Shareholderism: Board Members’ Values and the Shareholder-Stakeholder Dilemma

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Working Paper N°. 204/2008
April 2008

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DRAFT – COMMENTS WELCOME

We are grateful to Jan Bertil Andersson, Rolf Dotevall, and Rolf Skog for invaluable advice on Swedish corporate law and to Anders Karlsson for able research assistance. Adams thanks SNS Centre for Business and Policy Studies and the Jan Wallander and Tom Hedelius Research Foundation for funding the data collection for this project. Licht thanks the Caesarea Center for Capital Markets and Risk Management and the Caesarea Foundation for supporting this study. Sagiv’s research was supported by a grant from the Recanatti Fund of the School of Business Administration at the Hebrew University.

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Abstract

This study investigates how personal values may affect strategic decisions of board members in Swedish public corporations in dilemmas between shareholders and other stakeholders. Using vignettes that are based on seminal court cases, we find that shareholderism stances correlate systematically with value priorities. Directors and CEOs tend to side with shareholders’ interests the more they endorse entrepreneurial values – namely, higher achievement, power, and self-direction values and lower universalism, benevolence, and conformity values. Employee representative directors – a special feature of Swedish corporate governance – exhibit more stakeholderist stances, but in most cases side with shareholders. Finally, directors in more profitable firms exhibit stronger shareholderism.

Keywords: corporate governance, stakeholders, corporate social responsibility, values

JEL Classifications: K22, M14

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Three years ago a special report in The Economist acknowledged, with regret, that the CSR movement had won the battle of ideas. In the survey by the Economist Intelligence Unit for this report, only 4% of respondents thought that CSR was “a waste of time and money”.

Clearly CSR has arrived. (The Economist, 2008).

Few issues in the theory and practice of corporate governance remain as contested as the topic of shareholders versus stakeholders, or corporate social responsibility (CSR), has been for so long. Like a phoenix, the debate reincarnates under a different title each time (see De Bakker, Groenewegen & Den Hond, 2005). Yet the question whose interests should managers promote (what Easterbrook & Fischel, 1991: 36 call “maximands”) remains as pertinent as ever: Should managers focus on maximizing the value for shareholders, or should they also take into account the interests of other stakeholders, such as employees, consumers, or the community?

Nowhere is this fundamental question of corporate governance more acute than in situations where shareholders’ interests and other stakeholders’ interests collide. Positive law in both the U.S. and the U.K. has been somewhat murky on this question, however. While statutes and court precedents generally give primacy to shareholders, they occasionally acknowledge the legitimacy of other stakeholders and of managerial decisions that favor them (see below). Board members and CEOs in large public companies therefore cannot always trust the law to provide clear guidance for dealing with such dilemmas. Capital markets too fail to provide unequivocal signals or constraints with regard to these decisions (see Barnett & Salomon, 2006; Margolis, Elfenbein, & Walsh, 2007; Orlitzky, Schmidt, & Rynes, 2003). We hypothesize that against this backdrop of ambiguous information about the right decision, board members and CEOs draw on their basic beliefs, assumptions, and goals in life – in other words, that their decisions reflect personal values.
This study investigates the role of personal values in strategic decisions that pit shareholders against other stakeholders. Prior work (Agle, Mitchell, & Sonnenfeld, 1999) has considered values that map onto a single dimension of self- versus other-regarding values. We advance new theoretical accounts for explaining such decisions in a richer analytical framework comprising ten distinct values that map onto two dimensions (Schwartz, 1992). These accounts suggest new hypotheses about particular combinations of values that reflect entrepreneurship and complexity aversion. We study the two populations that constitute the core of corporate governance: CEOs and board members. CEOs are prominent in strategic management and are therefore crucial to study in this context. Even more vital is the board of directors, which is the ultimate arbiter of such cases. We therefore examine, for the first time in the literature, how the decisions of CEOs and board members in public corporations may be affected by the values they emphasize.

To expose the factors that may affect how top executives handle shareholder-stakeholder dilemmas, we employ a quasi-experimental approach (McFadden et al., 2005). We surveyed the entire population of directors and CEOs of Swedish public corporations, presenting our respondents with several vignettes on shareholder-stakeholder conflicts. We derive our vignettes from seminal court cases such as Dodge v. Ford (1919), that dealt with corporate fiduciaries facing conflicts between shareholders and another stakeholder constituency – consumers, employees, creditors, or the community. In other words, we confronted our respondents with real-life dilemmas about which their counterparts have been taken to court. We examined how their decisions in favor of shareholders or stakeholders were affected by their personal values as well as by their role in the company (as regular board members, CEOs, or employee representatives), among other factors. Directors and CEOs tend to side with shareholders’ interests the more they endorse entrepreneurial values – namely, higher achievement, power, and self-direction values and lower universalism,
benevolence, and conformity values. Employee representative directors exhibit more stakeholderist stances but in most cases side with shareholders. Finally, directors in more profitable firms exhibit stronger shareholderism.

Our study makes several contributions to the research on corporate governance and strategic management. First, we theorize and generate hypotheses about stakeholders in a new theoretical framework. Second, empirical testing within this framework yields results that are comparable across countries and also allows us to compare board members’ values to a benchmark of a national representative sample. Third, we investigate the top echelon of decision-makers in firms which has been under-researched notwithstanding its crucial role in corporate governance generally and in stakeholder relations in particular. Fourth, as noted, we assess likely responses to shareholder-stakeholder dilemmas by using vignettes based on seminal court cases. Fifth, thanks to a special feature of Swedish corporate governance – namely, the presence of union-appointed directors on the board – we provide first evidence on likely consequences of board composition.

THEORY AND HYPOTHESES

Headlines of the Stakeholders Debate

The literature on stakeholders is exceedingly voluminous and diverse, taking different approaches to different questions, and even using several different definitions for stakeholders. The following provides only a thumbnail sketch of central guideposts within this broad discourse, to be followed by a focused theoretical discussion of individual values in this context. Donaldson and Preston’s (1995) conceptual framework distinguishes three stakeholder theoretical approaches - descriptive, instrumental, and normative – that are nested within one another, with the normative theory at the center (see also Jones, 1995; Jones & Wicks, 1999). Freeman (1994) reminds us that such distinctions cannot be clear-cut and that the positive and normative are intertwined. The normative core, however, remains contested.
A parallel debate has been taking place among legal scholars since the seminal exchange between Dodd (1932) and Berle (1932; Berle & Means, 1932). The legal literature on this subject is as voluminous as is the literature in management. In recent years, the debate has been framed by the notion of “shareholder primacy” – namely, whether companies should be managed with a view to maximizing shareholder wealth or should the maximands encompass the welfare of additional constituencies. Contemporary legal analyses are couched in efficiency terms and draw on agency theory in economics (Jensen & Meckling, 1976); another portion of the debate is couched in ethical theory terms (see Bradley, Schipani, Sundaram, & Walsh, 1999; Licht, 2004 for surveys). Yet the underlying question is not very different from the one formulated by Dodd (1932) three quarters of a century ago: “For whom are corporate managers trustees?”

Corporate governance relies on the ability of management and the board to coordinate the interests of several constituencies: shareholders, employees, and communities (Freeman, 1984; Donaldson & Preston, 1995; see also Adams and Ferreira, 2007; Berglöf and von Thadden, 2000). Little is known, however, about the factors affecting the ways in which managers consider non-shareholder constituencies. Some work in economics suggests that managers may promote employees’ interests for opportunistic reasons. For example, Pagano and Volpin (2005) argue that promoting employees’ interests helps managers shield themselves from hostile takeovers. Faley, Mehrotra & Morck (2006) find that employee-owned equity blocks, which could be associated with employee board representation, push firms away from shareholder value maximization. Bertrand and Mullainathan (2003) find that when managers are protected from takeovers, employee wages increase and plant closures decrease. It remains an open question whether satisfying stakeholder interests is a goal in itself or simply a means to an end. Agle, Mitchell and Sonnenfeld (1999) investigate

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1 Only a few crossed disciplinary boundaries, e.g., Bradley, Schipani, Sundaram, & Walsh (1999); Orts (1992).
this directly by examining whether values are linked to the salience of different stakeholders in the eyes of the CEO. However, they do not find systematic relations.

**Personal Values**

Values are defined as conceptions of the desirable that guide the way individuals select actions, evaluate people and events, and explain or justify their actions and evaluations (Kluckhohn, 1951). Values are trans-situational criteria or goals, ordered by importance, that serve as guiding principles in one’s life (Rokeach, 1973; Schwartz, 1992). To operationalize values, we use Schwartz’s (1992) theory of personal values (see Hitlin & Piliavin, 2004; Rohan, 2000 for reviews).

Values vary in the motivational goals to which they are directed. Based on universal requirements of human existence, Schwartz identified ten basic motivations and derived ten values that represent them (see Table 1). Actions taken in the pursuit of a certain value carry social, psychological and practical consequences that might conflict or may be compatible with the pursuit of other values. The pattern of conflict and compatibility among the ten values yields a circular structure of value systems (see Figure 1). The circular arrangement of the values represents a motivational continuum. The closer any two values in either direction around the circle, the more similar their underlying motivations; the more distant, the more antagonistic their motivations. Competing values emanate in opposing directions from the center (Schwartz 1992; 2007).

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Insert Table 1 about here.
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The relationships between the ten values can be summarized in two basic conflicts: self-enhancement versus self-transcendence and openness to change versus conservation. Self-enhancement values focus on self-interests through the pursuit of control over people
and resources (power) and of competence and success (achievement). These values conflict with self-transcendence values that reflect concern for close others (benevolence) and for all people and nature (universalism). Openness to change values reflect openness to what is new: excitement and novelty (stimulation) and autonomy of thought and action (self-direction). These values conflict with conservation values, that reflect a strong preference to preserve the status quo through a commitment to past beliefs and customs (tradition), adherence to social norms and expectations (conformity) and stability for self and close others (security). Hedonism values share elements of both openness to change and self-enhancement.

As guiding principles in life, values affect the way people perceive and interpret the world around them (e.g., Gandal et al, 2005; Sattler & Kerr, 1991; Schwartz, Sagiv & Boehnke, 2000; Van Lange & Liebrand, 1989), their identity (Hitlin, 2003), and ultimately, their decisions, choices, and behavior (Meglino & Ravlin, 1998; Rockeach, 1973; Verplanken & Holland, 2002). Researchers have documented relationships between values and behavior (e.g., Bardi & Schwartz, 2003; Barnea & Schwartz, 1998; Caprara et al., 2006; Feather, 1995; Grunert & Juhl, 1995). Importantly, Verplanken & Holland (2002) showed that these relations are causal: When experimental manipulations activated ("primed") central values in subjects’ memory, these values predicted value-relevant behavior.

The Effect of Values on Shareholder vs. Stakeholders Stances

Efforts to anchor the study of managerial values in psychological theory are relatively recent (e.g., Agle & Caldwell, 1999; Meglino & Ravlin, 1998). Mitchell, Agle, and Wood (1997) propose that managerial values concerning self-interest or self-sacrifice may moderate the stakeholder-manager relationship by affecting stakeholder legitimacy. Licht (2004) advances a theory on the link between values and the preferred maximands. Based on the notion of complexity (see below), he hypothesizes that shareholder-focused corporate governance is
compatible with self-enhancement and conservation values. Hemmingway (2005; Hemingway & Maclagan, 2004) conjectures that championing CSR depends on values that reflect a sense of duty to society. Schneider, Oppegaard, Zollo, & Huy (2005) argue that self-transcendence values are relevant to managers’ socially responsible behavior since they imply consideration for the welfare of others.

Empirical evidence on the role of values is remarkably scant. Agle, Mitchell, and Sonnenfeld (1999), using value items from Rokeach (1973), asked CEOs of large U.S. firms to recall recent interactions with stakeholders. The importance CEOs attributed to other-regarding values correlated positively with legitimacy and salience of community stakeholders, but not with respect to employees or (inversely) to shareholders. Agle, Mitchell, and Sonnenfeld nonetheless summarized their findings as an overall pattern of nonsignificance in the moderating effect of CEOs’ values on stakeholder salience (p. 519). Shafer, Fukukawa, and Lee (2007) examined the relationships of values to attitudes regarding ethics and CSR among managers. Universalism and benevolence in the Schwartz model associated negatively with items like “If survival of a business enterprise is at stake, then you must forget about ethics and social responsibility.”

More remotely, Tetlock (2000) linked political ideology, which is related to motivations (Jost, Glaser, Kruglanski, & Sulloway, 2003), to shareholder- versus stakeholder-oriented accountability systems. In a sample of mid-level U.S. managers, Tetlock found that political conservatism positively predicted a preference for a monist, shareholder-focused corporate philosophy and negatively for a pluralist, stakeholder-oriented philosophy. Need for cognitive closure – namely, “the desire for a definite answer on some topic, any answer as opposed to confusion and ambiguity” (Kruglanski 1989: 14; Kruglanski & Webster, 1996) – was higher among supporters of shareholder-focused corporate governance.

**Hypotheses**
We now briefly develop three theoretical accounts on the relations between values and shareholder vs. stakeholder orientations, from which we derive our hypotheses.

**Cognitive Complexity.** A good part of the corporate governance literature compares approaches towards shareholders versus stakeholders based on views about complexity. Complexity refers to multiplicity of factors requiring attention and to ambiguity of information. Both aspects of complexity entail greater cognitive load (Payne, Bettman, & Johnson, 1993) and therefore invoke greater aversion among people with higher need for cognitive closure. Balancing the interests of multiple constituencies is more complex and ambiguous a task for corporate decision-makers comparing to a bright-line rule calling for focusing on a single maximand such as shareholder wealth (Tetlock, 2000). Licht (2004) argues that the value orientations of self-enhancement and conservation in the Schwartz model are less complex in comparison to self-transcendence and openness-to-change, respectively. Self-enhancement calls for attending to fewer objects (the self versus numerous, indeterminate others); conservation emphasizes stability and certainty over change and ambiguity. Attributing high importance to self-enhancement and conservation values is thus more compatible with shareholder wealth maximization, and is therefore expected to correlate with strictly preferring shareholders over balancing among stakeholders.

As a corollary, we expect higher need for cognitive closure to correlate positively with stronger emphasis on less complex values (namely, conservation and self-enhancement) and with support to shareholderism, and vice versa.

**Entrepreneurship.** Standard wisdom holds that as residual claimants who enjoy limited liability, shareholders have an interest that firms take up risky projects with uncertain outcomes, while other stakeholders would prefer stability in firms’ cashflow (Kraakman et al. 2

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2 Jensen (2001: 301) thus argues forcefully against a multiple-maximand duty: “Telling a manager to maximize [several objectives] leaves the managers with no objective. The result will be confusion and lack of purpose that will fundamentally handicap the firm in its competition for survival.” Others (e.g., Hart, 1993) fear that a multiple-maximand regime will increase agency problems by rendering managers unaccountable.
2004). This points to shareholders as the constituency that plays an entrepreneurial role in the corporation. Drawing on iconic accounts of entrepreneurship (Schumpeter, 1934; Knight, 1921; Kirzner, 1973), Licht (2007) characterizes the “entrepreneurial spirit” as one high on self-enhancement values of achievement and power as well as on openness to change values, especially self-direction.³ Actions that are compatible with these entrepreneurial values would also be consistent with shareholders’ interests. This suggests that high achievement, power, and self-direction will predict a preference for a shareholderist orientation.

*Self/Other-Regarding Motivations.* A multiple-maximand corporate governance is premised on a view of many societal members as constituencies whose welfare deserves consideration (Agle et al., 1999). Such broad other-regarding concern is reflected in self-transcendence values, especially universalism. Universalism reflects the motivation to understand, accept, and care for different and unfamiliar individuals and notions. Emphasizing these values is likely to lead board members to recognize the needs and interests of all stakeholders and to regard those interests as important. The other self-transcendence value, benevolence, reflects the motivation to express concern and care for those close to oneself. Emphasizing these values should also correlate positively with a stakeholders approach, but to a lesser extent. Crucially, a single-maximand, shareholder-focused corporate governance is not premised on selfishness (just as stakeholder-oriented corporate governance does not entail managerial sacrifice). Rather, the focus is on self-enhancement – namely, personal achievement, which connotes attaining goals in competitive settings through hard work, self-challenging, and persistence, and also on power, which is linked to wealth and control. Directors motivated by these values will more likely promote the interests of shareholders.

Taken together, these theoretical accounts yield a clear hypothesis regarding self-enhancement versus self-transcendence values:

**H1**: Support for shareholder wealth maximization will correlate positively with attributing importance to self-enhancement and negatively to self-transcendence values.

With regard to openness-to-change vs. conservation, however, the cognitive complexity theory and the entrepreneurship theory point in opposite directions. The complexity theory suggests:

**H2a**: Support for shareholder wealth maximization will correlate positively with attributing importance to conservation and negatively to openness to change values.

The entrepreneurship theory suggests:

**H2b**: Support for shareholder wealth maximization will correlate positively with attributing importance to openness-to-change and negatively to conservation values.

**The Institutional Setting**

Swedish corporate law is similar to the law in the U.S. and the U.K. in prescribing that the purpose of business corporations is to generate profits for shareholders. While there is no direct legal provision to this effect, this widely-accepted doctrine is deduced from a provision requiring companies with a different objective to state this clearly in the articles of association (Swedish Companies Act 2005, Ch. 3., Sec. 3). The board of directors has the authority to propose an allocation of profits to the decision of the general meeting and thus controls distribution, including of dividends. Under the listing rules of the Stockholm Stock Exchange, firms with market value higher than SK 3 billion must adopt the Swedish Code of Corporate Governance (Code Group, 2005). This Code focuses on meeting the owners’ required return on capital; it does not deal with relations with customers, employees, or the general public. These matters have not been considered part of corporate governance (p.12).
Starting in 1973, Swedish law prescribes for board representation for employees. Employees, through their trade unions, have the right to appoint two directors in companies with more than 25 employees and three directors in companies with more than 1,000 employees. Employee representatives may not constitute a majority on the board. The trade union branches usually appoint representatives for regular workers and for white-collar workers (Victorin, 2000). A survey of Swedish CEOs (‘managing directors’ in Swedish parlance) reflects a positive experience with employee representation on company boards (Levinson, 2001). Appointed by the board of directors, the CEO is the only senior executive sitting on the board in most listed companies in Sweden, beyond employee-appointed representatives. All other board members are non-executive directors, yet only a few directors are independent of the major shareholders (Code Group, 2005).

The unique setting of this study allows us to explore certain implications of board composition. Specifically, it seems plausible that employee representatives on the board will side with employees’ interests. It is unclear whether they will also side with other non-shareholder constituencies. Hence:

\[ H3: \text{Employee representatives on the board will side with employees’ interests more than other board members.} \]

**METHODS**

**Sample and Data Collection**

We identified the set of directors, CEOs and vice-CEOs (the equivalent of presidents in U.S. firms) of all publicly-traded firms in Sweden in 2005 using MM Partner, a database containing names of board members of all public and private firms in Sweden. There were 288 publicly-traded firms listed on the OMX Nordic Exchange and the Nordic Growth Market (NGM) in 2005. These firms had 468 CEOs (including Vice-CEOs) and 1642 board
members. Of those, we obtained addresses from an intermediary company for 1372 board members and 424 CEOs.

A survey questionnaire comprising scales on personal values, need for cognitive closure, and corporate governance was sent together with a cover letter from the authors describing the study. In total, we received 502 responses (36.6%) from board members. Of those, 127 were employee representatives (71% male, mean age = 53) and 375 were regular board members (83% male, mean age = 57). We received 126 responses (29.7%) from CEOs and Vice CEOs (96% male, mean age = 51). We received at least one response from 252 of 288 firms (88%). The number of responses per firm varies from 1 to 8.

**Measures**

*Shareholderism versus Stakeholderism*

Empirical investigation of managers’ support for shareholder versus stakeholder interests (shareholderism versus stakeholderism) ideally would examine managers’ actual behavior in real shareholder-stakeholder conflicts. Collecting a sufficient sample for such an inquiry is virtually infeasible, however, because each organization faces the shareholder/stakeholder conflict in somewhat different circumstances. It would therefore be impossible to compare across organizations should we look at actual behavior.

We employ a quasi-experimental approach using vignettes on shareholder-stakeholder conflicts. Vignettes are widely used in social science research (McFadden et al., 2005), and have also been used to gauge managers’ ethical values (Barnett & Karson, 1987; 1989). Vignettes provide the researcher “a degree of uniformity and control over the stimulus situation approximating that achieved by researchers using experimental designs” (Alexander & Becker, 1978: 93). When properly used, vignettes can be useful for investigating participants’ judgment-making processes and the factors that influence their decision-making (Alexander & Becker, 1978; Barter & Renold, 1999; Finch, 1987). Vignettes should appear
plausible and real; they should strike a balance between providing sufficient context while leaving enough room for several reasonable solutions (Barter & Renold, 1999; Wason, Polonsky, & Hyman, 2002).

Our vignettes are based on seminal cases from the United States and the United Kingdom. Consultations with several Swedish corporate law professors indicated that these cases would likely be decided similarly in Sweden. Each vignette specified two propositions, one favoring shareholders and one favoring a non-shareholder constituency. For each vignette, participants reported their agreement with each proposition on a scale ranging from 1 ("strongly agree") to 6 ("strongly disagree") (see Appendix A). 4 Specifically, the vignettes are based on the following cases.

- **Consumers** – Dodge v. Ford (1919) – Thanks to its dominant position in the automobile industry the Ford Motor Company had a very large surplus fund. Henry Ford wanted the firm to use these funds in a way that would benefit consumers (and also employees). The court held that “[a] business corporation is organized and carried on primarily for the profit of the stockholders. The powers of the directors are to be employed for that end.”

- **Employees** – Parke v. Daily News (1962) - A U.K. newspaper publishing company suffered substantial trading losses. To avoid further losses, the board decided liquidate the company’s assets and pay its employees and pensioners beyond their legal entitlements in order “to alleviate the suffering and hardship which may occur.” The court held that the proceeds should be distributed to shareholders.

- **Creditors** – Credit Lyonnais v. Pathé (1991) – MGM was in financial distress following a leveraged buyout. In a famous footnote to the main ruling, the court averred that “at least where a corporation is operating in the vicinity of insolvency, a board of directors is not merely the agent of the residue risk bearers, but owes its duty to the corporate enterprise;”

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4 In analyzing the data we reversed the scale so it is more intuitive to the reader.
the board may decline to accept a “fire sale” price for a corporate asset to finance dividends, thus helping creditors.

- **Community** – Shlensky v. Wrigley (1968) – The company that owned the Chicago Cubs baseball club and operated its Wrigley Field stadium refused to approve installation of lights and night baseball because Phillip Wrigley believed that baseball was a day-time sport and that night baseball might have a negative impact on the surrounding neighborhood. The court held for Wrigley notwithstanding lower attendance and financial losses.

- **Corporate Philosophy** – Items from Tetlock (2000) on a single-maximand shareholder-oriented corporate philosophy vs. a multiple-maximand stakeholder-oriented philosophy were adapted by asking respondents to indicate which of the two corporate philosophies, copied verbatim from Tetlock (2000), they would support.

  The corporate governance questionnaire was translated from English to Swedish and then back-translated using native speakers. Discrepancies were clarified by consulting with the authors.

  **Personal Values**

  To measure value priorities we use the Portrait Values Questionnaire (PVQ) instrument developed by Schwartz (Schwartz et al., 2001). The PVQ provides 40 short descriptions (portraits) of persons in terms of things that are important to them. For example, “Thinking up new ideas and being creative is important to him. He likes to do things in his own original way” describes a person for whom self-direction values are important. For each portrait, respondents answer “How much like you is this person?” on a 6-level Likert scale, ranging from “Very much like me” to “Not like me at all.” Schwartz kindly provided us with a Swedish version of the PVQ in male and female forms (available from authors). Since individuals differ in their use of the response scale it is important to correct for scale use to
avoid distortion of the findings. Following Schwartz (1992; 2007), when correlating values with external variables we control for differences in scale use by centering each individual’s scores around their mean. Internal reliabilities (alphas) of nine value indexes ranged from .59 to .83. These reliabilities are within the range of variation commonly observed for values (Schmitt, Schwartz, Steyer, & Schmitt, 1993). The index for tradition exhibited an unacceptable $\alpha = .34$. Nevertheless, tradition correlated systematically well in further analyses (see below).

**Need for Cognitive Closure**

A broad literature has validated and used the need for cognitive closure (NFC) construct using a 42-item scale by Kruglanski, Webster, & Klem (1993; Kruglanski & Webster, 1994) (see Jost et al., 2003). Mannetti et al. (2002) demonstrated the validity of the NFC construct in several cultures. The 42-item NFC scale is too cumbersome for the present purposes and also includes some items identified as problematic (Mannetti et al., 2002). We therefore used a shorter scale comprising 15 items based on Kossowska et al. (2002). Because the decisiveness facet was found to be a separate factor from the need for cognitive closure we constructed a 12-item scale excluding the decisiveness items. The NFC scale was translated from English to Swedish and back-translated to ensure consistency. The NFC scale exhibited $\alpha = .80$.

**Control Variables**

We control for several individual-level variables about the respondents: age, gender, length of tenure on the board as of 2005, and the number of directorship positions held by the respondent in the sample firms. We also control for three firm-specific variables: firm size, firm profitability, and total firm-level wages. Firm size could relate to managers’ shareholderism stances indirectly, e.g., if more consideration to other stakeholders may be required in smaller firms. We use the log of book value of assets in 2005. After controlling
for firm size, firms’ higher expenses on wages may reflect greater pressure on directors to consider non-shareholder stakeholders. Firm operating performance could affect shareholderism stances since more profitable firms may have more “slack resources” at their disposal for catering to stakeholders (e.g., Waddock & Graves, 1997). We use return on assets in 2005 – an accounting-based measure, as recommended by Orlitzky et al. (2003). Firm-level wage is also for 2005. Firm-level data were obtained from MM Partner. Table 2 provides summary statistics.

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Insert Table 2 about here.

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RESULTS

Shareholderism vs. Stakeholderism

We begin the analysis with an exploratory investigation of responses to the five vignettes. Since Swedish boards are heterogeneous by legal design, we compare three groups: regular board members, board members who are employee representative directors, and CEOs. Table 3 presents the means and standard deviations of participants’ responses to the vignettes in each of the three groups and in the entire sample. One first notes that board members form two camps: regular directors’ and CEOs’ average scores do not differ in order on any item, whereas employee representatives differ from the former two groups on all but the creditors items. We conducted a multivariate ANOVA with the type of group as the independent variable and the shareholder/stakeholder preferences as the dependent variables. The three groups differed on all but the creditors items (F ranges from 5.74 to 155.48, all p < .001). A series of planned contrasts revealed significant differences between the representative board members and each of the two other groups for all but the creditors’ items (t ranges from 2.69 to 18.15, all p<.01).
When one looks at particular items, a richer picture emerges. When shareholders’ interests were contrasted with the interests of consumers (Panel A) and of the community (Panel D), all three groups of participants favored shareholders’ interests, albeit by a narrower margin for the employee representative. In the creditors vignette (Panel C of Table 3), the three groups exhibit virtually identical mean scores indicating that they strongly prefer to avoid selling assets at “fire sale” prices to finance dividend distribution in the vicinity of insolvency. In other words, in this dilemma all three groups strongly sided with stakeholders’ interests. We will discuss this result further below. It was only when the interests of shareholders were contrasted with those of the employees (Panel B) that the three groups had opposing preferences: The employee-representative board members favored the interests of the employees, whereas the other two groups again favored the shareholders’ interests, consistent with Hypothesis H3. Finally, and somewhat surprisingly, when asked about their general corporate philosophy, all three groups rejected the shareholder-only wealth maximization philosophy in favor of the multiple-maximand philosophy, again, more so by the employee-representatives (Cf. Ibrahim, Howard, & Angelidis, 2003).

We next seek to verify whether the common broad distinction of “shareholders vs. stakeholders” is borne out in our data. Specifically, we examine whether the five vignettes represent the same content world, and whether shareholderism and stakeholderism are best represented by one bi-polar dimension or by two related but separate dimensions. An exploratory factor analysis with oblique rotation (promax) yielded three factors. Pairs of items measuring shareholders/stakeholders views in each vignettes were always loaded on the same factor (in opposing directions), indicating that shareholderism/stakeholderism views are two poles of the same dimension.
Eight of the ten items (all but the two creditors items) were loaded on the first factor. The inter-correlation matrix of the ten items reveals that whereas inter-correlations among the eight items are all significant and relatively strong (range from .15 to .85 in absolute terms), their correlations with the two creditors items are much weaker (Only 5/16 are significant, and all r<.12). We therefore dropped these two items from further analyses.

A factor analysis of the remaining eight items yielded two factors. The first factor explained 40% of the variance. All items were loaded on this factor (.88 to .33 in absolute terms). Six items had their strongest loading on this factor, whereas the two community items were more strongly loaded on the second factor, which explained additional 17% of the variance. An internal reliability test yielded a satisfactory reliability for an 8-item index (.77). We therefore aggregated the eight items to compute an index of shareholderism vs. stakeholderism, with higher values reflecting stronger shareholderism stances.

**Differences in Value Priorities**

To investigate value priorities among our respondents, Table 4 compares average priorities of regular directors, employee representative directors, and CEOs. We conducted a multivariate ANOVA with the type of group as the independent variable and value priorities as the dependent variables. The three groups differed with regards to all but hedonism and tradition values (F ranged from 3.07 to 22.47, all p < .05, all but one p < .001). A series of planned contrasts revealed that regular directors and CEOs have a very similar value profile. Directors score lower than CEOs on power and achievement (t=2.80, 2.24 respectively, both p<.05). In other words, directors emphasize self-enhancement less than CEOs. There is no other significant difference.

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Insert Table 4 about here.

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Insert Figure 2 about here.
Employee representatives, however, exhibit an altogether different value profile compared to regular directors and CEOs. A series of planned contrasts show that employee representatives attribute much lower importance to power and achievement values (both $t=6.59; \ p<.001$) and higher importance to universalism ($t=4.65; \ p<.001$) and benevolence values ($t=2.46; \ p<.05$). In tandem, employee representatives attribute lower importance than regular directors and CEOs to stimulation and self-direction values ($t=4.41, 4.91$ respectively, both $p<.001$) and higher importance to conformity ($t=4.90; \ p<.001$) and security values ($t=2.77; \ p<.01$). To recap these findings, the value profile of regular directors and CEOs reflects a significantly more Schumpeterian “entrepreneurial spirit” (Licht, 2007) than the employee representatives’ value profile does.

To put these differences in value priorities in a more general context, we compare the value priorities of our respondents to those of the general population in Sweden. We use representative sample data from the European Social Survey (ESS), which uses the PVQ in a shorter version with 21 items (see Schwartz, 2007). Table 4 and Figure 2 present results based on ESS Round 2 in 2004. Employee representatives’ values are very similar to those of the general population on power and achievement and on stimulation, self-direction, security, and conformity. By impression (since the survey instruments are not identical), employee representatives take a middle position on universalism and benevolence – higher than regular directors and CEOs but lower than the general population. Employee representatives are also close to regular directors and CEOs in exhibiting a lower emphasis than the general population on hedonism and a much lower emphasis on tradition (though our tradition score suffers from a low $\alpha$). Overall, therefore, it would be fair to describe employee representatives as proxies for the general population on boards of directors of Swedish firms in terms of their value profile. Employee representatives resemble the general
population in their relatively lower degree of entrepreneurial spirit in comparison to regular directors and CEOs.

As a robustness check, we investigated data from ESS Round 1 in 2002 and obtained similar results. We also identified the 21 items in the PVQ that also appear in the shorter version of PVQ used by ESS\(^5\) and computed value priorities based on these items only in order to verify that the results are not affected by differences in instruments. The results were similar though somewhat weaker.

**Shareholderism and Value Priorities**

We now move to testing our central hypotheses linking support for shareholders vs. stakeholders to personal value priorities. Table 5 presents correlations between shareholderism stances and value priorities in our sample. A clear pattern emerges. Corporate fiduciaries are more likely to support firm decisions that benefit shareholders more than other stakeholders the more they emphasize power and achievement and the less they emphasize universalism and benevolence. Hypothesis H1 thus receives clear support. With somewhat lower yet significant correlations, shareholderism correlates positively with self-direction and stimulation and negatively with conformity and tradition. These results are consistent with Hypothesis H2b derived from the entrepreneurship theory. Interestingly, shareholderism exhibits a near-zero correlation with hedonism. This finding is consistent with the notion that self-gratification plays virtually no role in shaping corporate fiduciaries’ stances toward CSR.

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Table 5 further shows correlations between value priorities and the need for cognitive closure. Conservation values (security, conformity, and tradition) correlate positively with

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\(^5\) Only power has different items in the two questionnaires so we used the PVQ40 items.
need for closure whereas openness-to-change values (stimulation, self-direction) correlate negatively with it. (No correlations were found with the decisiveness facet.) This is in line with Tetlock’s (2000) and Licht’s (2004) reasoning about the link between complexity aversion, need for closure, and values. Recall that the entrepreneurship theory (H2b) and the complexity aversion theory (H2a) suggest opposite effects on shareholderism from values on the openness-to-change vs. conservation dimension. That shareholderism correlates with openness-to-change values, while the need for closure strongly correlates with conservation values, leaves open the possibility that a positive effect of openness-to-change values on shareholderism dominates a weaker such effect of conservation values.

Shareholderism, Values, and Other Factors

Next, we investigate whether the role of value priorities in explaining shareholderism stances is robust to other personal attributes and firm-level factors. The findings described above indicate that the type of board membership (regular director or employee representative) and the need for closure are linked to differences in value priorities. Differences in value priorities have also been observed with regard to age and gender: older people exhibit increased emphases on conservation and self-transcendence values and decreased emphases on openness-to-change and self-enhancement (Schwartz, 2007; see also Glen, 1974); men tend to attribute more importance to power, stimulation, hedonism, achievement, and self-direction and less importance to benevolence and universalism, but these differences are usually quite small (Schwartz & Rubel, 2005). It is thus important to control for these individual attributes.

Schwartz’s model predicts that value priorities are linked both conceptually and empirically. This feature could cause problems in regression analysis due to multi-collinearity. We therefore first employed the Stepwise procedure to identify those values that contribute significantly to the regression model. When all values were entered together to the
stepwise regression analysis, power, achievement, self-direction, and universalism contributed significantly and were thus included in the regressions below. Because many firms have more than one respondent we adjust standard errors for within-firm correlation across directors by clustering them at the firm level. We also use robust standard errors to adjust for heteroskedasticity.

Table 6 presents the regressions. Column 1 shows regression results of shareholderism stances on the four values. All values exhibit (standardized) coefficients largely equal in size, with the signs predicted by Hypotheses H1, in line with the self/other-regarding theory, and H2b, in line with the entrepreneurship theory. This basic specification alone explains 21% of the variance.

In the next step, we attempted to further examine our opposing H2a and H2b. H2b suggests that shareholderism is more likely when individuals have an “entrepreneurial spirit,” which combines both self-enhancement and openness to change. To examine this, we added to the regression the interaction between the two.\(^6\) This term indeed associates positively with shareholderism (column 2). Similarly, H2a predicts that shareholderism will be higher among individual who emphasize both self-enhancement and conservation values. These values were conjectured to be less cognitively complex (Licht, 2004). The complexity aversion variable introduces the interaction between these variables into the regression. The complexity aversion term is not significant in column 3, yet becomes significant in column 7. Both interaction terms thus exhibit coefficients that are in line with the theoretical predictions but are not stable across all specifications. Importantly, these variables do not derogate from the separate coefficients of each value, which support both H1 and H2b.

\(^6\) More precisely, the entrepreneurship term is the product of the average of power and achievement scores times the self-direction score. Similarly, the complexity aversion term mentioned immediately below is the product of the average of power and achievement scores times the average of security and conformity scores.
In column 4 and 5, we focus specifically on the role of gender and of holding an employee representative position in explaining shareholderism with a view to addressing potential omitted variable bias. A dummy variable for gender (1 = male) is a significant predictor, suggesting that men are more shareholderist than women. Controlling for gender leads to smaller, though still very significant, coefficients for power and universalism, in line with previous findings on gender differences in these values. Entering a dummy for employee representative position (1 = employee representative) yields a strong, negative coefficient and leads to smaller, though still significant, coefficients for self-direction and achievement. This is in line with the findings reported above on the different value preferences of employee representatives. (Gender and role are further confounded here, as there are more women among employee representatives than among regular directors.) We separately confirmed that F statistic and R-squared rise significantly with the inclusion of either gender or board position. These results indicate that including gender and board position in the regression indeed addresses an important omitted variable bias.

In column 6, we enter the full set of personal attributes: need for closure, the two interaction terms, gender, employee representative position, CEO (1 = CEO), age, tenure, and the number of directorships. The strongest predictor for shareholderism turns out to be holding an employee representative position. Holding a CEO position does not have a significant role in predicting shareholderism relative to regular directors. Older directors are less shareholderist than younger ones. Like the result for gender, this is consistent with past findings on age differences in value priorities. Both tenure and the number of directorships associate positively with shareholderism. This is consistent with the idea that shareholders may prefer to nominate shareholderists to more boards and to keep them longer on the board. These personal attributes together explain an additional 20% of the variance beyond values.
Finally, in column 7 we enter firm-level attributes – return on assets, size, and total wages. Only the former measure, of financial performance, exhibits a significant positive coefficient. (Controlling instead for return on equity, a laxer measure of performance, did not yield a significant result). Directors in more financially profitable companies thus tend to be more shareholderist in their attitude. This finding, which is beside the main focus of the present study, is intriguing nonetheless, as we elaborate below.

DISCUSSION

This study investigates the role of personal values in shaping strategic decisions that board members make in shareholder-stakeholder dilemmas. Studying a large sample of board members, CEOs, and labor-union-appointed directors, we showed that emphasizing self-enhancement and (to a lesser extent) openness to change values and de-emphasizing self-transcendence values lead to supporting a general stance of shareholderism versus stakeholderism. Put more generally, a director’s personal value profile that reflects more entrepreneurial motivational goals is conducive to preferring shareholders over other stakeholders. In contrast, supporting stakeholderism stems from emphasizing other-regarding values, especially universalism, that emphasizes concern for the welfare and wellbeing of all. Values explain directors’ shareholderism above and beyond other personal attributes, including gender, age, and the role on the board. Values’ explanatory contribution is robust to firm-level attributes such as size and financial performance.

Theoretical and Managerial Implications

Much of the decades-long discussion on CSR has assumed that companies and managers can be told, or taught, how to behave “responsibly,” whether this entails solely maximizing shareholder wealth or also catering to additional stakeholders’ needs. But where ambiguity reins – and the continuing debate and mounting evidence suggest that it does – managers are left to their own devices when they face CSR dilemmas. We expand the
theoretical underpinnings for understanding the role of values in strategic decisions on stakeholders as we derive new theoretical accounts that draw on a richer set of values. We argue that in situations calling for such decisions, managers are likely to resort to values – their stable beliefs and goals – for guidance on the right behavior. The present accounts suggest mechanisms, which are not mutually exclusive, that may affect decisions in shareholder-stakeholder dilemmas. The findings indicate that values may be a major source of motivation for CSR-relevant behavior.

Agle and Caldwell (1999) decry the confusion in prior work on the role of values in business, which they partially attribute to “lax operationalization of the values construct.” Our study addresses this challenge with regard to the individual level of analysis. First, we operationalize personal stances on CSR using a quasi-experimental approach that relies on real court cases, which was verified to be relevant for Swedish corporate governance. This represents a radical departure from the common approaches that seek to measure corporate social performance (CSP). Instead of looking at aggregates of firm-level indicators we trace the roots of CSR/CSP at the individual level of board members. Second, we leverage a theory of values by Schwartz, that has been validated to reflect the universal structure of individual-level values (Rohan, 2000; Smith, Bond, & Kagitcibasi, 2006), together with an advanced instrument for measuring personal value priorities. With these measures, we get closer than prior work to predicting behavior in CSR-related situations. Thanks to the universality of the analytical framework, the basic findings of this study are generalizable beyond Swedish directors and Swedish corporate governance.

The present results show that values correlate significantly with shareholderism stances. But can one say that values cause board members to adopt such stances? If values are endogenous in the above regressions (in the sense that they are correlated with the error
term), one cannot give these regressions a causal interpretation. We nonetheless believe that such interpretation is plausible.

Endogeneity typically arises because of reverse causality or omitted variables. In our context it is difficult to imagine that shareholderism stances would affect values by way of reverse causality. Extant evidence indicates that people’s values develop at an early age through adolescence (Goodnow, 1997; Knafo & Schwartz, 2004). The variance in value profiles of individuals of different professions appears to stem from selection more than from socialization (Gandal et al., 2005; cf. Sheldon, Sheldon, & Osbaldiston, 2000). Selection mechanisms of this kind may stand behind regular directors’ and CEOs’ more entrepreneurial values and behind employee-representatives’ higher universalism and benevolence values. Individuals with a value profile that is consistent with the “job description” of caring for shareholders or for employees are more likely to apply to and to be nominated to respective positions. The positive relations between shareholderism on the one hand and tenure and directorships on the other hand lend preliminary support to this view.

Even if values are largely predetermined or at least stable, our coefficient estimates could still be biased if there is an omitted variable that is correlated both with values and with shareholder stances. The analyses reported above greatly alleviate this concern too. The results suggest that part of the effect reported in the narrower specifications was driven by omitted personal attributes. That the value priority variables retain a significant role in the regressions suggests that values explain these stances above and beyond their role due to personal attributes. The general scheme of these results is consistent with the notion that values are among the channels through which board position, gender, and age exert their influence on directors’ shareholderism stances.

The results suggest new insights about the relations between law and psychology and the reality of the maximands of corporate governance. Swedish company law is essentially
similar to U.S. and U.K. law in calling on directors to maximize firm value for the benefit of shareholders. We find a more complex picture, however. The law notwithstanding, board members strongly prefer a multiple-maximand corporate philosophy over a single-maximand philosophy. This finding echoes the Economist’s survey cited in the introduction. When asked about concrete cases, however, the majority of board members, including employee-appointed directors, would act in line with the legal prescription. In fact, Swedish directors would side with shareholders even in cases where the U.S. court in Shlensky sided with stakeholders (the community). Swedish directors also share the shareholderist stance exhibited by the U.K. court in Parke, unlike the view of their counterparts in the board of the Daily News. A substantial portion of all types of board members nonetheless would side with non-shareholder stakeholders.

The results for the creditors vignette are somewhat surprising. Legal writing subsequent to the Credit Lyonnais decision has treated this case in the context of the shareholder-stakeholder debate (Blair & Stout, 1999; Macey & Miller, 1993). Yet the parallel vignette did not load on the shareholderism factor. It is not clear why this vignette was treated by respondents differently than all other vignettes. Our respondents may have interpreted this vignette as a case of firm survival, in which all parties may need to shoulder the effort to keep the firm alive. These results are consistent with the idea that Swedish directors would agree with the dictum in Credit Lyonnais, that in the zone of insolvency, board members may have a duty to consider the interests of the corporate enterprise and not only of shareholders.7

Long-standing debates revolve around the optimal structure and composition of the board of directors – in particular, the place that independent or employee-appointed directors

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7 The Delaware Supreme Court recently ruled that even in the zone of insolvency, fiduciary duties are directed to the corporation for the benefit of shareholders (North American v. Gheewalla, 2007).
should have on the board. The present results may contribute to these debates, which take place in the U.S., Europe, and elsewhere. An interesting finding here is that the value profile of regular directors is similar to that of CEOs and differs markedly from the value profile of the “average person” in a representative sample of the general population. This finding points to a source of friction between managements and the general public, including the media. Boards of directors appear to be guided by a normative compass that the public doesn’t fully share. This difference puts a wedge between what boards may consider right and appropriate and what the public would, especially with regard to CSR issues. Findings of the current study may contribute to increasing awareness to this problem. Board members could use this knowledge to better deal with this gap (e.g., with media consultants).

In the absence of better remedies to current ills of corporate governance – in particular, the need to monitor corporate insiders – independent directors these days are regularly touted as panacea for these problems. Independence for these purposes means lack of significant pecuniary or personal linkage to the company and its insiders. The current findings may distinguish two groups within the population of independent directors: one group comprising CEOs of non-affiliated firms and perhaps also professional directors, and one comprising people drawn from the general population such as academics, public servants, etc. Staffing boards with directors of either group may satisfy regulatory criteria for independence but may nonetheless entail different implications for strategic management.

A good deal of the discourse on CSR is couched in terms of ethics. Scholars and managers alike debate whether companies can “do good and do well” at the same time. This view inevitably pits shareholders against the rest of society. Moreover, by classifying corporate action promoting the interests of non-shareholder stakeholders as “social responsibility” – Friedman (1970) being a famous exception – this view a priori puts stakeholderism on higher moral ground. Even Jensen (2001), a staunch shareholderist, refers
to corporate strategy that considers other stakeholders as “enlightened value maximization,”
thus implicitly conceding that vigorous shareholderism is morally inferior (see also Sundaram
& Inkpen, 2004). In the United Kingdom, imposing a legal duty of “enlightened shareholder
value” has been controversial and was one of the most hotly debated provisions of the new
Companies Act, 2006 (Keay, 2007).

This study sheds new light on this discourse. We confirm empirically that there is
such a thing as “shareholderism.” CSR stances can be represented with a bipolar
shareholderism/stakeholderism dimension, notwithstanding differences and nuances within
this distinction. But, the current approach avoids the pitfall of painting some CSR stances as
a priori inferior. The Schwartz theory is premised on the general view in psychology of
values as conceptions of the desirable. In this view, people differ in the relative importance
they ascribe to different values. This theory explicates the fact that people tend to see all the
values it specifies as reflecting some virtue. Value items like wisdom and being
broadminded, that reflect universalism, seem virtuous; but the same holds for being capable
or ambitious, which reflect achievement – the opposite value in the circle model (see Table 1
and Figure 1). Shareholderism, which is shown here to associate with achievement, thus may
be anchored in normative grounds in the eyes of some as strongly as stakeholderism, which
correlates with universalism, may be in the eyes of others.

The present theoretical framework allows one further to conjecture about the reasons
for the common treatment of stakeholderism as socially responsible or enlightened.
Benevolence, self-direction, and universalism values are consistently ranked most important,
while power, tradition, and stimulation values often rank as least important (Schwartz &
Bardi, 2001). It may be the case, therefore, that even individuals who endorse
shareholderism because of its economic efficiency, legal implementability, or due to their
personal values, may nonetheless acknowledge the importance of universalism and benevolence and, therefore, of its logical correlate – stakeholderism.

Furthermore, the present theoretical framework highlights the role of values on the conservation vs. openness-to-change dimension, which has been overlooked in the CSR literature thus far. These values correlate with shareholderism somewhat less strongly than do values of self-enhancement vs. self-transcendence. This may be due to the fact that opposing influences could be at work. While the dominant effect of self-direction on shareholderism is positive, this value correlates strongly negatively with the need for cognitive closure. This may suggest that in shareholder/stakeholder dilemma settings that are marked by ambiguity and multiple conflicts, these values and related psychological factors will exert a stronger influence on corporate decision-makers. The vignettes we used present clear choices to respondents and thus could not cleanly gauge such an effect.

**Directions for Future Research**

We showed that values predict shareholderism stances. Although the nature of our study cannot exhaust all causal influences, we pointed out reasons supporting such inference with regard to values. It may also be possible that shareholderism is a product of corporate climate or of holding the role of CEO or board member due to socialization processes. Likewise, the role of employee representative may strengthen stakeholderism in role incumbents. These roles might influence personal values. Furthermore, varying levels of stakeholder salience in specific cases (Agle, Mitchell, & Sonnenfeld, 1999) may also increase the salience of particular values, thus affecting actual behavior in those cases.

A promising line of future research lies in levels of analysis higher than the individual level, which is the focus of the present study. This study was conducted within a single culture. Standard accounts in comparative corporate governance classify the traditional Anglo-American system as shareholder-oriented, while Western European systems are seen
as relatively more stakeholder-oriented – in particular, with regard to employees (e.g., Bradley et al., 1999; Roe, 2003). Licht (2001; 2004) argues that these differences are linked, inter alia, to cultural differences in value emphases. Cultural value orientations represent the socially shared beliefs about what is good, right, and desirable (Kroeber & Kluckhohn, 1952; Hofstede, 2001; Schwartz, 1999). Although the role of cultural orientations in international business is the subject of another vast and diversified literature (see Leung et al., 2005 for a review), little was done to uncover links between culture and shareholderism vs. stakeholderism in national corporate governance systems (see Siegel, Licht, & Schwartz, 2007). Focal policy documents on corporate governance best principles (e.g., OECD, 2004) generally endorse shareholder primacy, while they often acknowledge the interests of other stakeholders. As cultural differences are reflected in differences in average value priorities, one would expect to see systematic differences among countries also in directors’ shareholderism stances. Such research is clearly warranted in light of the movement for corporate governance reform in many countries.

Finally, in a meso-level of analysis between the individual and the cultural levels, directors’ value priorities in general and their shareholderism stances in particular may be influenced by corporate culture. Compared with the former two levels of analysis, the latter – i.e., the organizational, or corporate level – is less well developed theoretically. Brickson (2005, 2007) advances a model of organizational identity orientation, in which three orientations are distinguished: individualistic, relational, and collectivistic. This theory treats the organization as an entity that can have three such paradigmatic relationships with stakeholders. Brickson thus moves from the individual level of analysis to the organizational level. Alternatively, one could develop organizational-level dimensions by starting from the cultural level of analysis, treating organizations as small-scale cultures. In any event, the
orientation profiles of particular firms likely affect the value priorities of managers and
directors through isomorphic pressures leading to enculturation or selection.

“Does it pay to be good?” ask Margolis, Elfenbein, and Walsh (2007), and answer
that the overall effect of social performance (CSP) on financial performance (CFP) is positive
but small. Like many of the authors of the 167 studies that they meta-analyze, Margolis et al.
find that better CFP associates with better CSP (see also Orlitzki et al., 2003). This evidence,
they aver, “should direct our attention equally to understanding how CFP ultimately gives
rise to CSP” (pp. 24-25). The current results present a small piece of intriguing evidence
toward answering this question. The finding, that better financial performance predicts
stronger shareholderism, challenges the view that managers in profitable firms would tend to
channel resources to CSP, perhaps opportunistically. If anything, higher profitability seems
to make directors keener on maximizing shareholder wealth, due possibly to socialization and
selection. What makes this finding noteworthy is the fact that it refers to the individual level
of analysis. It seems unlikely that a single director’s values would affect her firm’s financial
performance. Something else may be driving CSP, and it may well be directors’ values as
well as internal (corporate) and/or external (societal) institutional pressures (Brickson, 2007;
Campbell, 2007). These issues warrant further research.

CONCLUSION

Nearly ninety years have passed since the Michigan Supreme Court famously
admonished Henry Ford and the entire business community for years to come:

A business corporation is organized and carried on primarily for the profit of the
stockholders. The powers of the directors are to be employed for that end. The
discretion of directors is to be exercised in the choice of means to attain that end and
does not extend to a change in the end itself, to the reduction of profits or to the
nondistribution of profits among stockholders in order to devote them to other
purposes. (Dodge v. Ford, 1919: 683).

Ford, a quintessential capitalist that he was, thought otherwise:
I don't believe we should make such an awful profit on our cars. A reasonable profit is right, but not too much. I hold that it is better to sell a large number of cars at a reasonable small profit… I hold this because it enables a larger number of people to buy and enjoy the use of a car and because it gives a larger number of men employment at good wages. Those are the aims I have in life (Nevins & Hill, 1957: 97).

Whether CSR of this sort is good business may or may not be a dominant consideration. Ford, by the way, thought that it is good business, as he testified during trial:

Counsel: But your controlling feature… is to employ a great army of men at high wages, to reduce the selling price of your car… and give everybody a car that wants one.
Ford: If you give all that, the money will fall into your hands; you can't get out of it (Nevins & Hill, 1957: 99).

Ninety years and reams of paper later, and the likelihood of resolving this debate seems as remote as ever. *Plus ça change, plus c’est la même chose*. The findings of this study suggest that these controversies may never be resolved, as they are rooted in the most basic beliefs that people hold about their goals in life.
Table 1. The Schwartz Individual-Level Values and Representative Items

<table>
<thead>
<tr>
<th>Value</th>
<th>Representative Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security</td>
<td>Safety, harmony and stability of society, of relationships and of self (family</td>
</tr>
<tr>
<td></td>
<td>security, national security, social order, clean, reciprocation of favors)</td>
</tr>
<tr>
<td>Conformity</td>
<td>Restraint of actions, inclinations and impulses likely to upset or harm others</td>
</tr>
<tr>
<td></td>
<td>and violate social expectations or norms (self-discipline, obedient, politeness,</td>
</tr>
<tr>
<td></td>
<td>honoring parents and elders)</td>
</tr>
<tr>
<td>Tradition</td>
<td>Respect, commitment and acceptance of the customs and ideas that traditional</td>
</tr>
<tr>
<td></td>
<td>culture or religion provide (accepting my portion in life, humble, devout,</td>
</tr>
<tr>
<td></td>
<td>respect for tradition, moderate)</td>
</tr>
<tr>
<td>Benevolence</td>
<td>Preservation and enhancement of the welfare of people whom one is in frequent</td>
</tr>
<tr>
<td></td>
<td>personal contact (helpful, honest, forgiving, loyal, responsible)</td>
</tr>
<tr>
<td>Universalism</td>
<td>Understanding, appreciation, tolerance and protection for the welfare of all people</td>
</tr>
<tr>
<td></td>
<td>and for nature (broadminded, wisdom, social justice, equality, a world at peace,</td>
</tr>
<tr>
<td></td>
<td>a world of beauty, unity with nature, protecting the environment)</td>
</tr>
<tr>
<td>Self-Directed</td>
<td>Independent thought and action-choosing, creating, exploring (creativity, freedom,</td>
</tr>
<tr>
<td></td>
<td>independent, curious, choosing own goals)</td>
</tr>
<tr>
<td>Stimulation</td>
<td>Excitement, novelty and challenge in life (daring, a varied life, an exciting life)</td>
</tr>
<tr>
<td>Hedonism</td>
<td>Pleasure and sensuous gratification for oneself (pleasure, enjoying life)</td>
</tr>
<tr>
<td>Achievement</td>
<td>Personal success through demonstrating competence according to social standards</td>
</tr>
<tr>
<td></td>
<td>(successful, capable, ambitious, influential)</td>
</tr>
<tr>
<td>Power</td>
<td>Social status and prestige, control or dominance over people and resources (social</td>
</tr>
<tr>
<td></td>
<td>power, authority, wealth)</td>
</tr>
</tbody>
</table>
Table 2. Summary Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Obs</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need for Closure</td>
<td>622</td>
<td>3.85</td>
<td>0.75</td>
<td>1.75</td>
<td>5.67</td>
</tr>
<tr>
<td>Age</td>
<td>628</td>
<td>54.28</td>
<td>9.15</td>
<td>25.00</td>
<td>74.00</td>
</tr>
<tr>
<td>Gender</td>
<td>628</td>
<td>0.83</td>
<td>0.37</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>CEO</td>
<td>628</td>
<td>0.20</td>
<td>0.40</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Employee Rep.</td>
<td>628</td>
<td>0.20</td>
<td>0.40</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td># Directorships</td>
<td>628</td>
<td>1.35</td>
<td>0.85</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Tenure</td>
<td>628</td>
<td>2.62</td>
<td>2.21</td>
<td>0.00</td>
<td>9.00</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>595</td>
<td>-0.01</td>
<td>0.15</td>
<td>0.23</td>
<td>0.36</td>
</tr>
<tr>
<td>Wage</td>
<td>591</td>
<td>146000000.00</td>
<td>516000000.00</td>
<td>0.00</td>
<td>4880000000.00</td>
</tr>
<tr>
<td>Firm Assets (ln)</td>
<td>595</td>
<td>20.46</td>
<td>2.03</td>
<td>4.63</td>
<td>26.10</td>
</tr>
</tbody>
</table>
Table 3. Support for Shareholders versus Stakeholders among Regular Board Members, Employee Representatives, CEOs, and the Entire Sample

<table>
<thead>
<tr>
<th>Vignette (Case)</th>
<th>BM</th>
<th>BM-ER</th>
<th>CEO</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Dodge v. Ford</td>
<td>4.45</td>
<td>3.22</td>
<td>4.64</td>
<td>4.24</td>
</tr>
<tr>
<td>Shareholders</td>
<td>(1.44)</td>
<td>(1.38)</td>
<td>(1.23)</td>
<td>(1.48)</td>
</tr>
<tr>
<td>Consumers</td>
<td>1.82</td>
<td>2.91</td>
<td>1.76</td>
<td>2.03</td>
</tr>
<tr>
<td></td>
<td>(1.10)</td>
<td>(1.54)</td>
<td>(1.01)</td>
<td>(1.27)</td>
</tr>
<tr>
<td>B Parke v. Daily News</td>
<td>5.09</td>
<td>2.63</td>
<td>5.17</td>
<td>4.61</td>
</tr>
<tr>
<td>Shareholders</td>
<td>(1.31)</td>
<td>(1.38)</td>
<td>(1.22)</td>
<td>(1.64)</td>
</tr>
<tr>
<td>Employees</td>
<td>2.32</td>
<td>4.80</td>
<td>2.28</td>
<td>2.83</td>
</tr>
<tr>
<td></td>
<td>(1.52)</td>
<td>(1.31)</td>
<td>(1.36)</td>
<td>(1.77)</td>
</tr>
<tr>
<td>C Credit Lyonnais v. Pathé</td>
<td>1.75</td>
<td>1.73</td>
<td>1.69</td>
<td>1.73</td>
</tr>
<tr>
<td>Shareholders</td>
<td>(1.12)</td>
<td>(.97)</td>
<td>(1.10)</td>
<td>(1.09)</td>
</tr>
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<td>Creditors</td>
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<td>5.15</td>
<td>5.30</td>
<td>5.21</td>
</tr>
<tr>
<td></td>
<td>(1.21)</td>
<td>(1.29)</td>
<td>(1.13)</td>
<td>(1.21)</td>
</tr>
<tr>
<td>D Shlensky v. Wrigley</td>
<td>5.07</td>
<td>4.35</td>
<td>5.17</td>
<td>4.94</td>
</tr>
<tr>
<td>Shareholders</td>
<td>(1.15)</td>
<td>(1.48)</td>
<td>(1.05)</td>
<td>(1.24)</td>
</tr>
<tr>
<td>Community</td>
<td>2.11</td>
<td>2.85</td>
<td>2.04</td>
<td>2.25</td>
</tr>
<tr>
<td></td>
<td>(1.28)</td>
<td>(1.65)</td>
<td>(1.20)</td>
<td>(1.38)</td>
</tr>
<tr>
<td>E Philosophy</td>
<td>3.01</td>
<td>2.41</td>
<td>2.98</td>
<td>2.88</td>
</tr>
<tr>
<td>Shareholders</td>
<td>(1.67)</td>
<td>(1.54)</td>
<td>(1.76)</td>
<td>(1.68)</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>3.81</td>
<td>4.64</td>
<td>3.91</td>
<td>4.00</td>
</tr>
<tr>
<td></td>
<td>(1.76)</td>
<td>(1.62)</td>
<td>(1.84)</td>
<td>(1.87)</td>
</tr>
</tbody>
</table>

BM – board members; BM-ER – employee representative board members. Standard deviations are presented in parentheses.
Table 4. Value Priorities of Regular Directors, Employee Representatives, CEOs, and the General Population

<table>
<thead>
<tr>
<th>Value Priorities</th>
<th>BM</th>
<th>BM-ER</th>
<th>CEO</th>
<th>ESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security</td>
<td>3.63</td>
<td>3.92</td>
<td>3.76</td>
<td>3.93</td>
</tr>
<tr>
<td></td>
<td>(.80)</td>
<td>(.80)</td>
<td>(.78)</td>
<td>(1.07)</td>
</tr>
<tr>
<td>Conformity</td>
<td>3.41</td>
<td>3.84</td>
<td>3.39</td>
<td>3.66</td>
</tr>
<tr>
<td></td>
<td>(.89)</td>
<td>(.87)</td>
<td>(.85)</td>
<td>(1.09)</td>
</tr>
<tr>
<td>Tradition</td>
<td>2.49</td>
<td>2.58</td>
<td>2.55</td>
<td>3.87</td>
</tr>
<tr>
<td></td>
<td>(.65)</td>
<td>(.62)</td>
<td>(.60)</td>
<td>(.98)</td>
</tr>
<tr>
<td>Benevolence</td>
<td>4.32</td>
<td>4.47</td>
<td>4.24</td>
<td>4.67</td>
</tr>
<tr>
<td></td>
<td>(.73)</td>
<td>(.69)</td>
<td>(.73)</td>
<td>(.85)</td>
</tr>
<tr>
<td>Universalism</td>
<td>4.08</td>
<td>4.44</td>
<td>4.09</td>
<td>4.56</td>
</tr>
<tr>
<td></td>
<td>(.74)</td>
<td>(.72)</td>
<td>(.79)</td>
<td>(.81)</td>
</tr>
<tr>
<td>Self-Direction</td>
<td>4.75</td>
<td>4.40</td>
<td>4.76</td>
<td>4.43</td>
</tr>
<tr>
<td></td>
<td>(.71)</td>
<td>(.74)</td>
<td>(.66)</td>
<td>(.91)</td>
</tr>
<tr>
<td>Stimulation</td>
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<td>3.70</td>
<td>3.31</td>
</tr>
<tr>
<td></td>
<td>(.96)</td>
<td>(.99)</td>
<td>(1.01)</td>
<td>(1.15)</td>
</tr>
<tr>
<td>Hedonism</td>
<td>3.71</td>
<td>3.81</td>
<td>3.74</td>
<td>3.94</td>
</tr>
<tr>
<td></td>
<td>(.11)</td>
<td>(.96)</td>
<td>(1.00)</td>
<td>(1.10)</td>
</tr>
<tr>
<td>Achievement</td>
<td>3.85</td>
<td>3.36</td>
<td>4.05</td>
<td>3.32</td>
</tr>
<tr>
<td></td>
<td>(.86)</td>
<td>(.89)</td>
<td>(.89)</td>
<td>(1.14)</td>
</tr>
<tr>
<td>Power</td>
<td>3.37</td>
<td>2.94</td>
<td>3.60</td>
<td>3.00</td>
</tr>
<tr>
<td></td>
<td>(.81)</td>
<td>(.80)</td>
<td>(.82)</td>
<td>(.95)</td>
</tr>
</tbody>
</table>

N 375 127 126 1685

Value priorities scores are controlled for mean rating. BM – board members; BM-ER – employee representative board members; ESS – Swedish representative sample from the European Social Survey Round 2, 2004, using a 21-item PVQ. Standard deviations are presented in parentheses.
Table 5. Correlations between Values, Shareholderism, and Need for Closure

<table>
<thead>
<tr>
<th>Shareholderism</th>
<th>Need for Closure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security</td>
<td>-.09 *</td>
</tr>
<tr>
<td>Conformity</td>
<td>-.11 **</td>
</tr>
<tr>
<td>Tradition</td>
<td>-.12 **</td>
</tr>
<tr>
<td>Benevolence</td>
<td>-.19 **</td>
</tr>
<tr>
<td>Universalism</td>
<td>-.35 **</td>
</tr>
<tr>
<td>Self-Direction</td>
<td>.20 **</td>
</tr>
<tr>
<td>Stimulation</td>
<td>.14 **</td>
</tr>
<tr>
<td>Hedonism</td>
<td>.03</td>
</tr>
<tr>
<td>Achievement</td>
<td>.34 **</td>
</tr>
<tr>
<td>Power</td>
<td>.35 **</td>
</tr>
</tbody>
</table>

Two-tailed Pearson correlations. Value priorities scores are controlled for mean rating.

** *, * significant at 1%, 5%.
Table 6. Regressions of Directors’ Shareholderism Stances on Values and Other Factors

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
<th>(7)</th>
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</thead>
<tbody>
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<td>Power</td>
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<td>0.18**</td>
<td>0.18**</td>
<td>0.15**</td>
<td>0.11**</td>
<td>0.10**</td>
<td>0.11**</td>
</tr>
<tr>
<td></td>
<td>[0.05]</td>
<td>[0.05]</td>
<td>[0.05]</td>
<td>[0.05]</td>
<td>[0.05]</td>
<td>[0.05]</td>
<td>[0.05]</td>
</tr>
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<td>0.15**</td>
<td>0.15**</td>
<td>0.16**</td>
<td>0.07*</td>
<td>0.08*</td>
<td>0.09*</td>
</tr>
<tr>
<td></td>
<td>[0.05]</td>
<td>[0.05]</td>
<td>[0.05]</td>
<td>[0.05]</td>
<td>[0.05]</td>
<td>[0.06]</td>
<td>[0.06]</td>
</tr>
<tr>
<td>Achievement</td>
<td>0.15**</td>
<td>0.16**</td>
<td>0.16**</td>
<td>0.16**</td>
<td>0.08+</td>
<td>0.08+</td>
<td>0.08+</td>
</tr>
<tr>
<td></td>
<td>[0.06]</td>
<td>[0.06]</td>
<td>[0.06]</td>
<td>[0.06]</td>
<td>[0.05]</td>
<td>[0.05]</td>
<td>[0.06]</td>
</tr>
<tr>
<td>Universalism</td>
<td>-0.18**</td>
<td>-0.18**</td>
<td>-0.18**</td>
<td>-0.14**</td>
<td>-0.15**</td>
<td>-0.11*</td>
<td>-0.10*</td>
</tr>
<tr>
<td></td>
<td>[0.08]</td>
<td>[0.08]</td>
<td>[0.07]</td>
<td>[0.07]</td>
<td>[0.07]</td>
<td>[0.07]</td>
<td>[0.07]</td>
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<td>Entrepreneurship</td>
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<td>0.04</td>
<td>0.05</td>
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<tr>
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<td>[0.01]</td>
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<td></td>
<td>[0.01]</td>
<td>[0.01]</td>
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<td>Complexity Aversion</td>
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<td>0.00</td>
<td>0.00</td>
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<td>[0.05]</td>
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</tr>
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<td>Gender (male)</td>
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<td></td>
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<td>0.17**</td>
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<td></td>
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<tr>
<td></td>
<td>[0.08]</td>
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<td></td>
<td>[0.08]</td>
<td>[0.09]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Rep.</td>
<td>-.044</td>
<td></td>
<td></td>
<td>-0.42**</td>
<td>-0.43**</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>[0.08]</td>
<td></td>
<td></td>
<td>[0.09]</td>
<td>[0.10]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>-0.08*</td>
<td></td>
<td></td>
<td>-0.08*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>[0.00]</td>
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<td></td>
<td>[0.00]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>-0.02</td>
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<td>-0.03</td>
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<td></td>
<td></td>
</tr>
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<td></td>
<td></td>
<td>[0.09]</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Tenure</td>
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<td></td>
<td></td>
<td>0.04</td>
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<td></td>
<td></td>
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<tr>
<td></td>
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<td></td>
<td></td>
<td>[0.01]</td>
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<tr>
<td># Directorships</td>
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<td></td>
<td></td>
<td>0.09**</td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>[0.03]</td>
<td></td>
<td></td>
<td>[0.03]</td>
<td></td>
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</tr>
<tr>
<td>Return on Assets</td>
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<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>[0.17]</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wage</td>
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<td></td>
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<td>0.01</td>
<td></td>
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</tr>
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<td></td>
<td></td>
<td></td>
<td>[0.00]</td>
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</tr>
<tr>
<td>Firm Assets (ln)</td>
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<td>[0.02]</td>
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<td></td>
</tr>
</tbody>
</table>

Observations 626 618 618 626 626 613 576
R-squared 0.21 0.22 0.22 0.25 0.37 0.41 0.42

Dependent variable: shareholderism stances (higher scores reflect shareholderism).
Standardized beta coefficients. Robust standard errors, clustered at firm level, are in brackets.
** *, + significant at 1%, 5%, 10%.
FIGURES

Figure 1. The Structure of Relations among Individual Values According to Schwartz
Figure 2. Values of Regular Board Members, Employee Representatives, CEOs, and the General Population
REFERENCES


Schwartz, S.H. et al. 2001. Extending the cross-cultural validity of the theory of basic


Shlensky v. Wrigley 1968 237 N.E.2d 776 (Ill. App.)


Appendix A

Corporate Governance Scenarios

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

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

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

<table>
<thead>
<tr>
<th>Proposition</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company should…</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>reduce the price of its products to benefit consumers.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>distribute virtually all of its undistributed profits to its shareholders.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Proposition</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>After ceasing operations and satisfying legal financial obligations, the company should…</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>distribute all the remaining proceeds as dividend to its shareholders.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>devote half of the balance to its workers, in proportion to their service in D, to alleviate their hardship.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Corporation M conducts business in the entertainment industry through several wholly-owned profitable subsidiaries. The company manages to service its debt but its financial situation is tight. Corporation M learns that the vast majority of its shareholders, holding over 98% of its shares, are in need for cash.

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

<table>
<thead>
<tr>
<th>Proposition</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company should…</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>sell one of its subsidiaries for a “firesale” (very low) price to finance a dividend distribution to its shareholders notwithstanding the risk of financial default.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The company should…

- avoid any kind of distribution to shareholders as long as the company is in the vicinity of insolvency.

<table>
<thead>
<tr>
<th>The company should…</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Agree</td>
<td>Moderately Agree</td>
<td>Slightly Agree</td>
<td>Slightly Disagree</td>
<td>Moderately Disagree</td>
<td>Strongly Disagree</td>
</tr>
<tr>
<td></td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

Corporation C operates a large recreation center in an urban area, which is open until 7 pm. Even though longer opening hours are now industry standard and would be profitable, the company has opted against it in order to preserve the character of surrounding neighborhoods. One of C’s shareholders calls for changing this policy to increase profits.

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

<table>
<thead>
<tr>
<th>The company should…</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Agree</td>
<td>Moderately Agree</td>
<td>Slightly Agree</td>
<td>Slightly Disagree</td>
<td>Moderately Disagree</td>
<td>Strongly Disagree</td>
</tr>
<tr>
<td></td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

Corporation X is considering updating its website. A consultant proposes to post one of the following statements under “Corporate Philosophy” as a statement from the board of directors.

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

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<th>The company should adopt the following statement as its corporate philosophy and post it on its website.</th>
<th>1</th>
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<td>&quot;We believe that our corporation should have one overriding purpose – to create value for shareholders. If every corporation were faithful to this mission, as we are, the net long-term result would be a vibrant economy that produces the greatest prosperity for the greatest number.&quot;</td>
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"We believe that our corporation should strive to achieve a variety of sometimes conflicting goals. These include providing competitive returns to shareholders, ensuring fair treatment of employees, behaving responsibly towards customers, maintaining good relationships with suppliers and local communities, and pursuing reliable social and environmental policies. If every corporation were faithful to these multiple missions, as we are, the net long-term result would be a fundamentally more decent and just society."
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The European Corporate Governance Institute has been established to improve corporate governance through fostering independent scientific research and related activities.

The ECGI will produce and disseminate high quality research while remaining close to the concerns and interests of corporate, financial and public policy makers. It will draw on the expertise of scholars from numerous countries and bring together a critical mass of expertise and interest to bear on this important subject.

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