

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

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Abstract

We present first evidence about individual and institutional factors that guide board members of public companies around the world in addressing the fundamental strategic problem of dealing with shareholders and stakeholders. In a sample comprising nearly nine hundred board members from some fifty countries of origin, we confirm that these corporate leaders hold a principled, quasi-ideological stance towards shareholders and stakeholders, dubbed shareholderism. This stance associates with a personal value profile that emphasizes self-enhancement values and is also compatible with entrepreneurship. We further find that such shareholderism stances correlate with cultural orientations of egalitarianism and mastery that, respectively, reflect a societal view of all people as moral equals and endorse assertive change and domination of the physical and social environment. Our data further suggest that board members' handling of such strategic dilemmas may be determined by legal factors. Although we do not observe a broad effect of the general style of the legal system as reflected in its legal origin, more specific rules that provide for social security and protect employees may be related to shareholderism.

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INTRODUCTION

In mid-2016, the *Wall Street Journal* ran a story on a growing trend among leading U.S. chief executive officers (CEOs) - of flexing their corporate muscles for social causes such as gay and transgender rights (Langley, 2016). The *Journal* reported that the CEO of Salesforce.com Inc., Marc Benioff, “is among CEOs of companies, including Apple Inc., Bank of America Corp., Walt Disney Co., Intel Corp. and International Business Machines Corp., that have begun pressuring lawmakers on social issues, often with a warning: Change laws or risk losing business.” Just then, in a Global Corporate Governance Colloquium, Nobel laureate Oliver Hart discussed whether, and should, “the board of directors of a public company have a legal duty to maximize shareholder value?” (Hart and Zingales, 2016). Only a year earlier, however, the Chief Justice of the Delaware Supreme Court, Leo Strine (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.

Giving up business for social causes is a challenging strategy for promoting the interests of the company and shareholder welfare. With four out of the six major companies mentioned above being Delaware corporations,¹ one may thus wonder what were their CEOs and directors thinking when they decided to make such bold moves. While we cannot directly answer that question, we get close to doing so in this paper. We present first evidence about individual and institutional factors that guide board members of public companies around the world in addressing the fundamental strategic problem of dealing with shareholders and stakeholders. In a sample comprising nearly nine hundred board members

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

from some fifty countries of origin, we confirm that these corporate leaders hold a principled, quasi-ideological stance towards shareholders and stakeholders, dubbed shareholderism. This stance associates with a personal value profile that emphasizes self-enhancement values and is also compatible with entrepreneurship. We further find that such shareholderism stances correlate with cultural orientations of egalitarianism and mastery that, respectively, reflect a societal view of all people as moral equals and endorse assertive change and domination of the physical and social environment. Our data further suggest that board members' handling of such strategic dilemmas may be determined by legal factors. Although we do not observe a broad effect of the general style of the legal system as reflected in its legal origin, more specific rules that provide for social security and protect employees may be related to shareholderism.

Recent years have witnessed an explosion of research crossing disciplinary boundaries 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 with similar attributes of members of top management teams (TMTs) (see Bromiley and Rau, 2016, for a survey²). Numerous studies thus show, 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, all show their mark and may meaningfully affect their strategic choices.³

² Although timely and comprehensive, Bromiley and Rau (2016) unfortunately do not cover a substantial literature in financial economics that discusses the same issues, nor do they deal with the level of the board of directors. See, e.g., Kaplan, Klebanov and Sorensen (2012).

³ Malmendier, Tate, and Yan (2011); Kish-Gephart and Campbell (2014); Bernile, Bhagwat, and Rau (2016); 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.* (2016); Piaskowska and Trojanowski (2014); Biggerstaff, Cicero, and Puckett (2015); see also, with regard to gender,

The centrality of psychological factors, particularly personal values, as potentially important factors in strategic decisions was noted already by Hambrick and Mason (1984). 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 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). A swelling body of studies thus points to narcissism as a significant factor affecting strategic choices.⁴ Gow et al. (2016) implement a more systematic approach that considers the full Big Five personality trait model (e.g., 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 proxy for personal risk-taking (Cain and McKeon, 2016),

Dezsö and Ross (2012); Francis *et al.* (2015); Palvia, Vähämaa, and Vähämaa (2015); see also Bianchi (2014).
⁴ Colbert, Barrick, and Bradley (2013); De Jong, Song, and Song (2011); Engelen, Neumann, and Schmidt (2016); Gerstner WC 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).

while some have administered psychometric tests in a survey of U.S. and non-U.S. CEOs and chief financial officers (CFOs) (Graham, Harvey, and Puri, 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 contributes to the literature. Without derogating from the importance of CEOs, we broaden the analysis to include board members, who are key players in corporate governance and whose mission and responsibility is to provide strategic guidance to the CEO and to monitor her performance (OECD, 2015; Adams, Hermalin, and Weisbach, 2010). In handling situations that involve serious shareholder-stakeholder tensions the board may be at least as important as the CEO. Moreover, when legal liability is at stake, board members are perhaps even more likely than the CEO to face litigation risk. Notwithstanding the senior level of these corporate officers, 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.

Furthermore, this paper is the first to advance a multi-level analysis of value-laden factors that may guide strategic stakeholder management. Specifically, we examine board

⁵ Ahmed and Duellman (2013); Banerjee, Humphery-Jenner, and Nanda (2015); Bernile, Bhagwat, and Rau (2016); 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 (2016); Hafenbrädl and Waeger (2016); Hutton, Jiang, and Kumar (2014, 2015).

members' value preferences at the individual level of analysis using the Schwartz (1992, 2009, 2016) theory of personal values. Adams, Licht, and Sagiv (2011) have shown that value preferences of power, achievement, self-direction, and (negatively) universalism in the Schwartz model are linked to a systematic pro-shareholder attitude that board members and CEOs exhibit. Their findings, however, derive from a Swedish sample, whereas virtually all of the abovementioned literature deals with American CEOs. Although the Schwartz model of values is universal, it is important to verify whether similar individual-level patterns exist in other cultures, especially in the United States and in other English-speaking countries, where the institutional environment is different from Sweden's. This more complete framework also relieves the uni-dimensional constraint that currently confines extant analyses of managerial political ideology. These studies nearly invariably employ a Republican-Democrat/left-right/liberal-conservative distinction, notwithstanding a broad consensus among scholars that such a framework is too limited; it could be especially insufficient for cross-national comparisons.⁷

Finally, and most importantly, we consider in tandem the institutional setting in which such value preferences may be exerting their effect (Crossland and Hambrick, 2007, 2011; Matten and Moon, 2008; Ioannou and Serafeim, 2012). We combine New Institutional Economics, Institutional Theory, and cross-cultural psychology (North, 1990; Williamson, 2000; Scott, 1995; DiMaggio and Powell, 1983; Schwartz, 1999, 2014) with a Law and Finance approach (La Porta, Lopez-de-Silanes, and Shleifer, 2008), and look at both informal (cultural) and formal (legal) institutional factors. Our cross-cultural analyses are based primarily on Schwartz's theory of cultural orientations and dimensions. We buttress the analysis with dimensions from Hofstede (2001) and Inglehart (1997) and introduce theories

⁷ Ashton *et al.* (2005); Bauer PC *et al.* (2016); Feldman (2003); Feldman and Johnston (2013); Feldman and Huddy (2014); Freire and Kivistik (2013); Graham, Nosek, and Haidt (2012); Jou (2010); Lesschaeve (2016); Puirko, Schwartz, and Davidov (2011); Robbins and Shields (2014); Tetlock *et al.* (2013); Thorisdottir H *et al.* (2007).

that cover hitherto undiscussed cultural factors such as social axioms (Bond, Leung, *et al.*, 2004) and tightness/looseness (Gelfand, Nishii, and Raver, 2006).

THEORY AND HYPOTHESES

Background: values and culture

Personal values

Over the last decade, the literature on values in psychology and other social sciences has grown such that a full overview is neither feasible nor necessary. This section thus provides a thumbnail introduction to the theory of personal values, with the next section following suit with regard to cultural orientations.⁸

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. All values represent desired goals; however, it is impossible to attain all values at once. Some values are compatible with each other—they reflect compatible motivational goals that could be attained at the same time. Other values conflict with each other—actions that promote one of them are likely to impede the attainment of the other. The dynamic relationships among them can be summarized as two basic conflicts: The first conflict is between openness to change (self-direction and stimulation) and conservation (tradition, conformity, and security) values. The second

⁸ We refer to “cultural orientations” rather than “cultural values” in order to clearly distinguish cultural-level stances from individual-level ones.

conflict contrasts self-enhancement (power and achievement) versus self-transcendence (benevolence and universalism) values. Table 1A provides concise definitions and examples of the ten basic values according to the leading theory by Schwartz (1992). Figure 1 describes these dynamic relations.⁹

[Table 1A about here]

[Figure 1 about here]

Individuals' personal profile of value priorities forms 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, 2015). A recent line of research outlines the neurocognitive mechanisms underlying appraisal processes and linking the core values to neuroeconomic valuation and decision-making research (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.*, 2016a). Other findings indicate genetic influences on value priorities (Knafo and Spinath, 2011; Zacharopoulos *et al.*, 2016b). The relative importance of values remains rather stable (Milfont, Milojev, and Sibley, 2016), while 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).

Personal values have been associated with several other individual-level psychological attributes (Roccas and Sagiv, 2010). In particular, the dynamic structure of values is linked to Big Five personality traits on the one hand and to political ideologies on

⁹ 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.

the other hand. 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.¹⁰ In the latter context, values were found to mediate the link between personality traits and political orientations, and to explain almost three times as much variance in voting as did the Big Five personality traits (Caprara *et al.* 2006; Caprara, Vecchione, and Schwartz, 2009).

Cultural Orientations

We conceptualize culture in an analytical framework that integrates New Institutional Economics, Institutional Theory, and cross-cultural psychology. In this view, 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 interacts 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). 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 to be common knowledge (Gorodnichenko and Roland, 2016; Aoki, 2001; Greif and Laitin, 2004). Consistent with these views, from a values perspective culture is "the latent, normative value system, external to the individual, which underlies and justifies the functioning of societal institutions" (Schwartz, 2014b: 6, 2014c).

¹⁰ 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.* (2016); Verplanken and Holland (2002).

Pivotal actors in organization operate within this institutional environment, usually unaware of its existence (Scott, 2013; DiMaggio and Powell, 1983). Like other social players, they interact with partners assumed to recognize a similar set of motivational goals (values) and the same priors (beliefs). Values, norms and obligations that originate in the institutional context - regulative, normative, and cognitive - thus also constrain and support the operation of organizations. The constraining effect of culture in equilibrium stems from the conviction that it is in everybody's self-interest to adhere to these values and beliefs unless and until an exogenous shock upsets the equilibrium.

The infinite complexity of culture often makes it difficult to derive testable hypotheses about its role in particular contexts. 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, 2016). 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). Because values vary in importance, it is possible to characterize societies by the relative importance attributed to these values in the society using dimensional models. This provides unique cultural profiles for societies or countries.

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, Inglehart, and others. The Schwartz framework is currently considered the more advanced in cross-cultural psychology (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: embeddedness/autonomy, hierarchy/egalitarianism, and mastery/harmony. 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. Figure 2 presents graphically the relations among the value dimensions and orientations as well as values that are prominent in each orientation. Schwartz (2014a) discusses similarities, differences, and relations between his dimension and the dimensions identified by Hofstede and Inglehart. In addition, Schwartz used the seven validated cultural orientations to generate a worldwide graphic mapping of national cultures. This map reveals eight distinct world cultural regions that reflect the influence of geographic proximity, history, language, and other factors. Table 2B specifies the cultural region of the countries in our study.

[Table 1B about here]

[Figure 2 about here]

Hypotheses: values and culture in corporate governance

When corporate leaders face a strategic situation they have ample discretion. Their perception, assessment, and eventually their choice of a particular line of action for the firm among several that may be available 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, 2014). This section describes the theoretical underpinnings of our approach and sets forth the hypotheses for analyzing board members' decisions in strategic shareholder-stakeholder dilemmas. Two major themes guide our theorizing: egalitarianism and entrepreneurship. We hypothesize that at both the individual and the societal levels stances on this fundamental conundrum of corporate governance will be affected by the respective factors - namely, values and cultural orientations - such that likely decisions will be conceptually compatible with board members' value priorities and with the cultural context within which their decision likely is couched (Aguilera *et al.*, 2015; Licht, 2004, 2016; Matten and Moon, 2008). The substantial leeway that upper echelon members enjoy in exercising their discretion thus makes room for their deeply-held notions about the proper way to treat others - whether as equals or otherwise - and about the importance of entrepreneurial action in handling difficult situations.

It should be noted at the outset that we take with a heavy grain of salt specific legal rules that purport to govern the issue, like the Delaware doctrine described in the Introduction. Countries around the world 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 often have been characterized as shareholder-oriented and stakeholder-oriented, respectively (Bradley *et al.*, 1999), a closer look at some examples defies such a neat 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). In Canada, as we shall see shortly, a Supreme Court’s ruling endorsed 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, in a study of board members’ and CEOs’ positions on this subject in Sweden, Adams, Licht, and Sagiv (2011) have shown that these corporate leaders make choices between shareholders and stakeholders ostensibly in complete disregard of an established legal doctrine that calls for maximizing shareholder wealth.

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,[###references###] we are aware of only a few that dealt with values, possibly 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.

Adams, Licht, and Sagiv (2011) examined the links between value priorities of Swedish directors and CEOs and ‘shareholderism’ - a motivated, principled approach that

generally considers enhancing shareholder value a desirable strategy. An alternative approach to shareholderism, ‘stakeholderism,’ is equally principled, yet views shareholders as one among several stakeholder groups whose interests deserve consideration. To assess respondents’ positions between these polar views they employed an index comprising vignettes that were derived from seminal court cases, in which actual directors had to defend their choice of one corporate constituency over another. These authors found support for two main hypotheses - one on self- versus other-regarding values in management, and another on entrepreneurial values. Higher shareholderism was found to correlate positively with power and achievement and negatively with universalism, 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 many societal members as 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 and cherishes tolerance for uncertainty and disruption, seeking new and/or complex combinations, and attaining material success in competitive settings.¹¹ 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. As noted above, managers apparently draw on their personal values in deciding what is the right thing for the firm, the law notwithstanding.

Adams, Licht, and Sagiv (2011: 1349) conjectured that due to the universality of the Schwartz model of individual values, “the basic findings of [their] study are generalizable

¹¹ 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).

beyond Swedish directors and corporate governance.” While plausible, this conjecture calls for empirical confirmation in order to confidently draw strategic and policy conclusions for other corporate governance systems - in particular, ones that significantly differ in their cultural and legal environment such as the United States or the United Kingdom. Roccas and Sagiv (2010: 1; see also Schwartz, 2011) in fact argue that “culture determines the meaning of behavior, so that seemingly similar behaviors may have different meanings in different cultures.” They furthermore 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 (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

We now turn to deriving hypotheses about cultural orientations and shareholder-stakeholder relations in the light of our guiding themes of egalitarianism and entrepreneurship. A positive link between cultural egalitarianism and societal endorsement of a pluralist, multi-stakeholder corporate governance virtually begs itself. Egalitarianism reflects a view of all people as moral equals, whereas cultural hierarchy condones differential treatment of people as more or less worthy than others. Policies and actions that entail differential allocation of resources are thus more likely to be legitimized in a high hierarchy culture. In such a culture, the notion of shareholder *primacy* is self-evidently legitimate, while in egalitarian societies people may cringe at the very idea, which strongly connotes

subordination of other's interests to those of one corporate constituency.¹² In contrast, strategic management that navigates the firm while equally considering all relevant stakeholders will be encouraged more in egalitarian societies, other things being equal (see Freeman, 1984; see also Jones, Felps, and Bigley, 2007; Bosse, Phillips, and Harrison, 2009; Orlitzky, 2015).

Extant literature provides tentative support for this view. Siegel, Licht, and Schwartz (2013) present positive correlations between cultural egalitarianism and national 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 robust 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, in line with a view that all stakeholders and market participants deserve candor.

Hypothesis 2: Board members' support for shareholder wealth maximization (higher shareholderism) will be moderated 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.

In considering the relations between culture and entrepreneurship one should bear in mind that notwithstanding this subject's importance and salience, the literature about it is in a state of flux as a result of its complexity and the methodological difficulties that it entails (Hayton and Cacciotti, 2013; Morales, Holtschlag, and Marquina, 2015). Resolving these

¹² Consider Delaware's Chief Justice Strine's (2015: 771) words: "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."

issues, however, is beyond the present scope, as we do not engage in analyzing entrepreneurial activity. For our purposes suffice is to note that societal endorsement of entrepreneurship is most closely related to the cultural dimension of 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 assertiveness, venturing, 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.

Evidence on relations between cultural mastery/harmony and entrepreneurship is relatively 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 (additional correlations are found but their interpretation is more difficult; see also Liñán and Fernandez-Serrano, 2014). In an analysis of cultural distance and flows of foreign direct investment (FDI), Siegel, Licht, and Schwartz (2013) observe that the flow of investments was 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 moderated 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.

We do not hypothesize about likely relations between shareholderism and cultural autonomy and embeddedness. The autonomy/embeddedness dimension addresses basic

social issues that have to do with the place of the individual in the social fabric - with construals of the self (Markus and Kitayama, 1991). This issue, albeit fundamental in cross-cultural analysis, appears only weakly related, if at all, to the problems of inter-group relations that the shareholder-stakeholder dilemma entails.

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, a major database on financial and business information that also held email addresses for some of the board members it follows; second, a commercial provider of email addresses primarily 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 entire population of board members. An email letter was sent to those directors, 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. As is typical for this mode of data collection, especially in recent years and in particular for a corporate upper echelon population, response rate was very low (Graham, Harvey, and Puri, 2013; compare Adams, Licht, and Sagiv, 2011). Our sample therefore is anything but representative. However, 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. Table 2 provides details on the sample composition in terms of countries of origin of firms and board members.

[Table 2 about here]

Measures

The survey instrument comprised two main parts - one gauging respondents' value priorities and another one 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 currently considered the most 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 (Schwartz, 1992; 2007). We also implemented Podsakoff *et al.*'s (2003) recommendations for minimizing common method bias. Namely, a brief graphical task was inserted between the values and the shareholderism modules to ensure temporal and methodological separation of measurement. In addition, both the values and shareholderism modules are fully balanced in terms of possible responses, thus ensuring that there is no salient choice and that a common method bias is unlikely.

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).¹³ Consistent with the original cases, each vignette specifies two propositions, one favoring shareholders and one favoring the non-shareholder constituency. Participants reported their agreement with each proposition on a 6-point scale ranging from "strongly agree" to "strongly disagree."

Adams, Licht, and Sagiv (2011) report that they had to omit from the analysis their 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 its extreme circumstances as reflecting a realistic shareholder-stakeholder dilemma. We therefore dropped that vignette from our instrument. Instead, we included a vignette on shareholder-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 rejecting the claim, the Supreme Court adopted a stakeholderist approach, holding that

¹³ The legal cases are *Dodge v. Ford Motor Co.* 1919. 170 N.W. 668 (public); *Parke v. Daily News Ltd.* 1962. [1962] Ch 927(employees); *Shlensky v. Wrigley.* 1968. 237 N.E.2d 776 (Ill. App.) (community).

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 did. 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 an index that does not include the new creditors vignette (i.e., identical to Adams, Licht, and Sagiv's, 2011) correlate nearly fully ($r=.94$). For consistency tests we replicated the analyses with the shorter index and obtained virtually similar results. Appendix A presents the full set of vignettes.

[Table 3 about here]

Additional data and control variables

Data for the Schwartz cultural orientations come 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.¹⁴ We utilize the 2006 release

¹⁴ 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.

of the dataset. As noted, countries' classification into cultural regions comes from Schwartz (2014).

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. The latter is also the source of data on the level of generalized interpersonal trust in countries. We use data from Wave 6 of the WVS, conducted between 2010-2014. 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).

In addition to alternative cultural models, we control for the role of formal legal institutions. Data for the Anti-Self-Dealing Index, the regulation of labor, and the regulation of entry are drawn, respectively, from Djankov *et al.* (2008); Botero *et al.* (2004), and Djankov *et al.* (2002). We also use data on job security regulations from Allard (2005). Country averages of ownership concentration in public companies according to Holderness (2014, 2016) were kindly provided by Clifford Holderness.

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 (Panel A of Table 3). This is in line with Adams, Licht, and Sagiv's (2011) finding for Swedish directors. We can therefore proceed to testing H1.

[Table 4 about here]

Table 4 reports regressions of shareholderism scores on the four values, personal demographics of age, gender, and independent director status, and country fixed effects. We enter fixed effects for the firm's country of origin, for the director's country of origin, and for both. The table also reports specifically the fixed effects for a number of select countries, for

which we have a substantial sub-sample. These specifications examine, among other things, if social institutions in either country of origin, to the extent that they are captured by the fixed effects, somehow moderate the link between values and shareholderism as Roccas and Sagiv (2010) and Schwartz (2011) suggest. The results show that they do indeed and, at the same time, that the links between all four values and shareholderism remain significant. Thus, we confirm both H1a and H1b.

These findings are highly intriguing. They indicate that shareholderism - as a general, principled, motivated stance about the preferred mode of strategic management of shareholders and stakeholders - is a universal phenomenon. Corporate leaders hailing from all parts of the world and serving on boards of companies from various countries all consider the core question of corporate governance through a lens of their deep-seated set of guiding principles in life. They indicate their likely course of action as if they intend to do the right thing according to their personal conceptions of the desirable. In tandem, these putative choices are also influenced by country-specific factors. The observed fixed effects do not lend themselves to a meaningful interpretation, however. In particular, a different analysis is needed for examining whether the observed effects stem from social institutional factors, cultural and/or legal (compare Doidge, Karolyi, and Stulz, 2007).

Before presenting the next table, 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 violated. 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 instance - 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. Holderness (2014, 2016), in his studies of ownership concentration in public firms, holds that hierarchical modeling is appropriate for many law

and finance questions. In order to examine the role of cultural orientations on board members' shareholderism we therefore first tested multi-level regressions, in which individual-level data were at the basic level and cultural data were entered at the higher level, using the HLM7 software package. However, although the data is hierarchically nested within countries, only small portion of the total variance in the dependent variable (shareholderism) was due to the country level ($ICC=.02$). An ICC smaller than 5% indicates that an analysis for grouped data is unnecessary (Bliese, 2000). Therefore we decided to continue with level-1 linear regression models.

[Table 5 about here]

Table 5 presents our 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 all the models values show a significant sign in line with H1 - namely, reflecting a negative relation between shareholderism and other-regarding, social-focused value priorities, and a positive relation between shareholderism and entrepreneurial values.

Following the basic model, the other regressions include different specifications of formal (legal) and informal (cultural) institutional factors. The legal factors and ownership concentration data apply to the country of origin of the director's company, the logic being that in addressing the vignettes she or he are likely to assume, by default, that the scenario takes place in the same country. In contrast, the cultural factors are determined by the director's country of origin, namely, the country s/he reported as the one in which s/he grew up. The logic is that 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 next six regressions include a dummy variable for a common law legal origin (which we keep throughout the analyses). Regardless of whether a common law origin may proxy for a doctrinal shareholder-primacy policy - which may be debatable, as noted above - the common-law/civil-law distinction arguably captures a general “style” of the legal system as a whole (La Porta *et al.*, 2008; Zweigert and Kötz, 1998). This style could bear on the relative importance that the legal system gives to certain stakeholder groups, such as creditors, employees, or the environment. This variable, which the literature tends to highlight, is not significant in any of the models, however.

Next consider the regressions in which cultural orientations from Schwartz are entered seriatim, to avoid colinearity problems (columns 2-7). Polar orientations on each of the three dimensions are measured separately (unlike Hofstede’s individualism/collectivism, for example), such that it is necessary to assess each one separately. Cultural egalitarianism and hierarchy exhibit a negative and positive signs, respectively, in line with H2. Cultural harmony and mastery exhibit a negative and positive signs, respectively, in line with H3. This is the first empirical evidence for the role that cultural values may play in managerial discretion, particularly with regard to corporate governance. Directors who grew up in an egalitarian culture are more likely to pursue egalitarian strategies that balance the interests of shareholders with those of other stakeholders, above and beyond the effect that their personal value priorities may exert on their decisions. 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 (formally) residual claimants in the corporation - again, beyond the effect of their personal values. We note in passing a weak positive and negative sign for embeddedness and

autonomy,¹⁵ respectively, but these coefficients are difficult to interpret and do not refer to a clear hypothesis.

In the remainder of the Table 5 we keep the legal origin variable and three polar representatives of the Schwartz cultural dimensions: embeddedness, egalitarianism, and harmony.¹⁶ To these factors we add variables for more focused legal institutions. The anti-self-dealing index is intended to capture the relative importance of shareholders in general. Although strictly speaking, its content applies to the relations between shareholders and company insiders more than to shareholder-stakeholder relations, this index does reflect the degree of protection that the legal system affords to “pure” shareholders. This variable is insignificant, in any event (columns 8-9). In contrast, we document a strong negative sign for social security laws and, intriguingly, a positive sign for job security laws. Together with egalitarianism, which retains a negative though weaker sign, these factors reveal an intricate picture. Egalitarian countries are more likely to provide social safety nets for the sick, the unemployed, and the elderly (Siegel, Licht, and Schwartz, 2011, 2013). These broad informal and formal institutions apparently may also inhibit directors’ willingness to side with shareholders.

In contrast - and this may come as a surprise to some - laws that protect employees from the vagaries of business risk associate positively with shareholderism. One possible interpretation could be that directors may feel more free to pursue risky strategies that promote shareholders’ interests, when they know that their employees’ job are protected, which in turn could facilitate cooperation between management and labor. This conjecture is

¹⁵ The cultural autonomy score is the average of the intellectual autonomy and affective autonomy scores.

¹⁶ Note that in these specifications the sign of embedded flips in comparison to column 2, adding another indication to the ambiguity of the relations between this dimension and shareholderism.

tentative at this point, especially since another measure of labor protection (from Botero *et al.*, 2004) is not significant.¹⁷

A somewhat similarly unexpected result obtains for the measure of the regulation of entry, which is the number of different procedures that a start-up has to comply with in order to obtain a legal status, i.e., to start operating as a legal entity. Put otherwise, this variable can fairly be treated as reflecting how *inhospitable* the country is to entrepreneurs. Yet in column 10 of Table 5 it exhibits a positive sign, while cultural harmony retains its negative, pro-entrepreneurial/shareholders sign. Barring spurious correlation and omitted variables, this finding could be due to the fact that our respondents serve in public companies that tend to be larger in size. An entrepreneurial, shareholderist strategy of a large firm may differ from that of a young start-up. Alfaro and Charlton (2006) thus have pointed out the difficulty of starting a business in a country dominated by older and larger firms (see Siegel, Licht, and Schwartz, 2013). More work is needed to explain this finding.

Finally, the literature has noted that ownership concentration may affect strategic decision by corporate leaders in various ways, especially with regard to relations with stakeholders (Desender and Epure, 2015; Zeitoun and Pamini, 2015; see also Desender *et al.*, 2013; Clark, Murphy, and Singer, 2014). In tandem, Holderness (2014) has found a robust link between egalitarianism and the level of ownership concentration in public corporations. While large blockholders are expected to exert greater pressure on top management to maximize shareholder wealth and to monitor against managerial slack in favor of other stakeholders, it could also be the case that such blockholders can better internalize the long-term benefits of relations with other stakeholder constituencies and encourage the management to pursue a stakeholderist approach. We therefore investigate possible effects of

¹⁷ A variable for generalized trust from Wave 4-5 of the WVS is not significant. So was a similar variable from Wave 6.

ownership concentration on shareholderism using average aggregate blocks in the firm's country of origin, from Holderness. This variable is insignificant, however, in a somewhat smaller sample, while egalitarianism remains strongly negative, as hypothesized.

[Table 6 about here]

Table 6 presents a set of regressions that examine the relations between shareholderism on the one hand and cultural dimensions according to alternative cross-cultural theories on the other hand. These theories vary in the type of informal institution they deal with. Hofstede's theory, like Schwartz's, is premised on cross-cultural differences in values, whereas Bond and Leung's theory deals with beliefs - what cultures "assume" about the ways of our world. Inglehart's theory blends several elements, and Gelfand points to another aspect - of how tightly societies regulate people's life. We need not elaborate much further on these dimensions, however, since essentially only one dimension - self-expression versus survival by Inglehart - exhibits a significant coefficient. This dimension concerns independence in thought, action, and feelings, like autonomy/embeddedness, and equality among groups, tolerance, and trust, like egalitarianism/hierarchy; it correlates with both (Schwartz, 2014). The stakeholderist approach that its negative sign indicates is consistent with our finding egalitarianism, therefore. We also note the negative sign of uncertainty avoidance by Hofstede in the joint specification in column 6, which is consistent with the negative sign for harmony, although conceptually these two dimensions overlap only little (Schwartz, 2014; see Licht, Goldschmidt, and Schwartz, 2005).

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 about real decision over 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 moderating effects from the institutional environment. One's culture, as well as elements of the applicable legal regime, appear to moderate the effect of personal attributes in conceptually compatible ways. Yet the precise effect of legal factors is not always as expected.

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 - in particular with regard to the role of autonomy/embeddedness. 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.

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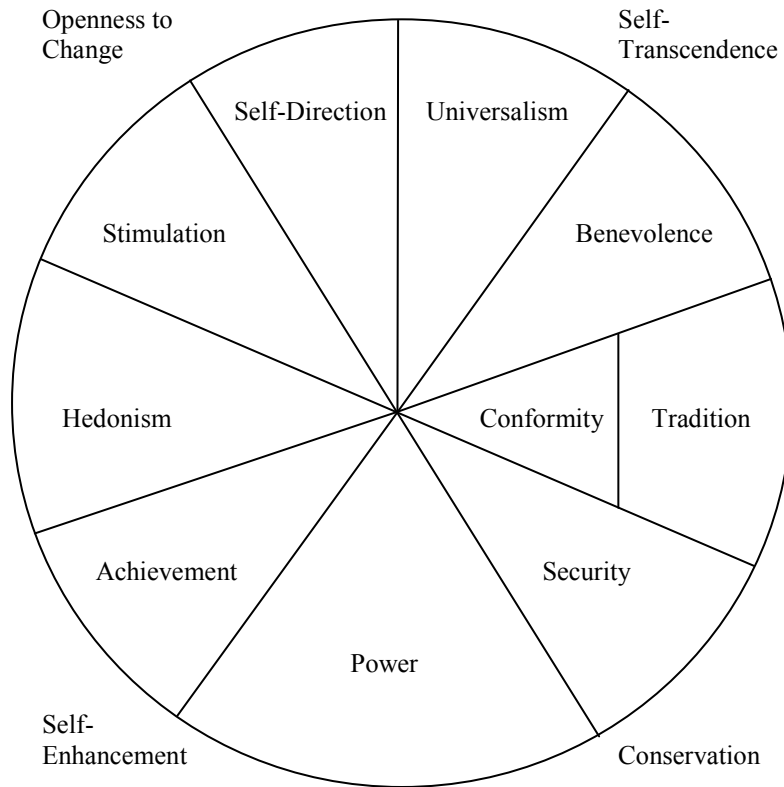
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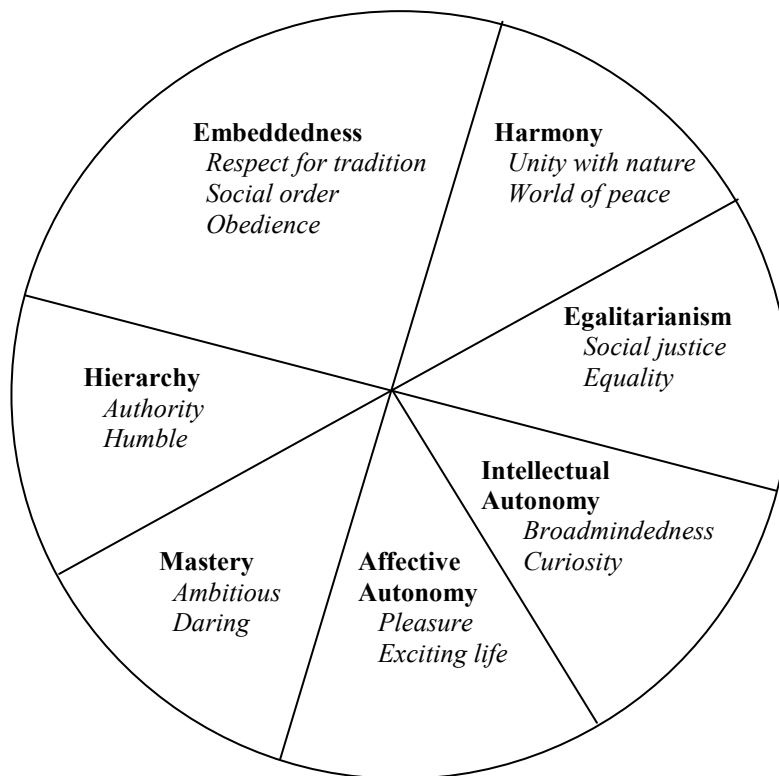
FIGURES AND TABLES

Figure 1. The Structure of Relations among Individual Values



Based on Schwartz (1992, 2016).

Figure 2. The Schwartz Model of Relations among Cultural Orientations



Based on Schwartz (1999, 2014).

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

Security	Safety, harmony and stability of society, of relationships and of self (family security, national security, social order, clean, reciprocation of favors)
Conformity	Restraint of actions, inclinations and impulses likely to upset or harm others and violate social expectations or norms (self-discipline, obedient, politeness, honoring parents and elders)
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 tradition, moderate)
Benevolence	Preservation and enhancement of the welfare of people whom one is in frequent personal contact (helpful, honest, forgiving, loyal, responsible)
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 world of beauty, unity with nature, protecting the environment)
Self-Direction	Independent thought and action-choosing, creating, exploring (creativity, freedom, independent, curious, choosing own goals)
Stimulation	Excitement, novelty and challenge in life (daring, a varied life, an exciting life)
Hedonism	Pleasure and sensuous gratification for oneself (pleasure, enjoying life)
Achievement	Personal success through demonstrating competence according to social standards (successful, capable, ambitious, influential)
Power	Social status and prestige, control or dominance over people and resources (social power, authority, wealth)

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.

Table 2A. Sample Countries: Firms

Firm's Country	# Respondents	# Director Countries (Imputed)	Legal Origin
Australia	127	14	UK
Austria	2	1	GE
Canada	142	16	UK
Germany	32	3	GE
HongKong	4	2	UK
India	59	5	UK
Ireland	5	2	UK
Israel	78	3	UK
Italy	13	1	FR
Jordan	4	1	FR
Korea	8	1	GE
Kuwait	7	2	FR
Malaysia	3	1	UK
Mexico	6	1	FR
Peru	4	1	FR
SaudiArabia	5	2	UK
Singapore	5	2	UK
SouthAfrica	28	3	UK
Spain	5	2	FR
Switzerland	29	4	GE
Taiwan	5	2	GE
UK	76	17	UK
US	462	34	UK

Table 2B. Sample Countries: Directors

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

* Classified by Authors.

Table 3. Summary Statistics

Panel A. Individual Factors

Variable	Obs.	Mean	S.D.	Min	Max	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) Shareholderism	1,010	3.50	0.83	1	5.88	1								
(2) Power	1,109	0.55	0.75	-1.69	3.03	0.23***	1							
(3) Achievement	1,109	0.03	0.79	-2.60	3.33	0.19***	0.41***	1						
(4) Self-direction	1,109	-0.83	0.63	-2.58	1.55	0.09***	0.09***	-0.06**	1					
(5) Universalism	1,109	-0.29	0.60	-2.21	2.05	-0.26***	-0.40***	-0.406***	0.00	1				
(6) Independent	941	1.45	0.50	1	2	0.01***	0.01	-0.01	0.07**	-0.03	1			
(7) Female	1,109	0.12	0.32	0	1	0.10***	0.06*	-0.04	0.00	-0.03	0.05	1		
(8) Age	921	56.68	10.46	23	83	0.06*	0.04	0.01***	-0.08**	-0.01	-0.23***	-0.20***	1	
(9) Ln(Age)	921	4.02	0.20	3.14	4.42	0.05	0.04	0.10***	-0.09***	-0.02	-0.22***	-0.20***	0.99***	1

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

Panel B. Institutional Factors

Variable	Obs.	Mean	S.D.	Min	Max
Country-level variables: Firm-level					
(1) Common	23	0.26	0.45	0	1
(2) Anti-Self-Dealing Index	21	0.58	0.28	0.16	1
(3) Social Security	21	0.63	0.19	0.20	0.82
(4) Job Security	10	1.76	0.81	0.6	3.4
(5) Procedures	21	8.10	4.10	2	16
(6) Own. Concentration (primary)	13	41.32	10.82	26.45	55.64
(7) Own. Concentration (emerging)	8	48.07	14.85	24.54	62.02
(8) Own. Concentration (construct)	16	43.85	11.25	26.45	60.35
(9) Own. Construct Dummy	23	0.13	0.34	0	1
Country-level variables: Director-level					
(10) Embeddedness	34	3.62	0.35	3.03	4.35
(11) Hierarchy	34	2.33	0.48	1.49	3.49
(12) Harmony	34	3.99	0.36	3.28	4.62
(13) Autonomy	34	4.07	0.36	3.465	4.76
(14) Egalitarianism	34	4.76	0.29	4.23	5.27
(15) Mastery	34	4.00	0.16	3.72	4.41
(16) TrustW45	34	30.90	16.78	8	74
(17) TrustW6	24	28.48	17.82	4.1	66.1
(18) Own. Concentration (primary)	18	41.21	11.62	13.94	55.64
(19) Own. Concentration (emerging)	9	52.32	11.18	24.97	62.02
(20) Own. Concentration (construct)	22	44.01	12.05	13.94	60.35
(21) Individualism	36	53.52	23.76	13	91
(22) Power Distance	36	51.67	20.84	11	104
(23) Uncertainty Avoidance	36	60.85	26.75	8	112
(24) Masculinity	36	52.40	19.54	5	95
(25) Traditionalism/Rationalism	38	-0.05	0.96	-1.96	1.85
(26) Survival/Self-Expresion	38	0.46	1.02	-1.65	2.19
(27) Dynamic Externality	23	64.34	6.54	56.8	80.9
(28) Societal Cynicism	23	56.07	4.39	48.2	63.5
(29) Tightness/Looseness	23	6.97	2.40	3.1	11.8

Table 4. Shareholderism, Values, and Country Fixed Effects

	(1)	(2)	(3)	(4)	(5)	(6)
Power	0.08*** [3.34]	0.07** [2.82]	0.08** [2.63]	0.08** [2.17]	0.07** [2.43]	0.07* [1.99]
Achievement	0.08*** [3.19]	0.09*** [2.95]	0.09** [2.66]	0.10** [2.63]	0.09*** [2.93]	0.10*** [2.89]
Self-Direction	0.07** [2.75]	0.06*** [3.10]	0.07*** [2.84]	0.06** [2.82]	0.08*** [3.43]	0.07*** [3.57]
Universalism	-0.25*** [-5.88]	-0.25*** [-5.54]	-0.27*** [-6.13]	-0.26*** [-5.78]	-0.27*** [-5.58]	-0.26*** [-5.34]
Independent		0.11** [2.14]		0.13** [2.54]		0.14** [2.64]
Female		0.20* [2.08]		0.16 [1.72]		0.18** [2.17]
In age		0.32** [2.76]		0.24** [2.53]		0.27** [2.69]
Firm Country FEs (select cases)	yes	yes	yes	yes	no	no
Canada	0.11*** [65.88]	0.15*** [18.26]	0.16 [1.08]	0.14 [0.93]		
Germany	0.20*** [23.12]	0.30*** [11.99]	0.25* [1.76]	0.34* [2.03]		
India	0.50*** [33.14]	0.50*** [18.58]	0.69*** [7.65]	0.66*** [7.20]		
Israel	0.35*** [49.85]	0.33*** [25.34]	0.59* [2.04]	0.48 [1.66]		
UK	0.21*** [30.87]	0.21*** [14.33]	0.28** [2.32]	0.27** [2.23]		
US	0.27*** [50.52]	0.26*** [52.59]	0.27** [2.56]	0.25** [2.09]		
Director Country FEs (select cases)	no	no	yes	yes	yes	yes
Canada			-0.05 [-0.25]	0.01 [0.04]	0.10* [2.07]	0.15** [2.42]
Germany			-0.05 [-0.25]	-0.03 [-0.16]	0.21*** [3.09]	0.28** [2.67]
India			-0.22* [-1.82]	-0.21* [-1.77]	0.33** [2.74]	0.30** [2.31]
Israel			-0.26 [-0.82]	-0.17 [-0.53]	0.28*** [6.20]	0.28*** [5.34]
UK			-0.05 [-0.30]	-0.06 [-0.35]	0.18* [1.73]	0.16 [1.45]
US			0.01 [0.04]	0.03 [0.20]	0.26*** [10.45]	0.26*** [7.12]
Constant	3.12*** [114.20]	1.64*** [3.39]	3.13*** [101.85]	1.94*** [4.73]	3.16*** [120.32]	1.84*** [4.25]
Observations	1,010	921	1,010	921	1,010	921
R-squared	0.140	0.160	0.181	0.202	0.153	0.175
Adj. R-squared	0.118	0.134	0.112	0.128	0.102	0.119

Robust t-statistics in brackets

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

Dependent variable: shareholderism (5-vignette)

Table 5. Shareholderism, Values, Culture, and Social Institutions

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Power	0.12*** [3.48]	0.09** [2.80]	0.09** [2.83]	0.09*** [2.90]	0.09** [2.66]	0.09** [2.78]	0.10** [2.84]	0.08** [2.32]	0.08** [2.15]	0.09*** [2.92]	0.06* [1.89]
Achievement	0.08** [2.71]	0.09*** [3.11]	0.09*** [2.87]	0.08*** [3.61]	0.09*** [3.11]	0.08** [2.83]	0.08** [2.71]	0.11*** [7.23]	0.09*** [3.11]	0.08*** [2.89]	0.12*** [10.24]
Self-Direction	0.11*** [3.26]	0.06** [2.62]	0.06** [2.52]	0.09*** [3.14]	0.06** [2.70]	0.06** [2.66]	0.07*** [2.94]	0.08*** [4.36]	0.06** [2.82]	0.07*** [3.12]	0.08** [2.83]
Universalism	-0.26*** [-5.50]	-0.25*** [-5.73]	-0.24*** [-5.59]	-0.27*** [-5.85]	-0.25*** [-5.59]	-0.25*** [-5.81]	-0.25*** [-5.61]	-0.28*** [-5.21]	-0.29*** [-6.24]	-0.26*** [-5.41]	-0.23*** [-3.10]
Independent		0.15*** [3.27]	0.14*** [2.97]	0.16*** [3.23]	0.16*** [3.31]	0.15*** [3.37]	0.16*** [3.49]	0.15*** [3.43]	0.16*** [3.42]	0.15** [2.85]	0.17** [2.80]
Female		0.19** [2.47]	0.20** [2.40]	0.18** [2.26]	0.19** [2.46]	0.19** [2.54]	0.20** [2.66]	0.25*** [5.63]	0.18** [2.36]	0.18** [2.20]	0.21*** [3.52]
In age		0.31** [2.60]	0.33** [2.79]	0.29** [2.46]	0.30** [2.57]	0.32** [2.72]	0.33** [2.79]	0.38* [2.25]	0.27** [2.27]	0.33** [2.59]	0.38* [1.98]
Common Law		-0.07 [-0.59]	-0.09 [-0.72]	-0.17 [-1.32]	-0.06 [-0.51]	-0.10 [-0.93]	-0.15 [-1.10]	0.06 [0.41]	-0.16 [-0.97]	-0.01 [-0.08]	-0.02 [-0.20]
Embeddedness		0.24* [1.99]						-0.59*** [-4.14]	-0.38* [-1.90]	-0.37* [-1.85]	-0.32 [-1.62]
Hierarchy			0.25** [2.70]								
Harmony				-0.29*** [-3.43]				-0.28*** [-3.36]	-0.16 [-1.68]	-0.24*** [-3.26]	0.09 [0.46]
Autonomy					-0.24* [-1.94]						
Egalitarianism						-0.49*** [-3.41]		-0.67* [-2.13]	-0.73** [-2.37]	-0.63** [-2.65]	-0.81*** [-4.04]
Mastery							0.68** [2.49]				
Anti-Self-Dealing								-0.08 [-0.38]	0.15 [0.59]		
Social Security								-1.52*** [-5.56]			
Job Security								0.19*** [3.38]			
Labor Protection									0.01 [0.02]		
Trust Wave 4-5									-0.00 [-1.23]		
Entry Procedures										0.03** [2.85]	
Agg. Blocks											0.00 [0.41]
Em. Dummy											0.22* [2.03]
Constant		1.04* [1.80]	1.24** [2.17]	3.16*** [5.09]	2.89*** [3.39]	4.21*** [4.67]	-0.86 [-0.71]	8.75*** [4.24]	7.55*** [4.10]	6.84*** [3.83]	6.23*** [3.16]
Observations		889	889	889	889	889	889	728	870	888	603
R-squared		0.12	0.12	0.12	0.12	0.12	0.12	0.14	0.14	0.14	0.13
Adj. R-squared		0.11	0.11	0.12	0.11	0.11	0.11	0.13	0.12	0.12	0.11

Robust t-statistics in brackets

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

Dependent variable: shareholderism (5-vignette)

Table 6. Shareholderism, Values, Culture - Alternative Theories

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Power	0.09** [2.28]	0.09** [2.27]	0.08** [2.23]	0.09** [2.27]	0.08** [2.29]	0.09** [2.71]	0.05 [1.74]	0.09* [1.95]
Achievement	0.10*** [3.58]	0.10*** [3.36]	0.09*** [3.27]	0.10*** [3.56]	0.09*** [3.35]	0.11*** [3.63]	0.12*** [3.85]	0.11** [2.52]
Self-Direction	0.08*** [3.11]	0.08*** [3.72]	0.08*** [3.00]	0.08*** [2.91]	0.08*** [3.97]	0.08*** [3.77]	0.07*** [3.39]	0.06** [2.74]
Universalism	-0.25*** [-5.01]	-0.25*** [-5.07]	-0.25*** [-5.05]	-0.25*** [-4.93]	-0.25*** [-5.21]	-0.22*** [-4.55]	-0.27*** [-5.98]	-0.28*** [-8.05]
Independent	0.15*** [3.18]	0.16*** [3.25]	0.16*** [3.44]	0.16*** [3.23]	0.15*** [3.20]	0.18*** [4.21]	0.16*** [3.77]	0.13** [2.57]
Female	0.21** [2.75]	0.21** [2.71]	0.22** [2.77]	0.21** [2.68]	0.22** [2.78]	0.23*** [2.98]	0.17* [2.02]	0.18** [2.21]
In age	0.33** [2.79]	0.32** [2.59]	0.31** [2.64]	0.32** [2.64]	0.32*** [2.95]	0.42*** [3.31]	0.20* [1.75]	0.22* [1.96]
Common Law	-0.04 [-0.30]	-0.05 [-0.37]	-0.08 [-0.59]	-0.06 [-0.41]	-0.08 [-0.53]	-0.01 [-0.05]	-0.13 [-0.89]	0.13 [1.12]
Individualism	-0.00 [-0.22]				-0.00 [-1.40]			
Power Distance		-0.00 [-0.02]			-0.00 [-1.19]			
Uncertainty Avoidance			-0.00 [-1.15]		-0.01** [-2.28]			
Masculinity				-0.00 [-0.51]	-0.00 [-0.45]			
Traditionalism/Rationalism						-0.01 [-0.14]		
Survival/Self-Expression						-0.10** [-2.16]		
Dynamic Externality							0.01 [1.43]	
Societal Cynicism							-0.00 [-0.45]	
Tightness/Looseness								0.01 [0.95]
Constant	1.85*** [3.47]	1.85*** [3.37]	2.06*** [4.72]	1.91*** [3.51]	2.51*** [4.76]	1.50*** [2.86]	1.87* [2.08]	2.03*** [3.68]
Observations	891	891	891	891	891	818	750	728
R-squared	0.110	0.110	0.113	0.110	0.116	0.121	0.120	0.126
Adj. R-squared	0.101	0.101	0.104	0.101	0.103	0.110	0.108	0.115

Robust t-statistics in brackets

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

Dependent variable: shareholderism (5-vignette)