of selfish interests in favor of voluntary commitment to promoting the welfare of others. Cultural preference for hierarchy, in contrast, legitimizes unequal distribution of power, roles, and resources on the basis of attributes such as wealth, gender, age, and caste. People are socialized to obey their role obligations and to accept the consequences of such structures.
Mastery/ Harmony	This dimension refers to the relation of humankind to the natural and social world. Mastery stands for a cultural emphasis on venturing and getting ahead through active self-assertion in order to master, change, and exploit the natural and social environment. Harmony represents an emphasis on fitting harmoniously into the environment.

APPENDIX A2: SURVEY INSTRUMENT

Corporate Governance Scenarios

Please consider the following stylized scenarios and respond to the questions.

Corporation F is a manufacturer of consumer goods. Despite considerable competition, Corporation F is highly profitable thanks to patented technology and manufacturing know-how. In recent years, the company has been paying out only small amounts as regular dividends. The company now contemplates ways for using its very high capital surplus.

Suppose you are a director in F. To what extent would you agree with the following proposals?

	1	2	3	4	5	6
	Strongly Agree	Moder- ately Agree	Slightly Agree	Slightly Disagree	Moder- ately Disagree	Strongly Disagree
The company should reduce the price of its products to benefit consumers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The company should distribute virtually all of its undistributed profits to its shareholders.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Corporation D has a loss-making business in the mass media market. Although it has a well-known brand name, D's production technology is now obsolete and its workers are relatively old. The only way to avoid further losses is to cease operations and wind up the company, in which case a substantial amount of proceeds will remain after creditors are paid and workers receive their legal severance payments.

Suppose you are a director in D. To what extent would you agree with the following proposals?

	1	2	3	4	5	6
	Strongly Agree	Moder- ately Agree	Slightly Agree	Slightly Disagree	Moder- ately Disagree	Strongly Disagree
After ceasing operations and satisfying legal financial obligations, the company should distribute all the remaining proceeds as dividend to its shareholders.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
After ceasing operations and satisfying legal financial obligations, the company should devote half of the balance to its workers, in proportion to their service in D, to alleviate their hardship.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Corporation B is a profitable utility company that is now facing several leveraged buyout plans. Under all plans, the company will assume a similar, large amount of debt. B's share value is expected to increase significantly, while its outstanding bonds are expected to diminish in value and lose their investment grade – a critical factor for some institutional bondholders.

Suppose you are a director in B. To what extent would you agree with the following proposals?

