

# Shareholderism around the World: Corporate Purpose, Culture, and Law

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## A.1. Measuring Shareholderism

To measure shareholderism we presented directors with the following 5 vignettes. The first 4 vignettes represent scenarios underlying legal cases involving conflicts between shareholders and different stakeholder constituencies. Directors were not informed that the vignettes represented real-life conflicts. Instead, the survey section containing the vignettes was simply labelled “corporate governance scenarios”. We borrow the fifth vignette from Tetlock (2000). The first vignette is based on *Dodge v. Ford Motor Co.* 170 N.W. 668 (1919) (U.S.). The second vignette is based on *Parke v. Daily News Ltd.* [1962] Ch 927 (U.K.). The third vignette is based on *BCE Inc. v. 1976 Debentureholders.* 2008 SCC 69 (Canada). The fourth vignette is based on *Shlensky v. Wrigley.* 237 N.E.2d 776 (1968) (U.S.). Response scores for the second item in each vignette were transformed so higher values reflect greater shareholder orientation. *Shareholderism* is the average value of scores on the 10 items. Background information on the legal cases (not provided to respondents) is provided in Section A.2.

### Corporate Governance Scenarios

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

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

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

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

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

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





## A.2. Background Information on the Legal Cases Underlying the Vignettes

We selected seminal legal cases that revolved around major strategic board decisions exhibiting a tension between shareholder welfare and another corporate constituency – specifically, consumers, employees, financial creditors, and the community. In all these cases, there was no “easy way out” of avoiding that tension by preferring stakeholders’ welfare in the short run with a view to benefitting shareholders in the long run. At least two cases involved end-game scenarios, in which there was no long run prospect for the shareholders, either because the company was wound up (in *Parke*) or would have changed its structure (in *BCE*). In the other two cases, it was common ground that a genuine conflict exists between the relevant constituencies. As noted in the main text, the courts in the actual cases did not rule consistently in line with shareholder or stakeholder welfare, such that even at the formal level there is no salient correct response to the strategic dilemma – a fact that greatly mitigates concerns about social desirability bias.

### Dodge v. Ford Motor Co. 170 N.W. 668 (1919) (US)

Possibly the most famous CSR/ESG legal case in history, *Dodge v. Ford* involved a lawsuit brought by the Dodge brothers, who were then 10% minority shareholders in the Ford Motor Corporation, where Henry Ford was the controlling majority shareholder and president. Although the Ford corporation enjoyed high profits thanks to its successful Model T car, Henry Ford decided to cease dividend distribution and use the surplus for lowering the price of the company’s products, increase employees’ wages, and invest in a large new manufacturing plant. In public interviews, Ford declared: “My ambition is to employ still more men, to spread the benefits of this industrial system to the greatest possible number, to help them build up their lives and their homes.” When confronted with these statements on the witness stand, Ford said: “I do not believe that we should make such an awful profit on our cars. ... it has been my policy to force the price of the car down as fast as production would permit, and give the benefits to users and laborers.” (Nevins & Hill 1957: 97). The court ruled: “A business corporation is organized and carried on primarily for the profit of the stockholders. The powers of the directors are to be employed for that end. The discretion of directors is to be exercised in the choice of means to attain that end, and does not extend to a change in the end itself, to the reduction of profits, or to the non-distribution of profits among stockholders in order to devote them to other purposes.”

Clearly, the original scenario in *Ford* involved a complex set of factors, including competitive considerations (*inter alia* from the Dodges themselves), human capital retention and development, etc. In the vignette we sharpened the focus on consumer welfare, which was the prominent factor in the decision to lower prices, and “partialled out” labor considerations, while retaining some degree of complexity in the story to ensure its realism in the eyes of respondents.

### Parke v. Daily News Ltd. [1962] Ch 927 (UK)

The Daily News Ltd. owned, printed, and published two newspapers, which were consistently making losses due to obsolete technology. In view of that the board decided in 1960 in the interests of the company to dispose of the newspapers. The company was solvent at the time and was able to fully meet its obligations to laid off employees for wages, severance payments, etc. The board decided that in addition to those payments, it would pay 1 million pounds to its former employees and the widows of such former employees. The board stated: “[N]o satisfactory alternative was open to us. We are well aware that this decision will mean loss and hardship to many of our employees whose jobs will come to an end. We cannot recreate these jobs, but we have given serious thought to the question of compensation and how best to alleviate the suffering and hardship which may occur.” The Court held that the proposed payment was illegal because the making of an *ex gratia* payment as the company

intended to do, and in the circumstances where that company no longer operated, was not reasonably incidental to the conduct of its business. “A gift undirected to the interests of the shareholders (in a company) is invalid,” it said.

The vignette is closely loyal to the facts of *Parke* and even employs the famous phrase about the motivation for making the payment – namely, to alleviate the hardship of former employees.

#### BCE Inc. v. 1976 Debentureholders. 2008 SCC 69 (Canada)

BCE Inc. was the subject of multiple offers involving a leveraged buyout, for which an auction process was held and offers were submitted by three groups. All three offers contemplated the addition of a substantial amount of new debt for which Bell Canada, a wholly-owned subsidiary of BCE, would be liable. One of the offers, which involved a consortium of three investors, was determined by BCE's directors to be in the best interests of BCE and BCE's shareholders. That plan was approved by 97.93% of BCE's shareholders but opposed by a group of financial and other institutions that held debentures issued by Bell Canada. Their main complaint was that, upon the completion of the arrangement, the short-term trading value of the debentures would decline by an average of 20 percent and could lose investment grade status.

In what is widely considered the most stakeholderist legal decision by a high-level court, the Supreme Court of Canada held that in principle, a claim for oppression is open to the creditors. The Court stated: “Directors, acting in the best interests of the corporation, may be obliged to consider the impact of their decisions on corporate stakeholders, such as the debenture holders in these appeals. This is what we mean when we speak of a director being required to act in the best interests of the corporation viewed as a good corporate citizen.”; “There are no absolute rules and no principle that one set of interests should prevail over another.”

The relevant vignette remains closely loyal to the facts of the case.

#### Shlensky v. Wrigley. 237 N.E.2d 776 (1968) (US)

The Chicago Cubs' president, Philip K. Wrigley, refused to install field lights for night games at Wrigley Field. Shlensky, a small minority shareholder, argued that Wrigley had refused to install lights, “not because of interest in the welfare of the corporation but because of his personal opinions 'that baseball is a 'daytime sport' and that installation of lights and night baseball games will have a deteriorating effect upon the surrounding neighborhood'. This meant that night games could not go ahead, and so would result in lower profits for shareholders. A challenge was thus brought by Shlensky against the directors' decision. The Court affirmed the director's decision. It held that Wrigley was not liable for failing to maximize returns to shareholders. It was not satisfied that the motives assigned to the directors “are contrary to the best interests of the corporation and the stockholders... [as they] showed no fraud, illegality or conflict of interest in making that decision.”

In the vignette we excluded the element of Wrigley's personal views and retained the main factor of protecting the lifestyle of the surrounding community at the expense of shareholders.

### A.3. Descriptions and Graphical Representations of Schwartz Values and Cultural Measures

**Table A.3.A. The Schwartz individual-level values and representative items**

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

**Table A.3.B. The Schwartz cultural dimensions**

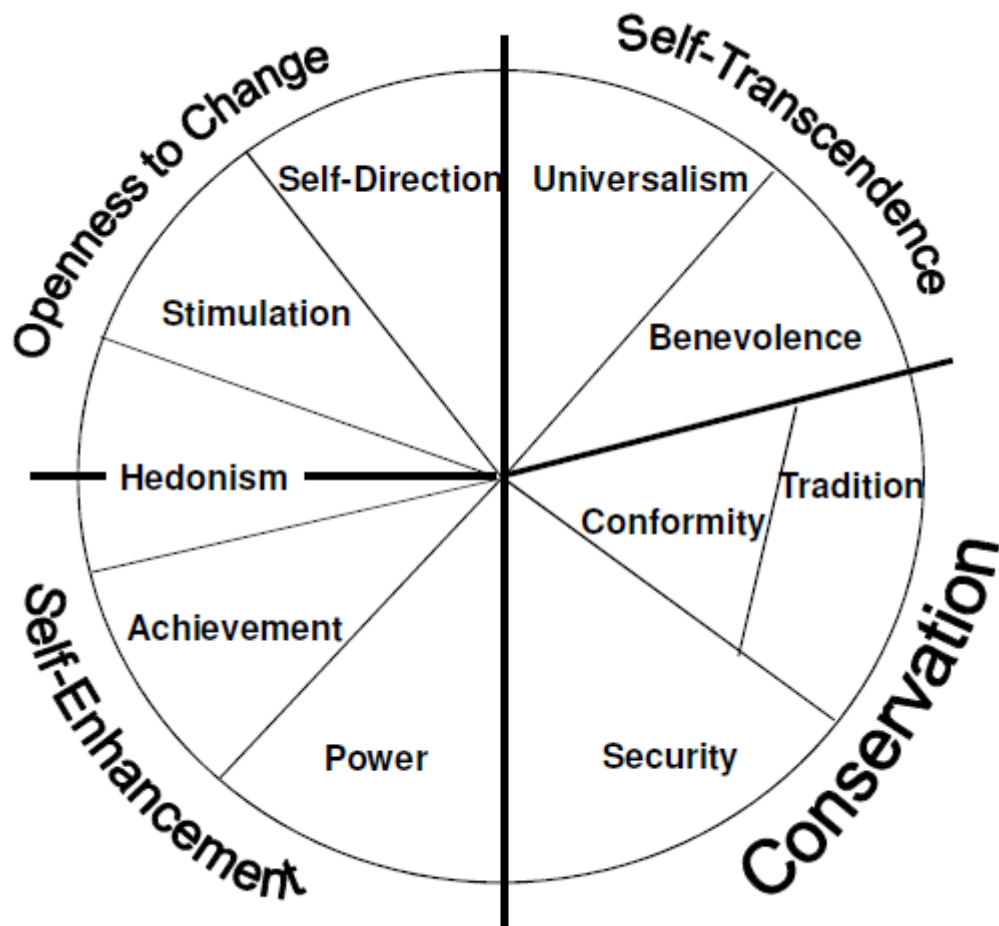
Embeddedness/ Autonomy	This dimension concerns the desirable relationship between the individual and the group. Embeddedness represents a cultural emphasis on maintenance of the status quo, propriety, and restraint of actions or inclinations that might disrupt the solidary group or the traditional order. 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.

**Figure A.3.1 The Schwartz Model of Individual Values**

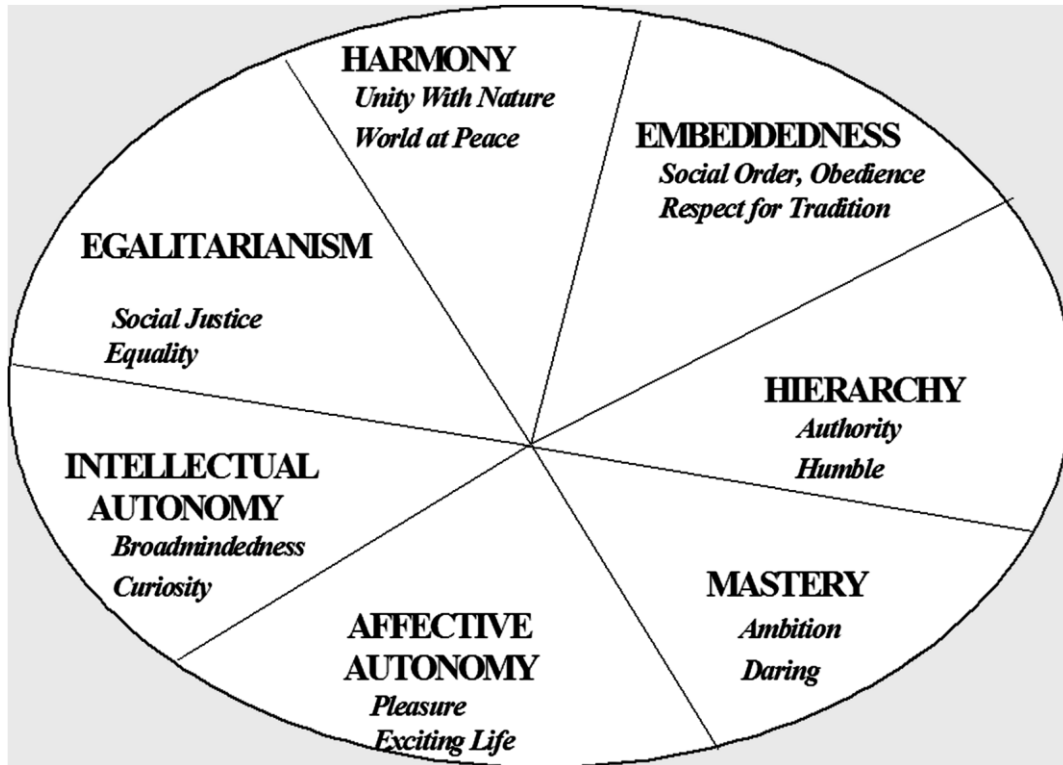
This figure shows the circumplex ordering of individual values. Values with close content meaning are located adjacent to one another, while values that have opposite content meaning are located opposite to one another. Higher-level dimensions are shown outside the circle. Source: Schwartz (2012).



Schwartz S H (2012) An overview of the schwartz theory of basic values. Online Readings in Psychology and Culture. 2(1). <http://dx.doi.org/10.9707/2307-0919.1116>

**Figure A.3.2 The Schwartz Model of Cultural Orientations**

This figure shows the circumplex ordering of cultural orientations. Orientations with close content meaning are located adjacent to one another, while orientations that have opposite content meaning are located opposite to one another constituting a cultural dimension. Source: Schwartz (2014).



## A.4. Construction of Boardex sample and Table A.4 Summary statistics for additional data

### Construction of benchmark Boardex sample:

As Barrios *et al.* (2022) discuss, one difficulty in using Boardex is that director nationality information in Boardex is extremely limited. The 2011 Boardex data contains 101,473 directorship observations but only 44.1% of observations have nationality data. Nationality is not missing systematically which means that one cannot simply infer that a director's nationality country is that of the firm's country. Thus, we drop all observations with missing nationality data. Another difficulty in comparing our data to Boardex is that Boardex data is compiled at the firm level whereas our data is compiled at the individual level. Our data contains only one observation per director, but Boardex contains multiple observations for directors who sit on the boards of multiple firms. Since it is not obvious which firm-country-director pair to keep for directors with multiple board seats, we keep one observation per unique Boardex director identifier (directorid), firm country and director country combination.

### Table A.4 Summary statistics for additional data

**Panel A** shows summary statistics for available firm-level variables from Capital IQ. *Mining* is a dummy variable equal to 1 if the firm is in Gold Ore Mining (NAICS 212221) or Oil and Gas Extraction (NAICS 21111). *Finance* is a dummy variable equal to 1 if the firm is in Commercial Banking (NAICS 522110), Securities and Commodity Contracts Intermediation and Brokerage (NAICS 5231), Other Financial Vehicles (NAICS 525990). *Tech* is a dummy variable equal to 1 if the firm is in Software Publishers (NAICS 511210), Pharmaceutical and Medicine Manufacturing (NAICS 32541), Semiconductor and Related Device Manufacturing (NAICS 334413), Medical Equipment and Supplies Manufacturing (NAICS 33911), Biological Product (except Diagnostic) Manufacturing (NAICS 325414). *Market\_cap 2011* is price at year end \* number of shares outstanding. **Panel B** shows basic summary statistics for variables used in our analysis of expatriates. **Panel C** shows basic summary statistics for variables used in our gravity analysis of survey data. **Panel D** shows summary statistics for gravity variables used in our gravity analysis of Boardex data. All variables with the pre-fix *Dist\_* denote distances between the variable measured in the director's country and the variable measured in the firm's country. *Cultural Distance* is the square root of the squared cultural *Dist\_* variables. *Legal Distance* is the square root of all squared legal/regulatory *Dist\_* variables. *Common Language* is a dummy equal to 1 if the director's country and the firm's country share a common language. *Contiguous* is a dummy equal to 1 if the director's country and the firm's country share a border. *Distance (capital)* is the distance between the capital city of the director's country and the firm's country, in km. All gravity data comes from the CEPII Gravity Database (see Conte, Cotterlaz and Mayer, 2022).

Variable	Obs	Mean	Std. dev.	Min	Max
<b>Panel A: Survey-Respondent Firm-Level Characteristics</b>					
<i>Mining</i>	500	0.05	0.21	0	1
<i>Finance</i>	500	0.12	0.32	0	1
<i>Tech</i>	500	0.17	0.38	0	1
<i>Market_cap 2011</i>	854	9340.41	30219.87	0.00	211893.90
<b>Panel B: Summary Statistics for Cultural and Institutional Distance Measures for Expatriate Analysis</b>					
<i>Cultural Distance</i>	185	0.61	0.32	0.03	1.44
<i>Legal Distance</i>	163	5.77	2.72	1.47	14.49
<i>Dist_Egalitarianism</i>	185	0.02	0.28	-0.69	0.60
<i>Dist_Harmony</i>	185	0.19	0.47	-0.76	1.34
<i>Dist_Embeddedness</i>	185	-0.01	0.38	-1.00	1.01

<i>Dist_Mixed</i>	205	0.01	0.17	-1	1
<i>Dist_Common Law</i>	201	-0.35	0.50	-1	1
<i>Dist_Creditor Rights</i>	203	-2.81	3.50	-10	5
<i>Dist_Employee Protection</i>	163	0.55	0.85	-1.44	1.86
<i>Dist_Anti-Self-Dealing</i>	185	-0.07	0.26	-0.79	0.68
<i>Dist_Entry Procedures</i>	203	2.47	3.90	-9	12

**Panel C: Summary Statistics for Cultural and Institutional Distance Measures for Predicted Expatriate Analysis**

<i>Common Language</i>	62,104	0.24	0.43	0	1
<i>Contiguous</i>	62,104	0.04	0.19	0	1
<i>Distance (capital)</i>	62,104	7969.53	4462.54	8.00	19854.00
<i>Cultural Distance</i>	41,154	0.70	0.34	0.00	1.77
<i>Legal Distance</i>	34,518	5.81	2.92	0.00	16.78
<i>Dist_Egalitarianism</i>	41,154	-0.01	0.34	-1.04	1.04
<i>Dist_Harmony</i>	41,154	-0.25	0.48	-1.34	1.34
<i>Dist_Embeddedness</i>	41,154	-0.03	0.44	-1.42	1.42
<i>Dist_Mixed</i>	62,104	0.01	0.21	-1	1
<i>Dist_Common Law</i>	55,250	0.49	0.60	-1	1
<i>Dist_Creditor Rights</i>	58,671	3.41	3.86	-12	12
<i>Dist_Employee Protection</i>	37,764	-0.50	0.83	-2.21	2.21
<i>Dist_Anti-Self-Dealing</i>	43,320	0.14	0.30	-0.84	0.84
<i>Dist_Entry Procedures</i>	59,778	-1.39	4.23	-14	14

**Panel D: Summary Statistics for Cultural and Institutional Distance Measures for Predicted Expatriate Analysis in Boardex 2011**

<i>Common Language</i>	2,506,840	0.21	0.41	0	1
<i>Contiguous</i>	2,507,512	0.04	0.21	0	1
<i>Distance (capital)</i>	2,507,512	7122.50	4362.77	10.00	19939.00
<i>Cultural Distance</i>	1,688,568	0.70	0.35	0.00	1.82
<i>Legal Distance</i>	1,423,851	5.32	2.78	0.00	16.78
<i>Dist_Egalitarianism</i>	1,688,568	0.06	0.36	-1.14	1.04
<i>Dist_Harmony</i>	1,688,568	-0.15	0.50	-1.34	1.34
<i>Dist_Embeddedness</i>	1,688,568	-0.12	0.45	-1.42	1.51
<i>Dist_Mixed</i>	2,507,176	0.00	0.18	-1	1
<i>Dist_Common Law</i>	2,232,300	0.37	0.66	-1	1
<i>Dist_Creditor Rights</i>	2,370,849	2.71	3.94	-12	12
<i>Dist_Employee Protection</i>	1,554,228	-0.40	0.88	-2.21	2.21
<i>Dist_Anti-Self-Dealing</i>	1,779,360	0.14	0.33	-0.93	0.84
<i>Dist_Entry Procedures</i>	2,414,718	-1.10	3.90	-14	18

## A.5. Potential response bias

In columns 1-3 of Table A.5, we report regressions of *Responded to the Survey*, which is a dummy variable equal to 1 if a director responded to the survey, on country-level characteristics associated with the firm-countries in which directors hold their board seat. In column 1, we include only *Common Law* and *Mixed*. We add firm-country culture measures in column 2 and  $F\text{-Ln}(\text{GNP})$  in column 3. We cluster standard errors at the firm-country level. In columns 4-6, we replicate the regressions after collapsing the data to the firm-country level. We use *Response Rate*, the number of respondents per firm-country/number of surveyed in the firm-country, as the dependent variable and add #Surveyed in column 6. We correct standard errors for heteroskedasticity.

The results in Table A.5 confirm that directors in common law countries were not more likely to respond to the survey. In fact, no country-level characteristic is associated with the likelihood a director responded except *Mixed* in columns 1-3. The statistical significance of *Mixed* vanishes once we adjust for the number of directors surveyed in columns 4-6. These findings serve to further alleviate concerns about non-response bias. Nevertheless, to help ensure our results are not driven by response bias, we control for *Mixed* in our analysis.

We cannot include director-country or director characteristics in the analysis in Table A.5 since this data is missing for non-respondents. Thus, as a further robustness check we benchmark our results to ALS's results in section A.6. This comparison is useful for many reasons. For the purpose of assessing response bias it is interesting because ALS's response rate was substantially higher (36.6% for directors and 29.7% for CEOs).

**Table A.5 Potential response bias**

Columns 1-3 of Table A.5 show regressions of *Responded to Survey* which is a dummy equal to 1 if a survey recipient responded to the survey and 0 otherwise, on our main country-level legal origin and culture variables for the firm-country. Standard errors are clustered by firm-country. Columns 4-6 show regressions of the firm-country level *Response Rate* from column 2 of Panel A of Table 2, on the same country-level legal and culture variables as well as the number of surveyed individuals per country. # Surveyed is the number of individuals surveyed per country. Standard errors are heteroskedasticity-robust. We are unable to incorporate individual or firm characteristics in these regressions as individual characteristics are available only if the respondent answered the survey and firm characteristics are too sparsely populated. Tables 1 and 2 describe the survey sample in more detail. To avoid reporting coefficients of 0, the coefficient on GNP is multiplied by 10 and the coefficient on # Surveyed is multiplied by 100,000. P-values are in brackets. \*\*\*, \*\*, \* indicate statistical significance at the 1%, 5%, and 10% level, respectively.

VARIABLES	<i>Responded to Survey</i>			<i>Response Rate</i>		
	1	2	3	4	5	6
<i>F-Common Law</i>	-0.01 [0.24]	$3.1 \times 10^{-3}$ [0.73]	$-2.6 \times 10^{-3}$ [0.88]	0.10 [0.39]	-0.01 [0.84]	0.02 [0.79]
<i>F-Mixed</i>	0.05*** [0.00]	0.05*** [0.00]	0.05*** [0.00]	-0.06 [0.60]	0.04 [0.43]	0.03 [0.61]
<i>F-Harmony</i>		0.01 [0.56]	-0.03 [0.62]		-0.42 [0.23]	-0.50 [0.23]
<i>F-Embeddedness</i>		0.02 [0.26]	0.01 [0.61]		-0.04 [0.76]	-0.07 [0.62]
<i>F-Egalitarianism</i>		0.04 [0.27]	0.10 [0.31]		0.33 [0.27]	0.53 [0.24]

<i>F-Ln(GNP)</i>			-0.18 [0.40]			-6.95 [0.28]
<i># Surveyed</i>				-0.30 [0.34]	-0.53 [0.24]	-0.51 [0.23]
<i>Constant</i>	0.02*** [0.00]	-0.25 [0.18]	-0.20 [0.45]	0.03*** [0.00]	0.32 [0.80]	0.47 [0.61]
Observations	80,800	80,007	79,719	23	21	20
R-squared	0.001	0.002	0.004	0.060	0.328	0.396
Adjusted R-squared	0.00116	0.00188	0.00344	-0.0883	0.0394	0.0435

## A.6. Benchmarking to Adams, Licht and Sagiv (2011)

By replicating ALS's analysis in our international sample, we can provide additional evidence on both their theory and the universality of the shareholderism construct. We reexamine ALS's results in two ways. First, we replicate their core regressions (ALS, Table 3a) as closely as possible while using country fixed effects to control for the institutional factors we later examine directly, namely, culture and law. Second, in section A.7 we examine whether the relationship between shareholderism and the limited set of firm characteristics in our sample is consistent with ALS and other literature on values.

Columns 1-5 of Table A.6 report regressions of *Shareholderism* on *Universalism*, *Power*, *Achievement*, *Self-Direction*, *Insider*, *Female*, *Ln(age)*, *Expatriate* and firm- and/or director-country fixed effects. Columns 6-10 replicate those regressions with the aggregated value, *Self-Transcendence*, and *Self-Direction*.

In Table A.6, the coefficients on director values have the same signs as in ALS, which provides external validation of both ALS's theory and their shareholderism construct. The sign on the coefficient of *Self-Transcendence* is as expected. These results also help to address concerns about potential non-response bias. Consistent with ALS, demographic factors are linked to directors' shareholderism levels. 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. While the sign of the coefficient on *Female* is positive instead of negative as in ALS, we note that both the theory and evidence relating to gender and shareholderism is as yet underdeveloped (see the discussion in Byron and Post 2016). While some argue that board diversity and CSR are linked (e.g. Harjoto *et al.* 2015), empirically it is often difficult to identify a causal effect of gender diversity on CSR. In an international context, variation in barriers to female advancement across countries and associated selection effects make it difficult to predict the gender gap in shareholderism (see e.g. Adams and Funk 2012), an idea that we explore in more depth in follow-up work.

**Table A.6 Benchmarking to Adams, Licht and Sagiv (2011)**

Columns 1-5 of Table A.6 benchmarks the survey data to Adams, Licht and Sagiv (2011) by regressing *Shareholderism* on individual values and controlling for demographic characteristics and country fixed effects.  $Self-Transcendence = Universalism - (Power + Achievement)$ . Columns 3 and 5 include firm-headquarter-country fixed effects. Columns 4 and 5 include director-origin fixed effects. Columns 6-10 replicates the analysis in columns 1-5 using  $Self-Transcendence = Universalism - (Power + Achievement)$  instead of the component values. Tables 1 and A.4 describe the sample and controls in more detail. All standard errors are two-way clustered at the director-country and firm-headquarter-country level. P-values are in parentheses. \*\*\*, \*\*, \* indicate statistical significance at the 1%, 5%, and 10% level, respectively.

VARIABLES	<i>Shareholderism</i>									
	1	2	3	4	5	6	7	8	9	10
<i>Universalism</i>	-0.24*** [0.00]	-0.26*** [0.00]	-0.26*** [0.00]	-0.26*** [0.00]	-0.27*** [0.00]					
<i>Power</i>	0.09** [0.02]	0.09** [0.03]	0.08* [0.05]	0.07 [0.12]	0.08 [0.11]					
<i>Achievement</i>	0.09*** [0.00]	0.08** [0.03]	0.09** [0.02]	0.10** [0.02]	0.10** [0.04]					
<i>Self-Direction</i>	0.09*** [0.00]	0.09*** [0.00]	0.07*** [0.00]	0.07*** [0.00]	0.06** [0.02]	0.08*** [0.00]	0.08*** [0.00]	0.06*** [0.01]	0.06*** [0.00]	0.05** [0.02]
<i>Self-Transcendence</i>						-0.13*** [0.00]	-0.13*** [0.00]	-0.13*** [0.00]	-0.13*** [0.00]	-0.14*** [0.00]
<i>Insider</i>	0.14*** [0.01]	0.14*** [0.01]	0.11** [0.03]	0.14** [0.03]	0.13** [0.04]	0.14*** [0.01]	0.14*** [0.01]	0.11** [0.05]	0.14** [0.03]	0.13* [0.05]
<i>Female</i>	0.24** [0.01]	0.22** [0.02]	0.19* [0.07]	0.17 [0.11]	0.15 [0.19]	0.24*** [0.01]	0.23** [0.01]	0.20** [0.05]	0.16* [0.08]	0.15 [0.16]
<i>Ln(age)</i>	0.32*** [0.01]	0.29** [0.01]	0.30*** [0.01]	0.27** [0.02]	0.23** [0.03]	0.30** [0.01]	0.28** [0.02]	0.29** [0.01]	0.26** [0.02]	0.22** [0.03]
<i>Expatriate</i>		-0.16*** [0.00]	-0.11** [0.03]	-0.25** [0.02]	-0.15 [0.15]		-0.14*** [0.00]	-0.09* [0.07]	-0.25** [0.03]	-0.14 [0.18]
Constant	1.99*** [0.00]	2.11*** [0.00]	1.85*** [0.00]	1.63*** [0.00]	1.27*** [0.01]	2.07*** [0.00]	2.18*** [0.00]	1.91*** [0.00]	1.58*** [0.00]	1.13** [0.01]
Firm Country FE	No	No	Yes	No	Yes	No	No	Yes	No	Yes
Director Country FE	No	No	No	Yes	Yes	No	No	No	Yes	Yes
Observations	921	921	921	921	921	921	921	921	921	921
Adjusted R-squared	0.101	0.106	0.136	0.130	0.130	0.096	0.100	0.130	0.123	0.123

## A.7. The Role of Firm Characteristics

Table A.7 reports regressions of *Shareholderism* on *Self-Transcendence* and *Self-Direction*, *Insider*, *Female*, *Ln(age)*, *Expatriate* and *Market\_cap\_2011*, *Mining*, *Finance* and *Tech*. We exclude firm- and/or director-country fixed effects as this sample is smaller. Consistent with ALS's finding that *Return on Assets* is positively associated with *Shareholderism*, we find that market capitalization is positively associated with it here. While ALS do not compare coefficients on industry dummies, Knafo and Sagiv (2004) show that individuals in banking and engineering (enterprising) occupations emphasize power, achievement and self-direction more. According to ALS, these individuals should be more shareholderist. Consistent with this argument, the coefficients on Finance and Tech are positive and the coefficient on Tech is statistically significant. While we do not have sufficient firm characteristics to fully test Level 4a of our framework, we view the results in Table A.7 as providing further validation for shareholderism.

**Table A.7 The Role of Firm Characteristics**

Table A.7 incorporates one firm characteristic and measures of firm industry affiliation into the *Shareholderism* regression in Column 2 of Table A.6. As these firm characteristics are only sparsely populated in our sample, the sample size drops significantly when we include these variables. *Mining*, *Finance* and *Tech* are dummy variables indicating the firm belongs to the mining, finance or tech sector, as defined by NAICS codes in 2011. Tables 1 and A.4 describe the sample and controls in more detail. All standard errors are two-way clustered at the director-country and firm-headquarter-country level. P-values are in parentheses. \*\*\*, \*\*, \* indicate statistical significance at the 1%, 5%, and 10% level, respectively.

VARIABLES	<i>Shareholderism</i>				
	1	2	3	4	5
<i>Self-Transcendence</i>	-0.11*** [0.00]	-0.11*** [0.00]	-0.12*** [0.00]	-0.12*** [0.00]	-0.12*** [0.00]
<i>Self-Direction</i>	0.10*** [0.00]	0.10*** [0.00]	0.06 [0.22]	0.13** [0.02]	0.13** [0.03]
<i>Insider</i>	0.15*** [0.01]	0.15*** [0.01]	0.13* [0.07]	0.18** [0.01]	0.17** [0.02]
<i>Female</i>	0.25** [0.04]	0.23* [0.05]	0.11 [0.43]	0.37*** [0.00]	0.36*** [0.00]
<i>Ln(age)</i>	0.34*** [0.01]	0.31** [0.01]	0.27** [0.03]	0.56** [0.04]	0.53** [0.04]
<i>Expatriate</i>		-0.15*** [0.00]	-0.17 [0.12]		-0.09 [0.23]
<i>Market_cap 2011</i>	0.02** [0.01]	0.02** [0.01]	0.02* [0.06]	0.02*** [0.01]	0.02*** [0.01]
<i>Mining</i>				-0.15 [0.23]	-0.13 [0.36]
<i>Finance</i>				0.13 [0.32]	0.13 [0.34]
<i>Tech</i>				0.20*** [0.00]	0.21*** [0.00]
<i>Constant</i>	1.90*** [0.00]	2.04*** [0.00]	0.33 [0.36]	0.98 [0.35]	1.15 [0.22]
Firm Country FE	No	No	Yes	No	No
Director Country FE	No	No	Yes	No	No
Observations	716	716	716	397	397
R-squared	0.088	0.094	0.202	0.135	0.137
Adjusted R-squared	0.080	0.085	0.114	0.114	0.114

### A.8. Table A.8 Variance Inflation Factors for Regressions in Tables A.6, A.7 and Table 3

Panel A of Table A.8 shows variance inflation factors for Appendix Tables A.6 and A.7. Panel B of Table A.8 shows variance inflation factors for Table 3 in the main body of the paper. For the sake of brevity, Table A.8 does not list the variance inflation factors for director country fixed effects that are included in the regressions in columns 4, 5, 9, 10 of Table A.6, and column 3 of Table A.7.

**Panel A:** Variance Inflation Factors for Appendix Tables A.6 and A.7

VARIABLES	VIFS for Table A6										VIFS for Table A7					
	1	2	3	4	5	6	7	8	9	10	1	2	3	4	5	
<i>Universalism</i>	1.29	1.31	1.36	1.41	1.45											
<i>Power</i>	1.34	1.34	1.37	1.43	1.46											
<i>Achievement</i>	1.34	1.34	1.39	1.42	1.46											
<i>Self-Direction</i>	1.04	1.04	1.12	1.19	1.21	1.01	1.01	1.09	1.16	1.18	1.01	1.01	1.18	1.03	1.03	
<i>Self-Transcendence</i>						1.01	1.01	1.03	1.09	1.12	1.02	1.03	1.13	1.06	1.08	
<i>Insider</i>						1.05	1.06	1.10	1.16	1.18	1.06	1.06	1.19	1.09	1.10	
<i>Female</i>						1.05	1.05	1.09	1.13	1.17	1.05	1.06	1.17	1.09	1.11	
<i>Ln(age)</i>						1.11	1.12	1.20	1.27	1.33	1.10	1.11	1.37	1.19	1.22	
<i>Expatriate</i>							1.01	1.10	1.62	2.98		1.02	2.98		1.08	
<i>Austria</i>								1.01		1.40			1.43			
<i>Canada</i>								1.88		5.49			5.57			
<i>Germany</i>								1.20		3.66			3.49			
<i>HongKong</i>								1.04		1.32			1.45			
<i>India</i>								1.41		4.87			4.80			
<i>Ireland</i>								1.04		2.17			1.59			
<i>Israel</i>								1.46		10.51			11.74			
<i>Italy</i>								1.12		3.93			4.37			
<i>Jordan</i>								1.05		5.51			5.67			
<i>Korea</i>								1.08		20.10			25.71			
<i>Kuwait</i>								1.04		8.24			6.25			
<i>Malaysia</i>								1.03		1.84			2.76			
<i>Mexico</i>								1.06		6.52			13.36			

<i>Peru</i>	1.04	5.31			4.35				
<i>SaudiArabia</i>	1.03	4.10			4.15				
<i>Singapore</i>	1.05	2.27			3.60				
<i>SouthAfrica</i>	1.21	5.83			6.04				
<i>Spain</i>	1.04	4.15			4.32				
<i>Switzerland</i>	1.23	8.05			8.65				
<i>Taiwan</i>									
<i>UK</i>	1.48	3.80			4.23				
<i>US</i>	2.61	10.62			11.98				
<i>Market_cap 2011</i>			1.03	1.04	1.15	1.09	1.09		
<i>Mining</i>						1.03	1.04		
<i>Finance</i>						1.04	1.04		
<i>Tech</i>						1.07	1.08		

**Panel B:** Variance Inflation Factors for Table 3

VIFs for Table 3										
VARIABLES	1	2	3	4	5	6	7	8	9	10
Firm-Country Legal Factors										
<i>F-Common Law</i>	1.02		9.01	9.01			9.76	9.85	4.67	4.84
<i>F-Mixed</i>	1.14		1.59	1.60			1.69	1.71	2.39	2.44
<i>F-Perceived Pro-Shareholder</i>		1.01								
<i>F-Anti-Self-Dealing</i>			4.01	4.01			4.15	4.15		
<i>F-Employee Protection</i>			6.04	6.05			6.44	6.54	7.71	7.77
<i>F-Creditor Rights</i>			3.91	3.91			4.63	4.70	4.78	4.80
<i>F-Entry Procedures</i>			2.66	2.70			2.68	2.71	2.79	2.80
Director-Country Culture Factors										
<i>D-Egalitarianism</i>					3.91	3.97	4.46	4.50	5.77	5.90

<i>D-Harmony</i>					1.74	1.95	2.43	2.86	2.99	3.41
<i>D-Embeddedness</i>					3.61	3.61	3.89	3.89	4.52	4.53
Expatriate Status										
<i>Expatriate</i>					1.05	1.16		1.26		1.32
Other Firm-Country Institutional Factors										
<i>F-MSCI IVA</i>									4.94	4.99
<i>F-Ownership Concentration</i>									4.28	4.30
<i>F-Market cap2011</i>									1.08	1.09
Director Values, Baseline Demographics and Firm-Country GNP										
<i>Self-Transcendence</i>	1.01	1.02	1.02	1.03	1.02	1.02	1.02	1.03	1.04	1.05
<i>Self-Direction</i>	1.05	1.04	1.06	1.06	1.08	1.08	1.08	1.08	1.07	1.07
<i>Insider</i>	1.07	1.08	1.10	1.10	1.08	1.08	1.10	1.10	1.11	1.11
<i>Female</i>	1.05	1.05	1.07	1.08	1.06	1.06	1.08	1.08	1.09	1.09
<i>Ln(Age)</i>	1.13	1.12	1.15	1.16	1.13	1.13	1.17	1.17	1.17	1.18
<i>F-Ln(GNP)</i>	1.20	1.07	7.41	7.42	1.45	1.53	8.82	8.83	7.50	7.51

## A.9. Table A.9 Assessing the Impact of Potential Response Bias

Table A.9 examines the sensitivity of the results in Column 1 to potential response bias as suggested by Table 2. Column 2 drops the two firm-countries with the lowest response rates (Malaysia and Hong Kong) and the two firm-countries with the highest response rates (Israel and Peru). Columns 3 excludes South Africa. Column 4 drops the two firm-countries with the smallest number of responses (Austria and Malaysia) and the two firm-countries with the largest number of responses (Canada and US). Column 5 drops the two firm-countries where the representation of that firm-country is substantially higher (Australia and Canada) or lower (UK and Germany) than in Boardex, as per Table 2. Tables 1 and A.4 describe the sample and controls in more detail. All standard errors are two-way clustered at the director-country and firm-headquarter-country level. P-values are in parentheses. \*\*\*, \*\*, \* indicate statistical significance at the 1%, 5%, and 10% level, respectively.

<i>Shareholderism</i>					
VARIABLES	1	2	3	4	5
<i>F-Common Law</i>	-0.02 [0.79]	-0.04 [0.69]	-0.02 [0.78]	-0.04 [0.64]	0.10 [0.20]
<i>F-Mixed</i>	0.49*** [0.00]	0.51*** [0.00]		0.51*** [0.00]	0.45*** [0.00]
<i>D-Egalitarianism</i>	-0.48* [0.06]	-0.54** [0.05]	-0.48* [0.06]	-0.39 [0.29]	-0.43 [0.16]
<i>D-Harmony</i>	-0.22* [0.06]	-0.26* [0.08]	-0.22* [0.08]	-0.23* [0.06]	-0.17 [0.22]
<i>D-Embeddedness</i>	-0.45** [0.04]	-0.53** [0.02]	-0.44** [0.05]	-0.50* [0.06]	-0.42* [0.09]
<i>Self-Transcendence</i>	-0.13*** [0.00]	-0.13*** [0.00]	-0.14*** [0.00]	-0.11*** [0.00]	-0.12*** [0.00]
<i>Self-Direction</i>	0.06*** [0.00]	0.06*** [0.00]	0.08*** [0.00]	0.06 [0.21]	0.05* [0.07]
<i>Insider</i>	0.14** [0.02]	0.17*** [0.00]	0.14** [0.02]	0.11 [0.20]	0.16** [0.02]
<i>Female</i>	0.18* [0.05]	0.21** [0.02]	0.18* [0.06]	0.06 [0.66]	0.13 [0.31]
<i>Ln(Age)</i>	0.26** [0.02]	0.31*** [0.01]	0.27** [0.02]	0.37* [0.07]	0.19** [0.01]
<i>Expatriate</i>	-0.08 [0.13]	-0.08 [0.20]	-0.09 [0.13]	-0.17* [0.05]	0.01 [0.89]
<i>F-Ln(GNP)</i>	-0.14*** [0.00]	-0.14*** [0.00]	-0.13*** [0.00]	-0.20*** [0.00]	-0.13*** [0.00]
<i>Constant</i>	8.42*** [0.00]	8.95*** [0.00]	8.25*** [0.00]	8.39*** [0.00]	8.02*** [0.00]
Observations	902	838	876	400	582
R-squared	0.137	0.146	0.128	0.182	0.125
Adjusted R-squared	0.126	0.134	0.117	0.156	0.107

### A.10. Table A.10 Additional results for Expatriates

Table A.10 complements Table 4 regressions of *Shareholderism* on individual values, demographic characteristics and firm-country and director-country legal, institutional and cultural variables in the sample of expatriates. Column 2 examines the role of cultural distance, measured as the difference in culture in directors' origin countries and culture in the firm headquarter country. Column 4 examines the role of legal/institutional distance, measured as the difference in legal institutional variables in directors' origin countries minus these variables in the firm headquarter country. *Common* and *Mixed* are excluded because they exhibit too little variation in the sample of expatriates. Tables 1 and A.4 describe the variables in more detail. In some cases, variable names have been abbreviated to fit the table. *ASDI* = *Anti-Self-Dealing Index*. All standard errors are two-way clustered at the director-country and firm-headquarter-country level. P-values are in brackets. \*\*\*, \*\*, \* indicate statistical significance at the 1%, 5%, and 10% level, respectively.

<i>Shareholderism of Expatriates</i>									
VARIABLES	1	VARIABLES	2	VARIABLES	3	VARIABLES	4	VARIABLES	5
<i>D-Egalitarianism</i>	-0.63 [0.16]	<i>Dist_Egalitarianism</i>	-0.68 [0.18]	<i>F-Creditor</i>	-0.02 [0.71]	<i>Dist_Creditor</i>	0.04 [0.32]	<i>Legal Distance</i>	0.02 [0.64]
<i>D-Harmony</i>	-0.23 [0.19]	<i>Dist_Harmony</i>	0.11 [0.50]	<i>F-Employee</i>	-0.29 [0.43]	<i>Dist_Employee</i>	0.04 [0.81]	<i>D-Egalitarianism</i>	-0.59 [0.18]
<i>D-Embeddedness</i>	-0.53** [0.03]	<i>Dist_Embeddedness</i>	-0.44** [0.04]	<i>F-ASDI</i>	-0.46*** [0.00]	<i>Dist_ASDI</i>	0.57 [0.26]	<i>D-Harmony</i>	-0.21 [0.70]
<i>F-Egalitarianism</i>	0.47 [0.77]			<i>F-Procedures</i>	0.02 [0.55]	<i>Dist_Procedures</i>	0.00 [0.89]	<i>D-Embeddedness</i>	-0.63** [0.02]
<i>F-Harmony</i>	-0.72** [0.01]			<i>D-Common</i>	-0.69** [0.03]	<i>Dist_Common</i>	-0.38 [0.21]		
<i>F-Embeddedness</i>	0.17 [0.86]			<i>D-Creditor</i>	0.02 [0.78]	<i>Dist_Mixed</i>	-0.59*** [0.01]		
				<i>D-Employee</i>	-0.44 [0.10]				
				<i>D-ASDI</i>	0.47 [0.12]				
				<i>D-Procedures</i>	0.05** [0.04]				

<i>Self-Transcendence</i>	-0.11** [0.03]	<i>Self-Transcendence</i>	-0.10* [0.07]	<i>Self-Trans.</i>	-0.09 [0.21]	<i>Self-Trans.</i>	-0.09 [0.11]	<i>Self-Trans.</i>	-0.09 [0.33]
<i>Self-Direction</i>	-0.01 [0.93]	<i>Self-Direction</i>	0.01 [0.91]	<i>Self-Direction</i>	0.00 [0.95]	<i>Self-Direction</i>	0.03 [0.64]	<i>Self-Direction</i>	0.02 [0.86]
<i>Insider</i>	0.01 [0.96]	<i>Insider</i>	-0.01 [0.95]	<i>Insider</i>	0.06 [0.72]	<i>Insider</i>	0.02 [0.91]	<i>Insider</i>	0.01 [0.96]
<i>Female</i>	0.32 [0.13]	<i>Female</i>	0.31 [0.29]	<i>Female</i>	0.24 [0.33]	<i>Female</i>	0.29 [0.32]	<i>Female</i>	0.37 [0.30]
<i>Ln(Age)</i>	0.01 [0.99]	<i>Ln(Age)</i>	-0.04 [0.90]	<i>Ln(Age)</i>	-0.01 [0.97]	<i>Ln(Age)</i>	-0.07 [0.77]	<i>Ln(Age)</i>	-0.05 [0.87]
<i>F-Ln(GNP)</i>	-0.40*** [0.00]	<i>F-Ln(GNP)</i>	-0.32*** [0.00]	<i>F-Ln(GNP)</i>	-0.43** [0.02]	<i>F-Ln(GNP)</i>	-0.14 [0.12]	<i>F-Ln(GNP)</i>	-0.24 [0.11]
<i>Constant</i>	13.03* [0.10]	<i>Constant</i>	6.69*** [0.00]	<i>Constant</i>	9.33*** [0.00]	<i>Constant</i>	4.98*** [0.00]	<i>Constant</i>	11.65*** [0.00]
Observations	181	Observations	181	Observations	161	Observations	161	Observations	161
R-squared	0.143	R-squared	0.100	R-squared	0.160	R-squared	0.124	R-squared	0.099
Adj. R-squared	0.0823	Adj. R-squared	0.0528	Adj. R-squared	0.0730	Adj. R-squared	0.0533	Adj. R-squared	0.0385