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

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

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We present evidence on the way personal and institutional factors could together guide public company directors in decision-making concerning shareholders and stakeholders. In a sample comprising more than nine hundred directors originating from over fifty countries and serving in firms from twenty three countries, we confirm that directors around the world hold a principled, quasi-ideological stance towards shareholders and stakeholders, called shareholderism, on which they vary in line with their personal values. We theorize and find that in addition to personal values, directors' shareholderism level associates with cultural norms that are conducive to entrepreneurship. Among legal factors, only creditor protection exhibits a negative correlation with shareholderism, while general legal origin and proxies for shareholder and employee protection are unrelated to it.

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INTRODUCTION

Controversies over corporate purpose and the right way to handle shareholder and stakeholder relations have never been deeper despite decades of debate. In 2015, then Chief Justice of the Delaware Supreme Court, Leo Strine, Jr., sternly warned against “the dangers of denial” (2015: p. 768):

> 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.

But in 2019, 181 U.S. chief executive officers (CEOs) signed the Business Roundtable’s Statement on the Purpose of the Corporation, stating that they “share a fundamental commitment to all of our stakeholders.” (see also Hart and Zingales 2017; Mayer 2019). In the Covid-19 pandemic, the World Economic Forum (2020) committed to “stakeholder capitalism” as part of the effort “to win the war against coronavirus” and scholars started questioning whether firms’ stock price resilience during the pandemic relates to their corporate social responsibility activities (Ding et al. 2020; Albuquerque et al. 2020; Demers et al. 2020). Prominent U.S. firms have already gone beyond making pronouncements by eschewing business in certain states for social causes such as gay and transgender rights (Langley 2016). As some of these firms are incorporated in Delaware, one may wonder what their leaders were thinking when they made their decisions, arguably in defiance of Delaware law.

In this study, we set out to examine this question - namely, how directors address corporate purpose regarding shareholders and stakeholders against the backdrop of formal (legal) and informal (cultural) institutions and their personal values. We hypothesize and show that both values and culture play an important role in corporate leaders’ contemplation and that the law need not trump them.

We present a multi-level theoretical framework describing how directors exercise discretion over the shareholder-stakeholder dilemma. We argue that in favoring one constituency over another when a dilemma is unavoidable, directors are guided by both personal and social-institutional factors, where such institutions comprise both informal and formal ones (Hambrick 2007; Crossland and Hambrick 2011). We thus extend Adams, Licht and Sagiv’s (2011) evidence that such positions are guided by individual-level factors by considering the role of institutions. In this view, a director's strategic stance may be anchored firstly in her personal values; it may be affected by her cultural heritage; and it could also be sensitive to applicable law. She is more likely to side with shareholders the more compatible her values and social institutional environment are with an entrepreneurial conception of equity investment. Legal doctrine, however, might not be decisive or even dominant. Laws pertaining to other stakeholders (e.g., creditor rights) could be influential, and legal rules on the whole may or may not be dominated by culture and social norms.

To test our hypotheses, we implement a survey-based quasi-experimental approach. In order to get closer to discovering "what were they thinking", while also allowing for the role of culture and the law, we conduct an international survey with an updated version of the "shareholderism" survey instrument of Adams, Licht, and Sagiv (2011). We measure value preferences at the individual level using an advanced psychometric instrument based on the Schwartz (1992, 2016) theory of personal values. We draw on new institutional economics, institutional theory, and cross-cultural psychology (respectively, North 1990; Williamson 2000; Scott 2013; DiMagio and Powell 1983; Schwartz 1999, 2014) and law and finance (La Porta, Lopez-de-Silanes, and Shleifer 2008) to derive measures of informal and formal institutional factors that could affect managerial discretion (Hambrick 2007; Crossland and Hambrick 2007, 2011; Matten and Moon 2008; Ioannou and Serafeim 2012). Our final sample contains survey responses from some 900 directors from 55 countries serving in firms from 23 countries and accompanying measures of country-level culture and institutions. To our knowledge, our study is the first to integrate both individual values and the cultural heritage of directors to investigate their strategic stances in general and on the shareholder-stakeholder conundrum in particular.

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

Turning to the institutional level, we theorize that directors from a culture that is more conducive to entrepreneurship would be more prone to siding with shareholders. Consistent with theory, we find negative links between shareholderism and cultural embeddedness, harmony, and (more weakly) egalitarianism. These cultural orientations are *less* conducive to entrepreneurship, as they promote self-restraint, discourage exploitation and dynamic development, and endorse a view of all persons as moral equals, respectively. Among legal factors, we find that legal origin is unrelated to shareholderism. Directors' shareholderism correlates negatively with creditor protection, whereas legal shareholder- and employee protection are unrelated to it. While it is unlikely that individual directors' shareholderism stances could feed back and impact societies' culture and law, one might be concerned that these results are driven by potential omitted variable biases. As is common in the literature on slow-moving factors such as culture and the law (e.g. La Porta, Lopez-de-Silanes, and Shleifer 2008), we address these concerns by showing that they are robust to the inclusion of a variety of different country-level characteristics in our regressions.

Despite its key role in providing strategic guidance to the CEO, and, in some countries, even legal obligations to disclose the company's purpose (OECD 2015; Adams, Hermalin, and Weisbach 2010; compare Gartenberg, Prat and Serafeim 2019 on mid-level managers), there is little evidence on purpose formation at the board level or on the salience of the interests of shareholders and stakeholders to directors. Informed and motivated by Hambrick and Mason's (1984) upper echelon theory (see also Hambrick 1989, 2007; Jensen and Zajac 2004), much of the leadership literature has dealt primarily with demographic and otherwise observable attributes of CEOs and members of top management teams (TMTs) (see Bromiley and Rau 2016 for a survey). Using such indicators was justified "given the great difficulty obtaining conventional psychometric data on top executives (especially those who head major firms)," even though such use "leaves us at a loss as to the real psychological and social processes that are driving executive behavior, which is the well-known 'black box problem'" (Hambrick 2007: 335; see also Lawrence 1997). Notwithstanding the seniority of our respondents, they completed an advanced psychometric instrument on personal values thus allowing us to peek into the proverbial black box.

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

THEORY AND HYPOTHESES

Corporate leaders often have ample discretion in making strategic decisions (Hambrick and Finkelstein 1987). Their perception, assessment, and eventually, their choice of a particular 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 - as both of these factors motivate as well as constrain attitudes and actions. Specifically, we hypothesize that in situations that involve tensions between shareholders and stakeholders, directors' stances on addressing such tensions will be shaped by their personal value priorities and by the cultural context within which their decisions are couched (Aguilera *et al*. 2015; Licht 2004, 2015; Matten and Moon 2008; see Appendix A1 for a concise background on values and culture). In particular, the more directors' personal value profile and cultural heritage emphasize values that are compatible with entrepreneurship, the more likely they are to endorse a shareholderist corporate action, favoring shareholders over other stakeholders, consistent with the entrepreneurial role that equity plays in business firms.

The individual level

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

In examining corporate financial policies and CEOs' risk attitudes financial economists have looked at indirect indicators such as possessing private pilot licenses or owning a sports car as proxies for personal risk-taking (Cain and McKeon 2016) or sensation seeking (Sunder, Sunder, and Zhang 2017; Brown *et al*. 2016). Recent work considers CEOs' physical attributes such as height and facial structure in connection with firm strategy (Adams, Keloharju, and Knüpfer 2018; Kamiya, Kim, and Park 2018; compare Hahn *et al*. 2017). Graham, Harvey, and Puri (2013) administered psychometric tests in a survey of U.S. and non-U.S. CEOs and chief financial officers to assess risk preferences (see also Brenner 2014). Treating the Republican-Democratic divide as a proxy for ideology and using U.S. CEOs' political contributions to gauge it, others document links between such views and strategic outcomes, including with regard to stakeholders.[1] We discuss the informativeness of such proxies below, but one should note at the outset that they do not generalize well beyond their particular national settings so are not helpful for our purposes.

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

Adams, Licht, and Sagiv (2011) examined the links between value priorities of Swedish directors and CEOs and their shareholderism level. They found that higher shareholderism correlates positively with self-enhancement values of power and achievement and negatively with the self-transcendence universalism value. Shareholderism also correlated positively with self-direction, which, when considered together with power and achievement, constitute a distinct Schumpeterian entrepreneurial spirit (Schumpeter 1934; Kirzner 1973, 1999). This value profile endorses tolerance for uncertainty and disruption, seeking new and/or complex combinations, and attaining material success in competitive settings.[2] 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, especially in corporate governance systems that differ from Sweden in their cultural and legal environment such as the United States or the United Kingdom. Indeed, Roccas and Sagiv (2010: 1) argue that "the strength of the relationships between values and behavior differs across cultural groups." (see also Schwartz 2011). Thus, before we examine particular effects of culture and other societal factors on directors' shareholderism, we will first examine if Adams, Licht and Sagiv's (2011) results generalize, i.e., if the relations between values and shareholderism observed in Sweden obtain universally despite potential effects of such factors and when other societal factors could influence these relations. Hence:

> *Hypothesis 1: Directors will support shareholders' interests more (exhibit higher shareholderism) the more they emphasize power, achievement, and self-direction and de-emphasize universalism regardless of the national societal setting.*

The cultural level

Our theory of culture, law, and shareholderism is anchored in current views of culture as an informal social institution. "Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction" (North 1990: 3;

see Alesina and Giuliano 2015), where culture is "the latent, normative value system, external to the individual, which underlies and justifies the functioning of societal institutions" (Schwartz 2014: 6). Economists today agree that the cultural heritage of individual actors - namely, the belief systems in which they and/or their ancestors were socialized - could meaningfully affect their conduct (e.g., Guiso, Sapienza, and Zingales 2015; see Fernández 2011 for a review).

In the study of organizations, there is evidence that cultural heritage diversity within boards affects their performance and firm performance (Frijns, Dodd, and Cimerova 2016; Pan, Siegel, and Wang 2017; see also Giannetti and Zhao 2019). Research on the cultural heritage of directors is scant, however. Using surnames to capture cultural origin, Liu (2016) aggregates information on the cultural background (country of ancestry) of officers and directors in U.S. firms to measure the relation between firm-specific corporate culture and corruption (compare Pan, Siegel, and Wang 2020 with regard to CEOs and risk; Brochet et al. 2019 on managers and optimism). Park and Zhang (2020) document how home institutional environment could constrain the effectiveness of independent directors (see also Klüppel, Pierce and Snyder 2018).

The role of cultural heritage in shaping directors' positions has not been studied, to our knowledge, but presumably culture functions as a constraint on the range of likely positions. We expect directors' propensity to address shareholder-stakeholder dilemmas to be in line with their personal values and their cultural heritage, with both factors playing a role. Directors will adjust their preferred action for their firm, given their personal values, such that it is more likely to be consistent with societal values because their culture may amplify (or weaken) the motivational influence of their values and/or because they strategically seek to gain societal support and avoid opprobrium for their firm. Two equally entrepreneurial directors could thus assess the same dilemma differently, depending on what their culture indirectly channels them to perceive as acceptable and expected conduct (compare Giorgi, Maoret, and Zajac 2019).

We firstly hypothesize a positive link between cultural egalitarianism and directors' pluralist, multi-stakeholder position. Egalitarianism conceptualizes all people as moral equals, whereas cultural hierarchy condones differential treatment of societal members as more or less worthy than others. In hierarchical societies, the legitimacy of shareholder *primacy* would seem natural, in the spirit of Strine's (2015) above quote, 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." In contrast, in egalitarian societies, people may cringe at this very idea, which connotes subordination of certain corporate constituencies to shareholders' interest (see also Jones, Felps, and Bigley 2007; Bosse, Phillips, and Harrison 2009; Orlitzky 2015).

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

> *Hypothesis 2: Directors will support shareholders' interests more (exhibit higher shareholderism) the more their cultural heritage emphasizes hierarchy and de-emphasized egalitarianism.*

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

> *Hypothesis 3: Directors will support shareholders' interests more (exhibit higher shareholderism) the more their cultural heritage emphasizes mastery and de-emphasizes harmony.*

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

> *Hypothesis 4: Directors will support shareholders' interests more (exhibit higher shareholderism) the more their cultural heritage emphasizes embeddedness and de-emphasizes autonomy.*

In contrast to the above hypotheses, we do not advance specific hypotheses about legal rules that purport to regulate shareholder-stakeholder dilemmas. Flammer and Kacperczyk (2016) find that U.S. stakeholder-related legislation could affect firm strategy. Common law and civil law jurisdictions have been characterized as shareholder-oriented and stakeholder-oriented, respectively (Bradley *et al*. 1999; Liang and Renneboog 2017), but laws from both origins sometimes defy such neat classification (Licht, 2015). Crucially, Adams, Licht, and Sagiv (2011) have shown that Swedish directors and CEOs choose between shareholders and stakeholders seemingly heedless to an established legal doctrine that calls for maximizing profits, i.e., shareholder wealth (as it happens, in a civil law system that Sweden has). These findings echo the Business Roundtable statement, ostensibly in defiance of applicable Delaware law.

In addition to general doctrines on shareholder primacy, multiple legal rules regulate the relations with stakeholders such as creditors, employees, etc. These rules would be found in bankruptcy laws, labor laws, and so forth. With regard to exercising strategic discretion in shareholder-stakeholder dilemmas, it is unclear whether laws that protect certain stakeholders

- say, creditors - would encourage a director also to side with them, if she considers those laws as expressive social norms. Equally plausibly, a director may consider high legal protection afforded to such stakeholders as a license to promote shareholder interest.

The mechanisms that relay the influence of legal injunctions to directors' shareholderism are also unclear. While laws are conventionally viewed as institutional constraints, it requires a leap of faith to assume that directors are versed in all the specific regulations and relevant legal doctrines. Schnyder, Siems, and Aguilera (2018: 25) argue, moreover, that the Law and Finance approach "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" and that the legal origin concept is "essentially void of any substantive meaning and may boil down to cultural rather than legal differences among countries." Thus, we examine the empirical correlation between shareholderism and formal legal institutions, as proxied by legal regulations pertaining to the major stakeholders in every firm , as well as self-constructed measures of the shareholder-orientation of national laws, while remaining agnostic about the signs one should expect on these correlations.

METHODS

Sample and data collection

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

Although our sample is anything but representative it is quite large, with some 1000 respondents overall. Importantly, the sample has substantial representation of major economies and, with smaller subgroups, a wide coverage of 55 countries of origin of directors who serve in firms from 23 countries. 18.5 percent of the respondents grew up in a country different from the one in which they serve and are defined as "expatriates". This provides for the variability at the cultural and institutional level necessary for us to identify the separate effects of birthplace culture and institutional work environment on directors' stances.

[Table 1 about here]

Measures

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

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

To assess board members' shareholderism stances we implemented a slightly modified version of Adams, Licht, and Sagiv's (2011) quasi-experimental approach of using vignettes on shareholder-stakeholder conflicts that are primarily based on legal 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).

We borrow one vignette from Tetlock (2000) which features a board's decision to select a corporate purpose statement for the company's website from among two versions: one highlighting shareholder value as an overarching goal and one that features a variety of sometimes conflicting stakeholder interests that should be constantly balanced. This vignette has particular relevance for the current discussion about the role of shareholderism in light of the 2019 French law requiring certain large companies to adopt such purpose statements.

The remaining law-based vignettes capture genuine shareholder-stakeholder dilemmas regarding different corporate constituencies: the general public, employees, creditors, and the immediate community. These dilemmas were the basis of seminal court cases in which directors were sued for prioritizing shareholders over other stakeholders or vice versa. The courts did not rule on these cases in the same way, e.g. all in favor of shareholders, so there is no clear, socially desirable, "correct" answer.[3] Each vignette specifies two stylized propositions capturing the underlying decision on which directors had to vote in the original case, one favoring shareholders and one favoring the non-shareholder constituency. Survey participants reported their agreement with each proposal using a 6-point scale ranging from "strongly agree" to "strongly disagree." Appendix A2 presents the full set of vignettes.

To illustrate this approach, we elaborate on how we dealt with shareholders-creditors relations. 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, while 99 percent of the shareholders approved it. In dismissing the claim, the Supreme Court of Canada adopted a bold stakeholderist approach, in stark contrast to Delaware law:

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

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

[Table 2 about here]

Finally, we implemented standard recommendations for minimizing common method bias (Podsakoff, MacKenzie, and Podsakoff 2012).[4] In addition to centering scores, both the values and sharheolderism modules are fully balanced in terms of possible responses. By ensuring that there is no salient choice this approach blunts the effect of sociability and social desirability. Moreover, respondents had to complete a short task of visual perception and analytical judgment between the values and the shareholderism modules to ensure temporal and methodological separation of measurement.

Additional data and control variables

We utilize the 2006 release of the Schwartz cultural orientation dataset, which is in standard use in the literature. Countries' classification into cultural regions comes from Schwartz

(2014). For comparative tests we use data on the Hofstede (2001) and Inglehart (1997) dimensions drawn, respectively, from Hofstede's website and the World Values Survey (WVS) website. Data on Bond and Leung's theory of cultural social axioms are drawn from Bond *et al.* (2004). Data on cultural tightness/looseness come from Gelfand *et al*. (2011).

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

We augment this conventional set of legal control variables with a novel score of perceived national legal shareholderism. To assess the degree to which corporate laws endorse shareholder primacy we polled corporate law professors at leading universities in our sample countries, asking them to assess how shareholder-oriented the laws in their country are on a non-numbered scale.[5] We report the average scores for our respondents in Panel A of Table 1. Respondents' perceptions of the meaning of shareholder primacy likely vary and the number of respondents per country is low (ranging from zero to five), so the scores should be treated with some caution though probably without concerns about bias (Kaufmann, Kraay and Mastruzzi 2007). These scores thus offer a unique expert perspective on the question at hand which is useful for assessing the robustness of our results.

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 (2018). These authors construct ownership concentration measures by summing the equity holdings (voting rights) of the single, three, and five largest shareholders for all public firms.

For robustness checks we use data according to Holderness (2016, 2017), kindly provided by Clifford Holderness.

Directors typically sit on the boards of more than one firm at a time. These firms may have vastly different characteristics.[6] It is therefore unclear to what extent we should expect the coefficients on values to be biased due to omitted firm characteristics. As Adams, Sagiv and Licht (2011) show, including firm characteristics for the responding firm does not affect the coefficients on values significantly. Nevertheless, to perform a robustness check that includes a respondent firm characteristic, we match directors' respondent company to Capital IQ on firm name. While Capital IQ has comprehensive coverage, disclosure regimes for accounting variables differ across the countries in our sample. Because market data is more readily available, we ultimately focus on 2011 market capitalization (price at year end * number of shares outstanding) as our main firm characteristic.

ANALYSIS AND RESULTS

To motivate the analysis, we begin with a quick overview and a simple demonstration of the importance of both the individual and cultural factors. Figure 1 presents the distribution of shareholderism raw scores in the full sample. The normal-like shape of the histogram shows that very few directors appear to endorse strict shareholder primacy or complete stakeholderism. This is noteworthy because legal injunctions in at least some systems - most notably, Delaware - might lead one to expect a bimodal distribution. That this is not the case (also in the U.S. sample alone; not shown), shows that directors map shareholder-stakeholder dilemmas onto a continuum rather than dichotomous positions. Figure 2 presents histograms of shareholderism score residuals in the entire sample, after partialling out the complete set of institutional-level factors (Panel A) and individual-level factors (Panel B) that we use in our regressions below. One can readily observe the substantial variation in the residuals in both panels, suggesting that factors at both levels should be accounted for in examining corporate purpose issues around the world.

[Figures 1 and 2 about here]

Focusing on the individual level, we note that shareholderism scores 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.[7] We therefore proceed to testing H1.

[Table 3 about here]

Table 3 reports regressions of shareholderism scores on the four values, personal demographics of age, gender, and insider (i.e., executive or non-independent) director status, and country fixed effects to control for the role of omitted institutional factors, including culture and law. Throughout the paper we correct all standard errors for clustering at the firm's headquarter country level. We enter fixed effects for the firm's headquarter country, for the director's country of origin, and for both.[8] Finally, we enter a dummy variable labeled "Expatriate" taking a value of 1 if the director's country of origin differs from the firm's headquarters country and 0 otherwise. These specifications examine if, taken as a whole, social institutions in the firm/director country, as captured by the fixed effects, affect the links between personal values and shareholderism, while controlling for basic demographic factors. The results confirm that they do, as indicated in Figure 2. At the same time, the links between all four values and shareholderism remain statistically significant at conventional significance levels. The latter point is important because the fixed effects specification should relieve potential concerns about country-level omitted-variable bias. Thus, our results support H1.

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

We begin the analysis of the role of institutional factors by exploring differences in shareholderism across cultural regions. Beugelsdijk, Kostova, and Roth (2017: 35) note that "cultural values exhibit marked discrete jumps at the boundaries of supra-national cultural zones, which are more pronounced than the differences at the country levels." Karolyi (2016) makes a similar point from a financial economics perspective.

[Table 4 about here]

Table 4 presents *t*-test results of differences between means of shareholderism across regions distinguished by Schwartz (Panel A), Ronen and Shenkar (Panel B), and Inglehart (Panel C).[9] For example, in the Schwartz cultural regions, directors from the English Speaking region are on average higher on shareholderism than directors from Western European countries, although the difference between regional means is not too large. However, in the Ronen-Shenkar framework, the Anglo region does not differ from the Germanic/Nordic region or from the Latin-Europe/Near-East region. In the Inglehart regions, this difference obtains with regard to Catholic Europe but not with regard to Protestant Europe. These findings thus provide only weak support to general perceptions of Western Europe as particularly more stakeholder-oriented.

Before proceeding to the regressions, a methodological remark is in order. Our data have a hierarchical structure in that information about board members is grouped by countries such that the independence assumption of OLS regression is questioned. Substantively, one may want to know if the role of personal values (say, power) depends on higher of lower levels of certain cultural orientations (say, egalitarianism). While clustering or fixed effects regressions may address the issue, in order properly to assess the effects of the higher-level factors - national institutions, in particular - a multi-level (hierarchical) analysis may be called for, which would also consider interactions between the two levels of analysis (see Schwartz (2011) on culture, values, and behavior; Crossland and Hambrick (2011) on 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, our sample comprises a singleton or a few directors for many countries, such that it features substantial variation across countries but not enough intraclass variation to support inter-level analyses (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. To assess the role of culture we enter three polar orientations of the Schwartz dimensions - namely, egalitarianism, harmony, and embeddedness. We use polar orientations to avoid collinearity with the opposing orientations. All the specifications include the four personal values of power, achievement, self-direction, and universalism, as well as demographic controls for insider director status, gender, and age. In these specifications we do not include country fixed effects, since our main explanatory variables (culture and law) are collinear with the fixed effects. Instead, we address potential omitted variable concerns through the inclusion of other country-level factors.

The regressions present different specifications of informal (cultural) and formal (legal) institutional factors. The cultural factors are determined by the director's country of origin, namely, the self-reported country in which s/he grew up. To the extent that a director's strategic stances are sensitive to his or her cultural heritage, that heritage would be determined by their country of origin. The legal factors, ownership concentration data, and CSR scores relate to the headquarters country of the director's company, the logic being that in addressing the vignettes he or she are likely to assume, by default, that the scenario takes place in the same country in which they serve as directors. In all the regressions we control for log of GNP per capita and for legal origin of the firm's country.[10] National income has been shown to relate to value preferences in countries and in individuals (respectively, Inglehart 1997; Rudnev, Magun, and Schwartz 2018). While directors' income likely differs from the national average, their perception of the country's capacity to provide for the economic well-being of its residents may affect the way they weigh the interests of different stakeholders. Legal origin, according to a common-law/civil-law distinction, captures a general "style" of the legal system as a whole (Zweigert and Kötz 1998; La Porta *et al*. 2008). A common law origin could proxy for a broad shareholder-primacy policy, although this is debatable, as noted above. We also enter a dummy variable to control for a mixed jurisdiction legal origin (Tetley, 2000).[11]

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

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

The effect of personal values and culture is robust to economic development. At the same time, national wealth exhibits a stable negative relation to shareholderism. Directors in richer countries tend to be more stakeholderist, all else being equal. This result should not be confused with post-materialist values *à la* Inglehart (1997) because values at both the individual and cultural levels are accounted for. This finding is open to different interpretations and invites theory development beyond the present scope.

We proceed to consider legal factors. A common law affiliation of the legal system shows virtually no relation to directors' shareholderism.[12] This result thus challenges arguments that common law leads directors to endorse shareholder primacy (see e.g., Liang and Renneboog 2017). A similar no-relation result obtains for the perceived level of national legal shareholderism of the country's corporate law (Column 5). This result is consistent with Anderson et al.'s (2007) finding that an overwhelming majority of directors in Australia, a high-legal-shareholderism country, believe that the law of directors' duties was broad enough to allow them to consider the interests of non-shareholder stakeholders.

The next regressions investigate the role of more focused legal regulation. In Columns 6-10, we enter measures for legal regulation pertaining to shareholder, creditor, and employee protection, and the regulation of entry separately and then together. In the combined specification (Column 10), creditor rights have a negative sign and regulation of entry - a positive sign; shareholder and employee protection do not relate meaningfully to shareholderism. These results do not lend themselves to straightforward interpretation, because, as noted above, the mechanisms that could relay the influence of legal regulation to directors' shareholderism are not specified. In any event, the results do not suggest that values' and culture's influence is dominated by legal injunctions.

We next consider the corporate governance environment. In Column 11, we control for the national average of ownership concentration, proxied by the voting rights holdings of the largest shareholders in public firms.[13] Ownership concentration may affect strategic decisions in various ways, including with regard to relations with stakeholders (Desender and Epure 2015; Zeitoun and Pamini 2015; Desender *et al*. 2013; Clark, Murphy, and Singer 2014; see Holderness 2017 on egalitarianism and ownership concentration). This view is not borne out in our analysis, however. While values, insider director status, and other factors retain their sign, ownership concentration exhibits no link to directors' shareholderism.

Next, we look at the role of CSR social norms. All else being equal, if more firms in a country engage in CSR activities, beyond legal requirements, board members may feel justified in supporting stakeholderist strategies thanks to social normative pressures (Cialdini and Trost 1998). Unfortunately, data for reliably testing this hypothesis is not currently available,[14] yet for the sake of completeness we present a specification that includes national scores using MSCI data but do not get meaningful results (Column 12). Finally, in Column 13, we control for firms' market capitalization. Although the coefficient is statistically significant it is virtually nil in size. One notable effect is that the positive role of the power value weakens. This result is consistent with selection processes that channel directors who are especially high on power to larger firms.

[Table 6 about here]

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

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

DISCUSSION

Using political contributions as a proxy for values, strategic management scholars have shown that conservative vs. liberal tendencies affect CSR choices by CEOs, directors, and firms (Chin, Hambrick, and Treviño 2013; Gupta and Wowak 2017; Gupta, Briscoe, and Hambrick 2017). Financial economists have used owning a private airplane pilot license or sports cars as proxies for risk- or sensation seeking (Sunder, Sunder, and Zhang 2017; Brown *et al.* 2016). Private airplanes and sports cars don't travel well, however; neither do political contributions. Such proxies may be observable and unobtrusive, but they are also idiosyncratic and could carry different social meanings in different countries. Studies that used political contributions nearly invariably employ a Democrat-Republican/left-right/liberal-conservative distinction, notwithstanding reservations among scholars that this framework is limited (e.g., Feldman and Johnston 2013; Piurko, Schwartz, and Davidov 2011). It could be particularly insufficient for cross-national comparisons.

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

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

The present findings are particularly pertinent for policy-makers intent on leveraging legal reform for inducing social change. U.S. Senator Elizabeth Warren (D-Mass.) thus proposed legislation that would require very large American corporations to consider the interests of all corporate stakeholders (Warren 2018). More recently, the European Commission's widely-publicized study on directors' duties and sustainable corporate governance asserts, without much evidence, that "Key Problem Driver 1" is that "[d]irectors' duties and company's interest are interpreted narrowly and tend to favour the maximisation of shareholders' value", which in turn "leads directors to focus on short-term financial results", thus mostly affecting employees and society at large. The report therefore proposes to "clarify the fiduciary duty of corporate directors [such that] when acting in the interests of the company, directors should properly balance [stakeholders'] interests, alongside the interest of shareholders" (European Commission 2020: 42, 51). The present results suggest, however, that corporate leaders probably cannot be told what to do with regard to shareholders and stakeholders, including by legal injunctions. The corporate leaders featured in the *Wall Street Journal* (Langley 2016) likely are aware of U.S. litigation risk, yet still did what they perceived as the right thing. Our sample directors indicate that they would do the same. The same likely applies to France's 2019 PACTE Law mentioned above. Policy-makers who wish to promote stakeholder interest thus might prefer an enabling framework like the U.S. benefit corporation.

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

A large literature examining diversity on boards, especially in terms of gender and ethnicity, supports the idea that group composition affects members' incentives to work together (see Adams 2017; Rhode and Packel 2014 for surveys). Research on demographic faultlines shows that within-group fissures increase conflicts and decrease team cohesion beyond mere diversity (Thatcher and Patel 2011; 2012; Bezrukova et al. 2009). Directors' diversity in personal attributes and skill sets could facilitate less conformist firm strategies while adversely affecting performance (Giannetti and Zhao 2019; Adams, Akyol and Verwijmeren 2018). In tandem, cultural heritage diversity could facilitate creative performance at the team level (Jang 2017). Since taking a board seat is usually a matter of choice rather that a forced decision, directors are likely to adhere to their extant value priorities and beliefs (Bardi et al. 2014; Goodwin, Polek and Bardi 2012). In developing their boards, firms should realize that diversity in these psychological traits and their effect on strategic decisions may yield to group dynamics only to a certain degree (Cronin, Weingart and Todorova 2011), and remain stable and affect corporate performance.

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

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

CONCLUSION

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

FIGURES

Figure 1. Shareholderism raw scores

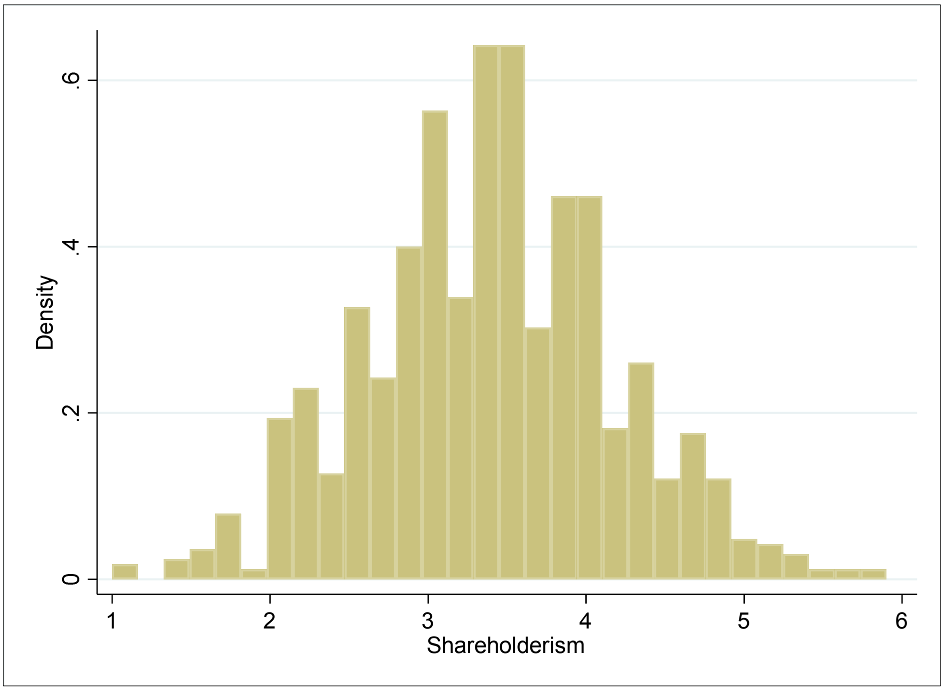
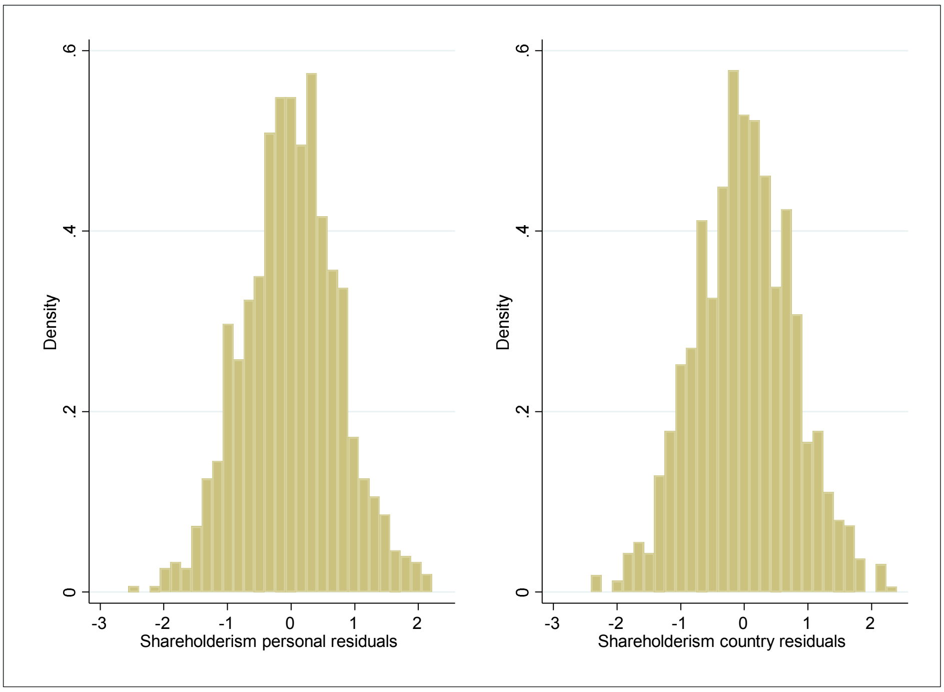


Figure 2. Shareholderism score residuals



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ENDNOTES

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

[2] Gans, Stern, and Wu (2019); Holland and Shepherd (2013); Licht (2007); Locke and Baum (2006); Morales, Holtschlag, and Marquina (2015).

[3] The 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); BCE Inc. v. 1976 Debentureholders. 2008 SCC 69 (creditors); Shlensky v.Wrigley. 1968. 237 N.E.2d 776 (community). The cases come from common law jurisdictions because of the stylistic convention in such jurisdiction to provide a rich factual background that is necessary for assessing the relevance of the case. The vignettes were stripped of firm identifying details. See Appendix A2.

[4] 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).

[5] We asked respondents to locate their country's law on a continuous scale without numbered notches in order to avoid priming about the desirability of either shareholderism or stakeholderism. We also asked participants to classify this degree categorically, as "pro-shareholders" or "pro-stakeholders."

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

[7] 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).

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

[9] 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.

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

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

[12] 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.

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

[14] The major data providers that compile firm-level CSR scores such as MSCI and ThomsonReuters today benchmark their scores by industry across countries. This practice renders firms' scores incomparable within countries. National averages of CSR activities that once could be computed as proxies for CSR norms among firms (e.g., Siegel, Licht, and Schwartz, 2013) are currently not available, to our knowledge. Liang and Renneboog (2017) nonetheless analyze such averages.

Table 1. Sample Composition

A. Firm Countries

Firm's Country	#	Legal Origin	Legal Share'ism
Australia	127	UK	9
Austria	2	GE	3
Canada	142	UK	7
Germany	32	GE	4
HongKong	4	UK	9
India	59	UK	5
Ireland	5	UK	7
Israel	78	UK	8
Italy	13	FR	6
Jordan	4	FR	8
Korea	8	GE	8
Kuwait	7	FR	
Malaysia	3	UK	
Mexico	6	FR	8
Peru	4	FR	
SaudiArabia	5	UK	
Singapore	5	UK	9
SouthAfrica	28	UK	
Spain	5	FR	9
Switzerland	29	GE	8
Taiwan	5	GE	8
UK	76	UK	9
US	462	UK	10

B. Director Countries

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

Table 2. Summary Statistics

A. Individual Factors

Variable	Obs.	Mean	S.D.	Min	Max							
Shareholderism	1,010	3.50	0.83	1.00	5.88	1.00						
Power	1,109	0.55	0.75	-1.69	3.03	0.21	1.00					
Achievement	1,109	0.03	0.79	-2.60	3.33	0.19	0.41	1.00				
Self-direction	1,109	-0.83	0.63	-2.58	1.55	0.08	0.09	-0.06	1.00			
Universalism	1,109	-0.29	0.60	-2.21	2.05	-0.26	-0.40	-0.41	0.00	1.00		
Insider	941	0.45	0.50	0.00	1.00	0.09	0.01	-0.01	0.07	-0.03	1.00	
Female	1,109	0.12	0.32	0.00	1.00	0.11	0.06	-0.04	0.00	-0.03	0.05	1.00
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
"Expatriate"	1,109	0.18	0.39	0.00	1.00	-0.06	0.03	-0.01	0.01	-0.10	0.03	-0.08

B. Firm-level factors

Variable	Obs.	Mean	S.D.	Min	Max
Market Cap	712	6379	23284	0.00	211894

C. Country-level institutional factors

Variable	Obs.	Mean	S.D.	Min	Max
1. Firm-country					
Common	23	0.26	0.45	0.00	1.00
Anti-Self-Dealing Index	21	0.58	0.28	0.16	1.00
Employee Protection	18	2.14	0.53	1.15	3.03
Creditor Rights	23	5.91	2.73	0.00	11.00
Entry Procedures	23	7.09	3.25	2.00	14.00
MSCII CSR Score	21	2.83	0.69	1.13	4.00
Ownership Concentration	23	32.65	10.60	12.30	52.40
ln (GNP/capita)	22	10.31	0.73	8.43	11.32
2. Director-country					
Egalitarianism	37	4.75	0.30	4.23	5.27
Harmony	37	4.00	0.34	3.28	4.62
Embeddedness	37	3.63	0.38	3.03	4.45
Individualism	37	52.51	24.17	13.00	91.00
Power Distance	37	51.41	21.03	11.00	104.00
Uncertainty Avoidance	37	61.00	26.44	8.00	112.00
Masculinity	37	52.16	19.29	5.00	95.00
Traditional/Rational	40	0.02	-0.97	1.96	1.85
Survival/Self-Expression	40	0.46	-1.04	1.65	2.19
Dynamic Externality	24	64.37	6.45	56.80	80.90
Societal Cynicism	24	56.42	4.55	48.20	63.70
Tightness/Looseness	23	6.90	2.47	3.10	11.80

Table 3. Shareholderism, Values, and Country Fixed Effects

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

Table 4. Differences between Cultural Region Means of Shareholderism

A. Schwartz Regions

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

B. Shenkar & Ronen Regions (partially consolidated)

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

C. Inglehart Regions

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

Table 5. Shareholderism, Culture, Law, and Values

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Egalitarianism	-0.29**			-0.46	-0.48	-0.47	-0.54*	-0.41	-0.39	-0.49*	-0.44	-0.41	-0.46
	[0.03]			[0.15]	[0.19]	[0.13]	[0.08]	[0.24]	[0.19]	[0.10]	[0.19]	[0.22]	[0.10]
Harmony		-0.27***		-0.30***	-0.32***	-0.31***	-0.27***	-0.28***	-0.27***	-0.20**	-0.30***	-0.30***	-0.25***
		[0.00]		[0.00]	[0.01]	[0.00]	[0.01]	[0.00]	[0.00]	[0.01]	[0.01]	[0.01]	[0.00]
Embeddedness			0.03	-0.46**	-0.52*	-0.50**	-0.47**	-0.49*	-0.45**	-0.48**	-0.46**	-0.54**	-0.37*
			[0.73]	[0.04]	[0.05]	[0.03]	[0.03]	[0.06]	[0.03]	[0.03]	[0.05]	[0.04]	[0.10]
ln GNPc	-0.07	-0.12**	-0.09*	-0.14***	-0.14**	-0.15***	-0.09*	-0.20***	-0.05	0.04	-0.15***	-0.15***	-0.14***
	[0.11]	[0.01]	[0.05]	[0.00]	[0.02]	[0.00]	[0.07]	[0.01]	[0.20]	[0.73]	[0.00]	[0.00]	[0.00]
Common Law	0.03	-0.04	0.09	-0.05	-0.05	-0.06	0.04	-0.11	0.04	0.22	-0.07	-0.06	-0.10
	[0.73]	[0.67]	[0.41]	[0.58]	[0.68]	[0.56]	[0.73]	[0.41]	[0.61]	[0.33]	[0.41]	[0.52]	[0.31]
Mixed Jurisdiction	0.41***	0.46***	0.42***	0.51***	.	0.52***	0.46***	0.50***	0.61***	0.55***	0.52***	0.56***	0.52***
	[0.00]	[0.00]	[0.00]	[0.00]	.	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]
Legal Shareholderism					-0.01								
					[0.85]								
Anti-Self-Dealing						0.03				-0.07			
						[0.89]				[0.78]			
Creditor Rights							-0.02			-0.04**			
							[0.25]			[0.01]			
Employee Protection								-0.10		-0.05			
								[0.27]		[0.49]			
Entry Procedures									0.03***	0.04***			
									[0.00]	[0.00]			
Ownership Concenration											-0.00		
											[0.64]		
MSCII CSR Score												-0.05	
												[0.64]	
Market Cap													0.00***
													[0.00]
Power	0.09**	0.09**	0.09**	0.09**	0.09**	0.09**	0.09***	0.09**	0.08**	0.08**	0.09**	0.09**	0.06
	[0.01]	[0.01]	[0.01]	[0.01]	[0.01]	[0.01]	[0.01]	[0.01]	[0.01]	[0.02]	[0.01]	[0.02]	[0.14]
Achievement	0.09***	0.09***	0.09***	0.09***	0.09***	0.09***	0.09***	0.09***	0.09***	0.09***	0.09***	0.09***	0.09**
	[0.01]	[0.00]	[0.00]	[0.01]	[0.01]	[0.01]	[0.00]	[0.01]	[0.00]	[0.01]	[0.01]	[0.01]	[0.02]
Self-Direction	0.05**	0.06**	0.06**	0.07***	0.08***	0.07***	0.07***	0.07***	0.07***	0.07***	0.07***	0.07***	0.08**
	[0.03]	[0.01]	[0.02]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.04]
Universalism	-0.24***	-0.25***	-0.23***	-0.25***	-0.26***	-0.25***	-0.25***	-0.25***	-0.25***	-0.25***	-0.25***	-0.25***	-0.21***
	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]
Insider	0.14**	0.14**	0.13**	0.14**	0.13**	0.14**	0.13**	0.14**	0.13**	0.12**	0.14**	0.14**	0.14***
	[0.01]	[0.01]	[0.01]	[0.01]	[0.03]	[0.02]	[0.02]	[0.01]	[0.02]	[0.03]	[0.01]	[0.02]	[0.01]
Female	0.20**	0.18*	0.20**	0.18*	0.19*	0.18*	0.19**	0.19*	0.17*	0.18*	0.18*	0.18*	0.17
	[0.03]	[0.05]	[0.03]	[0.06]	[0.06]	[0.06]	[0.05]	[0.05]	[0.09]	[0.07]	[0.06]	[0.06]	[0.18]
ln Age	0.30**	0.28**	0.29**	0.28**	0.30**	0.28**	0.30**	0.29**	0.27**	0.31**	0.28**	0.28**	0.34**
	[0.01]	[0.02]	[0.01]	[0.02]	[0.02]	[0.02]	[0.02]	[0.02]	[0.02]	[0.02]	[0.02]	[0.02]	[0.01]
Constant	4.13***	4.42***	2.89***	8.60***	8.91***	8.89***	8.44***	9.21***	6.89***	6.45**	8.63***	8.90***	7.90***
	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.01]	[0.00]	[0.00]	[0.00]
Observations	902	902	902	902	862	900	902	889	902	888	902	896	702
R-squared	0.13	0.14	0.13	0.14	0.14	0.14	0.14	0.14	0.15	0.15	0.14	0.15	0.13
Adjusted R-squared	0.12	0.13	0.12	0.13	0.12	0.13	0.13	0.13	0.14	0.14	0.13	0.13	0.11

Table 6. Shareholderism, Culture, Law, and Values - Alternative and Additional Dimensions

	(1)	(2)	(3)	(4)	(5)	(6)
Egalitarianism				-0.41		-0.23
				[0.38]		[0.62]
Harmony				-0.21		-0.44***
				[0.30]		[0.01]
Embeddedness				-0.41**		-0.55**
				[0.03]		[0.05]
ln GNPc	-0.10	-0.07	-0.10*	-0.12**	-0.07	-0.10**
	[0.12]	[0.12]	[0.07]	[0.02]	[0.22]	[0.02]
Common Law	0.05	0.12	-0.01	-0.14	0.14	-0.02
	[0.68]	[0.32]	[0.95]	[0.26]	[0.35]	[0.87]
Mixed Jurisdiction	0.42***	0.38***	0.39***	0.48***	1.00***	1.10***
	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]
Individualism	-0.00					
	[0.20]					
Power Distance	-0.00					
	[0.10]					
Uncertainty Avoidance	-0.00*					
	[0.05]					
Masculinity	-0.00					
	[0.77]					
Traditional/Rational		0.03				
		[0.70]				
Survival/Self-Expression		-0.07				
		[0.11]				
Dynamic Externality			0.00	0.01		
			[0.39]	[0.69]		
Societal Cynicism			-0.01	-0.00		
			[0.41]	[0.57]		
Tightness					0.00	0.04*
					[0.84]	[0.08]
Power	0.08**	0.09**	0.05	0.06	0.09*	0.08*
	[0.05]	[0.02]	[0.12]	[0.11]	[0.08]	[0.07]
Achievement	0.10***	0.11***	0.12***	0.12***	0.10**	0.10**
	[0.00]	[0.00]	[0.00]	[0.00]	[0.03]	[0.03]
Self-Direction	0.07***	0.06**	0.07**	0.07***	0.06**	0.07***
	[0.01]	[0.01]	[0.01]	[0.01]	[0.02]	[0.00]
Universalism	-0.25***	-0.22***	-0.27***	-0.27***	-0.28***	-0.30***
	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]
Insider	0.13**	0.16***	0.14***	0.14**	0.13**	0.13**
	[0.02]	[0.00]	[0.01]	[0.01]	[0.04]	[0.04]
Female	0.21**	0.23**	0.17	0.15	0.20**	0.19*
	[0.04]	[0.02]	[0.11]	[0.18]	[0.05]	[0.06]
ln Age	0.28**	0.36***	0.18	0.18	0.22*	0.21*
	[0.02]	[0.00]	[0.12]	[0.11]	[0.06]	[0.05]
Constant	3.65***	2.51***	3.69***	8.06***	2.98***	7.99***
	[0.00]	[0.00]	[0.01]	[0.01]	[0.00]	[0.00]
Observations	896	824	755	755	733	733
R-squared	0.13	0.14	0.13	0.14	0.13	0.15
Adjusted R-squared	0.12	0.12	0.12	0.12	0.12	0.14