

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

Amir N. Licht, Radzyner Law School, IDC Herzliya
Renée B. Adams, University of Oxford

Fundamental tension in governance

- Salesforce's CEO Marc Benioff (WSJ 2016): "In the 21st century, the most important thing is to focus on stakeholder value, not shareholder value. Your stakeholders are your employees, your customers, your partners, the environment, the communities that you serve, the homeless people in your cities where your offices are. ..."
- DE Chief Justice Leo Strine (2015): "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."

Question

- What is the role of the law in the shareholder-value versus shareholder-welfare debate?
 - Chief Justice Strine notwithstanding: Court decisions vary on these issues
 - We exploit this in our paper!
 - Law varies across countries
 - Laws protect shareholders, but laws also protect stakeholders (creditors, employees)
- What else matters?

How do directors decide?

“Can Boards Incorporate Shareholder *Welfare*?”
Hart and Zingales (2017)

Our answer: **WHY NOT?**

Evidence needs to inform policy

The **identified drivers affect different categories of stakeholders**, either directly involved in the governance of companies, or concerned by the impacts of companies' operations. This section points at the most relevant issues that negatively affect stakeholder activities.

Driver 1 – Directors' duties and company's interest are interpreted narrowly and tend to favour the maximisation of shareholders' value



Study on directors' duties and sustainable corporate governance

FINAL REPORT



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For information about this document please contact: Claudia Gallo

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What we do

- We survey directors of listed companies in across countries
- Key measures of interest:
 - Director-level:
 - Attitudes towards stakeholders/shareholders
 - Values (Schwartz)
 - Personal characteristics
 - Country-level:
 - Culture and law

Our questions

- Do directors vary in the importance they attribute to stakeholders?
- What explains variation in their attitudes?
 - Law?
 - Does the law dictate what directors think?
 - Personal values?
 - Do directors with more “other-regarding” personal values care less about shareholders?
 - Culture?
 - Do directors from more “other-regarding” cultures care less about shareholders?

Our evidence

- Do directors vary in the importance they attribute to stakeholders? YES
- What explains variation in their attitudes?
 - Law? DEPENDS
 - Personal values? YES
 - Culture? YES

Background: Adams, Licht and Sagiv (2011)

- Hypotheses: support for shareholder wealth maximization ↑ as
 - Entrepreneurial values ↑
 - Shareholders are like entrepreneurs (residual claimants with interest in new projects with uncertain claims)
 - “Other-oriented” values ↓

To test hypotheses

- Surveyed population of directors of listed companies in Sweden
- Key measures of interests:
 - Attitudes towards stakeholders/shareholders
 - Values (Schwartz)
 - Personal characteristics

Shareholderism-index

- Confront directors with vignettes derived from seminal court cases involving shareholder-stakeholder conflicts—ask them how they would decide
 - Consumers: *Dodge v. Ford* (1919)
 - Employees: *Parke v. Daily News* (1962)
 - Creditors: *Credit Lyonnais v. Pathé* (1991)
 - Community: *Shlensky v. Wrigley* (1968)
 - Corporate philosophy (Tetlock, 2000)
- Note: Court found against shareholders in *Shlensky v. Wrigley* and *Credit Lyonnais v. Pathé*

Example: Dodge v. Ford (1919)

- By 1916, Ford Motor Company had accumulated a capital surplus of \$60 million. The price of the Model T had gone down, wages of the workers had gone up.
- Henry Ford, sought to end special dividends for shareholders in favor of investments and employment to increase production, while continuing to cut the prices of his cars.
 - “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.”
- Dodge v. Ford Motor Company, 170 NW 668 (Mich 1919)[1]: Michigan Supreme Court held that Henry Ford had to operate the Ford Motor Company in the interests of its shareholders, rather than in a charitable manner for the benefit of his employees or customers.
- Often cited as affirming the principle of "shareholder primacy" in corporate America.

Tetlock (2000)

- Surveyed mid-level U.S. managers on preferences for shareholder-focused corporate philosophy versus pluralist, stakeholder-oriented philosophy.
- We use the same question

Shareholderism

- Present each vignette both ways to assess “reliability”
- Transform each response so higher numbers are more pro-shareholder
- Shareholderism = mean of 10 items
- Maximum possible is 6, minimum possible is 1

Values

- Personal Values
 - Conceptions of the desirable
 - Trans-situational criteria or goals
 - Linked to behavior, likely causally
 - Schwartz (1992, 2009)
 - 10 value types
- Classify values
 - Entrepreneurial = power, achievement, self-direction
 - Shumpeter (1934): “found a private kingdom”, openness to change and variety
 - “Other-oriented” values = universalism
- Measurement: 40 question PVQ

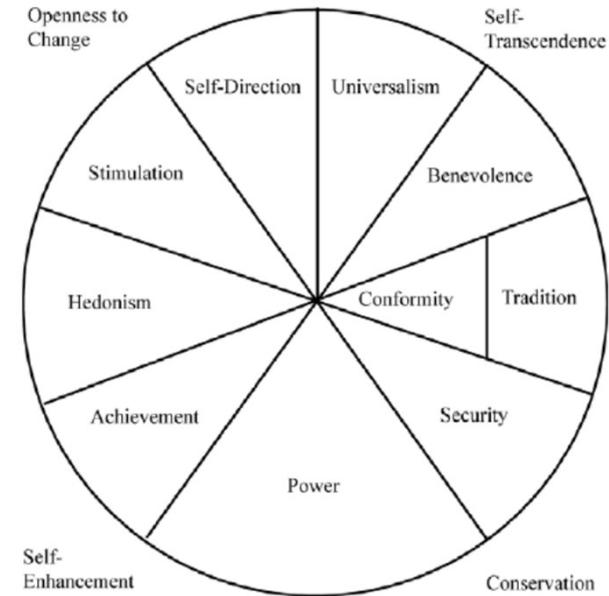


Table 3a. Shareholderism regressions: values, roles, and other personal factors

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Power (PO)	0.17** [0.05]	0.23** [0.07]	0.11* [0.05]	0.12* [0.06]	0.12* [0.07]	0.14** [0.07]	0.10* [0.06]	0.11* [0.06]	0.12* [0.06]
Self-direction (SD)	0.16** [0.05]	0.13** [0.06]	0.07* [0.05]	0.07* [0.05]	0.08* [0.05]	0.07* [0.05]	0.05 [0.06]	0.07* [0.05]	0.07* [0.05]
Achievement (AC)	0.15** [0.06]	0.21** [0.07]	0.08+ [0.05]	0.10* [0.06]	0.10* [0.06]	0.11* [0.06]	0.09+ [0.06]	0.09+ [0.06]	0.11* [0.06]
Universalism (UN)	-0.18** [0.08]	-0.18** [0.08]	-0.15** [0.07]	-0.12** [0.07]	-0.14** [0.07]	-0.12** [0.06]	-0.11** [0.06]	-0.12** [0.07]	-0.15** [0.06]
Entrepreneurship		-0.12+ [0.08]		-0.04 [0.08]	-0.05 [0.08]	-0.05 [0.07]	-0.01 [0.08]	-0.04 [0.08]	-0.06 [0.07]
Employee rep. (ER)			-0.44** [0.08]	-0.42** [0.08]	-0.39** [0.09]	-0.45** [0.11]	-0.47** [0.12]	-0.42** [0.09]	-0.47** [0.10]
Gender (male)				0.16** [0.08]	0.16** [0.08]	0.17** [0.08]	0.17** [0.08]	0.16** [0.08]	0.17** [0.08]
Age				-0.08* [0.00]	-0.08* [0.00]	-0.08* [0.00]	-0.08* [0.00]	-0.08* [0.00]	-0.08* [0.00]
CEO				-0.03 [0.07]	-0.01 [0.08]	-0.03 [0.07]	-0.03 [0.07]	-0.03 [0.07]	-0.03 [0.07]
Tenure				0.07* [0.01]	0.07* [0.02]	0.07* [0.01]	0.07* [0.01]	0.07* [0.01]	0.07* [0.01]
# Directorships				0.10** [0.03]	0.10** [0.03]	0.10** [0.03]	0.10** [0.03]	0.10** [0.03]	0.09** [0.03]
Equity holding					-0.01 [0.09]				
PO* ER						-0.05 [0.09]			
SD* ER							0.02 [0.13]		
AC* ER								0.02 [0.12]	
UN* ER									0.08 [0.12]
Observations	626	626	626	626	564	626	626	626	626
R-squared	0.21	0.21	0.37	0.41	0.41	0.42	0.42	0.41	0.42

Dependent variable: shareholderism stances (higher scores reflect higher shareholderism). Standardized beta coefficients. Robust standard errors, clustered at firm level, are in brackets. **, *, + significant at 0.01, 0.05, 0.10, respectively.

But, no role for the law (or culture)!

Enter: Licht and Adams (2019)

- Board members' support for shareholder wealth maximization (higher shareholderism) will correlate
 - As in ALS: Negatively with an “other-regarding” value profile (a profile that emphasizes universalism and de-emphasizes power and achievement) regardless of their cultural heritage.
 - As in ALS: Positively with an “entrepreneurial” value profile (a profile that emphasizes power, achievement, and self-direction and de-emphasizes universalism) regardless of their cultural heritage.
 - **New: Positively/negatively with “other-regarding”/ “self-regarding” characteristics of their culture**
- Law? Anything goes, because laws protect shareholders, but laws also protect stakeholders: creditor rights, employee safety, ...

Methodology

- Survey of directors across countries in 2011
 - Email-driven online survey
 - E-mails from marketing service and Capital IQ
 - Original languages: translate and reverse translate
 - Roughly 3% response rate resulting in data from 23 countries
- Vignettes are:
 - Consumers - *Ford v. Dodge* (1919)
 - Employees - *Parke v. Daily News* (1962)
 - Creditors - *BCE v. 1976 Debentureholders* (2008) (Different from Adams, Licht and Sagiv, 2011)
 - Community - *Shlensky v. Wrigley* (1968)
 - General philosophy - Tetlock (2000)

Law

- Legal origin and Anti-Self-Dealing Index (Djankov et al. 2008).
 - Proxies for the importance of shareholders in the legal system
- 2011 index of “only credit: strength of legal rights” from the World Bank’s Doing Business database.
 - Legal protections of creditors
- “strictness of employment protection - individual and collective dismissals (regular contracts)” from the OECD/regulation of labor and social benefits from Botero et al. (2004).
 - Legal protection of employees
- 2011 index of starting a business from the World Bank’s Doing Business database
 - Proxy of country’s legal environment for entrepreneurs

Law

- “Perceived” national **legal** shareholderism
- 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 sliding scale.

Accounting for mixed jurisdictions

- 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.
- Results without the mixed jurisdiction dummy are largely similar.

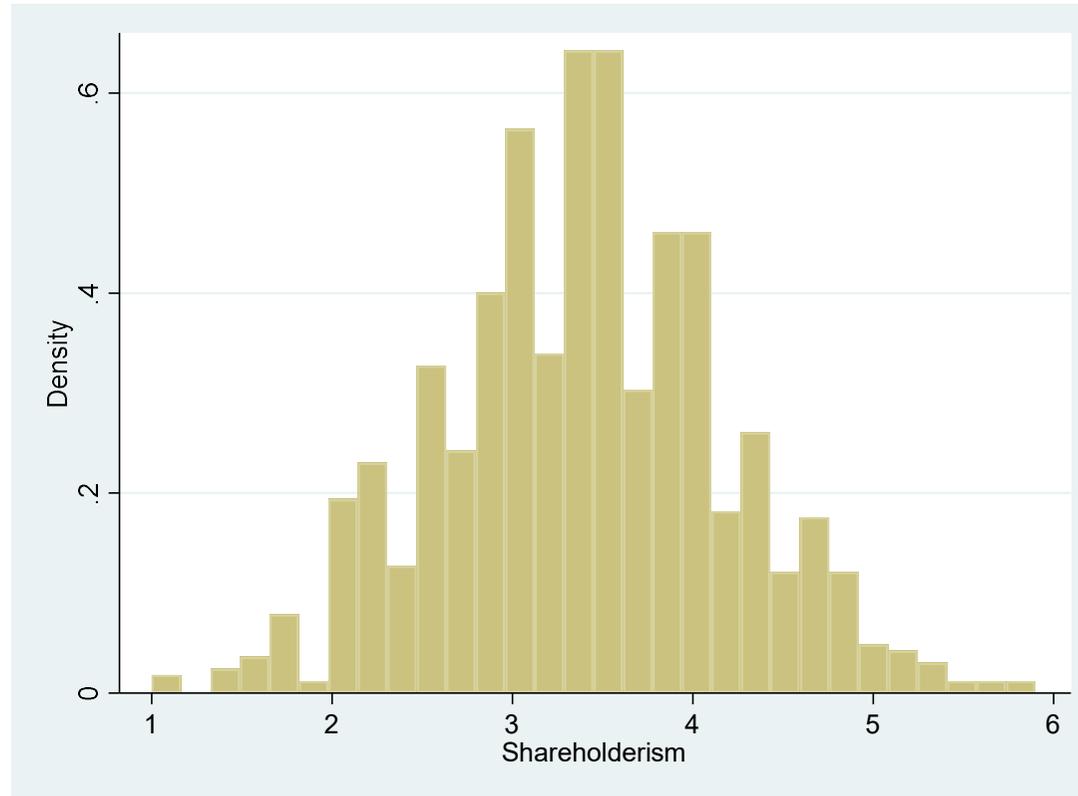
Culture (Schwartz)

- “other-regarding”/ “self-regarding” characteristics of culture:
 - Embeddedness/Autonomy: This dimension concerns the desirable relationship between the individual and the group.
 - Egalitarianism/Hierarchy: This dimension refers to the ideal way to elicit cooperative, productive activity in society.
 - Harmony/Mastery: This dimension refers to the relation of humankind to the natural and social world.

Table 2. Sample Composition

A. Firm Countries			B. Director Countries				
Firm's Country	#	Legal Origin	Country	#	Cultural Region:	Cultural Region:	Cultural Region:
					Schwartz	Ronen & Shenkar	Inglehart
Australia	127	UK	Andorra	1	Western Europe*	Latin Europe*	Catholic Europe*
Austria	2	GE	Argentina	1	Latin America	Latin America	Latin America
Canada	142	UK	Australia	103	English Speaking	Anglo	English Speaking
Germany	32	GE	Austria	6	Western Europe	Germanic	Catholic Europe
HongKong	4	UK	Belgium	1	Western Europe	Latin Europe	Catholic Europe
India	59	UK	Canada	100	English Speaking	Anglo	English Speaking
Ireland	5	UK	China	9	Far East	Confucian	Confucian
Israel	78	UK	Colombia	1	Latin America	Latin America	Latin America
Italy	13	FR	Cote d'Ivoire	1	Africa*	African*	African - Islamic*
Jordan	4	FR	Croatia	1	Eastern Europe	East Europe*	Catholic Europe
Korea	8	GE	Cuba	1	Latin America*	Latin America*	Latin America*
Kuwait	7	FR	Denmark	2	Western Europe	Nordic	Protestant Europe
Malaysia	3	UK	Dominican Rep.	1	Latin America	Latin America*	Latin America*
Mexico	6	FR	Egypt	3	Arab*	Arabic*	African - Islamic*
Peru	4	FR	France	5	Western Europe	Latin Europe	Catholic Europe
SaudiArabia	5	UK	Gambia	1	Africa	African*	African - Islamic*
Singapore	5	UK	Germany	42	Western Europe	Germanic	Protestant Europe
SouthAfrica	28	UK	Greece	1	Western Europe	Near East	Catholic Europe
Spain	5	FR	India	73	Far East	Far East	South Asia
Switzerland	29	GE	Iran	3	Not classified	Far East	Not classified
Taiwan	5	GE	Iraq	1	Arab	Arabic*	African - Islamic
UK	76	UK	Ireland	7	English Speaking	Anglo	English Speaking
US	462	UK	Israel	81	Not classified	Latin Europe	Not classified
			Italy	19	Western Europe	Latin Europe	Catholic Europe*
			Jamaica	1	Latin America	Far East	Latin America*
			Japan	1	Far East	Confucian	Confucian
			Jordan	6	Arab	Arabic*	African - Islamic
			Korea	8	Far East	Confucian	Confucian
			Kuwait	6	Arab	Arabic	African - Islamic*
			Laos	1	Far East	Far East*	Confucian*
			Malaysia	10	Far East	Far East	African - Islamic
			Mali	1	Africa	African*	African - Islamic
			Mexico	7	Latin America	Latin America	Latin America
			Moldova	1	Eastern Europe	East Europe*	Orthodox
			Morocco	1	Arab	Arabic	African - Islamic
			Netherlands	7	Western Europe	Nordic	Protestant Europe
			New Zealand	5	English Speaking	Anglo	English Speaking
			Nicaragua	1	Latin America*	Latin America*	Latin America*
			Norway	1	Western Europe	Nordic	Protestant Europe
			Peru	5	Latin America	Latin America	Latin America
			Poland	2	Eastern Europe	East Europe	Catholic Europe
			Portugal	1	Western Europe	Latin Europe	Catholic Europe
			Saudi Arabia	3	Arab	Arabic*	African - Islamic*
			Singapore	3	Far East	Confucian	Confucian*
			South Africa	30	English Speaking	African	African - Islamic
			Spain	6	Western Europe	Latin Europe	Catholic Europe
			Sweden	4	Western Europe	Nordic	Protestant Europe
			Switzerland	25	Western Europe	Germanic	Protestant Europe
			Taiwan	4	Far East	Confucian	Confucian*
			Tanzania	1	Africa	African*	African - Islamic*
			UK	85	English Speaking	Anglo	English Speaking
			US	415	English Speaking	Anglo	English Speaking
			Vietnam	1	Far East	Confucian*	South Asia
			Zambia	2	Africa	African*	African - Islamic
			Zimbabwe	1	Africa	Far East	African - Islamic

“Shareholderism”

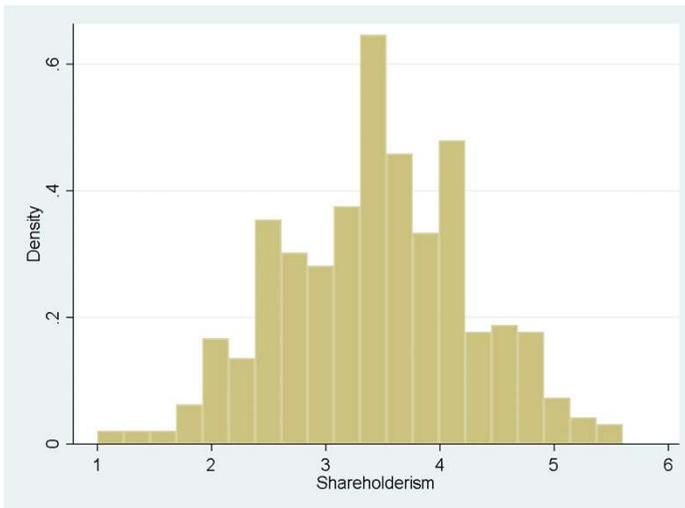


Pro-
stakeholder

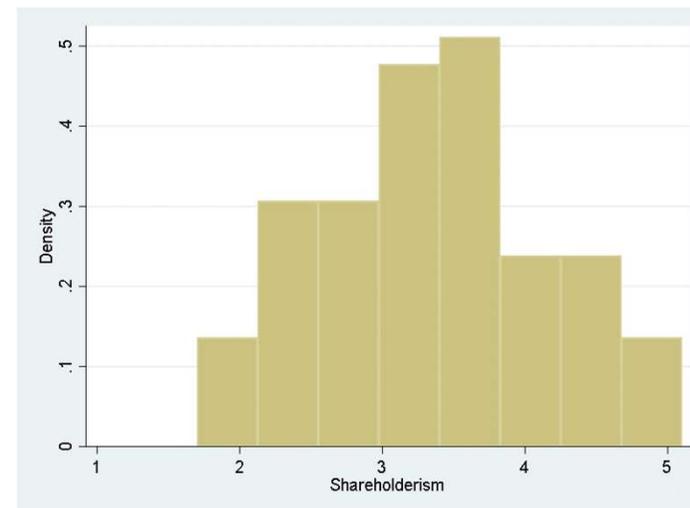
1,010 respondents in 23 countries,
data from 2016

Pro-
shareholder

“Shareholderism”



USA: 462
respondents



UK: 76
respondents

The **identified drivers affect different categories of stakeholders**, either directly involved in the governance of companies, or concerned by the impacts of companies' operations. This section points at the most relevant issues that negatively affect stakeholder activities.

Driver 1 – Directors' duties and company's interest are interpreted narrowly and tend to favour the maximisation of shareholders' value



Table 4. Shareholderism, Values, and Country Fixed Effects **The role of individual values**

	(1)	(2)	(3)	(4)	(5)	(6)	
Entre- preneurial	Power	0.082*** [0.003]	0.076** [0.011]	0.079** [0.015]	0.077** [0.040]	0.078** [0.015]	0.075** [0.040]
	Achievement	0.079*** [0.004]	0.088*** [0.009]	0.085** [0.019]	0.100** [0.022]	0.087*** [0.007]	0.102*** [0.010]
	Self-Direction	0.071** [0.016]	0.066*** [0.007]	0.070*** [0.009]	0.062*** [0.010]	0.074*** [0.004]	0.067*** [0.002]
other	Universalism	-0.266*** [0.000]	-0.261*** [0.000]	-0.277*** [0.000]	-0.268*** [0.000]	-0.272*** [0.000]	-0.264*** [0.000]
	Independent		0.113** [0.039]		0.132** [0.019]		0.136** [0.018]
	Female		0.195* [0.055]		0.151 [0.125]		0.166* [0.067]
	In age		0.302** [0.015]		0.233** [0.019]		0.269** [0.014]
	"Expatriate"	-0.119*** [0.007]	-0.114*** [0.002]	-0.167** [0.023]	-0.152** [0.033]	-0.261*** [0.001]	-0.250*** [0.001]
	Firm Country FEs	yes	yes	yes	yes	no	no
	Director Country FEs	no	no	yes	yes	yes	yes
	Constant	3.144*** [0.000]	1.736*** [0.001]	3.289*** [0.000]	1.134** [0.014]	3.477*** [0.000]	1.494*** [0.002]
	Observations	1,010	921	1,010	921	1,010	921
	R-squared	0.144	0.163	0.183	0.204	0.164	0.185
	Adj. R-squared	0.120	0.136	0.113	0.130	0.112	0.130

Dependent variable: shareholderism (5 vignettes)

Robust p-values in brackets

*** p < 0.001, ** p < 0.01, * p < 0.05, + p < 0.1

Interpretation

- Entrepreneurial and other-regarding values seem to be universally relevant for shareholder-orientation
- Adams, Licht and Sagiv (2011) is not a “just Sweden” effect

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

Excerpt: The role of personal values

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]

- Here: no country fixed effects
- Clustering at the firm headquarter country level

Excerpt: the role of culture

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Egalitarianism	-0.29** [0.03]			-0.46 [0.15]	-0.48 [0.19]	-0.47 [0.13]	-0.54* [0.08]	-0.41 [0.24]	-0.39 [0.19]	-0.49* [0.10]	-0.44 [0.19]	-0.41 [0.22]	-0.46 [0.10]
Harmony		-0.27*** [0.00]		-0.30*** [0.00]	-0.32*** [0.01]	-0.31*** [0.00]	-0.27*** [0.01]	-0.28*** [0.00]	-0.27*** [0.00]	-0.20** [0.01]	-0.30*** [0.01]	-0.30*** [0.01]	-0.25*** [0.00]
Embeddedness			0.03 [0.73]	-0.46** [0.04]	-0.52* [0.05]	-0.50** [0.03]	-0.47** [0.03]	-0.49* [0.06]	-0.45** [0.03]	-0.48** [0.03]	-0.46** [0.05]	-0.54** [0.04]	-0.37* [0.10]

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

Other measures of culture

- Cross-cultural 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.
- Inglehart's theory blends values with several other elements.
 - Use Hofstede and Inglehart instead of Schwartz
- Bond and Leung's theory deals with beliefs: what cultures “assume” about the ways of our world.
- Gelfand: 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.

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

	(1)	(2)	(3)	(4)	(5)	(6)
Egalitarianism				-0.41 [0.38]		-0.23 [0.62]
Harmony				-0.21 [0.30]		-0.44*** [0.01]
Embeddedness				-0.41** [0.03]		-0.55** [0.05]
ln GNPC	-0.10 [0.12]	-0.07 [0.12]	-0.10* [0.07]	-0.12** [0.02]	-0.07 [0.22]	-0.10** [0.02]
Common Law	0.05 [0.68]	0.12 [0.32]	-0.01 [0.95]	-0.14 [0.26]	0.14 [0.35]	-0.02 [0.87]
Mixed Jurisdiction	0.42*** [0.00]	0.38*** [0.00]	0.39*** [0.00]	0.48*** [0.00]	1.00*** [0.00]	1.10*** [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 [0.39]	0.01 [0.69]		
Societal Cynicism			-0.01 [0.41]	-0.00 [0.57]		
Tightness					0.00 [0.84]	0.04* [0.08]
Power	0.08** [0.05]	0.09** [0.02]	0.05 [0.12]	0.06 [0.11]	0.09* [0.08]	0.08* [0.07]
Achievement	0.10*** [0.00]	0.11*** [0.00]	0.12*** [0.00]	0.12*** [0.00]	0.10** [0.03]	0.10** [0.03]
Self-Direction	0.07*** [0.01]	0.06** [0.01]	0.07** [0.01]	0.07*** [0.01]	0.06** [0.02]	0.07*** [0.00]
Universalism	-0.25*** [0.00]	-0.22*** [0.00]	-0.27*** [0.00]	-0.27*** [0.00]	-0.28*** [0.00]	-0.30*** [0.00]
Insider	0.13** [0.02]	0.16*** [0.00]	0.14*** [0.01]	0.14** [0.01]	0.13** [0.04]	0.13** [0.04]
Female	0.21** [0.04]	0.23** [0.02]	0.17 [0.11]	0.15 [0.18]	0.20** [0.05]	0.19* [0.06]
ln Age	0.28**	0.36***	0.18	0.18	0.22*	0.21*

Some thoughts

- Statements about caring about stakeholders may not be just “greenwashing”
- Firms may already be taking stakeholder value into account—how do we know? Absence of clear metrics
- To achieve shareholder welfare: what is the relative importance of law, activists, institutions, etc. vis-à-vis nomination/selection processes?

Conclusions



- Large literature arguing that personal attributes of managers matter
 - Gender, childhood traumas, military service, option exercise behavior, pilot license, liberal vs. conservative (in US)
- Increasing literature on stakeholders (CSR, ESG, sustainability,...)
 - Mostly *firm*-level attributes (KLD, Aspect 4,...) or *country*-level attributes (co-determination)

Conclusion



- We measure directors' values directly
- We measure directors' attitudes towards stakeholders directly
- We show directors' attitudes
 - Are not DICTATED by the law
 - Reflect personal values in a way that is robust across samples
 - Reflect cultural values in their country of origin

“*Can Boards* Incorporate Shareholder Welfare?”
Hart and Zingales (2017)

Our answer: **WHY NOT?**