

The relevance of national culture to policy uncertainty and firm performance: European evidence.

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Abstract

Policy uncertainty (PU) increases information asymmetry and influences the performance of the firms. We use data of European non-financial firms to extend the growing literature on policy uncertainty, firm performance, and national culture using Hofstede's cultural dimensions. Using a dataset of 702 non-financial European firms, listed during the period from 2002 to 2018, we apply the Generalized Method of Moments (GMM-System) regression technique. We find overwhelming evidence that policy uncertainty reduces the performance of the European firms; however, cultural differences among different European countries moderates the impact of policy uncertainty on the financial as well as the market performance of the firms. Our results show that European cultures with high power distance, individualism, masculinity, and indulgence positively while high uncertainty avoidance and long-term orientation negatively moderates the impact of policy uncertainty on the performance of the European firms. Our results are robust to different regression models, alternate proxies of firm performance, and endogeneity issues.

Keywords: *Policy uncertainty, firm performance, national culture, Hofstede, Europe, panel data.*

JEL Classification: *C23, G30, P34.*

1. Introduction

Economic policy uncertainty (PU) increases information asymmetry, volatility in corporate future cash flows (Zhang, Han, Pan, & Huang, 2015), and cost of financing (Brogaard & Detzel, 2015) that disturbs corporate investments (Gulen & Ion, 2015) affecting not only corporate strategic positioning (Mirza & Ahsan, 2020) but also accounting as well as market-based corporate financial performance (Ahsan & Qureshi, 2021). The literature posits PU as a part of corporate ecosystem to investigate its interplay with corporate decision making (Ahsan & Qureshi, 2021; Véganzonès-Varoudakis & Nguyen, 2018) to determine corporate performance (FP). A substantial volume of empirical studies investigated the role of religious affiliations to investment and financial decision making (Chen, Huang, Lobo, & Wang, 2016; Kumar, Page, & Spalt, 2011) as well as the impact of culture on corporate decision making (Chang & Noorbakhsh, 2009; Chui, Kwok, & Zhou, 2016; Chui, Lloyd, & Kwok, 2002). However, the literature overlooks the cultural context while investigating the impact of policy uncertainty on corporate decision making (Gulen & Ion, 2015; Wang, Chen, & Huang, 2014; Wu, Kong, Wu, & Zhang, 2020). Although, with increasing globalization, firms are shifting towards a new institutional context consisting of common international practices, however, national patterns of financing and corporate governance are still distinct (Deeg, 2009). Cultures shape economies (Zelizer, 2010), and claims about collective distinction of cultural values have become a terrain of national and international politics (Brandtstädter, Wade, & Woodward, 2011). Recent empirical evidence indicates that policy uncertainty may be interrelated with the national culture and these interrelations may effect financial decision making (Galariotis & Karagiannis, 2021). Accordingly, we postulate that country culture shapes the contours of corporate ecosystem and moderates PU-FP nexus, however, we do not find any significant study investigating PU-FP relationship in cultural context.

To fill this gap, this study uses the data of 702 firms listed in nine European countries¹ during 2002-2018, and for which a relatively new Economic Policy Uncertainty index² and Hofstede's cultural dimensions are available and applies Generalized Method of Moments (GMM System) to investigate the moderating impact of Hofstede's cultural dimensions on the relationship between PU and FP. Based on our results, we contribute to the literature by establishing that: First, different cultural attributes handle PU differently to mitigate its negative impact on FP;

¹ France, Germany, Greece, Ireland, Italy, Netherlands, Spain, Sweden, and the United Kingdom.

² News based Economic Policy Uncertainty index developed by Baker et al. (2016).

Second, PU decreases FP due to increased information asymmetry and risk; Third, high power distance, individualism, masculinity, and indulgence positively moderate the negative impact of PU on FP by mitigating policy-induced information asymmetry; Fourth, cultures with high uncertainty avoidance and long-term orientation negatively moderate the relationship between PU and FP. These results are robust to different regression models, alternate proxies of firm performance and endogeneity issues. These findings can have significant implications for government policy makers, investors, and corporate managers.

The structure of the rest of the study is as follows. Next section develops hypotheses about PU-FP relationship and the impact of Hofstede's cultural dimensions on PU-FP relationship based on prior literature. Section 3 explains the data, variables, and methodology. Section 4 presents and discusses empirical findings. Section 5 provides conclusion and policy implications. References are provided at the end.

2. Theoretical framework

2.1. Economic policy uncertainty (PU) and firm performance (FP)

Ever since its introduction, the news based Economic Policy Uncertainty index (PU) has been deemed as a proxy for policy uncertainty (Baker, Bloom, & Davis, 2016). A significant number of empirical studies have used this index to investigate the impact of PU on different dimensions of firm behaviour. Such as Gulen and Ion (2015), investigate the impact of PU on corporate investments and conclude that high policy uncertainty increases information asymmetry and decreases corporate investment in the US. Wang et al. (2014) find the same for the Chinese non-financial firms. Langley (2013) indicates that the ability of anticipating uncertainty may reduce the probability of financial crisis. Demir and Ersan (2017) explain that the firms operating in BRIC countries prefer to increase cash holdings while facing high PU. Istiak and Serletis (2018) observe that policy-related uncertainty effects real economic activities in G7 countries. Mirza and Ahsan (2020) conclude that policy uncertainty increases market as well as business risk of the Chinese firms and a recent study in European context reveal that PU decreases the performance of European firms (Ahsan & Qureshi, 2021). The above-mentioned empirical evidence concludes that policy uncertainty increases information asymmetry, corporate risk, cost of capital and ultimately decreases corporate investments and firm performance (Ahsan & Qureshi, 2021; Gulen & Ion, 2015; Mirza & Ahsan, 2020; Wang et al.,

2014). Considering the objective and the scope of this study and the recent empirical evidence, we develop our first hypothesis as under:

H1: Economic policy uncertainty decreases the performance of European firms.

2.2. Hofstede's cultural dimensions, PU and FP

One can find a variety of frameworks defining national culture, however, Hofstede's cultural framework has been the most prominent in the literature since its introduction (Gaganis, Hasan, Papadimitri, & Tasiou, 2019; Galariotis & Karagiannis, 2021; Hofstede, 1984; Jones & Davis, 2000; Perlitz & Seger, 2004). Hofstede (1984) defines culture as "*collective programming of the mind*" and distinguishes societies based on six dimensions i.e., power distance (PDI), individualism (IDV), masculinity (MAS), uncertainty avoidance (UAI), long-term orientation (LTO), and indulgence (IVR) (Minkov, Blagoev, & Hofstede, 2013). Hofstede argues that managerial decision making is culturally dependent (Hofstede, 1983) and literature also confirms the relationship between cultural economy and finance (Langley, 2008; Pryke & Du Gay, 2007), therefore, we hypothesize that cultural differences among different European societies may moderate the relationship between PU and FP (Adler, 1983).

Power distance shows the degree of inequality acceptance in a society (Hofstede, 2001). Higher score on this dimension explains that the society accepts inequalities more easily as compared to the societies with a lower score. Cultures with low power distance do not accept the status quo, therefore, the managers in such cultures are expected to have a risk-taking behaviour (Gaganis et al., 2019). According to Kreiser, Marino, Dickson, and Weaver (2010), managers in high PDI cultures accept status quo easily, generally depict a risk-averse behaviour, and are more willing to follow a defensive business strategy. A recent study using the news based policy uncertainty index explains that a defensive business strategy positively moderates the negative impact of policy-induced uncertainty on corporate growth (Ahsan, Al-GAMRH, & Mirza, 2021). Accordingly, we develop our second hypothesis as under:

H2: Cultures with high power distance positively moderate the impact of economic policy uncertainty on the performance of European firms.

Individualism shows the degree of priority given to the individual achievements (Hofstede, 1984). A higher score on this dimension depicts autonomous and self-oriented societies and a lower score represents collectivist societies emphasizing collective achievements over

individual success (Hofstede, 1984). Empirical evidence links individualism with overconfidence and accordingly to risk-taking behaviour (Adam, Fernando, & Golubeva, 2015; Gaganis et al., 2019; Malmendier & Tate, 2005). Further, masculinity shows a preference for heroism, achievement and material success (Hofstede, 1984). Individuals with masculine attributes tend to be aggressive, competitive, and ambitious as compared to the individuals with feminist attributes (Blodgett, Lu, Rose, & Vitell, 2001). Policy uncertainty related empirical evidence shows that due to policy-induced uncertainty managers tend to withhold investments considering investment irreversibility and reducing the firm growth (Bernanke, 1983). However, PU also provides new investment opportunities for the firms that would positively contribute to their growth and financial performance of the firms whose managers are willing to take risk (Kinght, 1921). Accordingly, managers in high individualistic and masculine societies being self-oriented, ambitious, and overconfident may try to seize investment opportunities provided during uncertain times and may bring growth and profit (Ahsan et al., 2021). Based on the above arguments, we develop our third and fourth hypothesis as under:

H3: Cultures with high individualism positively moderate the impact of economic policy uncertainty on the performance of European firms.

H4: Cultures with high masculinity positively moderate the impact of economic policy uncertainty on the performance of European firms.

Uncertainty avoidance refers to the extent to which the individuals avoid ambiguous situation (Hofstede, 1984). A higher score on this dimension depicts societies with stronger desire to develop rules, follow a predicted behaviour, and take moderate risks (Miska, Szócs, & Schiffinger, 2018). On the other hand, a lower score on the same depicts societies that are open to change. Kreiser et al. (2010) observe risk-averse behaviour in high uncertainty avoidance cultures. As policy-induced uncertainty increases information asymmetry and creates ambiguity about the future, risk-averse managers in high uncertainty avoidance societies may tend to avoid investment opportunities negatively affecting performance of such firms. Accordingly, we develop our fifth hypothesis as under:

H5: Cultures with high uncertainty avoidance negatively moderate the impact of economic policy uncertainty on the performance of European firms.

Long-term orientation refers to the degree to which a society encourages a future oriented behaviour such as forecasting future trends and developing long-term plans (Hofstede, 1984). In societies with long-term orientation, people tend to be thrifty and pragmatic who view adaptation and circumstantial problem solving as a necessity. In contrast, the people in short-term oriented cultures adhere to traditions and persistence is valued, and they tend to place more emphasis on principles and truth (Hofstede, 2001; Miska et al., 2018). Further, indulgence refers to the degree of freedom that societal norms provide to the citizens in fulfilling their human desires. A high indulgence society enables fulfilment of human needs and desires related to enjoying life and having fun, whereas its counterpart restraint society controls, gratification of needs, and regulates it by means of strict social norms (Minkov et al., 2013). The people in high IVR societies enjoy flexible workhours and value the balance between work and social life, and material rewards may not easily motivate them. In contrast, the people in low IVR societies expect material rewards for job done well, and stricter social and corporate norms restrain them to behave in a more rigid and controlled way. As such, we expect society and people in high LTO and high IVR countries to be more innovative, proactive, and open to change, and the firms are likely to comprehend policy-induced uncertainty and respond proactively to mitigate its negative impact. Accordingly, we develop the following hypotheses:

H6: Cultures with long-term orientation positively moderate the impact of economic policy uncertainty on the performance of European firms.

H7: Cultures with high indulgence positively moderate the impact of economic policy uncertainty on the performance of European firms.

3. Data, variables, and methodology

3.1. Data and variables

Firm-level data has been collected using Thomson Reuters Eikon database as it provides sufficient data of non-financial listed European firms, and it is widely used by research studies in European as well as international context (Ahsan & Qureshi, 2021; Broadstock, Matousek, Meyer, & Tzeremes, 2020; Qureshi, Kirkerud, Theresa, & Ahsan, 2020). Next, we make use of a news-based economic policy uncertainty (PU)³ index recently used by many significant empirical studies in financial economics (Ahsan & Qureshi, 2021; Dash, Maitra, Debata, &

³ <https://www.policyuncertainty.com/index.html>

Mahakud, 2019; Iqbal, Gan, & Nadeem, 2019; Mirza & Ahsan, 2020; Yung & Root, 2019). We use following criteria for selection of the sample firms: First, we include non-financial listed firms. Second, we include firms with headquartered in only those European countries for which news-based economic policy uncertainty index is available during the sample period. Third, we include the firms from those European countries for which Hofstede's cultural dimensions are available. Fourth, we include the firms with non-missing values for the required variables. After all the filters, we finalize a dataset of 702 firms producing 7,059 firm-year observations during the period from 2002-2018 from nine European countries⁴. We present the variables included in the study in Table 1.

[Insert Table 1 Here]

3.2. Methodology

We develop our baseline econometric equation to investigate the impact of economic policy uncertainty (*PU*) on the performance (*FP*) of the European firms (H1), and present our baseline equation as under:

$$FP_{it} = \beta_0 + \beta_1 FP_{i,t-1} + \beta_2 PU_{jt} + \beta_3 Cont_{it} + Cr_t + \mu_{jt} + \varepsilon_{it} \quad (1)$$

where FP_{it} represents one of the three different measures of corporate performance (RTA_{it} , RTE_{it} , TBQ_{it}) of firm i at time t . PU_{jt} represents an index based measure of economic policy uncertainty of country j at time t , $Cont_{it}$ are firm-level control variables (explained in table 1) of firm i at time t , Cr_t is a dummy variable to control for the impact of the global financial crisis of 2007-08 (Dummy 1 for 2007 and 2008; 0 otherwise), μ_{jt} is country fixed effects, and ε_{it} is the error term for firm i at time t .

We extend our baseline equation to investigate the moderating impact of Hofstede's cultural dimensions on the relationship between economic policy uncertainty and corporate performance (H2-H7). We present equation 2 as under:

$$FP_{it} = \beta_0 + \beta_1 FP_{i,t-1} + \beta_2 PU_{jt} + \beta_3 Cul_{jt} + \beta_4 PU_{jt} * Cul_{jt} + \beta_5 Cont_{it} + Cr_t + \mu_{jt} + \varepsilon_{it} \quad (2)$$

⁴ France, Germany, Greece, Ireland, Italy, Netherlands, Spain, Sweden, and the United Kingdom.

Where Cul_{jt} represents one of the six cultural dimensions (dummy 1 for high than median value of each of the six dimensions and 0 otherwise) explained in Table 1. $PU_{jt} * Cul_{jt}$ is interaction term of PU_{jt} with one of the six dummy variables representing Hofstede's cultural dimensions. Other variables are same as explained for equation 1.

To control for a possible endogeneity due to the bidirectional relationships between firm-performance and firm-level control variables such as firm size and leverage, we apply generalized method of moments (GMM System) while taking one-year lagged dependent, firm size, leverage, and growth as endogenous variables (Ahsan & Qureshi, 2021; Baltagi, 2008; Roodman, 2009).

4. Results and discussion

4.1. Descriptive statistics

Table 2 (Panel A) presents summary statistics of our dependent (FP), explanatory (PU), and firm and country-level control variables for the sample dataset collected for 702 firms from 9 European countries. The mean value of 0.071 for RTA with a standard deviation of 0.104, and a mean value of 0.184 for RTE with a standard deviation of 0.588 indicate a lot of variations in the financial performance of the sampled European firms. The mean value of 1.168 for TBQ explains that on average the market values of the sample European firms are greater than the book value of their assets and the median of 1.356 for TBQ suggests that the market responds to the variations in the accounting-based financial performance of the sampled firms. The mean value of 8.590 with a median of 8.557 for STA and the mean value of 8.340 with a median of 8.254 for STS explain that almost half of the firms in our sample are of average size. The mean value of 0.633 for leverage (TBL) explains that on average more than 63 percent of the assets of the sampled European firms are backed by debt financing. The mean value of 0.089 and 0.066 with a standard deviation of 0.355 and 0.213 for AGR and SGR explain a good but volatile growth assets in assets as well as sales of these firms. The mean value of 0.522 for TAN indicates that on average more than half of the assets of the sampled European firms consists of tangible assets. The mean value of 1.530 with a standard deviation of 1.320 for LQT explain a high and volatile liquidity of these firms.

Further, the mean value of 4.972 with a standard deviation of 0.536 for the natural logarithm of PU for the complete dataset and mean values for country PU (Panel B) ranging from 4.494 (Netherlands) to 5.307 (United Kingdom) explain a high policy uncertainty in sampled European

countries during 2002 to 2018. Panel C of Table 2 presents the cultural dimensions for the sampled countries, and we observe a lot of variations between the different European countries for different cultural dimensions.

[Insert Table 2 Here]

4.2. Correlation analysis

Table 3 presents the results of the pairwise correlation of corporate financial and market performance with Hofstede's cultural dimensions and economic policy uncertainty. We find a highly significant negative correlation of *PU* with corporate financial performance (*RTA*, *RTE*) of the European firms, favouring hypothesis 1, and a negative but insignificant correlation of *PU* with market-based financial performance (*TBQ*). Further, we observe significant positive correlation of high-power distance (*D_high_PDI*), individualism (*D_high_IDV*), masculinity (*D_high_MAS*), and indulgence (*D_high_IVR*) and significant negative correlation of high uncertainty avoidance (*D_high_UAI*) as well as long-term orientation (*D_high_LTO*) with *PU*. We also observe some negative/positive significant correlations between corporate financial performance and different cultural dimensions indicating the relevance of the moderating role of culture.

[Insert Table 3 Here]

4.3. Regression results

Table 4 presents the results of a dynamic regression analysis (Generalized Method of Moments - GMM System) for equation 1 carried out to investigate the impact of *PU* on accounting-based (*RTA*, *RTE*) as well as market-based financial performance (*TBQ*) of the European firms. We observe a highly significant negative impact of *PU* on accounting-based as well as market-based financial performance of the European firms, favouring hypothesis 1 and confirming the results of previous studies in European (Ahsan & Qureshi, 2021) and international (Iqbal et al., 2019) context. These results explain that uncertainty about economic policies increases information asymmetry for investors and managers and consequently, increases cost and risk for the firms. Higher risk and increased cost of capital would plausibly reduce the expected future cash flows and consequently the firms may reduce their investments exacerbating the negative impact on their financial performance.

[Insert Table 4 Here]

Table 5, 6, and 7 present the results of dynamic regression analysis (GMM System) for equation 2, wherein we add dummy interaction of Hofstede's cultural dimensions with *PU* to investigate the moderating impact of national culture on the relationship between *PU* and *FP*. In Table 5, 6, and 7, we measure *FP* with return on assets (*RTA*), return on equity (*RTE*), and Tobin's Q (*TBQ*) respectively. In each of the six models for six dimensions of country culture we include firm-level control variables, economic policy uncertainty (*PU*), a dummy for respective cultural dimension, and a dummy interaction of respective cultural dimension with economic policy uncertainty. For Model 1 (Table 5, 6, 7) we find a significant negative association of *PU* and significant positive association of dummy interaction of power distance (D_High_PDI*PU) with firm performance (*RTA*, *RTE*, *TBQ*). The negative *PU-FP* association explains that an increase in policy-induced uncertainty decreases the financial as well as market performance of the European firms. However, the positive association of *FP* with dummy interaction of power distance and *PU* suggests that European cultures with higher power distance positively moderate the destructing impact of policy-induced uncertainty on the performance of the European firms (H2). The plausible reason may be that in high PDI cultures that promote risk-averse behaviour, the risk aversion in managerial decision making helps cautiously navigate the policy-induced uncertainty to mitigate its potential harmful impact on corporate financial performance. The results of Model 2 (Table 5, 6, 7) indicate a significant negative association of *PU* and significant positive association of individualism-policy uncertainty dummy interaction with *FP* (*RTA*, *RTE*, *TBQ*), explaining that highly individualistic European cultures positively moderate the negative impact of economic policy uncertainty on firm performance (H3). Further, for Model 3 (Table 5, 6, 7) we find a significant negative association of *PU* and significant positive association of dummy interaction D_High_MAS*PU with firm performance (*RTA*, *RTE*, *TBQ*), explaining that highly masculine European cultures also positively moderate the destructing impact of policy uncertainty on financial and market performance of the European firms (H4). The plausible reason may be that the pro-active and self-oriented managers in high individualistic cultures, and ambitious, and overconfident managers in masculine societies try to seize the scarce value additive investment opportunities provided during uncertain times to bring growth and profit for their firms. Furthermore, in Model 4 (Table 5, 6, 7), we observe a significant negative association of *PU* as well as dummy interaction of uncertainty avoidance (D_High_UAI*PU) with firm performance (*RTA*, *RTE*, *TBQ*), explaining that the European cultures with high uncertainty avoidance do not moderate the destructing

impact of policy uncertainty on firm performance (H5). The reason is straight that the societies avoiding uncertain conditions fail to cope up with changing operating conditions. Model 5 (Table 5, 6, 7) includes firm-level control variables, policy uncertainty (*PU*), a dummy for long-term orientation (*D_High_LTO*), and dummy interaction of long-term orientation with policy uncertainty (*D_High_LTO*PU*). We find a significant negative association of *PU* as well as dummy interaction *D_High_LTO*PU* with corporate financial as well as market performance (*RTA*, *RTE*, *TBQ*), explaining that the European culture with high long-term orientation also fails to positively moderate the negative impact of policy uncertainty on corporate financial performance and as such our hypothesis H6 is not supported. Model 6 (Table 5, 6, 7) includes firm-level control variables, *PU*, a dummy for indulgence (*D_High_IVR*), and dummy interaction of indulgence with policy uncertainty (*D_High_IVR*PU*). We find a significant negative association of *PU* and significant positive association of indulgence-policy uncertainty dummy interaction with corporate performance (*RTA*, *RTE*, *TBQ*), explaining that the European culture with high indulgence positively moderates the negative impact of policy uncertainty on firm financial as well as market performance of the European firms, supporting hypothesis 7.

[Insert Table 5, 6, and 7 Here]

4.4. Additional analysis for robustness

Appendix A1-A3 presents the results of additional analysis. In this analysis, we only include policy uncertainty (*PU*) and interaction term of cultural dimensions with *PU* along with firm level control variables. We do not include dummy of the cultural dimensions following significant empirical studies (Adam et al., 2015; Bouvatier, Lepetit, & Strobel, 2014; Yung & Root, 2019) to check the consistency of the results. We observe a consistent negative *PU-FP* association, positive association of interaction term of power distance (*D_High_PDI*PU*), individualism (*D_High_IDV*PU*), masculinity (*D_High_MAS*PU*), and indulgence (*D_High_IVR*PU*), and negative association of interaction term of uncertainty avoidance (*D_High_UAI*PU*) and long-term orientation (*D_High_LTO*PU*) with firm performance. Being consistent with the previous results (Table 5-7), these results show robustness. Second, we control all our regression models for additional firm and country level variables. In Appendix B1-B3, we include firm size measured as natural logarithm of total sales (*STS*), firm growth measured as annual percentage sales growth (*SGR*), and sustainability performance (*ESG*). We also include inflation (*INF*) and economic growth (*GDP*) and run the analysis again. We observe

same negative impact of PU , positive impact of interaction term of power distance (D_High_PDI*PU), individualism (D_High_IDV*PU), masculinity (D_High_MAS*PU), and indulgence (D_High_IVR*PU), and negative association of interaction term of uncertainty avoidance (D_High_UAI*PU) and long-term orientation (D_High_LTO*PU) with firm performance, validating previous results. Further, we observe negative association of firm size (STS) and positive association of sales growth with firm performance. We also observe positive association of inflation as well as economic growth with financial performance (RTA , RTE) of the firms while negative association of the same with market performance (TBQ) of the European firms.

[Insert Appendix A1, A2, and A3 Here]

[Insert Appendix B1, B2, and B3 Here]

5. Conclusions and Policy Implications

This study posits that country culture shapes the individual as well as institutional decision making and consequently may have implications for PU-FP nexus. The investigation of this otherwise ignored aspect is the contribution to the literature. The results of the investigation suggest that country culture is a relevant premise to investigate PU-FP nexus. Based on the results we provide two conclusions that have policy implications. First, economic policy uncertainty increases not only the information asymmetry but also the operational and financial risk for the firms leading to three potential outcomes. One, the investors expect a reduced future cash flows of the firms and consequently demand higher cost of their capital suppressing the financial performance of the firms. Two, anticipating the operational and financial risks as well as investors actions the managers tend to reduce their investments exacerbating the negative impact of policy uncertainty on the corporate financial as well as market performance. Second, different country cultures respond differently to mitigate negative impact of the policy uncertainty prevalent in the corporate ecosystem because the country culture shapes the individual as well as institutional behaviour. The risk-averse behaviour in high PDI cultures to navigate PU induced stormy conditions, a proactive and self-oriented behaviour in high IDV cultures to identify and seize rare but value additive investment opportunities, a reward seeking high ambitious behaviour inspired by high masculinity cultures to effectively manage the business processes, and flexibility and work-life-balance encouraged

in high indulgence cultures to bring out best of the organizational resources including human resources positively moderate the negative impact of economic policy uncertainty on the performance of the European firms. Third, even though high LTO European cultures help improve corporate performance, however, quite counterintuitively long-term orientation does not help mitigate the negative impact of PU on the performance of European firms plausibly indicating the need for further research on this aspect. These conclusions have some policy implications. First, the policymakers shall be considerate of the adverse consequences of their policy induced uncertainty in the society especially business arena that would not only adversely affect the firms but also the economy and the households. Second, along with other considerations, the investors shall be considerate of the country culture while placing their investment capital especially in PU induced stormy conditions. The second conclusion may also help the corporate managers to shape their organizational culture as a robust and vibrant system that can demonstrate resilience under policy induced uncertainty in corporate ecosystem.

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Table 1: Description of variables

Variable level	Variable name	Model name	Proxy	
Dependent	Return on Assets	<i>RTA</i>	Net profit before tax / Total assets	
	Return on Equity	<i>RTE</i>	Net profit before tax / Total equity	
	Tobin's Q	<i>TBQ</i>	Total market value / Total assets	
Explanatory	Policy Uncertainty	<i>PU</i>	Natural logarithm of news based Economic Policy Uncertainty Index	
Moderating	Power Distance	<i>D_High_PDI</i>	Dummy 1 for high median value of power distance index and 0 otherwise.	
	Individualism	<i>D_High_IDV</i>	Dummy 1 for high median value of individualism and 0 otherwise.	
	Masculinity	<i>D_High_MAS</i>	Dummy 1 for high median value of masculinity and 0 otherwise.	
	Uncertainty Avoidance	<i>D_High_UAI</i>	Dummy 1 for high median value of uncertainty avoidance and 0 otherwise.	
	Long-term Orientation	<i>D_High_LTO</i>	Dummy 1 for high median value of long-term orientation and 0 otherwise.	
	Indulgence	<i>D_High_IVR</i>	Dummy 1 for high median value of indulgence and 0 otherwise.	
Control	Firm Size	<i>STA</i>	Ln(Total Assets)	
	Leverage	<i>STS</i>	Ln(Total Sales)	
	Growth		<i>TBL</i>	Total Liabilities / Total Assets
			<i>AGR</i>	% Change in Total Assets
	Tangibility		<i>SGR</i>	% Change in Total Sales
			<i>TAN</i>	Tangible Assets / Total Assets
	Liquidity		<i>LQT</i>	Current Assets / Current Liabilities
	Sustainability Performance		<i>ESG</i>	Thomson Reuters combined score for sustainability (environmental, social, governance) performance
	Inflation rate		<i>INF</i>	Consumer prices (annual %)
	Economic growth		<i>GDP</i>	GDP per capital annual growth rate
Crisis		<i>Cr</i>	Dummy 1 for 2007 and 2008; 0 otherwise	

Table 2: Panel A-Descriptive Statistics

Variables	Obs.	Mean	STD.	P25	Median	P75
RTA	7059	0.071	0.104	0.030	0.063	0.109
RTE	7059	0.184	0.588	0.085	0.181	0.292
TBQ	7000	1.168	1.356	0.451	0.800	1.398
STA	7059	8.590	1.540	7.520	8.557	9.665
STS	7016	8.340	1.542	7.232	8.254	9.459
TBL	7059	0.633	0.215	0.508	0.634	0.755
AGR	7059	0.089	0.355	-0.041	0.034	0.139
SGR	7017	0.066	0.213	-0.052	0.042	0.158
TAN	7059	0.522	0.390	0.201	0.439	0.786
LQT	7059	1.530	1.320	0.940	1.269	1.717
ESG	7059	57.660	16.188	46.046	58.147	69.899
PU	7059	4.972	0.536	4.564	4.903	5.335
INF	153	1.583	1.113	0.888	1.666	2.298
GDP	153	0.930	2.400	0.473	1.109	1.797

Panel B: Country-wise mean values

Country Name	RTA	RTE	TBQ	STA	STS	TBL	AGR	SGR	TAN	LQT	ESG	PU	INF	GDP
France	0.064	0.163	1.086	8.826	8.604	0.619	0.099	0.072	0.522	1.507	59.476	5.254	1.270	0.710
Germany	0.074	0.204	1.074	8.691	8.563	0.658	0.084	0.063	0.546	1.501	57.903	4.934	1.398	1.366
Greece	0.079	0.248	1.225	8.232	8.081	0.641	0.100	0.066	0.414	1.555	54.685	4.774	1.450	-0.500
Ireland	0.070	0.208	1.240	8.952	8.638	0.628	0.114	0.069	0.362	1.855	59.493	4.849	1.111	4.132
Italy	0.073	0.216	1.158	8.337	8.005	0.655	0.104	0.066	0.405	1.278	56.150	4.670	1.447	-0.093
Netherlands	0.057	0.179	0.926	9.318	8.832	0.640	0.086	0.067	0.526	1.510	61.706	4.494	1.574	1.028
Spain	0.072	0.189	1.350	8.685	8.283	0.630	0.059	0.060	0.606	1.595	61.413	4.674	1.794	0.884
Sweden	0.081	0.183	1.256	8.564	8.337	0.630	0.080	0.060	0.561	1.462	56.998	4.542	1.141	1.271
United Kingdom	0.068	0.166	1.211	8.374	8.103	0.623	0.090	0.069	0.526	1.614	56.268	5.307	2.134	0.854

Panel C: Country-wise Hofstede's cultural dimensions

Country Name	Power Distance	Individualism	Masculinity	Uncertainty Avoidance	Long-term Orientation	Indulgence
France	68	71	43	86	63	48
Germany	35	67	66	65	83	40
Greece	60	35	57	112	45	50
Ireland	28	70	68	35	24	65
Italy	50	76	70	75	61	30
Netherlands	38	80	14	53	67	68
Spain	57	51	42	86	48	44
Sweden	31	71	5	29	53	78
United Kingdom	35	89	66	35	51	69

Note: Panel A of the table presents descriptive statistics for the complete dataset collected for the period from 2002 to 2018. Panel B presents country-wise mean values. **RTA** is the ratio of net profit before tax to total assets, **RTE** is the ratio of net profit before tax to total equity, **TBQ** is the ratio of market value of equity to total assets, **STA** is natural logarithm of total assets, **STS** is natural logarithm of total sales, **TBL** is the ratio of total liabilities to total assets, **AGR** is percentage change in total assets, **SGR** is percentage change in total sales, **TAN** is the ratio of tangible assets to total assets, **LQT** is the ratio of current assets to current liabilities, **ESG** is Thomson Reuters score for combined ESG performance, **PU** is natural logarithm of news based Economic Policy Uncertainty Index, **INF** is consumer process (annual %), **GDP** is per capita GDP annual growth rate.

Table 3: Pairwise Correlation

	RTA	RTE	TBQ	D_High_PDI	D_High_IDV	D_High_MAS	D_High_UAI	D_High_LTO	D_High_IVR	PU
RTA	1.000									
RTE	0.385***	1.000								
TBQ	0.480***	0.224***	1.000							
D_High_PDI	-0.038***	-0.002	-0.030**	1.000						
D_High_IDV	-0.021*	-0.026**	0.002	-0.163***	1.000					
D_High_MAS	-0.003	0.001	-0.001	0.392***	-0.129***	1.000				
D_High_UAI	-0.013	0.017	-0.042***	0.491***	-0.488***	-0.252***	1.000			
D_High_LTO	0.008	0.005	-0.039***	-0.284***	0.028**	-0.389***	0.486***	1.000		
D_High_IVR	0.000	-0.019	0.022*	-0.354***	0.617***	0.106***	-0.860***	-0.351***	1.000	
PU	-0.111***	-0.057***	-0.009	0.345***	0.137***	0.269***	-0.107***	-0.275***	0.028**	1.000

Note: The table presents the results of pairwise correlation between dependent, explanatory, and moderating variables. **RTA** is the ratio of net profit before tax to total assets, **RTE** is the ratio of net profit before tax to total equity, **TBQ** is the ratio of market value of equity to total assets, **D_High_PDI** is a dummy variable for power distance index that takes the value of 1 for high median value for power distance index and 0 otherwise, **D_High_IDV** is a dummy variable for individualism that takes the value of 1 for high median value for individualism and 0 otherwise, **D_High_MAS** is a dummy variable for masculinity that takes the value of 1 for high median value for masculinity and 0 otherwise, **D_High_UAI** is a dummy variable for uncertainty avoidance that takes the value of 1 for high median value for uncertainty avoidance and 0 otherwise, **D_High_LTO** is a dummy variable for long-term orientation that takes the value of 1 for high median value for long-term orientation and 0 otherwise, **D_High_IVR** is a dummy variable for indulgence that takes the value of 1 for high median value for indulgence and 0 otherwise, **PU** is the natural logarithm of economic policy uncertainty index. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$.

Table 4: The impact of policy uncertainty of firm-performance

	(1)	(2)	(3)	(4)	(5)	(6)
	RTA	RTA	RTE	RTE	TBQ	TBQ
I.RTA	0.295*** (0.001)	0.296*** (0.000)				
I.RTA			0.053*** (0.000)	0.053*** (0.000)		
I.TBQ					0.613*** (0.000)	0.614*** (0.000)
STA	-0.011*** (0.000)	-0.011*** (0.000)	-0.043*** (0.000)	-0.039*** (0.000)	-0.281*** (0.001)	-0.275*** (0.001)
TBL	-0.230*** (0.001)	-0.230*** (0.000)	-0.733*** (0.001)	-0.733*** (0.001)	-1.025*** (0.003)	-1.014*** (0.004)
AGR	0.066*** (0.000)	0.069*** (0.000)	0.227*** (0.000)	0.240*** (0.000)	0.164*** (0.001)	0.200*** (0.001)
TAN	-0.009*** (0.000)	-0.008*** (0.000)	-0.044*** (0.001)	-0.044*** (0.001)	-0.107*** (0.002)	-0.109*** (0.002)
LQT	-0.018*** (0.000)	-0.018*** (0.000)	-0.075*** (0.000)	-0.074*** (0.000)	-0.135*** (0.000)	-0.134*** (0.000)
PU	-0.017*** (0.000)		-0.063*** (0.000)		-0.168*** (0.001)	
I.PU		-0.017*** (0.000)		-0.042*** (0.000)		-0.091*** (0.001)
Constant	0.408*** (0.001)	0.404*** (0.001)	1.449*** (0.003)	1.297*** (0.004)	4.714*** (0.012)	4.229*** (0.011)
Observations	6344	6344	6344	6344	6285	6285
Firms	631	631	631	631	625	625
Hansen	551.620	550.731	557.008	556.665	568.231	568.371
Hansen_P	0.828	0.835	0.783	0.786	0.672	0.671
AR1	-6.974	-6.934	-4.928	-4.923	-4.967	-5.026
AR1_P	0.000	0.000	0.000	0.000	0.000	0.000
AR2	0.432	0.441	-0.636	-0.631	-0.874	-0.690
AR2_P	0.666	0.660	0.525	0.528	0.382	0.490
Crisis Effect	Yes	Yes	Yes	Yes	Yes	Yes
Country Effect	Yes	Yes	Yes	Yes	Yes	Yes

Note: The table presents the results of dynamic regression analysis (GMM-System) to investigate the impact of policy uncertainty on firm performance. The results are controlled for country fixed effects and crisis period (2007-08). The variables are as explained in table 1. Standard errors are in parenthesis, *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$.

Table 5: The moderating impact of culture on the relationship between policy uncertainty and firm performance (RTA)

	(1)	(2)	(3)	(4)	(5)	(6)
	RTA	RTA	RTA	RTA	RTA	RTA
I.RTA	0.303*** (0.000)	0.302*** (0.000)	0.300*** (0.000)	0.301*** (0.000)	0.301*** (0.000)	0.302*** (0.000)
STA	0.006*** (0.000)	0.006*** (0.000)	0.007*** (0.000)	0.007*** (0.000)	0.006*** (0.000)	0.006*** (0.000)
TBL	-0.330*** (0.000)	-0.333*** (0.000)	-0.333*** (0.000)	-0.334*** (0.000)	-0.333*** (0.001)	-0.334*** (0.001)
AGR	0.015*** (0.000)	0.015*** (0.000)	0.015*** (0.000)	0.015*** (0.000)	0.015*** (0.000)	0.015*** (0.000)
TAN	-0.012*** (0.000)	-0.012*** (0.000)	-0.012*** (0.000)	-0.012*** (0.000)	-0.012*** (0.000)	-0.012*** (0.000)
LQT	-0.023*** (0.000)	-0.023*** (0.000)	-0.023*** (0.000)	-0.023*** (0.000)	-0.023*** (0.000)	-0.023*** (0.000)
PU	-0.028*** (0.001)	-0.022*** (0.000)	-0.028*** (0.000)	-0.015*** (0.000)	-0.016*** (0.000)	-0.025*** (0.000)
D_High_PDI	0.329*** (0.001)					
D_High_PDI*PU	0.009*** (0.001)					
D_High_IDV		0.325*** (0.001)				
D_High_IDV*PU		0.004*** (0.001)				
D_High_MAS			-0.060*** (0.002)			
D_High_MAS*PU			0.013*** (0.000)			
D_High_UAI				0.000 (0.000)		
D_High_UAI*PU				-0.010*** (0.000)		
D_High_LTO					0.033*** (0.002)	
D_High_LTO*PU					-0.008*** (0.000)	
D_High_IVR						0.000 (0.000)
D_High_IVR*PU						0.009*** (0.000)
Constant	0.000 (0.000)	0.000 (0.000)	0.374*** (0.002)	0.360*** (0.002)	0.325*** (0.002)	0.362*** (0.001)
Obs.	6382	6382	6382	6382	6382	6382
Firms	635	635	635	635	635	635
Hansen	554.876	553.402	555.489	555.348	555.729	552.606
Hansen_P	0.785	0.797	0.779	0.780	0.777	0.804
AR1	-4.312	-4.314	-4.312	-4.311	-4.313	-4.311
AR1_P	0.000	0.000	0.000	0.000	0.000	0.000
AR2	-0.831	-0.834	-0.840	-0.840	-0.838	-0.842
AR2_P	0.406	0.404	0.401	0.401	0.402	0.400
Crisis Effect	Yes	Yes	Yes	Yes	Yes	Yes
Country Effect	Yes	Yes	Yes	Yes	Yes	Yes

*Note: The table presents the results of dynamic regression analysis (GMM-System) to investigate the moderating impact of cultural dimensions on the relationship between policy uncertainty and firm performance (RTA). The results are controlled for country fixed effects and crisis period (2007-08). The variables are as explained in table 1. Standard errors are in parenthesis, *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$.*

Table 6: The moderating impact of culture on the relationship between policy uncertainty and firm performance (RTE)

	(1)	(2)	(3)	(4)	(5)	(6)
	RTE	RTE	RTE	RTE	RTE	RTE
I.RTE	0.065*** (0.000)	0.065*** (0.000)	0.064*** (0.000)	0.065*** (0.000)	0.065*** (0.000)	0.065*** (0.000)
STA	-0.022*** (0.000)	-0.022*** (0.000)	-0.019*** (0.000)	-0.020*** (0.000)	-0.021*** (0.000)	-0.021*** (0.000)
TBL	-0.772*** (0.001)	-0.775*** (0.001)	-0.779*** (0.002)	-0.781*** (0.002)	-0.778*** (0.001)	-0.781*** (0.002)
AGR	0.092*** (0.000)	0.092*** (0.000)	0.090*** (0.000)	0.091*** (0.000)	0.091*** (0.000)	0.091*** (0.000)
TAN	-0.045*** (0.001)	-0.048*** (0.001)	-0.048*** (0.001)	-0.048*** (0.001)	-0.048*** (0.001)	-0.049*** (0.001)
LQT	-0.078*** (0.000)	-0.078*** (0.000)	-0.078*** (0.000)	-0.078*** (0.000)	-0.078*** (0.000)	-0.078*** (0.000)
PU	-0.149*** (0.003)	-0.090*** (0.001)	-0.121*** (0.001)	-0.050*** (0.001)	-0.054*** (0.001)	-0.100*** (0.001)
D_High_PDI	-0.480*** (0.016)					
D_High_PDI*PU	0.085*** (0.003)					
D_High_IDV		-0.183*** (0.005)				
D_High_IDV*PU		0.027*** (0.001)				
D_High_MAS			-0.304*** (0.008)			
D_High_MAS*PU			0.072*** (0.001)			
D_High_UAI				0.000 (0.000)		
D_High_UAI*PU				-0.054*** (0.001)		
D_High_LTO					0.196*** (0.007)	
D_High_LTO*PU					-0.049*** (0.001)	
D_High_IVR						-0.257*** (0.005)
D_High_IVR*PU						0.049*** (0.001)
Constant	1.772*** (0.017)	1.468*** (0.006)	1.577*** (0.006)	1.490*** (0.006)	1.299*** (0.005)	1.485*** (0.004)
Obs.	6382	6382	6382	6382	6382	6382
Firms	635	635	635	635	635	635
Hansen	544.833	544.506	546.110	551.208	551.390	551.210
Hansen_P	0.863	0.865	0.854	0.816	0.814	0.816
AR1	-5.010	-5.008	-5.007	-5.007	-5.010	-5.007
AR1_P	0.000	0.000	0.000	0.000	0.000	0.000
AR2	-0.816	-0.811	-0.824	-0.819	-0.819	-0.818
AR2_P	0.414	0.417	0.410	0.413	0.413	0.413
Crisis Effect	Yes	Yes	Yes	Yes	Yes	Yes
Country Effect	Yes	Yes	Yes	Yes	Yes	Yes

*Note: The table presents the results of dynamic regression analysis (GMM-System) to investigate the moderating impact of cultural dimensions on the relationship between policy uncertainty and firm performance (RTE). The results are controlled for country fixed effects and crisis period (2007-08). The variables are as explained in table 1. Standard errors are in parenthesis, *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$.*

Table 7: The moderating impact of culture on the relationship between policy uncertainty and firm performance (TBQ)

	(1)	(2)	(3)	(4)	(5)	(6)
	TBQ	TBQ	TBQ	TBQ	TBQ	TBQ
I.TBQ	0.657*** (0.000)	0.652*** (0.000)	0.656*** (0.000)	0.654*** (0.000)	0.656*** (0.000)	0.654*** (0.000)
STA	-0.215*** (0.001)	-0.218*** (0.001)	-0.214*** (0.001)	-0.216*** (0.001)	-0.215*** (0.001)	-0.215*** (0.001)
TBL	-0.943*** (0.002)	-0.971*** (0.002)	-0.962*** (0.002)	-0.966*** (0.002)	-0.960*** (0.002)	-0.967*** (0.002)
AGR	-0.221*** (0.001)	-0.218*** (0.001)	-0.221*** (0.001)	-0.221*** (0.001)	-0.223*** (0.001)	-0.221*** (0.001)
TAN	-0.119*** (0.003)	-0.124*** (0.002)	-0.123*** (0.003)	-0.125*** (0.003)	-0.123*** (0.003)	-0.122*** (0.003)
LQT	-0.107*** (0.000)	-0.109*** (0.000)	-0.108*** (0.000)	-0.109*** (0.000)	-0.109*** (0.000)	-0.109*** (0.000)
PU	-0.441*** (0.007)	-0.402*** (0.003)	-0.256*** (0.001)	-0.143*** (0.001)	-0.154*** (0.001)	-0.292*** (0.002)
D_High_PDI	4.102*** (0.006)					
D_High_PDI*PU	0.259*** (0.007)					
D_High_IDV		3.996*** (0.010)				
D_High_IDV*PU		0.250*** (0.004)				
D_High_MAS			-0.445*** (0.013)			
D_High_MAS*PU			0.088*** (0.002)			
D_High_UAI				0.000 (0.000)		
D_High_UAI*PU				-0.142*** (0.002)		
D_High_LTO					0.653*** (0.017)	
D_High_LTO*PU					-0.129*** (0.003)	
D_High_IVR						-0.878*** (0.013)
D_High_IVR*PU						0.147*** (0.002)
Constant	0.000 (0.000)	0.000 (0.000)	4.501*** (0.009)	4.675*** (0.010)	4.000*** (0.012)	4.704*** (0.010)
Obs.	6323	6323	6323	6323	6323	6323
Firms	629	629	629	629	629	629
Hansen	565.695	563.180	563.498	562.830	561.668	563.465
Hansen_P	0.678	0.705	0.701	0.708	0.720	0.702
AR1	-5.271	-5.266	-5.287	-5.286	-5.275	-5.285
AR1_P	0.000	0.000	0.000	0.000	0.000	0.000
AR2	-1.130	-1.135	-1.122	-1.129	-1.136	-1.129
AR2_P	0.258	0.256	0.262	0.259	0.256	0.259
Crisis Effect	Yes	Yes	Yes	Yes	Yes	Yes
Country Effect	Yes	Yes	Yes	Yes	Yes	Yes

*Note: The table presents the results of dynamic regression analysis (GMM-System) to investigate the moderating impact of cultural dimensions on the relationship between policy uncertainty and firm performance (TBQ). The results are controlled for country fixed effects and crisis period (2007-08). The variables are as explained in table 1. Standard errors are in parenthesis, *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$.*

Appendix A1: Robustness –The moderating impact of culture on the relationship between policy uncertainty and firm performance (RTA) - Including only interaction term of PU with cultural dimensions

	(1)	(2)	(3)	(4)	(5)	(6)
	RTA	RTA	RTA	RTA	RTA	RTA
I.RTA	0.303*** (0.000)	0.302*** (0.000)	0.300*** (0.000)	0.301*** (0.000)	0.301*** (0.000)	0.302*** (0.000)
STA	0.006*** (0.000)	0.006*** (0.000)	0.007*** (0.000)	0.007*** (0.000)	0.006*** (0.000)	0.006*** (0.000)
TBL	-0.330*** (0.000)	-0.333*** (0.000)	-0.333*** (0.000)	-0.334*** (0.000)	-0.333*** (0.001)	-0.334*** (0.001)
AGR	0.015*** (0.000)	0.015*** (0.000)	0.015*** (0.000)	0.015*** (0.000)	0.015*** (0.000)	0.015*** (0.000)
TAN	-0.012*** (0.000)	-0.012*** (0.000)	-0.012*** (0.000)	-0.012*** (0.000)	-0.012*** (0.000)	-0.012*** (0.000)
LQT	-0.023*** (0.000)	-0.023*** (0.000)	-0.023*** (0.000)	-0.023*** (0.000)	-0.023*** (0.000)	-0.023*** (0.000)
PU	-0.028*** (0.001)	-0.022*** (0.000)	-0.028*** (0.000)	-0.015*** (0.000)	-0.016*** (0.000)	-0.025*** (0.000)
D_High_PDI*PU	0.009*** (0.001)					
D_High_IDV*PU		0.004*** (0.001)				
D_High_MAS*PU			0.013*** (0.000)			
D_High_UAI*PU				-0.010*** (0.000)		
D_High_LTO*PU					-0.008*** (0.000)	
D_High_IVR*PU						0.009*** (0.000)
Constant	0.329*** (0.001)	0.325*** (0.001)	0.374*** (0.002)	0.360*** (0.002)	0.358*** (0.002)	0.362*** (0.001)
Observations	6382	6382	6382	6382	6382	6382
Firms	635	635	635	635	635	635
Hansen	554.876	553.402	555.489	555.348	555.729	552.607
Hansen_P	0.802	0.814	0.796	0.798	0.794	0.820
AR1	-4.312	-4.314	-4.312	-4.311	-4.313	-4.311
AR1_P	0.000	0.000	0.000	0.000	0.000	0.000
AR2	-0.831	-0.834	-0.840	-0.840	-0.838	-0.842
AR2_P	0.406	0.404	0.401	0.401	0.402	0.400
Crisis Effect	Yes	Yes	Yes	Yes	Yes	Yes
Country Effect	Yes	Yes	Yes	Yes	Yes	Yes

*Note: The table presents the results of regression analysis (including only the interaction term) to investigate the robustness of the moderating impact of cultural dimensions on the relationship between policy uncertainty and firm performance (RTA). The results are controlled for country fixed effects and crisis period (2007-08). The variables are as explained in table 1. Standard errors are in parenthesis, *** p<0.01, ** p<0.05, * p<0.10.*

Appendix A2: Robustness - The moderating impact of culture on the relationship between policy uncertainty and firm performance (RTE) - Including only interaction term of PU with cultural dimensions

	(1)	(2)	(3)	(4)	(5)	(6)
	RTE	RTE	RTE	RTE	RTE	RTE
I.RTE	0.065*** (0.000)	0.065*** (0.000)	0.064*** (0.000)	0.065*** (0.000)	0.065*** (0.000)	0.065*** (0.000)
STA	-0.022*** (0.000)	-0.022*** (0.000)	-0.019*** (0.000)	-0.020*** (0.000)	-0.021*** (0.000)	-0.021*** (0.000)
TBL	-0.772*** (0.001)	-0.775*** (0.001)	-0.779*** (0.002)	-0.781*** (0.002)	-0.778*** (0.001)	-0.781*** (0.002)
AGR	0.092*** (0.000)	0.092*** (0.000)	0.090*** (0.000)	0.091*** (0.000)	0.091*** (0.000)	0.091*** (0.000)
TAN	-0.045*** (0.001)	-0.048*** (0.001)	-0.048*** (0.001)	-0.048*** (0.001)	-0.048*** (0.001)	-0.049*** (0.001)
LQT	-0.078*** (0.000)	-0.078*** (0.000)	-0.078*** (0.000)	-0.078*** (0.000)	-0.078*** (0.000)	-0.078*** (0.000)
PU	-0.149*** (0.003)	-0.090*** (0.001)	-0.121*** (0.001)	-0.050*** (0.001)	-0.054*** (0.001)	-0.100*** (0.001)
D_High_PDI*PU	0.085*** (0.003)					
D_High_IDV*PU		0.027*** (0.001)				
D_High_MAS*PU			0.072*** (0.001)			
D_High_UAI*PU				-0.054*** (0.001)		
D_High_LTO*PU					-0.049*** (0.001)	
D_High_IVR*PU						0.049*** (0.001)
Constant	1.292*** (0.004)	1.285*** (0.003)	1.577*** (0.006)	1.490*** (0.006)	1.495*** (0.005)	1.485*** (0.004)
Observations	6382	6382	6382	6382	6382	6382
Firms	635	635	635	635	635	635
Hansen	544.833	544.506	546.112	551.208	551.390	551.210
Hansen_P	0.876	0.878	0.867	0.831	0.830	0.831
AR1	-5.010	-5.008	-5.007	-5.007	-5.010	-5.007
AR1_P	0.000	0.000	0.000	0.000	0.000	0.000
AR2	-0.816	-0.811	-0.824	-0.819	-0.819	-0.818
AR2_P	0.414	0.417	0.410	0.413	0.413	0.413
Crisis Effect	Yes	Yes	Yes	Yes	Yes	Yes
Country Effect	Yes	Yes	Yes	Yes	Yes	Yes

*Note: The table presents the results of regression analysis (including only the interaction term) to investigate the robustness of the moderating impact of cultural dimensions on the relationship between policy uncertainty and firm performance (RTE). The results are controlled for country fixed effects and crisis period (2007-08). The variables are as explained in table 1. Standard errors are in parenthesis, *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$.*

**Appendix A3: Robustness - The moderating impact of culture on the relationship between policy uncertainty and firm performance (TBQ)
- Including only interaction term of PU with cultural dimensions**

	(1)	(2)	(3)	(4)	(5)	(6)
	TBQ	TBQ	TBQ	TBQ	TBQ	TBQ
I.TBQ	0.657*** (0.000)	0.652*** (0.000)	0.656*** (0.000)	0.654*** (0.000)	0.656*** (0.000)	0.654*** (0.000)
STA	-0.215*** (0.001)	-0.218*** (0.001)	-0.214*** (0.001)	-0.216*** (0.001)	-0.215*** (0.001)	-0.215*** (0.001)
TBL	-0.944*** (0.002)	-0.973*** (0.003)	-0.962*** (0.002)	-0.966*** (0.002)	-0.960*** (0.002)	-0.967*** (0.002)
AGR	-0.221*** (0.001)	-0.218*** (0.001)	-0.221*** (0.001)	-0.221*** (0.001)	-0.223*** (0.001)	-0.221*** (0.001)
TAN	-0.124*** (0.002)	-0.124*** (0.002)	-0.123*** (0.003)	-0.125*** (0.003)	-0.123*** (0.003)	-0.122*** (0.003)
LQT	-0.108*** (0.000)	-0.109*** (0.000)	-0.108*** (0.000)	-0.109*** (0.000)	-0.109*** (0.000)	-0.109*** (0.000)
PU	-0.439*** (0.005)	-0.405*** (0.003)	-0.256*** (0.001)	-0.143*** (0.001)	-0.154*** (0.001)	-0.292*** (0.002)
D_High_PDI*PU	0.257*** (0.006)					
D_High_IDV*PU		0.253*** (0.004)				
D_High_MAS*PU			0.088*** (0.002)			
D_High_UAI*PU				-0.142*** (0.002)		
D_High_LTO*PU					-0.129*** (0.003)	
D_High_IVR*PU						0.147*** (0.002)
Constant	4.104*** (0.009)	3.992*** (0.008)	4.501*** (0.009)	4.675*** (0.010)	4.653*** (0.012)	4.704*** (0.010)
Observations	6323	6323	6323	6323	6323	6323
Firms	629	629	629	629	629	629
Hansen	565.301	564.276	563.498	562.830	561.668	563.465
Hansen_P	0.703	0.714	0.722	0.728	0.740	0.722
AR1	-5.271	-5.267	-5.287	-5.286	-5.275	-5.285
AR1_P	0.000	0.000	0.000	0.000	0.000	0.000
AR2	-1.130	-1.135	-1.122	-1.129	-1.136	-1.129
AR2_P	0.259	0.256	0.262	0.259	0.256	0.259
Crisis Effect		Yes	Yes	Yes	Yes	Yes
Country Effect	Yes	Yes	Yes	Yes	Yes	Yes

*Note: The table presents the results of regression analysis (including only the interaction term) to investigate the robustness of the moderating impact of cultural dimensions on the relationship between policy uncertainty and firm performance (TBQ). The results are controlled for country fixed effects and crisis period (2007-08). The variables are as explained in table 1. Standard errors are in parenthesis, *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$.*

**Appendix B1: Robustness - The moderating impact of culture on the relationship between policy uncertainty and firm performance (RTA)
– Including additional firm and country level control variables**

	(1)	(2)	(3)	(4)	(5)	(6)
	RTA	RTA	RTA	RTA	RTA	RTA
I.RTA	0.299*** (0.000)	0.298*** (0.001)	0.298*** (0.001)	0.298*** (0.001)	0.298*** (0.001)	0.298*** (0.001)
STS	-0.012*** (0.000)	-0.012*** (0.000)	-0.011*** (0.000)	-0.011*** (0.000)	-0.012*** (0.000)	-0.011*** (0.000)
TBL	-0.227*** (0.001)	-0.229*** (0.000)	-0.229*** (0.000)	-0.229*** (0.001)	-0.229*** (0.001)	-0.229*** (0.001)
SGR	0.065*** (0.000)	0.065*** (0.000)	0.064*** (0.000)	0.064*** (0.000)	0.064*** (0.000)	0.065*** (0.000)
TAN	-0.009*** (0.000)	-0.009*** (0.000)	-0.009*** (0.000)	-0.009*** (0.000)	-0.009*** (0.000)	-0.009*** (0.000)
LQT	-0.017*** (0.000)	-0.017*** (0.000)	-0.017*** (0.000)	-0.017*** (0.000)	-0.017*** (0.000)	-0.017*** (0.000)
ESG	0.034*** (0.001)	0.034*** (0.000)	0.033*** (0.000)	0.033*** (0.000)	0.033*** (0.000)	0.033*** (0.001)
INF	0.002*** (0.000)	0.002*** (0.000)	0.002*** (0.000)	0.002*** (0.000)	0.002*** (0.000)	0.002*** (0.000)
GDP	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)
PU	-0.040*** (0.001)	-0.023*** (0.000)	-0.023*** (0.000)	-0.019*** (0.000)	-0.018*** (0.000)	-0.022*** (0.000)
D_High_PDI*PU	0.020*** (0.001)					
D_High_IDV*PU		0.004*** (0.000)				
D_High_MAS*PU			0.005*** (0.000)			
D_High_UAI*PU				-0.003*** (0.000)		
D_High_LTO*PU					-0.004*** (0.000)	
D_High_IVR*PU						0.003*** (0.000)
Constant	0.277*** (0.002)	0.278*** (0.001)	0.303*** (0.002)	0.292*** (0.002)	0.296*** (0.002)	0.294*** (0.002)
Observations	6344	6344	6344	6344	6344	6344
Firms	631	631	631	631	631	631
Hansen	555.433	549.973	549.793	552.668	548.164	550.973
Hansen_P	0.797	0.840	0.842	0.820	0.853	0.833
AR1	-6.946	-6.939	-6.940	-6.934	-6.927	-6.937
AR1_P	0.000	0.000	0.000	0.000	0.000	0.000
AR2	0.576	0.567	0.566	0.570	0.570	0.567
AR2_P	0.564	0.571	0.572	0.569	0.569	0.570
Crisis Effect	Yes	Yes	Yes	Yes	Yes	Yes
Country Effect	Yes	Yes	Yes	Yes	Yes	Yes

*Note: The table presents the results of regression analysis (controlling for additional firm-level and country level variables) to investigate the robustness of the moderating impact of cultural dimensions on the relationship between policy uncertainty and firm performance (RTA). The results are controlled for country fixed effects and crisis period (2007-08). The variables are as explained in table 1. Standard errors are in parenthesis, *** p<0.01, ** p<0.05, * p<0.10.*

Appendix B2: Robustness - The moderating impact of culture on the relationship between policy uncertainty and firm performance (RTE) - Including additional firm and country level control variables

	(1)	(2)	(3)	(4)	(5)	(6)
	RTE	RTE	RTE	RTE	RTE	RTE
I.RTE	0.053*** (0.000)	0.054*** (0.000)	0.053*** (0.000)	0.053*** (0.000)	0.053*** (0.000)	0.053*** (0.000)
STS	-0.052*** (0.000)	-0.052*** (0.001)	-0.050*** (0.001)	-0.051*** (0.000)	-0.052*** (0.001)	-0.052*** (0.000)
TBL	-0.723*** (0.002)	-0.732*** (0.002)	-0.736*** (0.001)	-0.738*** (0.001)	-0.736*** (0.002)	-0.737*** (0.001)
SGR	0.222*** (0.000)	0.223*** (0.001)	0.220*** (0.001)	0.219*** (0.000)	0.219*** (0.001)	0.221*** (0.001)
TAN	-0.048*** (0.001)	-0.050*** (0.001)	-0.050*** (0.001)	-0.051*** (0.001)	-0.049*** (0.001)	-0.049*** (0.001)
LQT	-0.069*** (0.000)	-0.070*** (0.000)	-0.070*** (0.000)	-0.071*** (0.000)	-0.071*** (0.000)	-0.070*** (0.000)
ESG	0.182*** (0.001)	0.183*** (0.001)	0.179*** (0.001)	0.179*** (0.001)	0.180*** (0.002)	0.181*** (0.001)
INF	0.007*** (0.000)	0.006*** (0.000)	0.006*** (0.000)	0.006*** (0.000)	0.007*** (0.000)	0.006*** (0.000)
GDP	0.004*** (0.000)	0.004*** (0.000)	0.004*** (0.000)	0.004*** (0.000)	0.004*** (0.000)	0.004*** (0.000)
PU	-0.166*** (0.004)	-0.102*** (0.001)	-0.121*** (0.001)	-0.062*** (0.001)	-0.064*** (0.001)	-0.103*** (0.001)
D_High_PDI*PU	0.092*** (0.004)					
D_High_IDV*PU		0.031*** (0.001)				
D_High_MAS*PU			0.060*** (0.002)			
D_High_UAI*PU				-0.041*** (0.001)		
D_High_LTO*PU					-0.041*** (0.001)	
D_High_IVR*PU						0.039*** (0.001)
Constant	0.823*** (0.004)	0.811*** (0.006)	1.082*** (0.009)	0.992*** (0.006)	1.003*** (0.004)	0.986*** (0.005)
Observations	6344	6344	6344	6344	6344	6344
Firms	631	631	631	631	631	631
Hansen	561.884	562.757	564.172	563.097	561.598	563.220
Hansen_P	0.738	0.729	0.715	0.726	0.740	0.724
AR1	-4.938	-4.935	-4.935	-4.936	-4.938	-4.935
AR1_P	0.000	0.000	0.000	0.000	0.000	0.000
AR2	-0.621	-0.617	-0.628	-0.622	-0.622	-0.621
AR2_P	0.535	0.537	0.530	0.534	0.534	0.535
Crisis Effect	Yes	Yes	Yes	Yes	Yes	Yes
Country Effect	Yes	Yes	Yes	Yes	Yes	Yes

*Note: The table presents the results of regression analysis (controlling for additional firm-level and country level variables) to investigate the robustness of the moderating impact of cultural dimensions on the relationship between policy uncertainty and firm performance (RTE). The results are controlled for country fixed effects and crisis period (2007-08). The variables are as explained in table 1. Standard errors are in parenthesis, *** p<0.01, ** p<0.05, * p<0.10.*

Appendix B3: Robustness - The moderating impact of culture on the relationship between policy uncertainty and firm performance (RTA) - Including additional firm and country level control variables

	(1)	(2)	(3)	(4)	(5)	(6)
	TBQ	TBQ	TBQ	TBQ	TBQ	TBQ
I.TBQ	0.617*** (0.000)	0.611*** (0.000)	0.616*** (0.000)	0.615*** (0.000)	0.616*** (0.000)	0.614*** (0.000)
STS	-0.329*** (0.001)	-0.332*** (0.001)	-0.327*** (0.001)	-0.327*** (0.001)	-0.328*** (0.001)	-0.328*** (0.001)
TBL	-1.022*** (0.004)	-1.047*** (0.004)	-1.044*** (0.005)	-1.052*** (0.004)	-1.040*** (0.004)	-1.046*** (0.003)
SGR	0.239*** (0.002)	0.245*** (0.001)	0.237*** (0.001)	0.234*** (0.002)	0.235*** (0.001)	0.238*** (0.001)
TAN	-0.127*** (0.003)	-0.131*** (0.003)	-0.130*** (0.003)	-0.131*** (0.003)	-0.128*** (0.003)	-0.130*** (0.003)
LQT	-0.125*** (0.000)	-0.127*** (0.001)	-0.126*** (0.000)	-0.127*** (0.001)	-0.127*** (0.000)	-0.126*** (0.000)
ESG	0.706*** (0.006)	0.715*** (0.006)	0.701*** (0.006)	0.697*** (0.007)	0.700*** (0.006)	0.699*** (0.007)
INF	-0.033*** (0.000)	-0.042*** (0.000)	-0.034*** (0.000)	-0.035*** (0.000)	-0.031*** (0.000)	-0.037*** (0.000)
GDP	-0.005*** (0.000)	-0.005*** (0.000)	-0.006*** (0.000)	-0.006*** (0.000)	-0.006*** (0.000)	-0.005*** (0.000)
PU	-0.445*** (0.010)	-0.500*** (0.004)	-0.282*** (0.002)	-0.168*** (0.002)	-0.190*** (0.002)	-0.332*** (0.003)
D_High_PDI*PU	0.235*** (0.011)					
D_High_IDV*PU		0.332*** (0.005)				
D_High_MAS*PU			0.088*** (0.004)			
D_High_UAI*PU				-0.144*** (0.003)		
D_High_LTO*PU					-0.091*** (0.004)	
D_High_IVR*PU						0.168*** (0.004)
Constant	2.506*** (0.021)	2.316*** (0.018)	2.912*** (0.021)	3.091*** (0.026)	2.916*** (0.024)	3.196*** (0.025)
Observations	6285	6285	6285	6285	6285	6285
Firms	625	625	625	625	625	625
Hansen	563.492	564.918	563.934	562.841	562.165	562.609
Hansen_P	0.722	0.707	0.717	0.728	0.735	0.730
AR1	-5.035	-5.024	-5.040	-5.033	-5.032	-5.031
AR1_P	0.000	0.000	0.000	0.000	0.000	0.000
AR2	-0.904	-0.916	-0.899	-0.907	-0.914	-0.906
AR2_P	0.366	0.360	0.369	0.364	0.361	0.365
Crisis Effect	Yes	Yes	Yes	Yes	Yes	Yes
Country Effect	Yes	Yes	Yes	Yes	Yes	Yes

*Note: The table presents the results of regression analysis (controlling for additional firm-level and country level variables) to investigate the robustness of the moderating impact of cultural dimensions on the relationship between policy uncertainty and firm performance (TBQ). The results are controlled for country fixed effects and crisis period (2007-08). The variables are as explained in table 1. Standard errors are in parenthesis, *** p<0.01, ** p<0.05, * p<0.10.*