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

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Abstract

We provide the first comprehensive analysis of directors' shareholderism: their principled stance towards shareholders and stakeholders in forming strategy. We develop an analytical framework that links shareholderism to individual and institutional factors and test our theoretical predictions using a sample of more than 900 directors originating from 55 countries and serving in 23 countries. Directors' shareholderism varies according to their individual values, their cultural heritage of egalitarianism, harmony and embeddedness, and their status as expatriate directors. Directors' shareholderism does not appear to depend on the distinction between common and civil law. Instrumental variable regressions that address the endogeneity of directors' expatriate status suggest that expatriates' and local directors' shareholderism reflect different cultural emphases. To be effective, current approaches to ensuring corporations do the "right" thing through legal injunctions may need to be mindful of the stability and resilience of individual values and culture.

Keywords: shareholderism, stakeholders, directors, values, culture, social norms, law, institutions, expatriate, foreign director, demographics, corporate governance, CSR, ESG, entrepreneurship, nomination, purpose

JEL Classifications: K22, M14

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1. Introduction

The debate about corporate purpose and the right way to consider shareholders and stakeholders in forming corporate strategy is rife with assumptions about how directors think and the potential effectiveness of regulation. To help provide an evidence-based foundation for this debate, we advance the first comprehensive analysis of directors' shareholderism: their principled stance towards shareholders and stakeholders. We document variation in directors' shareholderism and highlight, both theoretically and empirically, the factors that help explain this variation. Our evidence runs contrary to common assumptions in the policy and academic literature. Thus, it may inform policy makers and business leaders who endeavor to promote sustainability and other social concerns in business firms' strategy formation, as well as academic research.

With climate change, the decades-long debate over shareholders and stakeholders has gained increased urgency. Current attempts to affect firms' strategies and purpose in this context target directors' conduct and/or board composition with a special focus on demographic characteristics.[1] To target conduct, the European Commission (2020: 51) considered legislating an EU directive providing "an EU-wide formulation of directors' duties and company's interest, requiring directors to properly balance" the interests of shareholders and stakeholders. To target composition, companies may appoint a "climate director" or disclose directors' "sustainability expertise" (Nili and Shapira 2024; Demirtaş, Strenger, and Tröger 2024), yet such steps often rely on salient demographic features. For example, because gender is often associated with stakeholder orientation (e.g. Harjoto,

[1] Using a bibliometric analysis, Siems (2024) observes that despite being quite ambiguous, the term "corporate purpose" has recently become frequently used in the management and business literature and may be suitable as a conceptual framing device for the importance of social and environmental interests related to companies.

Laksmana and Lee 2015; Byron and Post 2016; Liu 2018), the European Commission (2020) suggests increasing gender diversity.

To better understand which policies could achieve stakeholder-oriented goals, we address the "…need for a comprehensive understanding of the social performance-related knowledge, perspectives, and values that men and women bring to boards" (Byron and Post 2016: 428) by providing a theoretical framework and evidence on formal (legal) and informal (values and culture) factors that affect directors' deliberations over shareholders and stakeholders. Adams, Licht and Sagiv (2011, henceforth ALS) document that Swedish directors' shareholderism is guided by their values and other individual characteristics. For example, directors whose personal value profiles emphasize other-regarding values are more pro-stakeholder. We argue that in favoring one constituency over another in stakeholder/shareholder dilemmas, directors are also guided by social-institutional factors (Williamson 2000; Hambrick 2007; Crossland and Hambrick 2011; Westphal and Zajac 2013). For example, we propose that directors who grew up in egalitarian cultures are also more pro-stakeholder. To provide empirical evidence for our framework, therefore, we need to collect international data.

We survey directors in different countries after refining the survey instrument of ALS to measure their shareholderism. We also measure their values following Schwartz (1992) and their individual characteristics. To test our theory, we regress shareholderism on these factors, as well as standard measures of the firm headquarter countries' legal environments, and measures of culture in directors' countries of origin following Schwartz (2014). We also introduce a new instrument to address identification concerns.

The ALS shareholderism instrument addresses two important issues that are not always explicit in the shareholder/stakeholder debate. First, there is little to discuss when the interests of shareholders and stakeholders are aligned or could be aligned in the long run; i.e., the debate is only relevant in situations of genuine tension or conflict. Second, it is often difficult for external observers to a firm to identify situations in which the interests of shareholders and stakeholders conflict.

To address these two issues, the ALS instrument focuses on self-identified situations of conflict between shareholders and stakeholders, namely litigated legal cases, as the basis of decision-making vignettes that directors are confronted with. The “right” decision is not obvious in these vignettes since the parties involved turned to the courts for resolution. The courts, too, sometimes sided with shareholders and sometimes with stakeholders. The absence of a “right” answer helps the ALS survey avoid framing effects and instills confidence that it is eliciting directors’ true attitudes, rather than reflecting the interests directors think they are supposed to represent. The origin of these vignettes in court cases further ensures that the scenarios they present are not merely hypothetical.

Our final sample contains survey responses from 1,109 directors from 55 countries serving in firms from 23 countries and accompanying measures of country-level culture and legal institutions. To verify that shareholderism is a valid and useful measure of directors’ attitudes towards shareholders and stakeholders, we replicate the basic findings in ALS. We also perform various robustness checks to address concerns about non-response bias, construct validity and sample coverage. Whenever possible, we benchmark our data to Boardex data, which is a widely used dataset for examining boards in international contexts.

Consistent with our theory, we find that directors’ shareholderism varies with individuals’ personal characteristics, their cultural heritage and institutional characteristics in firms’ headquarter countries. Directors who emphasize other-regarding values, deemphasize self-direction values, and who come from cultures that emphasize egalitarianism, harmony and embeddedness are more pro-stakeholder.

In contrast to assumptions in the policy debate, however, directors' shareholderism does not vary across common or civil law legal origins in firms' headquarter countries. Indeed, a Shapley decomposition of R-squareds indicates that directors' latent values and observable demographic characteristics are relatively more important than institutional factors in explaining variation in their shareholderism. In addition, in our sample gender is not as relevant for stakeholder-orientation as many assume. Instead, expatriate directors (those who grew up in a country other than their firm's country, sometimes labeled as "foreign," e.g., Miletkov, Poulson, Wintocki, 2017) are systematically more stakeholder-oriented than local directors.

We employ "gravity" models used in analyses of cross-border flows (e.g., trade and migration) to examine the likelihood a director holds an appointment outside their home country and to construct a new instrument for directors' expatriate status. In instrumental-variable (IV) regressions, we find that expatriates differ systematically from local directors in their shareholderism. This highlights the potential influence of board composition on strategic decisions involving shareholder versus stakeholder dilemmas. These results also underscore the importance of considering selection effects. While the epidemiological approach to cultural transmission holds that expatriates may import their native culture, the decision to become an expatriate director is personal, meaning expatriates may not be representative—a point consistent with the "ecological fallacy" argument introduced by Robinson (1950).

Much of the literature on corporate purpose and cultural transmission through director appointments focuses on archival individual- and firm-level data (e.g. Flammer and Kazpercyk 2016, Giannetti and Zhao 2019). Bloom and Van Reenen (2007; 2010) and Bandiera et al. (2020) highlight the benefits of using qualitative firm and individual-level data to describe management practices. Consistent with this line of work, examining the characteristics of decision-makers directly, as ALS do and we do here, is useful for understanding and developing policy and leadership initiatives around corporate purpose and diversity. It can also enrich academic research on these topics (Byron and Post 2016). Our work can be seen as embedding ALS, whose focus is limited to the individual level, since we provide a theoretical framework that extends ALS's theory to the institutional level, and we provide an international analysis that incorporates both the individual-level analysis as well as institutional-level factors. Our use of rigorous validation and benchmarking approaches, as well as the new identification strategy we use, help to validate ALS's approach and may inform other research related to characteristics of individual decision-makers.

Our evidence raises questions about existing assumptions about directors' monolithic profit-line focus and their attributes (e.g., Coffee Jr. 2020). Consequently, policies requiring directors to deliberate in a certain way or requiring directors to have certain observable characteristics may have limited efficacy. At the same time, our results indicate that board composition could moderate firms' strategic behavior which means revisiting existing assumptions in this debate could be worthwhile for top-level managers, policy makers and academics alike (ALS 2011; Licht 2012).

To motivate our subsequent empirical work, we first provide our theoretical framework (section 2). Section 3 describes our data, our Boardex benchmarking approach, and our validation exercises. Section 4 provides results for the full sample. Section 5 focuses on the sub-sample of expatriate directors and introduces our instrument for expatriate status. We conclude in section 6.

2. A Richer Framework for Director Decision-Making

Since corporate leaders have ample discretion in formulating strategy (Hambrick and Finkelstein 1987), their actions 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 draw on Williamson's (2000) model of social institutions to advance a unified framework that integrates both levels of analysis - the individual and the societal - as both factors motivate as well as constrain attitudes and actions.

[Insert Figure 1 about here]

Figure 1 graphically summarizes our framework. The figure shows Williamson's (2000) model with our additions marked in dashed text boxes and curved arrows, as explained in the figure's header. In Williamson's model, informal institutions comprising culture and social norms are located at Level 1, formal legal institutions reside in Level 2, while Level 3 deals with defining the boundaries of the firm. Level 4 refers to resource allocation subject to the constraints imposed by institutions. This is the level at which strategic decisions involving tensions between shareholders and stakeholders are taken.

We expand Level 4 to reflect the fact that firms are not black boxes – formally, the board takes corporate decisions, which individual directors deliberate and vote on. We embed Gartenberg and Zenger's (2023) theory of firms as subsocieties at Level 4, while distinguishing between organizations and their boards as a body (represented as Level 4a in Figure 1) and individual directors (represented as Level 4b in Figure 1). Level 4a is where corporate culture resides (for recent literature see, e.g., Gorton and Zentefis 2023). Our study addresses Levels 1 and 4b in the expanded model, while being mindful of Level 2. We abstract from Level 3, as it does not implicate the present subject, and from Level 4a, not only due to its complexity but also because our sample comprises mostly a single director per firm and is thus not suitable for examining firm-level and board-level aspects.

We propose that how directors' handle tensions between shareholders and stakeholders will be influenced by their personal values at Level 4b, and moderated by their cultural heritage, which provides the context in which their decisions are couched (Aguilera *et al*. 2015; Licht 2004, 2015; Matten and Moon 2008; Roccas and Sagiv 2010; Sagiv and Schwartz 2022). From an institutional theory perspective, we perceive such decisions as "socially constituted", i.e., exhibiting "a deeper influence on individual agency, emphasizing how an individual's socialization and cumulative personal experiences define what the individual conceives as situationally possible, thus both enabling and constraining the agency of the individual." (Westphal and Zajac 2013: 607). Level 2 legal institutions affect both sub-levels of Level 4. They constrain firm behavior - e.g., by regulating labor rights or board composition - and they may constrain individual directors' behavior - e.g., by promulgating fiduciary duties.

2.1 The Individual Level

Hambrick and Mason (1984) emphasize the centrality of psychological factors, particularly personal values, as potentially important factors in strategic decisions. Numerous studies examine the effect of personality traits and of political ideologies on managerial discretion regarding shareholder-stakeholder relations and CSR (from a large literature, see, e.g., Gupta, Nadkarni, and Mariam 2019). But few studies deal with values directly, likely because of the challenge in observing value priorities. Gow *et al*. (2016) in fact surmise that "interviews and questionnaires of executives are not feasible for a large sample of public company executives". Studies that have considered executives' values mostly leverage Schwartz's theory of personal values (which is distinct from Schwartz's theory of cultural dimensions). The Schwartz model, which has received abundant empirical support, postulates a circumplex structure of personal values (see Appendices A.3, A.6; Schwartz 2016). These values can be distinguished at different degrees of resolution, including four high-level values organized along two axes (self-transcendence vs. self-enhancement and openness-to-change vs. conservation), and the most commonly used ten values (e.g., universalism in self-transcendence and self-direction in openness-to-change).

In terms of content meaning, self-transcendence encompasses values that motivate people to transcend selfish concerns and promote the welfare of others and the natural environment (Schwartz 1992). Within self-transcendence, universalism represents an understanding, appreciation and tolerance of all people and nature, while within self-enhancement, power motivates control over people and resources and achievement focuses on competitive success. Self-direction motivates independent thought and action, choosing, creating, and exploring.

Agle, Mitchell, and Sonnenfeld (1999) find that other-regarding values have a moderating effect on the salience of stakeholders in a sample of 80 American CEOs. Shafer, Fukukawa, and Lee (2007) find that self-transcendence values are associated with social responsibility attitudes in a sample of 311 American and Chinese managers. Crilly, Schneider, and Zollo (2008) find that self-transcendence values are related to the propensity to engage in socially responsible behavior for 643 US middle managers of 5 multinational companies. In a sample of 626 CEOs and directors of Swedish corporations, ALS find that directors' values of universalism and (inversely) power and achievement, that together express self-transcendence, correlate negatively with shareholderism, while self-direction, which expresses openness-to-change, correlates positively with shareholderism. Drawing on Schumpeter (1934) and Kirzner (1973), ALS posit that the emphases on power, achievement, and self-direction and deemphasis on universalism are conceptually compatible with the "entrepreneurial spirit" of attaining success through innovation and competition, which is consistent with the goals of equity investors and hence shareholderism.

To date, the literature has not dealt with the question whether directors address shareholder-stakeholder dilemmas in relation to their personal values consistently across countries. We argue that an analysis of the role of institutions is meaningless if this is not the case. Accordingly, the first level of our framework posits the universality of the role of individual values as in ALS. We expect, firstly, the general relationship between self-transcendence values and shareholderism to be negative and, secondly, the general relationship between self-direction and shareholderism to be positive.

2.2 The Cultural Level

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., Fernández 2011; Guiso, Sapienza, and Zingales 2016; Giuliano and Nunn 2021). There is evidence that cultural heritage diversity within boards correlates with organizational performance (Frijns, Dodd, and Cimerova 2016; Pan, Siegel, and Wang 2017; Park and Zhang 2020; see also Giannetti and Zhao 2019).

Consistent with institutional theory (Westphal and Zajac 2013) and the epidemiological approach to culture (e.g. Fernández 2011), we expect directors' approaches to shareholder-stakeholder dilemmas to be affected by both their personal values *and* their cultural heritage. Put in the context of the stratified institutional analysis model, one's *cultural* heritage will moderate the effect of one's *personal* values in addressing a particular situation (Roccas and Sagiv 2010; Sagiv and Schwartz 2022). This effect is represented graphically by the curved arrow from Level 1 to Level 4b in Figure 1. Two directors holding similar personal value preferences could thus address the same dilemma differently, depending on what their culture indirectly channels them to perceive as acceptable and expected conduct (in line with Park and Zhang 2020; *cf.* Giorgi, Maoret, and Zajac 2019). Put in the terminology of econometrics, we argue culture is an omitted variable whose influence must be considered in a regression of *Shareholderism* on values.

We utilize the theoretical model and data by Schwartz, which have been confirmed to have universally consistent meaning (e.g. Smith, Bond and Kagitcibasi 2006).[2] According to

[2] The previous version of this paper explores alternative measures and models of culture. The interested reader can see these results on SSRN.

Schwartz (2014: 6), culture is “the latent, normative value system, external to the individual, which underlies and justifies the functioning of societal institutions”. This definition is compatible with the way culture is conceptualized in new institutional economics and especially with Williamson (2000) as well as institutional theory (Westphal and Zajac 2013).

Schwartz identifies three cultural dimensions: egalitarianism vs. hierarchy, harmony vs. mastery, and embeddedness vs, autonomy. Egalitarianism considers all people as moral equals; harmony emphasizes fitting in (rather than exploiting) the social and natural environment, and embeddedness views members of society as mutually interrelated and therefore deserving of consideration. Hierarchy, mastery, and autonomy, respectively, are the cultural orientations at the opposite pole of each dimension both conceptually and empirically, such that higher scores on one polar orientation correlate negatively with scores on the opposite orientation (Schwartz 2014; see Appendix A.3).

Cultural egalitarianism may be conducive to stakeholderism as it views multiple constituencies as equally deserving, while hierarchy would be more conducive to shareholderism as it is consistent with primacy, including shareholder primary. Cultural hierarchy further could foster entrepreneurship as it encourages and legitimizes competitive superiority. Cultural mastery, which emphasizes venturing, exploitation, and development could support shareholderist strategies, consistent with the idea that such cultures are more conducive to entrepreneurial profit-seeking, and vice versa for cultural harmony. Cultural embeddedness may imbue directors with greater concern for interrelated stakeholders in the firm, and vice versa for cultural autonomy. Thus, we propose that directors from countries that stress egalitarianism, harmony and embeddedness will be less likely to endorse shareholder primacy in favor of a pluralist stakeholderist position.

Extant literature provides some tentative support for this view at the firm level. Siegel, Licht, and Schwartz (2013) report positive univariate correlations between egalitarianism and national averages 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. 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; Liñán, Jaén, and Martín 2022; Siegel, Licht, and Schwartz 2013).

A fair portion of our sample consists of expatriate directors whose country of origin - self-reported as the country in which they grew up (and were thus enculturated) - differs from the country in which their company is headquartered. We exploit the fact that the cultural heritage of these directors and that of their firms differ to further explore the effect of culture on shareholderism.

2.3 Laws and Institutions

Legal institutions could affect both organizations and individual directors in connection with 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).

The legal cases that underlie ALS’s survey highlight that even within a jurisdiction, courts sometimes side with shareholders and sometimes with stakeholders. The U.S. courts sided with shareholders in *Dodge v. Ford Motor Co.* (1919) and with the community in *Shlensky v. Wrigley* (1968). It should not be surprising therefore that even within one country, directors may vary in their shareholderism stances, as ALS document for Sweden.

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. It is unclear whether laws that protect certain stakeholders - say, creditors - would encourage a director to side with them in strategic decisions because they express social norms. Equally plausibly, corporate stakeholderism could help the firm to overcome legal institutional voids (El Ghoul, Guedhami and Kim 2017) or, inversely, a director may consider the legal protection afforded to such stakeholders as a license to promote shareholders' interests. Indeed, in such environments director selection processes may put a premium on more shareholderist directors.

The mechanisms that relate legal injunctions to directors' shareholderism are also unclear. It requires a leap of faith to assume that directors are versed in all regulations and legal doctrines. Schnyder, Siems, and Aguilera (2018: 25) argue 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 role of the law by considering the empirical correlation between shareholderism and legal regulations pertaining to the major stakeholders in firms, 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.

3. Methods

3.1 Sample and Data Collection

Our primary sample consists of survey responses by board members of public companies in several countries who participated in an online Qualtrics survey upon invitation by email. The survey instrument comprised two main parts - one gauging respondents' value priorities and another assessing their shareholder/stakeholder orientations (*Shareholderism*). We also requested information on respondents' demographics, including age and country of origin (the country in which they grew up and were enculturated), and their role in the company (executive or non-executive).

The survey instrument was administered in the official language of the country of the firm. For the values module we used verified translations provided by Shalom Schwartz. The rest of the instrument was translated and reverse-translated by native speakers of the language and corrected when necessary. Upon linking to the online survey, respondents were asked to indicate their gender such that they would get a gender-compatible values questionnaire in languages that are gender-sensitive.

To avoid framing effects, we formulated a neutral cover letter. We simply invited directors to “participate in an international study on board members’ approaches to basic issues of corporate governance”. Similarly, the words “stakeholder”, “values” and “culture” do not appear in the survey or cover letter, and we avoided any references to the legal cases underlying our vignettes. As such, we called the module measuring values “personal profiles” and the module measuring shareholderism “corporate governance scenarios”.

We obtained email addresses primarily from Capital IQ and Email Data Group, a commercial provider of email addresses for marketing purposes. For Israel, we also obtained email addresses from the Tel Aviv Stock Exchange for chairs of Israeli public companies who we asked to circulate the Qualtrics survey link to their boards. One reminder message was sent to recipients who failed to respond or to complete their survey.

The number of email addresses in our survey sample varies substantially across countries, from dozens to thousands. To allay concerns about our sample composition, we benchmark our survey sample to the cross-section of data in Boardex in 2011, the year we launched our survey. To date there is no complete international dataset of directors that would enable us to assess how representative our sample is. Although it has widely varying coverage by country, Boardex is likely to be the most comprehensive sample to date and is widely used (see e.g. Adams and Kirchmaier 2015). It has also been previously used for gravity models of "foreign" directors (e.g. Barrios, Bianchi, Isidro and Nanda 2022). We describe how we construct our Boardex sample in Appendix A4. Our final Boardex sample contains 44,777 observations for 94 countries.

3.2 Values and Shareholderism

We used the 40-item Portrait Values Questionnaire (PVQ) instrument for gauging individual priorities on the ten universal values identified by Schwartz. Although longer than other versions of the PVQ, the PVQ40 ensures comparability to ALS and is more accurate (Beierlein *et al.* 2012). From the PVQ40, we construct the ten Schwartz value preferences and subtract individual means to control for differences in scale use (Schwartz 1992).

ALS present results for four values separately – universalism, power, achievement, and self-direction. To simplify the presentation of our results, we exploit the circular structure of Schwartz's model (see Appendix Figure A.3.1), which allows one to aggregate opposed values in the circle using negative cross-loadings and adjacent values using positive cross-loadings (Duelmar *et al*. 2023). We construct a measure of *Self-Transcendence = Universalism*-(*Power+Achievement*) and consider it alongside *Self-Direction*. In section A.6 of the Appendix, we show that using four values leads to similar conclusions.

To assess board members' shareholderism stances we refined ALS's survey slightly. We follow ALS in using vignettes based on the legal cases of *Dodge v. Ford Motor* (1919) (consumers and/or general public), *Parke v. Daily News Ltd.* (1962) (employees) and *Shlensky v. Wrigley* (1968) (community). We also follow ALS in borrowing 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 and one highlighting a variety of sometimes conflicting stakeholder interests.

ALS report that they had to omit the creditors vignette from their analysis, as it failed to load on the same factor as other items did. Swedish directors apparently did not perceive the circumstances of that case as reflecting a realistic shareholder-stakeholder dilemma. We therefore replaced that vignette with a vignette based on the shareholders-creditors dilemma in *BCE Inc. v. 1976 Debentureholders* (2008). In this case, institutional investors who held BCE debentures sued the directors over a leveraged buyout deal, approved by 99 percent of the shareholders, that would have caused their bonds to lose investment grade. In dismissing the claim, the Supreme Court of Canada adopted a bold stakeholderist approach, in stark contrast to Delaware law (see Strine 2015). Appendix A.1 provides the complete text of the vignettes we use to measure shareholderism and some background on each case.[3]

To construct *Shareholderism*, we scale the 10 responses for the five vignettes so higher values indicate more pro-shareholder choices, and average them. This index and a four-vignette index that does not include the new creditor vignette (identical to ALS's instrument) correlate nearly fully (r=.94). Our results are also similar with the shorter index. Like ALS's Swedish respondents, our internationally diverse respondents perceive shareholder welfare as conceptually in tension with, or opposing, the welfare of all other major stakeholder constituencies, thus re-confirming the internal validity of *Shareholderism* as a measure of individual directors' general stances on shareholder-stakeholder dilemmas. In addition to centering value scores, we took standard steps for minimizing common method bias (Podsakoff, MacKenzie, and Podsakoff 2012) by requiring complete responses for both the values and shareholderism survey modules and by requiring respondents to complete a visual perception task to create a separation between those modules.

[3] A principal factor analysis with promax rotation (see e.g. Osborne 2015) showed that the new creditor item loads significantly on the same factor that the other items do. Cronbach alpha was acceptable (0.63), especially for such a heterogeneous sample and complex setting that may invoke issues other than shareholder/stakeholder conflicts in respondents' eyes.

3.3 Culture, Legal Environment, and Control Variables

We utilize the 2006 release of the Schwartz cultural orientation dataset, which is in standard use in the literature (see Appendix A.3 for a brief description). Countries' classification into cultural regions comes from Schwartz (2014). Data for legal origin and the Anti-Self-Dealing Index, which can be viewed as a proxy for the importance of shareholders in the legal system, are drawn from Djankov et al. (2008). We also code a *Mixed* dummy for legal regimes that combine elements of the common and civil legal regimes (Tetley 2000).[4] 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 "strictness of employment protection - individual and collective dismissals (regular contracts)" from the OECD's employment protection legislation database. 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 index.

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] Respondents' perceptions of the meaning of shareholder

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[4] 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. While Tetley (2000) includes Israel in mixed jurisdictions, Israel is classified as a common law system by the CIA Factbook as well as in the economic literature. Table A9 shows our results are robust to dropping Israel. Results without the mixed jurisdiction dummy are largely similar.

[5] We asked participants to locate their country's law on a continuous rather than a discrete scale to avoid priming them about the desirability of either shareholderism or stakeholderism. We also asked participants to classify this degree categorically, as "pro-shareholders" or "pro-stakeholders." Overall, we received usable responses from 57 professors.

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). Notwithstanding their limitations, these scores offer a unique expert perspective on the question at hand - namely, the regulation of corporate purpose at Level 2 - 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 from the World Bank's Sustainable Development Goals database. In robustness checks, we use MSCI Intangible Value Assessment (*MSCI IVA*) scores from Appendix B of Liang and Renneboog (2017) and the Largest Shareholder Index (*Ownership Concentration*) from Aminadav and Papaioannou (2020).

Directors typically sit on the boards of more than one firm at a time. These firms may have different characteristics. Also, firms' boards typically have many members of which only one may have responded to our survey. It is therefore unclear to what extent we should expect the coefficients on our variables of interest to be biased due to omitted firm characteristics. ALS did not find that the coefficients on personal values changed substantially when they included firm characteristics in their shareholderism regressions. Nevertheless, to perform robustness checks that include respondent firm characteristics, we use (extremely limited) firm identifiers available in our survey sample to obtain data on market capitalization (price at year end * number of shares outstanding) and NAICS codes in 2011. Based on NAICS codes, we define industry dummies if there are at least 10 firms in the same industry. This leaves us with three primary industries: mining, finance and tech.

To construct our instrumental variables, we rely on a gravity model. We obtain standard gravity data from the CEPII Gravity Database (Conte, Cotterlaz and Mayer, 2022).

3.4 Summary Statistics and Potential Response Bias

We surveyed 80,800 directors in 23 countries and received 1,109 responses, 205 of which belong to expatriates. We surveyed every country for which we could obtain more than 40 email addresses. As is typical for surveys of corporate elites (see Graham, Harvey, and Puri 2013), the response rate was low. We address potential response bias below. We first briefly discuss summary statistics for the sample. Table 1 contains summary statistics for survey respondent demographics (Panel A), culture and legal measures for survey respondents (Panel B), demographics of directors in the 2011 cross-section of Boardex (Panel C), and a correlation table for variables used in the main analysis (Panel D). Appendix Table A.4 contains summary statistics for the respondent firm characteristics (Panel B), cultural and legal distance measures we use in the expatriate analysis, and summary statistics for variables we use in the gravity model. The headers to Table 1 and Table A.4 provide detailed descriptions of the variables.

[Insert Table 1 about here]

Insider, *Female*, *Expatriate* are dummy variables. *Insider* is one if the director is an executive of the firm. We denote country characteristics belonging to firm headquarters with the prefix *F-*. Country characteristics belonging to directors' countries of origin are denoted with the prefix *D-*. *Perceived Pro-Shareholder* is a dummy which is equal to 1 if corporate law professors at leading universities in our sample countries assessed the country as pro-shareholder (yes=1, no=0). For countries with multiple responses, we defined *Perceived Pro-Shareholder* to be 1 if the mean response is greater than 0.5 and 0 otherwise.

In the expatriate analysis we use cultural and legal distance measures, as well as gravity variables. We measure distances in individual country characteristics, denoted with the prefix *Dist_*, as *D-* variables minus *F*-variables. These signed distance measures reflect a notional route from respondents' country of origin to their country of service as directors. *Cultural (Legal) distance* is the square root of the sums of squared cultural (legal) *Dist_* measures. *Common Language* is a dummy equal to 1 if the director-country and the firm-country share a common language. *Contiguous* is a dummy variable equal to 1 if the director-country and the firm-country share a border. *Distance (capital)* is the distance between the capital city of the director-country and the firm-country, in km.

[Insert Table 2 about here]

Panel A of Table 2 shows the distribution of survey respondents across firm-countries together with the language of the survey, the response rate in %, the number of responses, *Common law*, *Perceived Pro-Shareholderism* and the Schwartz cultural region of the firm-country.[6] To assess how representative our sample is, we provide the distribution of respondents across firm-countries in our sample alongside the distribution of directors across the same firm-countries in Boardex, when available.

Panel B of Table 2 shows the distribution of respondents across director-countries with the number of responses per country, *Common law*, *Perceived Pro-Shareholderism* and the Schwartz cultural region of the firm-country. As in Panel A, we provide the distribution of respondents across director-countries in our sample alongside the distribution of directors across their countries of origin (measured by nationality) in Boardex, when available.

The comparison to Boardex highlights important differences between our sample and Boardex, as well as similarities. For example, Boardex does not have data on boards of firms in Jordan or Kuwait or data on directors from Andorra, Gambia, Laos, Mali or Moldova, which suggest our sample provides unique data on markets and directors that may not yet have been studied in an international context. Based on panels A and C of Table 1 we believe the most notable difference between our survey and Boardex is that we have a higher

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[6] The response rate for Israel is denoted with a star as we collected additional data for Israel via board chairs. Since this meant we did not have a record of all directors who received the survey, we estimate the response rate for Israel as the number of responses (78) divided by the number of directors in Israel (178) in our 2011 Boardex sample.

representation of insiders.[7] But, given the neutral framing of the survey, it is not obvious that a higher response rate by insiders biases our results. It may simply reflect the fact that corporate governance is of greater interest to executives than non-executives.

Important similarities between our data and the Boardex data help highlight potentially new facts about director-level data. Panel A of Table 2 shows, for example, that most responses in our sample come from the US. However, this is not because the response rate is the highest for the US. In fact, the US response rate is the third lowest across firm-countries. Instead, as is evident from the comparison to Boardex data, skewness in the number of responses suggests that more data is available on directors in the US than in many other countries. In our survey sample, 41.66% of directors are on boards in the US. In the Boardex data for the same firm-countries, 43.1% of directors are on boards in the US. Similarly, Table 2, Panel B shows that most respondents in our data (37.42%) and most directors (with available nationality data) in the Boardex data (37.03%) come from the US.

With 90% of observations coming from directors on the boards of firms in common law countries, our data appears skewed towards firms in such countries, yet Boardex is similarly skewed (87%, respectively; Table 2, Panel A).[8] We believe this is an interesting pattern. To fully investigate the role of the law, it will be crucial to develop datasets that expand the coverage of boards and countries relative to Boardex.

The discussion above suggests that skewness in the representation of some countries and the common law legal system in our sample is not the result of non-response bias. We investigate this point more rigorously in Appendix section A.5 where we estimate the

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[7] The higher representation of expatriates in our Boardex sample (24%) can be explained by the fact that we keep multiple observations per director if they have directorships in different countries. Barrios *et al*. (2022) document that their Boardex sample contains 18.71% of "foreign" directors in 2011, which is very similar to the percentage of expatriates in our sample (18%).

[8] This is not an artifact of the countries we surveyed. Even in the unrestricted 2011 Boardex sample with data on 101,473 directorships across 95 countries, 76% of directorships are on boards of firms in common-law countries.

likelihood a director responded to the survey as a function of country-level characteristics associated with the firm-countries in which directors hold their board seat. The results 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*. To further alleviate concerns about non-response bias, we control for *Mixed* in our analysis. As we describe below, we also investigate the robustness of our results to the inclusion and exclusion of responses from directors in different countries.

3.5 Validating Shareholderism

Because of ALS's focus on a single country, they were unable to test their conjecture 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." (ALS, 2011: 1349). By replicating their analysis in our international sample, we can provide additional evidence on both their theory and the universality of the shareholderism construct.

In section A.6 of the Appendix, we replicate ALS's core regressions (ALS, Table 3a) as closely as possible while using country fixed effects to control for the institutional factors we later examine directly. 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. As we show, the coefficients on values and demographics largely line up with those in ALS, and the coefficient on firm characteristics are in line with prior literature. While the sign of the coefficient on *Female* is positive instead of negative as in ALS, we hesitate to infer too much from this without further analysis. Overall, we view the results in the Appendix as providing important validation of ALS's shareholderism construct in an international context.

4. Analysis and Results

4.1 Variation in Shareholderism

[Insert Figure 2 about here]

To motivate our analysis, we provide a graphical depiction of variation in *Shareholderism* by institutional and individual factors. Panel A of Figure 2 shows the histogram and Epanechnikov kernel density of *Shareholderism* in the full sample. The normal-like shape of the histogram shows that very few directors appear to endorse strict shareholder primacy – i.e., extreme *Shareholderism*. This is noteworthy because the European Union Corporate Sustainability Initiative claims that "the shareholder primacy norm and the market pressures on short-term financial performance lead[...] directors to focus primarily on shareholder value maximization" (European Commission 2020, p. 33). Panels B, C and D show plots of kernel densities of *Shareholderism* by legal regime of the firm-country (*Common* and *Civil law*, *Perceived Pro-Shareholder* and *Pro-Stakeholder*), Schwartz cultural region of director-countries, and firm industry, respectively. The figures suggest that the distribution of *Shareholderism* shifts with culture and industry, but less so with law.

[Insert Figure 3 about here]

Panels A-F of Figure 3 show the Epanechnikov kernel densities of *Shareholderism* by demographics (*Insider*, *Expatriate*, *Female*) and quartiles of *Age*, *Self-Transcendence,* and *Self-Direction*. The figures suggest that the distribution of *Shareholderism* experiences notable shifts with gender and quartiles of values.

4.2 Incorporating Culture and Law

Figures 2 and 3 highlight that directors are not monolithic with respect to their attitudes towards shareholders and stakeholders. We use our framework to guide a more systematic analysis of variation in *Shareholderism*.

Our data have a hierarchical structure in that information about board members is grouped by countries, violating the independence assumption of OLS regressions. To examine whether the role of personal values depends on higher levels of cultural orientations, one approach is to use a multi-level (hierarchical) analysis that considers interactions between the levels (see Schwartz 2014, 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). Using the HLM7 software package, we tested multi-level regressions, with individual director-level data entered at the basic level and cultural data entered at the higher level.

Our data does not feature enough intraclass variation to support inter-level analyses, however (intraclass correlation coefficient, or ICC=.02). An ICC smaller than .05 indicates that an analysis for grouped data is not warranted (Bliese 2000). We therefore cannot consider inter-level interactions and continue with linear regression models. The fact that our theory does not postulate an effect of culture other than through its moderating effect on values further allays the need to use HLM analysis. To address within-group correlation, we use fixed effects regressions in Appendix Table A6, and double-cluster all standard errors at the firm-country and director-country level throughout the paper. To verify that the structure of our data does not induce multi-collinearity problems we report the variance-inflation tables for our main and associated analyses in section A.8 of the Appendix.

[Insert Table 3 about here]

Table 3 presents our central findings. In it, we incorporate the institutional factors associated with Levels 2 and 1 of Figure 1. Our baseline model corresponds to Level 4b, which includes personal values, *Insider*, *Female*, and *Ln(Age)*. 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 (country) variable concerns through the inclusion of other country-level factors. Since national income may be correlated with values (Inglehart 1997; Rudnev, Magun, and Schwartz 2018) and the weights directors put on the interests of different stakeholders, we control for the natural log of GNP per capita. We explore omitted variable concerns relating to the potential importing of country-specific expertise by expatriates (Masulis, Wang, and Xie 2012; Miletkov, Poulsen, and Wintoki 2017) by presenting results both excluding and including *Expatriate*.

In nearly all models in Table 3, the coefficients on individual values exhibit p-values lower than 0.01 and have signs consistent with ALS. This suggests that the role of personal values in predicting *Shareholderism* is robust to controlling for potentially omitted institutional factors.

Although we argue the mechanisms that connect the law to directors' shareholderism are unclear, we first consider legal factors given their prominence in the Law and Finance literature. When we examine the role of *F-Common law* and *F-Mixed* (column 1) and *Perceived Pro-Shareholder* (column 2), we observe that only the coefficient on *F-Mixed* is statistically significant. This result thus challenges arguments that common law leads directors to endorse shareholder primacy (see e.g., Liang and Renneboog 2017).[9] Instead, the results are consistent with Anderson *et al.*'s (2007) finding that most directors in Australia, a high legal-shareholderism country, believe that the law is broad enough to allow them to consider the interests of non-shareholder stakeholders.

The coefficients on the other legal variables in column 3 do not lend themselves to straightforward interpretation, consistent with our argument that the influence of legal regulation on directors' shareholderism is unclear. They suggest that stakeholder-related laws may complement or substitute director shareholderism. Directors appear more stakeholder-friendly in countries with greater creditor protection, seemingly a complementarity effect. But directors are more pro-shareholder in less business-friendly environments, where *F-Entry Procedures* are higher. This points to the potential importance of selection: if the

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[9] 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 this argument.

environment is not entrepreneurship-friendly, directors might need to be more pro-shareholder to overcome institutional barriers to make their firm successful. Thus, our evidence confirms that the role of law in shaping directors' shareholderism is not obvious.

Columns 5 and 7 show results for director-country culture variables corresponding to Level 1 of Figure 1, first separately and then in combination with the firm-country legal variables. Consistent with expectations, the signs on the cultural orientations of *Egalitarianism*, *Harmony*, and *Embeddedness* are negative and, for the most part, statistically significant at greater than the 5% level. This is unique empirical evidence for the role that cultural norms may play in corporate governance.

In line with theory, the results are consistent with the idea that cultural egalitarianism supports stakeholderism which considers all corporate constituents as moral equals, and that social players in high harmony cultures are expected to consider the social and environmental impact of their actions. Cultural embeddedness, too, could support a perception of interrelatedness among individuals in the firm and thus foster stakeholderism. Taken together, the findings support the notion that culture matters for strategic stakeholder management in a conceptually consistent manner through its effect on directors' discretion.

4.3 Incorporating Other Factors

Another way to examine the role of institutions is to examine expatriates. We use the inclusion of *Expatriate* to examine whether the coefficients on culture are biased. The correlation matrix in Panel D of Table 1 shows that the cultural orientation that exhibits the highest correlation with *Expatriate* is *D-Harmony* (correlation of 0.25, significant at the 1% level). This positive correlation may be one reason why expatriates appear to be more pro-stakeholder in column 4. Accordingly, the absolute value of the negative coefficient on *D-Harmony* in columns 5 and 7 might be overestimated. Consistent with expectations, including *Expatriate* in columns 6 and 8 decreases the absolute value of the coefficient on *D-Harmony* relative to columns 5 and 7. This suggests that *Expatriate* drives part of the effect of culture. We return to this subject in detail below.

In column 9, we add additional proxies for corporate governance: *F-Ownership Concentration*, national CSR scores (*F-MSCI IVA*), and *F-Market_cap2011*. In column 10, we add *Expatriate* to this specification. With the inclusion of more country-level factors, and an accompanying reduction in the number of observations, multi-collinearity becomes a serious concern. Inspection of the variance inflation matrix shows that the variance inflation factor of *F-Common law* in the specification including all variables rises above 10. Since the unconditional correlation of *F-Anti-Self-Dealing* with *F-Common law* is already 0.76, significant at the 1% level (Table 1, Panel D), we address this problem by excluding *F-Anti-Self-Dealing* from columns 9 and 10.

F-MSCI IVA has the expected sign if social normative pressures lead directors to be more stakeholderist (Cialdini and Trost 1998), but it is not significant. The coefficient on *F-Ownership Concentration* is positive after controlling for market capitalization, and the coefficient on *F-Market_cap2011* is positive and significant, which is consistent with intuition. But these additional controls do not seem to drive the relationship between values, culture, law, *Expatriate*, and *Shareholderism*.

In section A.9 of the Appendix, we examine the sensitivity of our results to potential response bias by dropping firm-countries. Selectively dropping director-countries leads to similar results. Because country-level factors become more collinear as the number of countries shrinks, we restrict the legal factors to *F-Common Law* and *F-Mixed* in these specifications. We first drop 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). Next, we exclude South Africa. We then drop 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). Finally, we drop 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. Overall, the results lend themselves to a similar interpretation as the results in Table 3.

4.4 Assessing the Explanatory Power of Institutional and Individual Factors

To map our analysis to our theoretical framework we zoom out from individual coefficients and examine the relative explanatory power of the different groups of variables corresponding to Level 1 (informal culture) and 4b (individuals) in our expanded model, as well as Level 2 (legal/formal rules).[10] Since we abstract from Level 3 (firm boundaries), and from Level 4a (firm/board characteristics, including corporate culture), this analysis does not fully explain variation in *Shareholderism*. Nevertheless, it helps tie the analysis to our framework, in part by highlighting that the levels are connected, and it points to additional factors that may be interesting to explore.

Table 4 shows percentage decompositions of the share of explained variance (R-squared) for different regressions of *Shareholderism* on groups of explanatory variables. The decomposition is calculated using Shapley values. Among institutional variables, formal (legal, Level 2) factors and informal (cultural, Level 1) factors appear to have largely equal weight (column 1) (*Cf.* Griffin *et al.* 2017). Given that the coefficients on *F-Common Law* in Table 3 are generally insignificant, however, we cannot say exactly how legal factors matter, whereas the coefficients on the cultural factors provide some guidance.

Adding individual characteristics, particularly values, to the regressions causes a substantial shift in the relative explanatory power of institutional factors. This is consistent with our theory, which highlights the interconnectedness between levels. In column 2, *Self-*

[10] We are grateful to an anonymous referee for suggesting this inquiry.

Transcendence and *Self-Direction* account for 75% of R-squared. Even after adding baseline demographics and other controls, values account for more than 50% of R-squared.

We believe the fact that individual characteristics have relatively more explanatory power than institutional factors raises questions about the proper focus of stakeholder-oriented regulation. Similarly, the fact that (normally) unobservable values have relatively more explanatory power than easily-measurable demographic characteristics suggests that targeting specific demographic characteristics on the board to achieve stakeholder objectives may not be sufficient. Designing optimal recruitment policies for directors is an interesting avenue for future research. We explore one possible tool for affecting stakeholderism in boards, the appointment of expatriate directors, next.

5. Expatriates

The correlation matrix in Panel D of Table 1 highlights that, unconditionally, expatriates do not exhibit significantly different values than local directors. The results in Table 3 suggest expatriates' pro-stakeholder stance may be primarily driven by institutional factors. In an (unreported) regression of *Shareholderism* on all variables excluding the legal and cultural variables, the coefficient on *Expatriate* is -0.11, significant at the 1% level. Adding legal variables, resulting in the specification as in column 4 of Table 3, or cultural orientations, resulting in the specification as in column 6, decreases the absolute value of the coefficient on *Expatriate*, as well as its significance. This suggests that director-country culture and firm-country law play a role in explaining expatriates' lower shareholderism.

There are two potential ways in which institutional factors may relate to how expatriates deliberate. First, as in the epidemiological approach, expatriates may "import" home-country culture through its effect on personal value preferences and beliefs. Second, institutional factors may influence an individuals' decision to become an expatriate. Some institutional features may be attractive because they allow individuals to act in accordance with their values, or, alternatively, certain individuals may be more attractive for recruitment as board members in foreign institutional environments (e.g. Barrios *et al*. 2022). If these factors drive the decisions to offer and to take a board seat abroad, the coefficient on *Expatriate* may be biased.

To explore this point in more detail, we analyze how expatriates' *Shareholderism* relates to culture and law in their origin- and firm-countries. We relate origin- and firm-country institutions through distance measures. We define *Cultural Distance* and *Legal Distance* as the square roots of the sums of differences between director-country measures and firm-country measures. Summary statistics for *Cultural Distance* and *Legal Distance* and the differences between their component director-country and firm-country measures, denoted by the prefix *Dist_*, are in Appendix Table A4. For this analysis we restrict our sample to the sample of expatriates.

[Insert Table 5 about here]

In Table 5 we show results of regressions of expatriates' *Shareholderism* on institutional distance measures. All regressions include demographics and *F-Ln(GNP)*. In column 1, we include *Cultural Distance*. In columns 2-4, we include the interactions of *Cultural Distance* with each component of director-country culture separately. We replicate this analysis for *Legal Distance* in columns 5-9. In column 10, we include *Cultural Distance* and *Legal Distance*.

Table 5 provides some suggestive evidence that the greater the cultural distance, the relatively more pro-shareholder the expatriate director is, particularly when the director grew up in a more egalitarian or harmony-oriented culture. Consistent with the findings for the overall sample, there seems to be little consistent relationship between legal distance and expatriates' *Shareholderism*.

These results plausibly point to the existence of selection effects, i.e., directors who are more shareholderist might be uncomfortable in counties with very high egalitarianism and harmony orientations and may choose to accept directorships in countries where these aspects of culture are less dominant; or, they may be more attractive candidates for overseas director recruiting. We examine this point in more detail below.

5.1 Addressing the Endogeneity of Expatriate Status

Although we address omitted variable bias that could result because institutional characteristics could be correlated with both *Expatriate* status and expatriate directors' *Shareholderism*, it is still possible that the coefficient on *Expatriate* is biased due to reverse causality. To address the potential endogeneity of *Expatriate*, we use an instrumental variable (IV) approach. To implement the approach, we require an instrument that is correlated with *Expatriate* (the relevance condition), but plausibly uncorrelated with the error term of our *Shareholderism* regressions (the exclusion restriction).

In constructing our instrument, we follow procedure 18.1 in Wooldridge (2002: 623) for endogenous dummy variables. We first estimate the likelihood a director is an expatriate. We then use the predicted likelihood of expatriate status as an instrument for *Expatriate* in our *Shareholderism* regressions. By construction, the predicted likelihood should satisfy the relevance condition. While the procedure can be applied in the absence of exogenous predictor variables, using variables that are plausibly unrelated to *Shareholderism* in predicting expatriate status can increase confidence that the predicted likelihood satisfies the exclusion restriction and hence is a valid candidate for an instrument. As Adams, Almeida and Ferreira (2009) discuss, one benefit of this approach is that it explicitly takes the binary nature of the endogenous variable into account which may help reduce the known bias of two stage least squares (2SLS) estimators in small samples.

To predict the likelihood a director is an expatriate we borrow insights from the literature on "foreign" directors, in particular the idea that the flow of directors to countries can be thought of in a similar manner as gravity models of trade (e.g. Barrios *et al*. 2022), which predict that trade flows are proportional to the countries' sizes and inversely related to the distance or barriers between them (e.g. Anderson 2011). We take a different approach than in Barrios *et al.* (2022) because we are interested in predicted probabilities at the individual level whereas Barrios *et al*. (2022) estimate gravity models at the country level. We include three standard gravity model variables in our prediction models that are likely to be exogenous to *Shareholderism*: *Common Language*, *Contiguous* and *Distance (capital)*. *Common language* measures whether the firm- and director-country have the same language. *Contiguous* measures whether the firm- and director-country share a border. *Distance (capital)* measures the distance between firm- and director-country capital cities.

These gravity variables are plausibly correlated with the likelihood a director is an expatriate, as communication and commuting or relocation costs of working outside of one's native country will be lower if a director's native country shares a common language with the firm-country and the two countries are close. But it is difficult to construct an argument why these variables should be correlated with *Shareholderism* after accounting for institutional factors. Thus, we believe these variables are plausibly exogenous. Including these variables thus helps increase confidence that our instrument, *Predicted Expatriate*, is exogenous.[11]

[Table 6 about here]

[11] Under the assumption that these gravity variables satisfy the exclusion restriction, we can also use these variables as instruments directly. With *Common language*, which satisfies the relevance condition as per Table 6, as an instrument, the Kleibergen Paap Wald rk F-statistic for the specification corresponding to column 7 in Table 7 is 2061.21, the p-value for the endogeneity test is 0.708, and the IV coefficient on *Expatriate* is -0.156, significant at the 1% level. The fact that the results have a similar interpretation but the IV coefficient using *Predicted Expatriate* is closer to the OLS coefficient is consistent with our argument that using *Predicted Expatriate* may help reduce 2SLS bias, which is why this is our preferred instrument.

To estimate our gravity models, we assign all directors in our survey to all firm-countries in our survey and code a dummy variable equal to one if the director is an expatriate in the firm-country. In Table 6 we provide results of various gravity models of expatriate status to examine if our proposed exogenous variables are correlated with *Expatriate* even after accounting for individual and institutional factors. We also benchmark our survey sample gravity models against models using our Boardex sample. This benchmarking is useful because it allows us to further address concerns about non-response bias and sample skewness. It also forms a bridge between our survey sample and other analyses of "foreign" directors conducted with Boardex data (Barrios *et al.* 2022). To estimate the gravity model using Boardex we map all directors in our 2011 Boardex sample to the set of firm-countries that are in the intersection of Boardex and our survey sample (see Table 2). Results in a sample in which all directors in our 2011 Boardex sample are mapped to all countries covered by Boardex in 2011 are similar.

Columns 1-5 of Table 6 show probit estimates of gravity (or "mover") regressions using our survey sample. Columns 6-9 benchmark the regressions using our 2011 Boardex sample restricted to the intersection of firm-countries in our sample and Boardex. For each sample, we first estimate a baseline gravity model that includes the three gravity variables. Following Siegel, Licht and Schwartz (2013), we then include measures of cultural and legal distance along with firm- and director-country GNP. We then add director characteristics. Finally, we run specifications without director characteristics and overall cultural and legal distance but with all the individual institutional distance measures. For the survey sample we include two specifications with individual characteristics: one without values, as these are not available in the Boardex samples, and one with values and *Shareholderism*. We do not include country fixed effects in these specifications since our data is cross-sectional. But, as in all other tables, we cluster the standard errors two-way by director- and firm-country.

The results in Table 6 provide several important insights. First, the results using our survey sample and the Boardex samples are similar, which helps address concerns about our use of survey data. While the statistical significance of coefficients varies across samples, the pattern of signs for variables with at least one significant coefficient is generally similar across samples, with only a few exceptions. Since the set of countries is slightly different in our survey and the Boardex sample and the Boardex sample overweights directors with multiple board seats, who are less likely to be insiders, we do not view these differences across samples as a threat to the validity of our data.

Second, the gravity variables have the expected signs. *Common Language* is a particularly strong predictor across samples. *F-Ln(GNP)* is also statistically significant across samples and the positive coefficient is consistent with the intuition that directorships in higher GNP countries might be more attractive.

Third, cultural and other institutional variables appear to have little predictive power for *Expatriate*. This is interesting in light of papers on “foreign” directors (Miletkov Poulsen, Wintocki, 2017; Barrios *et al*. 2022) arguing that culture and law play an important role in predicting the flow of foreign directors across countries. Our results highlight that the factors that are important at the individual and firm level may be different from the factors that are important at the country level. This is an interesting area for additional research.

[Table 7 about here]

In our instrumental variable (IV) analysis, we first examine *Shareholderism* regressions using only individual characteristics and *F-Ln(GNP)*. We then add cultural and legal origin variables, and then include institutional variables. We use two different versions of our instrument, one that uses the full survey sample as in Table 6 to predict *Expatriate*, and one that restricts the sample used for prediction to expatriate directors. We leverage the gravity models in Table 6 to generate *Predicted Expatriate*. As explanatory variables in our probit regressions, we include *Common Language*, *Contiguous* and *Distance (capital)* and *D-Ln(GNP)*. While *Distance (capital)* is not significant in column 1 of Table 6, it is significant in the Boardex samples, consistent with its conceptual importance. We also include a measure of GNP. Since the second stage regression already includes *F-Ln(GNP),* we include *D-Ln(GNP)* to construct our instrument. In the probit regressions we use to generate *Predicted Expatriate*, *D-Ln(GNP)* has a negative coefficient that is statistically significant in the unconditional sample. In both the unconditional and the conditional sample, the coefficients on *Common Language* and *Contiguous* are positive and statistically significant as in Table 6.

Columns 1-3 of Table 7 report the first-stage regressions for the second-stage regressions in columns 7-9. Columns 4-6 report the first-stage regressions for the second-stage regressions in columns 10-12. In columns 1-3, *Predicated Expatriate* is the instrument for *Expatriate*. In columns 4-6, *Predicated Expatriate* (*Conditional)* is the instrument for *Expatriate.* We follow recommendations in Andrews, Stock and Sun (2019) for settings with heteroscedastic and clustered data and report the Kleibergen Paap Wald rk F-statistic below the first-stage regressions to test for weak instruments. We report p-values for regression-based exogeneity tests below the second stage regressions.

The first stage regressions in columns 1-6 highlight that our instruments satisfy the relevance condition. The Stock Yogo weak ID test critical value for a 10% maximal IV estimator bias is 16.38. Although Stock Yogo critical values are designed for homoscedastic settings, we believe the magnitudes of the first stage F-statistics are sufficiently large to dispel concerns about weak instruments. The exogeneity tests in columns 7-12 fail to reject the exogeneity of *Expatriate* in only one specification (column 11). Even in that specification, the coefficient on *Expatriate* remains negative and statistically significant as in the other second-stage specifications.

Under the assumption that our instrument is valid, these results suggest, first, that our previous results are not biased due to possible endogeneity of *Expatriate*. Second, they suggest more research needs to be done on the role of expatriate directors. While expatriates may help transmit culture - in particular, cultural harmony – that the coefficient on *Expatriate* does not disappear after including culture measures in our regressions suggests that they may bring more to the table than culture. Perhaps the experience of growing up and working in different countries gives them a unique outlook on complex and/or ambiguous settings that makes them sympathetic to stakeholders.

6. Discussion and Conclusion

Our study aims for the core of Hambrick and Mason's (1984) theory, which emphasizes corporate leaders' values as reflecting their normative inclinations, and Westphal and Zajac's (2013) view that such inclinations are socially constituted. Although "executives' values are typically thought of as relatively opaque and out of view" (Chin, Hambrick, and Treviño 2013, p. 219), we show that it is not necessary to rely on indirect proxies. Instead, we use an advanced psychometric instrument to extract directors' value profiles.

To guide our empirical work, we develop an analytical framework that links shareholderism to individual and institutional factors and test our theoretical predictions using a novel dataset on directors across countries. We first confirm ALS's conjecture that directors universally exhibit principled stances on shareholderism that are linked to self- vs. other-regarding values and to openness-to-change values. We then take current evidence several steps further. We show that in reporting their strategic approach to shareholder-stakeholder dilemmas, directors may also be guided by their cultural heritage. In contrast, the role of the law in influencing directors' shareholderism is unclear. With the help of a new instrument, we provide additional evidence that, on average, expatriate directors bring a more stakeholderist perspective to the table in our data.

Many proponents of legal reforms to induce social change (e.g., Mayer 2019, 2023; Hart and Zingales 2017) share the view that the law can be utilized to regulate corporate purpose. As noted in the Introduction, the European Commission's (2020) proposed to consider legislative measures that would require directors to balance shareholder and other stakeholder interests. Yet, in our data directors' attitudes toward shareholders and stakeholders are already balanced. Moreover, our results question whether corporate leaders can simply be told by legal injunctions how to think about shareholders and stakeholders. They also suggest that demographic characteristics are imperfect measures of stakeholder attitudes. The relative importance of latent individual characteristics as compared to observable characteristics and the institutional factors we document suggests more recognition of corporate directors' internal motivations may be in order.

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. 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 clear to what extent measurable outcomes are direct reflections of actual decision-making votes. Unlike executives, whose personal decisions translate to firm decisions, directors participate in a deliberative process that yields a group decision. Our results should thus be viewed as systematically describing basic stances that plausibly correlate with directors' final decisions, which is especially important given the current debate about the role of diversity in governance. Regarding causality, personal values have been shown to be stable and causal for value-laden behavior, especially in voting (see Schwartz 2016). Since individual factors do not shape the cultural environment, our estimates are plausibly unbiased. Under the assumption that our instrument is valid, our findings for expatriate directors are consistent with and exacerbate this view.

The present results point to several new avenues of research. As it underscores the complexity of the mechanisms involved in strategic stakeholder management, our study points to the importance of the makeup of boards of directors (Adams 2017). An intriguing question for future research, therefore, is whether and how firms should assess candidates for board membership according to their values and the values of shareholders.

It would obviously be important to incorporate the levels of our theoretical framework, especially Level 4a (board characteristics), we have abstracted from here. Broadening the coverage of directors and boards, also by obtaining larger samples from Confucian cultures in East Asia, would allow for a richer analysis. But more research can also be done on the role of expatriate directors and the role of selection. Our findings suggest that country-pair-level analyses may overstate the extent of homophily that exists in the appointment of "foreign" directors (e.g. Barrios *et al.* 2022). Thus, there may be a benefit to complementing firm and country-level analyses of cultural proximity or transmission with individual-level/epidemiological analyses. The fact that expatriate directors exhibit more extreme positions in our data also suggests that more research needs to be done to understand how directorships are offered and accepted.

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, either with regard to corporate purpose *per se* or with regard to "purpose skills", as noted in the Introduction. Any attempt to significantly change the corporate governance system of a country or a firm must take into account such "soft" yet evidently quite "hard" factors of values and culture.

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Figure 1 The Williamson Model of Stratified Social Institutions with Expansions

Figure 1 shows our framework which expands on Williamson's (2000) model of stratified social institutions and Gartenberg and Zenger (2022). Each block represents a level of institutional analysis. Level 1 represents informal institutions; Level 2 represents formal institutions; Level 3 represents the boundaries of firms; Level 4 represents economic decisions. Level 4 expands Williamson's (2000) Level 4 into Level 4a of organizational actors such as firms and boards and Level 4b of individual actors. Straight vertical arrows between levels are theorized by Williamson, where solid arrows represent direct effects and dashed arrows represent feedback effects. Curved arrows and arrows within Level 4 are postulated by the present authors, where solid arrows affect individual persons, the unit of analysis in our study, and dashed-dotted arrows affect firms/boards, which is outside the scope of the present study.

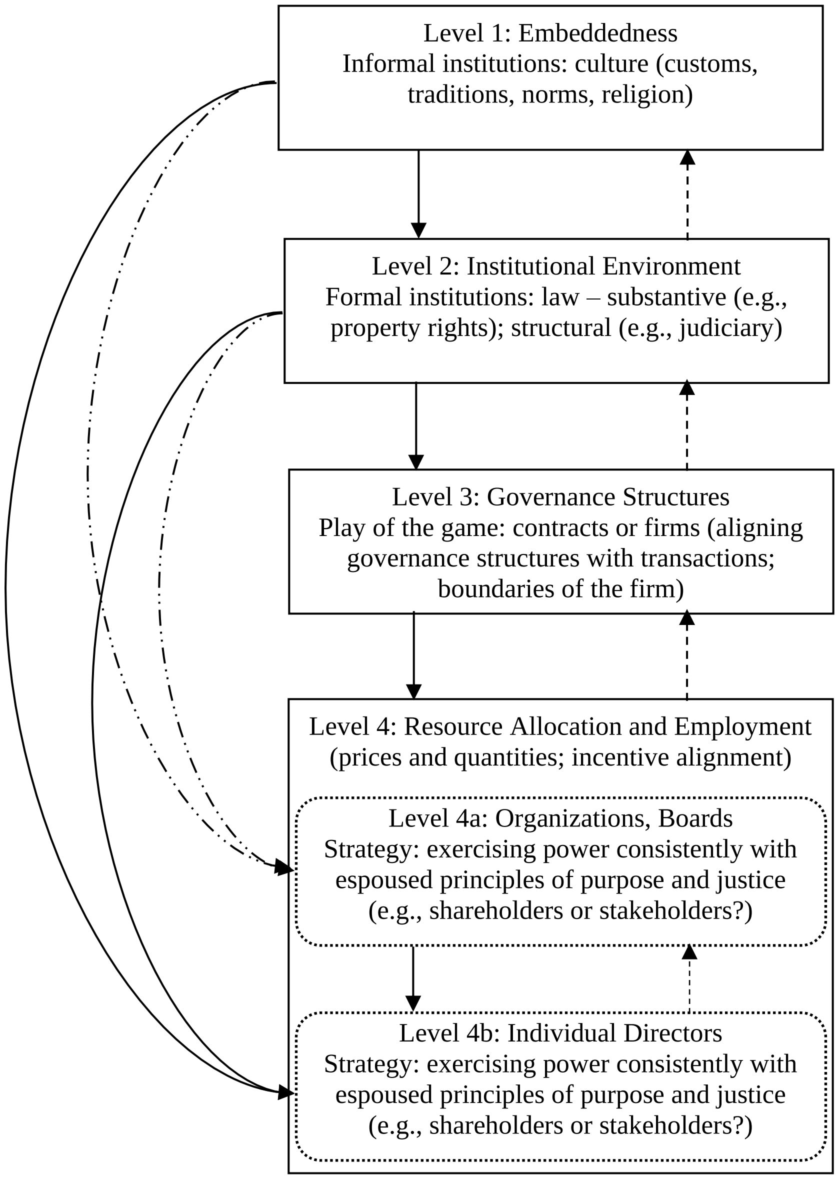

Figure 2 The Distribution of Shareholderism Overall and Across Institutional Contexts

Panel A of Figure 2 shows the histogram and Epanechnikov kernel density of *Shareholderism* in the overall sample. **Panel B** plots the kernel density of *Shareholderism* by *Common* and *Civil law* (Common=0) and by *Perceived Pro-Shareholder/Pro-Stakeholder* classification. **Panel C** plots the kernel density of *Shareholderism* across Schwartz cultural regions. Cultural regions with fewer than 18 observations (African, Eastern European) were excluded. **Panel D** plots the kernel density of *Shareholderism* across industry. Table 1 describes the variables in more detail.

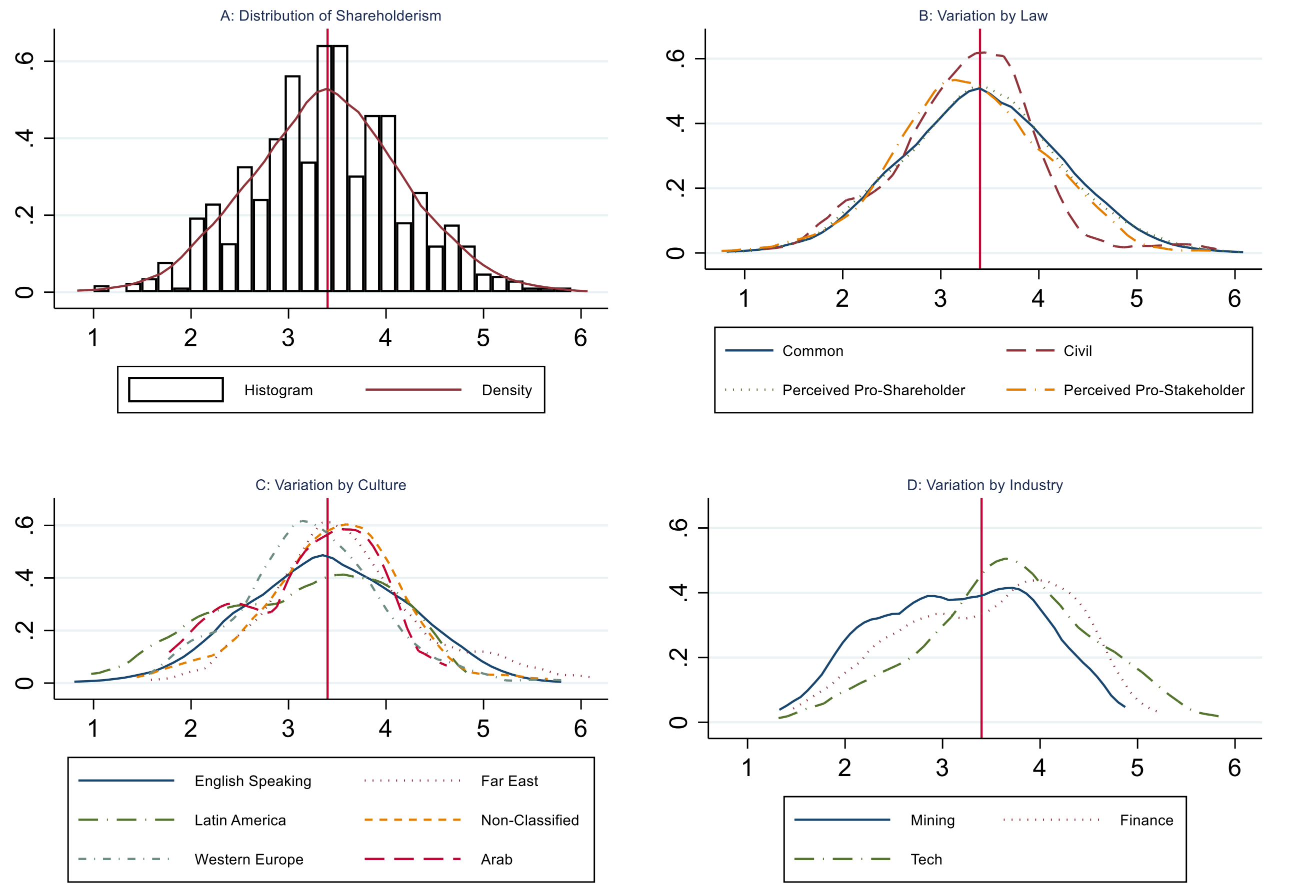

Figure 3 The Distribution of Shareholderism Across Roles and Personal Characteristics

Panel A of Figure 3 shows Epanechnikov kernel density of *Shareholderism* for *Insiders* and Non-Executives (*Insider*=0). **Panels B and C** plot the kernel density of *Shareholderism* by *Expatriate* status and gender. **Panels D-F** plot the kernel density of *Shareholderism* across quartiles of *Age*, *Self-Transcendence* and *Self-Direction*. Table 1 describes the variables in more detail.

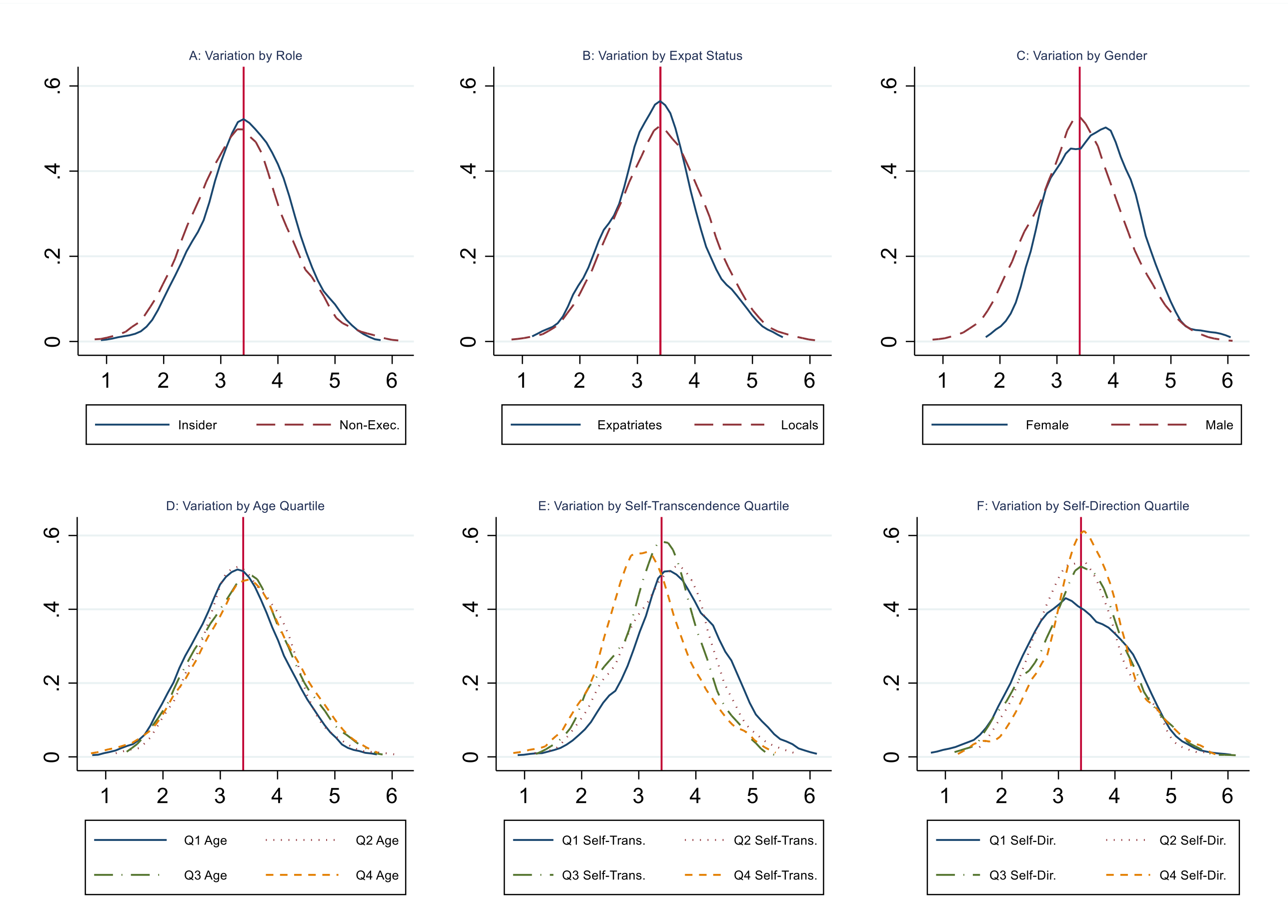

Table 1 Summary Statistics

Panels A-B of Table 1 shows summary statistics for the survey data. Panel C shows summary statistics for Boardex data used in benchmarking. The survey was conducted in 2012. The Appendix contains the survey questions used to measure *Shareholderism* and descriptions of values and cultural measures and summary statistics for all other variables used in the analysis (Table A.4). **Panel A** shows summary statistics for director-level variables. *Shareholderism* is the average response to the 10-item shareholderism questionnaire (see Appendix A.1) with responses transformed so that higher numbers indicate a greater emphasis on shareholders over stakeholders in survey scenarios. *Insider* is a dummy variable if the director is not an independent/non-executive director, as indicated by the respondent. *Expatriate* is a dummy variable if the director's country of origin is different from the county where the firm's headquarters are located. *Achievemen*t, *Power*, *Self-Direction* and *Universalism* are measured using the 40-item Schwartz PVQ in the language of the firm-headquarter-country. Value scores are demeaned by individuals' mean responses to the 40-item PVQ. We define *Self-Transcendence* as *Universalism*-(*Power*+*Achievement*). **Panel B** shows summary statistics for institutional (legal and cultural) variables at the firm-headquarter and director country of origin level. Variables with the pre-fix *D*- denote variables measured in the country in which the director grew up. Variables with the pre-fix *F*- denote variables measured in the firm country. Data for legal origin (*Common Law*) and the Anti-Self-Dealing Index (*Anti-Self-Dealing*) are from Djankov et al. (2008). *Perceived Pro-Shareholder* is a dummy which is equal to 1 if corporate law professors at leading universities in our sample countries assessed the country as pro-shareholder (yes=1, no=0). For countries with multiple responses, we defined *Perceived Pro-Shareholder* to be 1 if the mean response is greater than 0.5 and 0 otherwise. *Employee Protection* is "strictness of employment protection - individual and collective dismissals (regular contracts)" from the OECD's employment protection legislation database. *Creditor Rights* is the 2011 index of "only credit: strength of legal rights" from the World Bank's Doing Business database. *Entry Procedures* is 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. *Ln(GNP)* is the natural log of gross national income per capita (GNPc) in terms of purchasing power parity (PPP) in constant 2011 international dollars, from the World Bank's Sustainable Development Goals database. MSCI Intangible Value Assessment (*MSCI IVA*) scores come from Appendix B of Liang and Renneboog (2017). *Ownership Concentration Index* is the Largest Shareholder Index from Aminadav and Papaioannou (2016, published in 2020). Cultural regions are defined according to Schwartz (2014). *Egalitarianism*, *Harmony* and *Embeddedness* come from the 2006 release of the Schwartz cultural orientation dataset. **Panel C** shows summary statistics for the cross-section of the combined 2011 UK, North America, Europe and ROW Boardex datasets. The sample is restricted to unique Directorid, firm-country, director-country (Nationality) observations. **Panel D** shows the correlation matrix for all variables used in the main analysis. Variable names in columns have been abbreviated to conserve space. ***, **, * indicate statistical significance at the 1%, 5%, and 10% level, respectively.

Variable	Obs	Mean	Std. dev.	Min	Max
Panel A: Individual Characteristics of Survey Respondents					
Shareholderism	1,010	3.40	0.79	1	5.9
Power	1,109	0.55	0.75	-1.69	3.03
Achievement	1,109	0.03	0.79	-2.60	3.33
Universalism	1,109	-0.29	0.60	-2.21	2.05
Self-Transcendence	1,109	-0.87	1.67	-6.13	4.77
Self-Direction	1,109	-0.83	0.63	-2.58	1.55
Insider	941	0.45	0.50	0	1

Female	1,109	0.12	0.32	0	1
Ln(Age)	921	4.02	0.20	3.14	4.42
Expatriate	1,109	0.18	0.39	0	1
Panel B: Survey-Respondent Culture and Institutional Country Characteristics					
F-Common Law	1,109	0.90	0.31	0	1
F-Mixed	1,109	0.03	0.16	0	1
F-Perceived Pro-Shareholder	1,057	0.82	0.38	0	1
F-Anti-Self-Dealing	1,097	0.66	0.15	0.16	1.00
F-Employee Protection	1,084	1.66	0.53	1.15	3.03
F-Creditor Rights	1,109	8.98	2.49	0	11
F-Entry Procedures	1,109	5.70	2.74	2	14
D-Egalitarianism	1,083	4.74	0.18	4.23	5.27
D-Harmony	1,083	3.74	0.34	3.28	4.62
D-Embeddedness	1,083	3.61	0.24	3.03	4.45
F-Ln(GNP)	1,104	10.53	0.59	8.43	11.32
F-MSCI IVA	1,091	2.76	0.50	1.13	4.38
F-Ownership Concentration Index	1,109	25.71	7.39	12.30	52.40
Panel C: Summary Statistics for Individual Characteristics in Boardex 2011					
Insider	44,777	0.27	0.44	0	1
Female	44,777	0.10	0.30	0	1
Ln(Age)	44,113	4.05	0.18	3.14	4.56
Expatriate	44,777	0.24	0.43	0	1

Table 1, Panel D: Correlation matrix

	Sh	*P*	*A*	*U*	*ST*	*SD*	*I*	*F*	*LnA*	*E*	*F-CL*	*F-M*	*F-PSh*	*F-ASD*	*F-EP*	*F-CR*	*F-EP*	*D-E*	*D-H*	*D-E*	*F-LnG*	*F-M*	*F-O*
Shareholderism	1																						
Power	0.21***	1																					
Achievement	0.19***	0.41***	1																				
Universalism	-0.26***	-0.40***	-0.41***	1																			
Self-Transcendence	-0.28***	-0.79***	-0.80***	0.73***	1																		
Self-Direction	0.08**	0.09***	-0.06**	0.00	-0.01	1																	
Insider	0.09***	0.01	-0.01	-0.03	-0.01	0.07**	1																
Female	0.11***	0.06*	-0.04	-0.03	-0.02	0.00	0.05	1															
Ln(Age)	0.05	0.04	0.10***	-0.02	-0.07**	-0.09***	-0.22***	-0.20***	1														
Expatriate	-0.06*	0.03	-0.01	-0.10***	-0.05	0.01	0.03	-0.08***	-0.06*	1													
F-Common Law	0.06*	0.05	0.00	0.02	-0.02	0.00	0.00	0.00	0.12***	0.08***	1												
F-Mixed	0.12***	0.01	0.00	-0.01	-0.01	0.06**	0.03	0.01	0.01	-0.05	0.05*	1											
F-Perceived Pro-Shareholder	0.05	0.07**	0.01	0.02	-0.03	0.05*	0.03	0.09***	0.02	-0.11***	0.24***	.	1										
F-Anti-Self-Dealing	0.03	0.02	-0.03	0.03	0.02	0.03	0.03	-0.02	0.09***	0.09***	0.76***	0.17***	0.30***	1									
F-Employee Protection	0.01	-0.04	-0.01	-0.09***	-0.01	0.07**	0.12***	-0.01	-0.12***	-0.09***	-0.53***	0.11***	-0.17***	-0.27***	1								
F-Creditor Rights	-0.06*	0.02	0.01	0.06**	0.01	-0.10***	-0.13***	0.02	0.16***	0.08**	0.54***	-0.26***	0.24***	0.22***	-0.77***	1							
F-Entry Procedures	0.12***	0.07**	0.03	-0.08***	-0.07**	0.14***	0.12***	0.05	-0.10***	-0.14***	-0.27***	0.02	0.35***	-0.31***	0.34***	-0.41***	1						
D-Egalitarianism	-0.13***	-0.10***	-0.07**	0.03	0.09***	-0.16***	-0.02	-0.08**	0.02	0.06*	-0.31***	-0.17***	-0.29***	-0.12***	0.23***	-0.10***	-0.26***	1					
D-Harmony	-0.08***	-0.06*	-0.04	-0.07**	0.02	0.04	0.06*	-0.07**	-0.09***	0.25***	-0.48***	0.07**	-0.37***	-0.28***	0.52***	-0.32***	0.09***	0.50***	1				
D-Embeddedness	0.11***	0.11***	0.06*	-0.05	-0.10***	0.18***	0.02	0.05*	-0.01	-0.07**	0.29***	0.25***	0.35***	0.16***	-0.12***	0.00	0.27***	-0.85***	-0.43***	1			
F-Ln(GNP)	-0.14***	-0.04	-0.04	0.10***	0.08**	-0.16***	-0.14***	-0.02	0.08**	0.10***	-0.02	-0.32***	-0.06*	0.05*	-0.62***	0.52***	-0.58***	0.33***	-0.18***	-0.39***	1		
F-MSCI IVA	-0.10***	-0.09***	-0.06**	0.02	0.08***	-0.10***	0.00	-0.11***	0.01	0.14***	-0.33***	0.12***	-0.23***	-0.03	0.23***	-0.20***	-0.23***	0.75***	0.60***	-0.68***	0.18***	1	
F-Ownership Concentration Index	-0.01	-0.04	-0.03	-0.04	0.02	0.02	0.06**	-0.01	-0.14***	-0.10***	-0.61***	0.10***	-0.32***	-0.51***	0.72***	-0.67***	0.19***	0.29***	0.25***	-0.16***	-0.25***	0.15***	1

Table 2 Sample Composition: Countries, Legal Origin and Culture

Panel A of Table 2 shows the firm headquarter countries in our sample along with the language in which the respondents were surveyed in the country, the country-level response rate and the number of observations per country. Our survey data contains a total of 1,109 responses. To highlight the nature of our sample, we benchmark the percent of respondents per firm-country against the percent of directors in the same firm-country using Boardex data from 2011. The 2011 Boardex sample restricted to the same firm-countries as in our survey contains 35,361 observations. The response rate for Israel is denoted with a star as additional data for Israel was collected via board chairs. We estimate the response rate for Israel as the number of responses (78)/divided by the number of directors in Israel (178) in our 2011 Boardex sample. Panel A also provides *Common Law*, *Perceived Pro-Shareholder* and *Cultural Region* classifications for the firm headquarters in our sample. **Panel B** of Table 2 shows the director countries for respondents in our sample. To highlight the nature of our sample, we benchmark the percent of respondents per director-country against the percent of directors with the nationality of the same country in Boardex data from 2011. The 2011 Boardex sample restricted to the same director-countries as in our survey contains 43,189 observations. Panel B also provides *Common Law*, *Perceived Pro-Shareholder* and *Cultural Region* classifications for the director-countries in our sample. Table 1 describes the survey sample. The classification of cultural region is according to Schwartz (2014a). AF =African, AR Arab, EE=Eastern Europe, ES=English Speaking, FE=Far East, LA=Latin America, NC=Non-Classified, WE=Western Europe. <1% indicates that fewer than 1% of sample observations are represented in the country. NA indicates that the country is not represented in Boardex.

Panel A. Distribution of Respondents Across Firm Countries (Country of Board Service)

Firm Country	**Language of Survey**	**Response Rate (in %)**	**# Responses**	**% Survey Respondents Serving as Directors**	**% of Boardex Sample serving as Directors**	**Common Law**	**Perceived Pro-Shareholder**	**Cultural Region**
	1	2	3	4	5	6	7	8
Australia	English	3.52%	127	11.45%	2.39%	1	1	ES
Austria	German	1.26%	2	<1%	<1%	0	0	WE
Canada	English	1.65%	142	12.80%	3.82%	1	0	ES
Germany	German	1.24%	32	2.89%	5.58%	0	0	WE
Hong Kong	Chinese	0.68%	4	<1%	2.43%	1	1	FE
India	English	1.65%	59	5.32%	2.56%	1	1	FE
Ireland	English	2.63%	5	<1%	1.56%	1	1	ES
Israel	Hebrew	43.82%*	78	7.03%	<1%	1	1	NC
Italy	Italian	2.34%	13	1.17%	2.05%	0	0	WE
Jordan	Arabic	1.21%	4	<1%	NA	0	1	AR
Korea	Korean	1.96%	8	<1%	<1%	0	1	FE
Kuwait	Arabic	2.25%	7	<1%	NA	0		AR
Malaysia	English	0.58%	3	<1%	<1%	1		FE
Mexico	Spanish	2.42%	6	<1%	<1%	0	1	LA
Peru	Spanish	8.33%	4	<1%	<1%	0		LA
Saudi Arabia	Arabic	1.04%	5	<1%	<1%	1		AR
Singapore	English	0.92%	5	<1%	1.17%	1		FE
South Africa	English	6.38%	28	2.52%	2.08%	1		ES
Spain	Spanish	1.70%	5	<1%	1.59%	0	1	WE
Switzerland	German	3.30%	29	2.61%	2.01%	0	1	WE
Taiwan	Chinese	1.74%	5	<1%	<1%	0	1	FE
UK	English	1.71%	76	6.85%	26.67%	1	1	ES
US	English	0.89%	462	41.66%	43.10%	1	1	ES

Table 2, Panel B. Distribution of Respondents Across Director Countries (Director Heritage/Nationality)

Director Country	# Responses	% Survey Respondents	% of Boardex Sample	Common Law	Perceived Pro-Shareholder	Cultural Region	Director Country (continued)	# Responses	% Survey Respondents	% of Boardex Sample	Common Law	Perceived Pro-Shareholder	Cultural Region
Andorra	1	<1%	NA			WE	Laos	1	<1%	NA	0		FE
Argentina	1	<1%	<1%	0	1	LA	Malaysia	10	<1%	<1%	1		FE
Australia	103	9.29%	2.00%	1	1	ES	Mali	1	<1%	NA	0		AF
Austria	6	<1%	<1%	0	0	WE	Mexico	7	<1%	<1%	0	1	LA
Belgium	1	<1%	1.19%	0	1	WE	Moldova	1	<1%	NA	0		EE
Canada	100	9.02%	2.98%	1	0	ES	Morocco	1	<1%	<1%	0		AR
China	9	<1%	2.98%	0	1	FE	Netherlands	7	<1%	1.70%	0	0	WE
Colombia	1	<1%	<1%	0		LA	New Zealand	5	<1%	<1%	1	1	ES
Côte d’Ivoire	1	<1%	<1%				Nicaragua	1	<1%	<1%	0		LA
Croatia	1	<1%	<1%	0	0	EE	Norway	1	<1%	<1%	0		WE
Cuba	1	<1%	<1%			LA	Peru	5	<1%	<1%	0		LA
Denmark	2	<1%	<1%	0	1	WE	Poland	2	<1%	<1%	0		EE
Dominican Republic	1	<1%	<1%			LA	Portugal	1	<1%	<1%	0	0	WE
Egypt	3	<1%	<1%	0		AR	Saudi Arabia	3	<1%	<1%	1		AR
France	5	<1%	4.76%	0	0	WE	Singapore	3	<1%	<1%	1		FE
Gambia	1	<1%	NA			AF	South Africa	30	2.71%	1.73%	1		ES
Germany	42	3.79%	5.02%	0	0	WE	Spain	6	<1%	1.45%	0	1	WE
Greece	1	<1%	<1%	0	1	WE	Sweden	4	<1%	1.72%	0	1	WE
India	73	6.58%	2.20%	1	1	FE	Switzerland	25	<1%	1.21%	0	1	WE
Iran	3	<1%	<1%	0		NC	Taiwan	4	<1%	<1%	0	1	FE
Iraq	1	<1%	<1%			AR	Tanzania	1	<1%	<1%	1	1	AF
Ireland	7	<1%	1.08%	1	1	ES	UK	85	7.66%	23.27%	1	1	ES
Israel	81	7.30%	<1%	1	1	NC	US	415	37.42%	37.03%	1	1	ES
Italy	19	1.71%	2.21%	0	0	WE	Vietnam	1	<1%	<1%	0		FE
Jamaica	1	<1%	<1%	1		LA	Zambia	2	<1%	<1%	1		AF
Japan	1	<1%	<1%	0	1	FE	Zimbabwe	1	<1%	<1%	1		AF
Jordan	6	<1%	<1%	0	1	AR							
Korea	8	<1%	<1%	0	1	FE							
Kuwait	6	<1%	<1%	0		AR							

Table 3 The Role of Law, Institutions and Culture

Table 3 shows regressions of *Shareholderism* on individual values, demographic characteristics and legal, institutional, and cultural variables. Cultural variables are measured for directors' country of origin. Legal/Institutional variables are measured at the firm-headquarter-country level. Table 1 describes the sample and controls in more detail. All standard errors are two-way clustered at the director-country and firm-headquarter-country level. To avoid reporting coefficients of 0, the coefficient on Market_cap2011 is multiplied by 10,000. P-values are in brackets. ***, **, * indicate statistical significance at the 1%, 5%, and 10% level, respectively.

	Shareholderism									
VARIABLES	1	2	3	4	5	6	7	8	9	10
Firm-Country Legal Factors										
F-Common Law	0.11		0.44	0.43*			0.25	0.29	0.23	0.27
	[0.27]		[0.11]	[0.10]			[0.28]	[0.27]	[0.18]	[0.15]
F-Mixed	0.41***		0.48***	0.46***			0.54***	0.51***	0.72***	0.69***
	[0.00]		[0.00]	[0.00]			[0.00]	[0.00]	[0.00]	[0.00]
F-Perceived Pro-Shareholder		0.04								
		[0.42]								
F-Anti-Self-Dealing			-0.30	-0.29			-0.09	-0.10		
			[0.33]	[0.30]			[0.73]	[0.71]		
F-Employee Protection			-0.08	-0.09			-0.03	-0.05	0.02	0.01
			[0.44]	[0.34]			[0.68]	[0.47]	[0.75]	[0.91]
F-Creditor Rights			-0.05***	-0.05***			-0.04*	-0.04**	-0.01	-0.01
			[0.00]	[0.00]			[0.07]	[0.04]	[0.56]	[0.54]
F-Entry Procedures			0.04***	0.04***			0.04***	0.04**	0.05***	0.05***
			[0.00]	[0.01]			[0.01]	[0.01]	[0.00]	[0.00]
Director-Country Cultural Orientations										
D-Egalitarianism					-0.41	-0.46*	-0.49***	-0.52**	-0.48*	-0.55*
					[0.10]	[0.07]	[0.01]	[0.01]	[0.07]	[0.07]
D-Harmony					-0.23**	-0.18	-0.18**	-0.12	-0.13*	-0.07
					[0.04]	[0.15]	[0.03]	[0.28]	[0.06]	[0.53]
D-Embeddedness					-0.36*	-0.36*	-0.47**	-0.47**	-0.54*	-0.55*
					[0.08]	[0.09]	[0.02]	[0.02]	[0.06]	[0.06]
Expatriate Status										

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Expatriate				-0.10**		-0.10*		-0.09		-0.10
				[0.04]		[0.09]		[0.17]		[0.12]
Other Firm-Country Institutional Factors										
F-MSCI IVA									-0.08	-0.07
									[0.54]	[0.58]
F-Ownership Concentration									0.01	0.01
									[0.30]	[0.27]
F-Market_cap2011									0.02*	0.02**
									[0.05]	[0.04]
Director Values, Baseline Demographics and Firm-Country GNP										
Self-Transcendence	-0.13***	-0.13***	-0.13***	-0.13***	-0.13***	-0.13***	-0.13***	-0.13***	-0.12***	-0.12***
	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]
Self-Direction	0.05***	0.06***	0.06***	0.06***	0.06***	0.06***	0.06**	0.06***	0.08*	0.08
	[0.00]	[0.00]	[0.01]	[0.00]	[0.00]	[0.00]	[0.01]	[0.01]	[0.09]	[0.13]
Insider	0.12**	0.12**	0.12**	0.12**	0.14**	0.14**	0.12*	0.13*	0.13**	0.13**
	[0.03]	[0.03]	[0.03]	[0.03]	[0.03]	[0.02]	[0.10]	[0.09]	[0.03]	[0.04]
Female	0.23**	0.23**	0.21**	0.20**	0.20**	0.19**	0.18*	0.18*	0.16	0.15
	[0.02]	[0.02]	[0.03]	[0.04]	[0.03]	[0.03]	[0.09]	[0.09]	[0.24]	[0.25]
Ln(Age)	0.28**	0.31**	0.32**	0.30**	0.28**	0.27**	0.30**	0.29**	0.35**	0.33**
	[0.02]	[0.01]	[0.01]	[0.01]	[0.01]	[0.02]	[0.02]	[0.02]	[0.03]	[0.03]
F-Ln(GNP)	-0.12***	-0.10**	0.10	0.09	-0.19***	-0.17***	0.04	0.05	0.08	0.08
	[0.00]	[0.01]	[0.41]	[0.46]	[0.00]	[0.00]	[0.70]	[0.70]	[0.49]	[0.48]
Constant	3.28***	3.04***	1.09	1.32	8.19***	8.12***	6.28***	6.28***	5.35**	5.43**
	[0.00]	[0.00]	[0.49]	[0.40]	[0.00]	[0.00]	[0.00]	[0.00]	[0.02]	[0.02]
Observations	921	877	903	903	902	902	888	888	684	684
R-squared	0.123	0.114	0.139	0.141	0.126	0.128	0.145	0.147	0.140	0.142
Adjusted R-squared	0.115	0.107	0.127	0.129	0.117	0.118	0.130	0.131	0.118	0.119

Table 4 Shapley Variance Decompositions Percentages

Table 4 shows percentage decompositions of the share of explained variance (R-squared) for different regression specifications by groups of explanatory variables. The decomposition is calculated using Shapley values. Standard errors are clustered at the firm-country level. Results using director-country clustering are similar. The boxes indicate the groups of variables entering the regression and decomposition.

	Shareholderism				
VARIABLES	1	2	3	4	5
Firm-Country Legal Factors					
F-Common Law	47.79%	12.55%	11.55%	9.23%	7.94%
F-Mixed					
F-Anti-Self-Dealing					13.08%
F-Employee Protection					
F-Creditor Rights					
F-Entry Procedures					
Director-Country Culture Factors					
D-Egalitarianism	52.21%	12.37%	8.71%	8.61%	6.70%
D-Harmony					
D-Embeddedness					
Director Values					
Self-Transcendence		75.08%	63.70%	59.10%	55.07%
Self-Direction					
Baseline Demographics and Firm-Country GNP					
Insider			16.05%	23.00%	17.22%
Female					
Ln(Age)					
Expatriate					
F-Ln(GNP)					
Observations	984	984	902	902	888
Overall R-squared	0.029	0.110	0.132	0.137	0.147

Table 5 Shareholderism of Expatriates

Table 5 shows regressions of *Shareholderism* on individual values, demographic characteristics, cultural and legal distance, and interactions between distance measures and firm-country legal and director-country cultural variables in the sample of expatriates. Column 1 examines the role of cultural distance defined as square root of the squared cultural Dist_ variables which are defined in Appendix Table A.4. The regressions in Column 2-4 estimate the coefficients on the interactions of cultural distance with measures of director-country culture. Column 5 examines the role of legal distance defined as square root of the squared legal/institutional Dist_ variables which are defined in Appendix Table A.4. The regressions in Columns 6-9 estimate the coefficients on the interactions of legal distance with measures of firm-country legal institutions. *Common* and *Mixed* are excluded because they exhibit too little variation in the sample of expatriates. Column 10 combines legal distance and cultural distance. Table 1 and Appendix Table A.4 describe the variables in more detail. # indicates variables that are interacted with each other. 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.

Shareholderism of Expatriates

VARIABLES	1
Cultural Distance	0.22**
	[0.03]

VARIABLES	2	3	4
Cultural Distance#			
#D-Egalitarianism	0.85*		
	[0.09]		
#D-Harmony		0.52**	
		[0.01]	
#D-Embeddedness			-0.46
			[0.33]
Cultural distance	-3.88	-1.65**	1.78
	[0.12]	[0.03]	[0.24]
D-Egalitarianism	-0.92*		
	[0.09]		
D-Harmony		-0.80***	
		[0.00]	
D-Embeddedness			0.37
			[0.33]

VARIABLES	5
Legal distance	0.01
	[0.83]

VARIABLES	6	7	8	9
Legal Distance#				
#F-Creditor	0.00			
	[0.85]			
#F-Employee		-0.07		
		[0.14]		
#F-ASDI			-0.14	
			[0.58]	
#F-Procedures				0.01
				[0.18]
Legal distance	-0.03	0.10	0.10	-0.06
	[0.88]	[0.13]	[0.55]	[0.13]
F-Creditor	0.07			
	[0.53]			
F-Employee		-0.27		
		[0.34]		
F-ASDI			-1.89	
			[0.14]	

VARIABLES	10
Legal Distance	-0.00
	[0.96]
Cultural Distance	0.23*
	[0.09]

Self-Transcendence	-0.10**
	[0.04]
Self-Direction	0.02
	[0.64]
Insider	0.01
	[0.93]
Female	0.36
	[0.11]
Ln(Age)	-0.03
	[0.93]
F-Ln(GNP)	-0.26**
	[0.02]
Constant	5.91***
	[0.00]
Observations	181
R-squared	0.092
Adjusted R-squared	0.0548

Self-Transcendence	-0.10	-0.11	-0.10**
	[0.21]	[0.15]	[0.04]
Self-Direction	-0.00	0.03	0.02
	[0.98]	[0.70]	[0.75]
Insider	0.03	0.08	0.01
	[0.82]	[0.67]	[0.95]
Female	0.36	0.42*	0.37*
	[0.30]	[0.10]	[0.08]
Ln(Age)	0.05	0.05	-0.04
	[0.90]	[0.90]	[0.91]
F-Ln(GNP)	-0.29*	-0.21*	-0.28**
	[0.05]	[0.07]	[0.03]
Constant	10.26***	8.02***	4.84**
	[0.00]	[0.00]	[0.04]
Observations	181	181	181
R-squared	0.107	0.123	0.095
Adjusted R-squared	0.0601	0.0773	0.0478

Self-Trans.	-0.08*
	[0.07]
Self-Direction	0.02
	[0.79]
Insider	0.01
	[0.95]
Female	0.37
	[0.11]
Ln(Age)	-0.03
	[0.92]
F-Ln(GNP)	-0.26*
	[0.06]
Constant	6.00***
	[0.00]
Observations	161
R-squared	0.076
Adjusted R-squared	0.0333

F-Procedures				-0.12
				[0.23]
Self-Trans.	-0.08	-0.09	-0.08*	-0.09
	[0.16]	[0.20]	[0.07]	[0.12]
Self-Direction	0.01	0.01	0.02	0.01
	[0.81]	[0.93]	[0.78]	[0.85]
Insider	0.01	0.02	0.00	-0.01
	[0.94]	[0.88]	[0.99]	[0.96]
Female	0.37*	0.36*	0.34	0.36*
	[0.09]	[0.08]	[0.21]	[0.06]
Ln(Age)	-0.06	-0.00	-0.04	-0.05
	[0.84]	[1.00]	[0.88]	[0.84]
F-Ln(GNP)	-0.34	-0.63***	-0.24*	-0.05
	[0.19]	[0.01]	[0.07]	[0.82]
Constant	6.90*	10.07***	5.79***	4.19*
	[0.06]	[0.00]	[0.00]	[0.08]
Observations	161	161	161	161
R-squared	0.077	0.108	0.079	0.097
Adjusted R-squared	0.0223	0.0550	0.0244	0.0428

Self-Trans.	-0.09
	[0.14]
Self-Direction	0.02
	[0.80]
Insider	0.02
	[0.90]
Female	0.37
	[0.12]
Ln(Age)	-0.03
	[0.94]
F-Ln(GNP)	-0.26**
	[0.05]
Constant	5.89***
	[0.01]
Observations	161
R-squared	0.085
Adjusted R-squared	0.0366

Table 6 Predicting Expatriate Status

Table 6 shows results of probit regressions predicting the likelihood a director from a given country will serve as an expatriate director in a different country in 2 samples. The sample in Columns 1-4 consists of the sample of directors who responded to the survey assigned to all firm-headquarter-countries. The sample in Columns 6-8 consists of the sample of directors in Boardex in 2011 assigned to all firm-headquarter-countries that are in both Boardex and our survey (see Table 2 for the list of intersecting countries). *Expatriate* is a dummy variable that is equal to 1 if a director sits on the board of a firm in a country other than the director's country of origin. *Expatriate* is 0 otherwise. *Cultural Distance* is the square root of the squared cultural *Dist_* variables defined in Table A.4. All variables with the pre-fix *Dist_* denote distances between the variable measured in the director-country and the variable measured in the firm-country. *Legal Distance* is the square root of all squared legal/regulatory *Dist_* variables defined in Table A.4. *Common Language* is a dummy equal to 1 if the director-country and the firm-country share a common language. *Contiguous* is a dummy equal to 1 if the director-country and the firm-country share a border. *Distance (capital)* is the distance between the capital city of the director-country and the firm-country, in km. Table 1 and Appendix Table A.4 describe the variables in more detail. To avoid reporting coefficients of 0, *Distance (capital)* is divided by 1 million, Ln(GNP), D-Ln(GNP) are divided by 1,000, the coefficient on GNP is multiplied by 10, the coefficients on *Insider*, *Female*, *Ln(Age)*, *Dist_Egalitarianism*, *Dist_Harmony*, *Dist_Embeddedness*, *Dist_Mixed*, *Dist_Common Law*, *Dist_Creditor Rights*, *Dist_Employee Protection*, *Dist_Anti-Self-Dealing*, *Dist_Entry Procedures* are multiplied by 100. 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.

	Expatriate director								
VARIABLES	1	2	3	4	5	6	7	8	9
Common Language	0.53***	0.70***	0.74***	0.74***	0.80***	0.56***	0.54***	0.55***	0.49***
	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]
Contiguous	0.48***	0.39	0.41	0.40	0.35	0.36**	0.15	0.14	0.18
	[0.00]	[0.17]	[0.17]	[0.17]	[0.20]	[0.01]	[0.16]	[0.18]	[0.18]
Distance (capital)	-1.37	6.70	8.21	7.99	3.05	-36.84***	-24.10**	-24.30**	-18.20**
	[0.91]	[0.58]	[0.49]	[0.50]	[0.78]	[0.00]	[0.03]	[0.02]	[0.03]
F-Ln(GNP)		0.74*	0.75*	0.74*	0.97***		0.38**	0.39**	0.52***
		[0.09]	[0.09]	[0.09]	[0.00]		[0.02]	[0.03]	[0.01]
D-Ln(GNP)		-0.06	-0.04	-0.05	-0.50***		-0.04	-0.03	-0.14
		[0.59]	[0.73]	[0.70]	[0.00]		[0.65]	[0.71]	[0.26]
Cultural Distance		0.10	0.16	0.17			0.02	0.02	
		[0.81]	[0.71]	[0.67]			[0.91]	[0.88]	
Legal Distance		0.04	0.04	0.04			0.01	0.01	
		[0.15]	[0.16]	[0.15]			[0.56]	[0.46]	
Insider			0.04	0.05				-16.16**	
			[0.38]	[0.26]				[0.05]	
Female			-0.25*	-0.24*				-6.96	

			[0.06]	[0.07]				[0.14]	
Ln(Age)			-0.25	-0.26				-36.98**	
			[0.28]	[0.24]				[0.02]	
Shareholderism				-0.08					
				[0.11]					
Self-Transcendence				-0.03					
				[0.23]					
Self-Direction				-0.03					
				[0.52]					
Dist_Egalitarianism					0.74				-8.70
					[0.11]				[0.70]
Dist_Harmony					-0.29				19.40
					[0.36]				[0.30]
Dist_Embeddedness					-0.37				30.69
					[0.31]				[0.13]
Dist_mixed					-0.11				-36.04**
					[0.72]				[0.02]
Dist_Common Law					-1.75***				-14.18
					[0.00]				[0.41]
Dist_Creditor Rights					-0.02				-3.31
					[0.66]				[0.24]
Dist_Employee Protection					-0.08				-2.85
					[0.64]				[0.87]
Dist_Anti-Self-Dealing					1.45***				-47.15
					[0.00]				[0.14]
Dist_Entry Procedures					-0.02				-7.01***
					[0.49]				[0.00]
Constant	-2.96***	-10.34*	-9.66*	-9.35*	-7.92***	-2.73***	-6.27***	-4.83**	-6.50***
	[0.00]	[0.06]	[0.07]	[0.08]	[0.00]	[0.00]	[0.00]	[0.05]	[0.00]
Sample	Respondent directors matched to all surveyed countries					Boardex directors matched to all surveyed countries covered by Boardex			
Observations	62,104	32,426	26,970	26,970	32,426	2,420,152	1,308,479	1,290,623	1,308,479
R-squared	0.004	0.010	0.012	0.012	0.021	0.006	0.006	0.006	0.009

Adjusted R-squared	0.004	0.009	0.011	0.012	0.020	0.006	0.006	0.006	0.009

Table 7 Instrumental Variable Estimation of Shareholderism

Table 7 shows first-stage and second-stage regressions for instrumental variable regressions of *Shareholderism* in which *Expatriate* is instrumented with *Predicted Expatriate* status based on probit regressions of the *Expatriate* dummy on *Common Language, Contiguous, Distance (capital)*, and *D-Ln(GNP).* The IV-regressions in Columns 7-9, with first stage regressions in Columns 1-3, use the same sample as in Columns 1-5 of Table 6 to obtain *Predicted Expatriate* status. The IV-regressions in Columns 10-12, with first stage regressions in Columns 4-6, use the sample as in Columns 1-5 of Table 6 restricted to directors who are actually expatriates to obtain *Predicted Expatriate* status. At the bottom of the table, we report the P-value of a regression-based test of exogeneity of all right-hand side variables. Following Andrews, Stock and Sun (2019), we also report the Kleibergen paap Wald rk F-statistic for assessing the weakness of the instrument in the first-stage regression. The Stock Yogo weak ID test critical value for a 10% maximal IV estimator bias is 16.38. All standard errors are two-way clustered at the director-country and firm-headquarter-country level. To avoid reporting coefficients of 0, *Self-Transcendence* is divided by 1000. P-values are in brackets. ***, **, * indicate statistical significance at the 1%, 5%, and 10% level, respectively.

	First-stage dependent variable: *Expatriate*						Second-stage dependent variable: *Shareholderism*					
VARIABLES	1	2	3	4	5	6	7	8	9	10	11	12
Expatriate							-0.14***	-0.16**	-0.15	-0.15***	-0.17**	-0.14
							[0.00]	[0.02]	[0.11]	[0.00]	[0.01]	[0.11]
F-Common Law		0.26**	0.18		0.23**	0.29		0.01	0.31		0.01	0.30
		[0.01]	[0.46]		[0.02]	[0.30]		[0.95]	[0.22]		[0.92]	[0.22]
F-Mixed		0.00	-0.03		-0.06	-0.13		0.48***	0.49***		0.48***	0.50***
		[0.96]	[0.87]		[0.46]	[0.36]		[0.00]	[0.00]		[0.00]	[0.00]
D-Egalitarianism		0.18	0.26		-0.05	-0.03		-0.52*	-0.55***		-0.52*	-0.55***
		[0.52]	[0.39]		[0.86]	[0.93]		[0.05]	[0.01]		[0.05]	[0.01]
D-Harmony		0.30**	0.34***		0.43***	0.52***		-0.17	-0.08		-0.17	-0.08
		[0.02]	[0.01]		[0.00]	[0.00]		[0.26]	[0.55]		[0.26]	[0.51]
D-Embeddedness		-0.03	-0.07		0.10	0.11		-0.45**	-0.47**		-0.45**	-0.47**
		[0.87]	[0.74]		[0.61]	[0.62]		[0.03]	[0.01]		[0.03]	[0.01]
F-Anti-Self-Dealing			0.01			-0.06			-0.11			-0.11
			[0.98]			[0.90]			[0.67]			[0.67]
F-Employee Protection			-0.19			-0.20			-0.06			-0.06
			[0.18]			[0.17]			[0.36]			[0.38]
F-Creditor Rights			-0.01			-0.03			-0.04**			-0.04**
			[0.76]			[0.19]			[0.02]			[0.02]
F-Entry Procedures			0.01			0.01			0.03***			0.03***

			[0.76]			[0.53]			[0.01]			[0.01]
Self-Transcendence	-0.67	-1.33	-0.02	-2.75	0.02	0.75	-0.13***	-0.13***	-0.13***	-0.13***	-0.13***	-0.13***
	[0.88]	[0.74]	[1.00]	[0.56]	[0.99]	[0.83]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]
Self-Direction	-0.01	-0.01	-0.01	0.01	-0.00	-0.00	0.06***	0.06***	0.06***	0.06***	0.06***	0.06***
	[0.48]	[0.56]	[0.53]	[0.42]	[0.78]	[0.67]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]
Insider	0.02	0.01	0.01	0.02	0.01	0.01	0.12**	0.14***	0.13*	0.12**	0.14***	0.13*
	[0.24]	[0.66]	[0.62]	[0.23]	[0.52]	[0.65]	[0.02]	[0.01]	[0.06]	[0.02]	[0.01]	[0.06]
Female	-0.05*	-0.03	-0.02	-0.04	-0.03	-0.02	0.23***	0.17**	0.17*	0.23***	0.17**	0.17*
	[0.10]	[0.28]	[0.30]	[0.13]	[0.26]	[0.32]	[0.00]	[0.04]	[0.06]	[0.00]	[0.04]	[0.06]
Ln(Age)	-0.02	-0.02	-0.02	-0.09*	-0.06	-0.05	0.30***	0.25**	0.28**	0.30***	0.25**	0.28**
	[0.63]	[0.59]	[0.57]	[0.08]	[0.21]	[0.26]	[0.01]	[0.01]	[0.01]	[0.01]	[0.01]	[0.01]
F-Ln(GNP)	0.23***	0.23***	0.15	0.05	0.10**	0.10	-0.15***	-0.12***	0.05	-0.15***	-0.12***	0.05
	[0.00]	[0.00]	[0.20]	[0.14]	[0.01]	[0.45]	[0.00]	[0.00]	[0.68]	[0.00]	[0.00]	[0.67]
Predicted Expatriate	1.09***	1.07***	1.09***									
	[0.00]	[0.00]	[0.00]									
Predicted Expatriate (Conditional)				0.86***	0.82***	0.83***						
				[0.00]	[0.00]	[0.00]						
Constant	1.06**	-1.09	-0.18	2.05***	-0.61	-0.55	3.64***	8.28***	6.28***	3.64***	8.27***	6.28***
	[0.04]	[0.60]	[0.95]	[0.00]	[0.76]	[0.84]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]
Instrument Used							*Predicted Expatriate*			*Predicted Expatriate (Conditional)*		
P-value for Regression-Based test of Exogeneity							0.613	0.13	0.33	0.391	0.0705	0.295
Kleibergen Paap rk Wald F Statistic using twoway cluster	413.962	98.02	95.26	339.17	178.988	163.543						
Observations	920	902	888	920	902	888	920	902	888	920	902	888
R-squared	0.61	0.685	0.698	0.628	0.727	0.745	0.117	0.136	0.146	0.117	0.136	0.146
Adjusted R-squared	0.607	0.680	0.692	0.625	0.723	0.740	0.110	0.124	0.130	0.110	0.124	0.130

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