

# **Do Anglo-Saxons affect corporate policies?**

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## **Abstract**

Individuals with an Anglo-Saxon cultural background are customarily considered to be less risk-averse than other individuals. The validity of this assumption appears to be borne out in the world of corporate finance. We investigate the risk-related corporate decisions of the board of directors, CEOs, and shareholders of Anglo-Saxon cultural heritage at Swiss listed corporations. Using a sample of 1'556 firm-year observations from 2005 to 2015 and performing fixed effects, random effects, and pooled regressions controlling for various firm and corporate governance characteristics, we find empirical evidence supporting our three hypotheses: Anglo-Saxons increase leverage, decrease dividend payments, and conduct more mergers and acquisitions. Furthermore, we show that while boards of directors affect capital structure and dividend policies, CEOs drive takeovers. Additionally, firm characteristics are important determinants of Anglo-Saxons in the corporate governance of Swiss firms and CEOs are more likely to be Anglo-Saxons in the presence of Anglo-Saxon directors and shareholders.

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**Keywords:** Corporate Governance, Leverage, Dividends, Takeovers, Board of Directors, Ownership, Culture, Risk Aversion

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## 1. Introduction

Corporate decisions are not always based solely on net present value (NPV) calculations as corporate finance theory advocates (see e.g., Ingersoll and Ross, 1992). They are also not affected solely by self-interested managers as suggested by agency theory (see e.g., Jensen, 1986). Behavioral corporate finance theory instead proposes that shareholders and managers are not fully rational, and therefore their decisions may be affected by their preferences and biases (see e.g., Malmendier and Tate, 2005).

Previous research in behavioral corporate finance has produced empirical evidence that documents a number of relationships which exist between characteristics of managers and shareholders and the corporate policies that they foster (see e.g., Hambrick and Mason, 1984; Bertrand and Schoar, 2003; Malmendier and Tate, 2005; Cronqvist and Fahlenbrach, 2008; Dyreng, Hanlon, and Maydew, 2010; Malmendier, Tate, and Yan, 2011; Graham, Harvey, and Puri, 2013; Serfling, 2014; Custódio and Metzger, 2014; Benmelech and Frydman, 2015; Dittmar and Duchin, 2016; Ferris, Javakhadze, and Rajkovic, 2017).

More recently, theories have attempted to explain corporate decisions as being motivated by personal biases and traits at an individual level (behavioral finance) and by social norms at a community level (social finance) (Hirshleifer, 2015).

As an illustration at an individual level, Hutton, Jiang, and Kumar (2014) find that Republican Chief Executive Officers (CEO) pursue more conservative corporate policies than Democrat CEOs. Cain and McKeon (2016) confirm that personal risk-taking approximated by private pilot licenses increase a firm's risk profile. Such CEOs increase equity return volatility by increasing leverage and conducting more acquisitions. Similar studies have been conducted recently by Sunder, Sunder, and Zhang (2017) and Adams, Keloharju, and Knüpfer (2018).

At a community level, several studies show that culture and corporate decisions are correlated (e.g., Chui, Lloyd, and Kwok, 2002; Shao, Kwok, and Guedhami, 2010; Shao, Kwok, and Zhang, 2013). Hofstede (1980) defines culture as a shared set of beliefs, values, and norms which separates one group of people from another. Conducting a survey across countries, Rieger, Wang, and Hens (2015) find that cross-country differences in attitudes towards risk are determined by cultural factors. Li, Griffin, Yue, and Zhao (2013) show that culture affects corporate risk-taking through managerial decision-making and a country's formal institutions.

Uncertainty avoidance, one of the six dimensions in Hofstede's (1980) cultural dimension theory, stresses people's preference for safety and security (see also Hofstede, 1980; Offerman and Hellmann, 1997). Pan, Siegel, and Wang (2017) show that the level of uncertainty avoidance associated with corporate leaders' countries of origin has an impact on their corporate decisions. Several authors also find that lower uncertainty avoidance relates to a lower level of risk-aversion (see e.g., Riddle, 1992; Kwok and Tadesse, 2006; Beugelsdijk and Frijns, 2010; Frijns, Gilbert, Lehnert, and Tourani-Rad 2013; Li, Griffin, Yue, and Zhao, 2013; Mihet, 2013).

Additionally, DeBacker, Heim, and Tran (2015) show that foreign business owners in the United States who have immigrated from countries with higher corruption levels evade more taxes and attribute this behavior to their cultural background. Graham, Harvey, and Puri (2013) find that CEOs and Chief Financial Officers (CFO) who are US-nationals exhibit a higher degree of optimism and risk tolerance than non-US nationals and average individuals. Given the research findings of all these studies, one can generalize that the cultural background of corporate actors is likely to affect their decisions.

Regarding cross-cultural differences, research reveals that people from Anglo-Saxon countries are less risk-averse than people from other countries (see e.g., Cummings, Harnett, and Stevens, 1971; Wang, Rieger, and Hens, 2017). According to the Cambridge Advanced Learner's Dictionary (CALD) the term 'Anglo-Saxon' is also used to describe modern societies that are based on or influenced by English customs.<sup>1</sup> Anglo-Saxon social norms may also be seen as being responsible for a certain cultural disposition towards risk; i.e., a heightened level of risk-tolerance. As Figure 1 shows, uncertainty avoidance is lower in Anglo-Saxon countries than it is in the rest of the world (Hofstede, 1980). A lower level of uncertainty avoidance increases risk-taking, because in such countries people are more willing to tolerate ambiguous, uncertain, undefined or risky situations; i.e., they are less risk-averse. In addition, a higher level of individualism, another of Hofstede's (1980) cultural dimensions, which is a characteristic trait of Anglo-Saxon countries, in contrast to more hierarchical and bureaucratic societies, is also related to more risk-taking (Douglas and Wildavsky, 1982; Kanagaretnam, Lim, and Lobo, 2011; Gantenbein, Kind, and Volonté, 2019).

In our discussion of the cultural traits that are perceived to characterize the antithesis between the Anglo-Saxon attitude towards risk and that of other cultures, i.e., risk-tolerance versus risk-

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<sup>1</sup> In addition to the United Kingdom, these countries include the United States, Australia, Canada or New Zealand.

aversion, we draw on observations which demonstrate that the Anglo-Saxon culture is associated with decision-making behavior that is less risk-averse than that of other cultures. We therefore look at the decisions made by Anglo-Saxon corporate actors (corporate directors, CEOs and shareholders) which exemplify this trait and thereby differ from the decisions made by corporate actors from other cultures. Our statistical analyses allow us to evaluate the extent to which Anglo-Saxon corporate actors (henceforth referred to as Anglo-Saxons) working within the Swiss corporate governance framework affect corporate decisions.

[Insert Figure 1 here]

This article uses insights from behavioral finance in order to explain corporate policies. We examine the impact of Anglo-Saxons on corporate policies on three decision-making levels: board of directors, CEOs, and shareholders.

Using a sample of 1'556 firm-year observations from Switzerland, we show that Anglo-Saxons exert an influence on corporate decisions that foster more risky policies. On the one hand, we find strong relations of more Anglo-Saxon corporate directors to higher leverage and lower payout ratios. On the other hand, we find a positive relationship between Anglo-Saxons CEOs and acquisitions.

This paper contributes to several areas of the literature. Firstly, we provide insights into how behavioral (corporate) finance theory, which links economics to psychology and sociology, can be used to explain corporate decisions (see e.g., Kuhnen and Knutson, 2011; Rieger, Wang, and Hens, 2015). Until now, this stream of research has tended to focus on shareholders' and executives' behavior rather than on corporate directors' behavior. The present paper therefore expands this area of research by scientifically documenting, analyzing, and explaining the assumed relationship between the behavioral traits of corporate directors and the corporate decisions that they authorize. We contribute especially to an understanding of how their decisions and policies are formulated to serve strategic objectives that embody their attitudes to corporate risk.

Secondly, the paper contributes to the literature that focuses on the effect of culture in economics (see e.g., Li, Griffin, Yue, and Zhao, 2013; Ahern, Daminelli, and Fracassi, 2015; Frijns, Gilbert, Lehnert, and Tourani-Rad, 2013). Insights on how the national culture of corporate actors has an impact on corporate policies is important especially in designing internal corporate governance arrangements in an increasingly globalized world. As Aggarwal, Erel, Ferreira, and Matos (2011) show, institutional shareholders from countries with strong minority

protection, such as Anglo-Saxon countries, in general, have an impact on corporate governance outside their territory.

Thirdly, the paper adds to the corporate governance literature by analyzing the effect that different decision-making levels have on different corporate policies. Many studies focus on the personal attributes of CEOs based on the upper echelon theory (see e.g., Hambrick and Mason, 1984). Graham, Harvey, and Puri (2013) show that mergers and acquisitions (M&A) decisions are dominated by CEOs relative to other corporate decisions. Chava and Purnanandam (2010) compare the impact of CEO and CFO incentives on risk-taking. Our paper gives an insight into the relative importance of boards of directors, CEOs, and shareholders in corporate decision-making and how the power over different corporate decisions is allocated between them. In contrast to most other studies, we focus on more than one layer of decision-making in the corporate governance setting.

Fourthly, the paper contributes also to our understanding of corporate finance when decisions diverge from the NPV rule (see e.g., Ingersoll and Ross, 1992). The choices of the optimal capital structure, payout policy, or acquisition strategy are important topics in corporate finance. However, empirical studies often fail to find evidence for a particular theory (see e.g., Frank and Goyal, 2009). A wealth of corporate finance research provides evidence that the formal (e.g., shareholder rights) and informal institutions (e.g., social norms) of a country affect corporate decisions (see e.g., Dittmar, Mahrt-Smith, and Servaes 2003; Giannetti, 2003). We contribute to this stream of research by studying the impact of Anglo-Saxons within one institutional environment, i.e., Switzerland. For the purpose of this investigation, important institutional characteristics (in particular, the legal system) or other country characteristics are held constant (see e.g., La Porta, Lopez-de-Silanes, Miletkov, Poulsen, and Wintoki, 2017).

Using data from Switzerland provides other advantages. The country is highly internationalized, whether this concerns its corporate governance or foreign capital flows. In total, 24.2 % of all directors in listed Swiss companies are foreigners, and 7.6 % of all directors are Anglo-Saxons (see Figure 2). In contrast, Masulis, Wang, and Xie (2012) show that only 2.3 % of all directors in U.S. companies are foreign independent directors. Oxelheim, Gregoric, Randoy, and Thomsen (2013) find that 12 % of all directors on Nordic boards are foreigners and 3.2 % are foreign directors from the United States or the United Kingdom. On average, 8 % of the CEO are Anglo-Saxons. After German- (1,198 CEO-year observations) and French-speaking CEO (104 CEO-year observations), English-speaking CEO are the most common (121 CEO-year observations) followed by Nordics (59) and others (74). Furthermore, given

Switzerland's small size (only 8.5 million inhabitants), it is surprising to note that it is the fifth largest provider of foreign direct investment (FDI) to the United States (USD 201 bn or 5 % of total US FDI). Swiss boards therefore have an interest in gaining expertise and access to foreign markets, especially Anglo-Saxon markets. Many Swiss companies may appoint directors and CEOs from these countries with this objective. In view of the fact that Anglo-Saxon corporate actors are known to play a significant role in the corporate governance of Swiss companies — 7.6 % of all directors are Anglo-Saxons, 7.8 % of all CEO positions are occupied by Anglo-Saxons, and 5.3 % of the voting rights attributed to large blocks of shares are held by Anglo-Saxons — we are able to conduct this empirical study given Switzerland's characteristics. In other non-English-speaking countries this examination would not be possible because Anglo-Saxons are less present in their corporate governance.

Furthermore, Switzerland's economy is relatively strong, has a liberal economic and judicial system, and is host to some large multinational listed companies (e.g., Nestlé and Novartis) as well as smaller niche players (e.g., Bossard and VAT). From a legal point of view, Swiss law transfers substantial responsibility to the board of directors. The board of directors has the ultimate responsibility in a corporation. While daily business can be delegated to managers, the board retains non-delegable tasks, such as setting the firm's strategy and organization, and has therefore substantial power over the management. The board members are elected individually each year at the Annual General Meeting. At present, no state intervention is in place to restrict the foreign ownership of Swiss listed companies. In addition, since transparency rules relating to corporate governance were issued by the SIX Exchange in 2002, companies must disclose information on their directors (e.g., publication of CVs): This enables us to gather information about the directors' cultural backgrounds.

The remainder of the paper is structured as follows. In Section 2 the hypotheses are developed. Section 3 describes the data and Section 4 presents the empirical analysis. Section 4 concludes.

[Insert Figure 2 here]

## **2. Hypothesis Development**

Based on corporate finance theory, corporate decisions should follow the NPV rule and therefore increase firm value (e.g., Ingersoll and Ross, 1992). But in corporations where ownership is separated from control, self-interested managers may deviate from the rule and pursue actions that benefit themselves at the cost of shareholders' wealth (agency costs resulting from this agency problem) (Jensen and Meckling, 1976). In contrast, behavioral economists

explain decisions in terms of personal biases and traits, such as risk aversion or overconfidence (see e.g., Malmendier, Tate, and Yan, 2011). Economic decisions are characterized by risk and uncertainty, and the perceptions of risk and returns are affected by cultural values and these are central factors affecting decision-making (see e.g. Henrich, 2000; Hilary and Hui, 2009; Graham, Harvey, and Huang, 2009).

Corporate policies are decided on three general levels depending on the scale of the decisions: by the board of directors, by CEOs, and/or by shareholders. Shareholders, as the firm's owners, have voting rights and have a say on some corporate decisions, especially regarding the firm's corporate governance, such as the composition of the board of directors. The board of directors appoints the CEO and determines the firm's strategy. Finally, the CEO is responsible for daily business. The impact of these corporate actors depends on their assigned corporate roles and the subject of the decision (see Figure 3). We focus on three important corporate decisions: leverage, dividends, and takeovers.

[Insert Figure 3 here]

## 2.1 Leverage

The capital structure decision is a central topic in corporate finance and several theories attempt to explain the level of leverage. However, empirical studies often fail to find evidence for a particular theory (see e.g., Frank and Goyal, 2009). Under the assumption of perfect capital markets, Miller and Modigliani (1958) proved that the cost of equity increases with the use of debt as a result of the higher associated risks. Debt is prioritized with regard to the distribution of a firm's income and the firm's assets in case of bankruptcy. As the proportion of debt increases, so does the volatility of the expected return on equity, because shareholders require a higher return to compensate them for the more volatile residual claim they have on a firm's cash flows. Relaxing the strong assumptions of Miller and Modigliani, the trade-off theory describes an optimal capital structure that offsets the costs of debt arising from financial distress and the benefits of debt arising from tax-saving capabilities due to interest deductibility (see e.g., Baxter, 1967; Kraus and Litzenberger, 1973). As debt financing increases, the costs of financial distress exceed the tax shield advantage, increasing a firm's risk exposure. Pecking order theory in turn provides a hierarchical view of financing sources owing to information asymmetries between managers and shareholders, and stresses the information content of capital structure decisions (Ross, 1977; Myers and Majluf, 1984; Myers, 1984). Equity financing is associated with providing the most information and from a shareholder's

perspective, less information asymmetry leads to lower risks. Finally, agency theory considers the role of the relationship between shareholders (principals) and company executives (agents) in determining capital structure. In this context, leverage might cause a conflict of interests between shareholders and bondholders (risk shifting and overinvestment, Myers, 1984). Alternatively, higher leverage might have beneficial effects for shareholders due to the disciplining role of interest payments in reducing the free cash flows available for discretionary spending by managers that elevate agency costs (Jensen, 1986).

Overall, higher leverage increases a firm's risk, because cash flows to shareholders become more volatile, and, consequently, the risks of financial distress as well as conflicts of interests between shareholders and bondholders increase (see e.g., Hamada, 1972; Acharya, Amihud, and Litov, 2011). Risk-averse corporate actors will therefore prefer to have lower debt levels. Cronqvist, Makhija, and Yonker (2012) provide evidence that CEO's personal leverage for house financing is positively related to corporate leverage. Chui, Lloyd, and Kwok (2002) show that cultural differences have an impact on capital structure decisions. As Anglo-Saxons are less risk-averse, we therefore formulate our first hypothesis as follows:

*Hypothesis 1: Anglo-Saxons induce higher leverage*

## 2.2 Dividends

Dividends matter in the presence of market imperfections (Miller and Modigliani, 1961). Dividend literature suggests that there is a negative relationship between dividends and risk (see e.g., Grullon, Michaely, and Swaminathan, 2002). For example, Lintner (1956) argues that dividend payout is an important signal to the market of the firm's capacity to generate future cash flows and that a firm will increase dividends when its risk balance is robust (see also Miller and Rock, 1985; Dyl and Weigand, 1998; Brav, Graham, Harvey, and Michaely, 2005). Firms paying out higher dividends may indicate their stability in terms of earnings, which in turn relates to lower risks (see e.g., Hoberg and Prabhala, 2008). Firms are also reluctant to cut or downwardly revise dividends, because this signals uncertainty and typically leads to lower market values (see e.g., Jensen, 1986; Denis, Denis, and Sarin, 1994; Michaely, Thaler, and Womack, 1995; Brav, Graham, Harvey, and Michaely, 2005). Furthermore, Li and Zhao (2008) show that lower dividend payments lead to increasing risks stemming from higher information asymmetries.



On the other hand, however, higher dividend payments can also increase a firms' risks, because this reduces the firms' cash available for future uncertainties. In addition, similar to the effect of interest payments as posited by the free cash flow hypothesis, stable dividends can also have the effect of decreasing agency costs by prohibiting management from wasting financial resources, and thereby, decreasing the firm's risk of overinvestment (Easterbrook, 1984; Hansen, Kumar, and Shome, 1994; Jensen, 1986).

In their survey, Brav, Graham, Harvey, and Michaely (2005) find that dividend decisions are made by considering risks. From a behavioral finance perspective, Breuer, Rieger, and Soypak (2014) show that loss aversion and ambiguity aversion leads to higher dividends. Insufficient self-control of shareholders and their risk aversion lead to a preference for secure current cash income over uncertain future cash flows ("bird-in-the-hand" theory) (Lintner, 1962; Gordon, 1963; Shefrin and Statman, 1984). People perceive dividends as being less risky, because they contribute to available current income in contrast to potential future capital gains. Similarly, Ucar (2016) finds evidence that higher risk aversion leads to higher dividend payments. Also, Shao, Kwok, and Guedhami (2010) show that culture and the associated social norms and behaviors affect dividend decisions. We suggest that less risk-averse actors such as Anglo-Saxons may be less inclined to maintain high dividend payouts, and we therefore formulate the following hypothesis:

*Hypothesis 2: Anglo-Saxons induce lower dividends*

### 2.3 Takeovers

M&A can exploit synergies, create market power, or replace inefficient managers on the market for corporate control. Takeovers are therefore one of the most important corporate decisions, because they typically involve significant uncertainty about future gains (Harford and Li, 2007). The success of M&A transactions often has a direct impact on the CEO's career and salary (Grinstein and Hribar, 2004; Croci and Petmezas, 2015). Cain and McKeon (2012) view M&As as an important channel through which risk-taking CEOs increase the riskiness of their firms. However, also more negatively connoted reasons exist where takeover activity signals agency problems such as empire building or value-reducing diversification strategies (Amihud and Lev, 1981; Andrade, Mitchell, and Stafford, 2001). Roll (1986) argued that optimism and overconfidence lead to more and overpaid acquisitions (the hubris hypothesis). Furthermore, financial slack may induce managers to pursue M&A activities (Jensen, 1986).

Overconfident CEOs are more likely to acquire companies, which indicates that M&As in general are rather risky activities (Doukas and Petmezas, 2007; Malmendier and Tate, 2008; Billett and Qian, 2008). Several researchers document evidence on the impact of culture on takeovers (see e.g., Ahern, Daminelli and Fracassi, 2015; Frijns, Gilbert, Lehnert, and Tourani-Rad, 2013; Stahl and Voigt, 2008). Because a high level of uncertainty accompanies takeovers, risk-seeking corporate actors will carry out more takeovers. This leads us to the following hypothesis:

*Hypothesis 3: Anglo-Saxons induce more acquisitions*

### **3. Data Description and Definition of Variables**

#### 3.1 Data

We gather information on firms from the Swiss Performance Index (SPI) from 2005 to 2015. We exclude financials and regulated industries such as banks, insurance companies, holding companies, and utilities. Our sample consists of 1'556 firm-year observations. Corporate governance data has been hand-collected from annual reports. Financial data has been obtained from Thomson Reuters Datastream.

#### 3.2 Definition of Variables

We focus on three kinds of corporate policies: leverage, dividends, and takeovers. *Leverage* is the ratio of total liabilities to total assets. *Dividends* is the percentage of earnings that is distributed to shareholders in form of dividends. *Takeovers* is the natural logarithm of the number of completed takeovers by a firm during a year plus one.

We account for Anglo-Saxons in corporate governance on three decision-making levels: Boards of directors, CEOs, and shareholders. *Anglo-Saxon Directors* is the percentage of directors who are from the United States, the United Kingdom, Ireland, Canada (English-speaking provinces), South Africa or Australia. *Anglo-Saxon CEO* is one if the CEO is from the mentioned countries (and zero otherwise). *Anglo-Saxon Shareholders* is the percentage of voting rights held by significant shareholders from these same countries (i.e., those who have more than 3 % of voting rights and are disclosed in the annual report).

To mitigate omitted variable bias, we include a number of control variables commonly used in the literature (see e.g., Lin, Ma, Malatesta, and Xuan, 2011). *Firm size* is the natural logarithm of total assets. *Tangibility* is the ratio of property, plant and equipment to total assets.

*Profitability* is the ratio of EBITDA to past years' total assets. *Growth opportunities* (or Q) is calculated as total assets plus market value of equity minus total equity divided by total assets, which we use as an approximation of replacement value. We include *Industry effects* to account for business risks or operating risks, which can be assumed to be similar for companies in the same industry. We also include *Time effects* for the variation in corporate policies due to the economic environment (e.g., market sentiment or interest rate level).

Table 1 describes the main variables used in this study. Table 2 presents summary statistics. Almost 8 % of all board seats and 8 % of all CEO positions are held by Anglo-Saxons. On average, over 5 % of the voting rights are held by significant Anglo-Saxon shareholders. The correlation matrix in Table 3 depicts no strong correlation between the variables employed. Multicollinearity does not appear to present a problem, because also variance inflator factors do not exceed 1.5. The correlation between Anglo-Saxon directors, CEOs, and shareholders is between 0.19 and 0.45. An uniform presence of Anglo-Saxons on all three decision-making levels would decrease the informative value of our predictor variables.

[Insert Table 1 here]

[Insert Table 2 here]

[Insert Table 3 here]

#### **4. Empirical Analysis**

Our study aims to investigate the impact of Anglo-Saxons in corporate governance on corporate policies. Table 4 shows that models which include individual fixed effects related to the Chairman (e.g. Rolf Dörig), the CEO (e.g., Franz B. Humer) or the largest shareholder (e.g., Blackrock) following the approach of Cronqvist and Fahlenbrach (2008) explain between 30 % (takeovers) and 80 % (leverage) of corporate policies. As a result, the data suggests that corporate policies are highly affected by the actors defined.

We run all models using regressions with (1) firm fixed effects to account for a firm's unobserved time-invariant characteristics such as corporate culture, (2) industry fixed effects to account for industry-specific circumstances such as competitive environment or common industry-standards, and (3) random effects which assumes that individual specific effects are uncorrelated with the independent variables, and to circumvent problems associated with fixed effects in this context, because corporate governance characteristics are typically stable over time. In addition, we include time effects to account for fluctuations in corporate policies over

time. The regressions therefore address omitted variable bias arising from unobserved heterogeneity that is firm-specific and time-invariant. The additional control variables employed allow us to control for time-varying observable firm characteristics.

[Insert Table 4 here]

#### 4.1 Baseline models

Our first baseline model in Table 5 describes the impact of Anglo-Saxon directors, CEOs, and shareholders on capital structure policy. As the results indicate, Anglo-Saxon directors are highly significantly and positively related to leverage. Thus, these directors increase a firm's risk exposure by increasing debt on a firm's balance sheet. The board of directors that sets a company's strategy thus has a significant impact on the firms' leverage ratio. In consequence, the results also underline that the capital structure decision has a strategic dimension as companies often have target leverage ratios.

[Insert Table 5 here]

In our second model, we analyze the relationship between Anglo-Saxons and dividend policies. Table 6 provides evidence that Anglo-Saxon directors have a significant and negative impact on dividends. These directors decrease a firm's payout ratio and therefore instead increase a firm's risk profile. Interestingly, Anglo-Saxon shareholders are associated with higher payout ratios, thus suggesting that they prefer secure dividend payments today rather than uncertain capital gains in the future.

[Insert Table 6 here]

Finally, the third model in Table 7 illustrates the relationship between Anglo-Saxons and takeovers. Depending on deal size, takeovers are decided either by the board of directors, the CEO (management) or the shareholders. The hubris hypothesis suggests that managers conduct takeovers owing to overconfidence or individual motives (e.g., empire building) (Roll, 1986). As shown by our results, Anglo-Saxon CEOs are positively related to takeover activity, thus suggesting that they also increase a firm's risk exposure. In contrast to capital structure and dividend policies, the boards of directors have no impact on takeovers. Also, the relationship between Anglo-Saxon shareholders and takeovers is insignificant. Hence, CEOs push for a higher takeover activity rather than the board of directors or shareholders.

[Insert Table 7 here]

## 4.2 Robustness

In the next step, we add controls that may also have an impact on the relationship between Anglo-Saxons and corporate policies. Several characteristics of the board of directors have been shown to be related to corporate policies, notably gender and age. One of the most frequently discussed findings is that women are more risk-averse than men (see e.g., Dwyer, Gilkeson, and List, 2002, Croson and Gneezy, 2009; Eckel and Grossman, 2008; Huang and Kisgen, 2013). We include the percentage of women on the board (*Board gender diversity*) and a dummy variable that takes the value of one if the CEO is a woman (*CEO woman*) (and zero otherwise) to account for differences in gender representation. Age has also been shown to affect decisions. Younger individuals are less risk-averse than older individuals (see e.g., Berger, Kick and Schaeck, 2014; Serfling, 2014). We include *Board age* and *CEO age* to control for potential differences in risk-taking between older and younger individuals. In order to account for the effect of cultures on the board, we define *Board language diversity* as a Herfindahl index which uses the proportions of directors serving on Swiss boards grouped according to their first-language backgrounds<sup>2</sup>. Furthermore, we include *Educational diversity*, a Herfindahl index of fields of studies (Economics/Business, Law, Natural Sciences, and Technical Sciences), to account for the educational mix within the board and *Financial know-how*, which is the percentage of directors on the board with those skills. We believe that the latter group of individuals are more inclined to follow NPV rules in corporate decision-making. Furthermore, Shleifer and Vishny (1986) argue that large undiversified shareholders may impose a cost on a firm because of their risk-avoidance tendency. We therefore include *Family firm*, which is one if a family or private individual has more than 20 % of the voting rights (and zero otherwise). The business decisions of family firms often differ from those of non-family firms, and families are perceived to be more risk-averse, because their wealth is less diversified (see e.g., Zahra, 2005). We also include *Stock price volatility*, which is the standard deviation of monthly stock returns over five years, and *Earnings volatility*, which is the standard deviation of the yearly return on assets over 5 years to account for a firm's financial and operational risk.

The results in Table 8 suggest that the relationships remain robust to the inclusion of these additional control variables. The results predict the same decision-making process. The board of directors decides about capital structure and dividend policies, and the CEO about takeovers.

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<sup>2</sup> Arab, Chinese, Danish, Dutch, English, French, Finnish, German, Greek, Hebrew, Italian, Indian, Japanese, Korean, Norwegian, Polish, Portuguese, Russian, Spanish, Swedish, and Turkish.

The impact of the control variables is also in line with theory which suggests that women are more risk-averse than men. Female representation was found to be negatively correlated with both leverage and M&A, and positively correlated with dividends. However, contradicting our expectations, family firms were shown to have higher leverage ratios. The latter result may stem from the fact that families are often reluctant to share their voting rights with other shareholders and may therefore rely on debt financing.

[Insert Table 8 here]

We also examine the impact that different specifications of our dependent variable may have on the outcomes. As an alternative to the debt-to-assets-ratio, we look at leverage regarding long-term debt (i.e., the ratio of long-term debt to assets). We replace the payout ratio with dividend yield to account for a different specification of dividend policy. Finally, we focus on the percentage of cross-border takeovers to total takeovers. Such takeovers potentially involve more uncertainty about success. As Table 9 shows, different specifications do not alter the results either.

[Insert Table 9 here]

While we control for the omitted variable bias by using fixed effects estimations and a battery of controls, in the next step, we aim to tackle the problem of reverse causality. Firstly, we use lagged variables to reduce the extent of the reverse causality problem. Table 10 shows that the results remain roughly the same as in our baseline model if we use lagged independent variables. Furthermore, we examine the impact of yearly changes in the presence of Anglo-Saxons in the corporate governance framework on subsequent changes in corporate policies. As indicated in Table 11, an increase in Anglo-Saxon directors on the board increases leverage and decreases dividends and thereby confirms our previous results. However, the number of takeovers is not increased by Anglo-Saxons. On the contrary, the results show that an increasing proportion of Anglo-Saxon shareholders decreases the number of takeovers.

[Insert Table 10 here]

[Insert Table 11 here]

#### 4.3 Determinants of Anglo-Saxons

The presence of Anglo-Saxons in the corporate governance may be a consequence of the companies' requirements and challenges (see e.g., Boone, Field, Karpoff, and Raheja, 2007; Linck, Netter, and Yang, 2008; Lehn, Patro, and Zhao, 2009). We therefore regress Anglo-

Saxon corporate actors on the control variables of our baseline model. Table 12 indicates that firm characteristics explain 25.8 % of the variation of Anglo-Saxon directors, 8 % of the variation of Anglo-Saxon CEO, and 12.2 % of the variation of Anglo-Saxon shareholders. Firm size, tangibility, and profitability appear to be especially important determinants of Anglo-Saxons in Swiss firms. Larger firms, firms with less tangible assets (i.e., property, plant and equipment), and lower profitability have more Anglo-Saxons. The results underline the importance to account for these firm characteristics in our regression models.

[Insert Table 12 here]

Finally, we examine the impact of Anglo-Saxon directors and shareholders on the likelihood that the CEO is Anglo-Saxon. The results in Table 13 indicate that both the presence of Anglo-Saxon CEOs and the appointment of new Anglo-Saxon CEOs are driven by Anglo-Saxon directors and shareholders. This latter result underlines the weighty influence of Anglo-Saxon actors on the corporate governance of Swiss firms and the relevance to examine the impact of their cultural heritage on corporate outcomes.

[Insert Table 13 here]

## **5. Conclusions**

It is crucial to understanding the motives of corporate actors, who are potentially self-interested and influenced by behavioral traits, in order to evaluate corporate decisions and predict future corporate developments. A corporation's financial standing is the product of innumerable decisions made under uncertainty by its board of directors, CEOs, and shareholders. Behavioral finance theory suggests that agents' behavioral traits may affect corporate decisions. Anglo-Saxons are perceived to be risk-takers in comparison to people from other regions. Our study suggests that Anglo-Saxons at board level, in particular, have (1) an impact on corporate policies, and (2) increase a firm's risk profile through their decisions. The results also suggest that the board of directors plays an especially crucial role in the determination of the capital structure and payout policy. The composition of the board of directors regarding the mix of nationalities and cultures therefore should be aligned with the firm's strategy. We are aware of the risk of using stereotypes, but we believe that we have provided sufficient survey evidence to support this commonly accepted supposition scientifically. Furthermore, this paper in no way seeks to undermine the legitimacy of 'risk-taking' as an important component of corporate decision-making and entrepreneurship.

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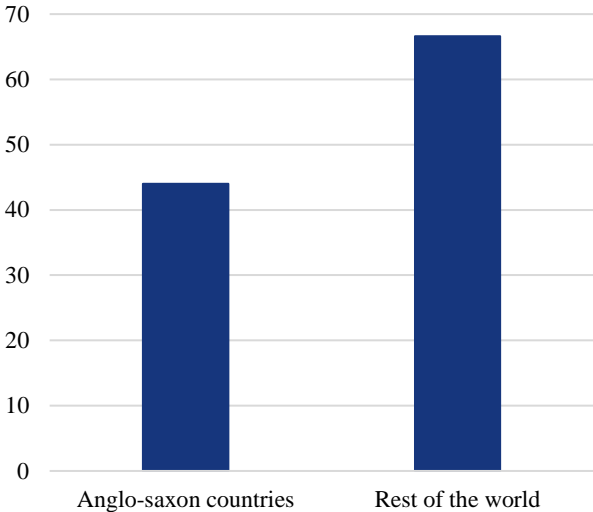
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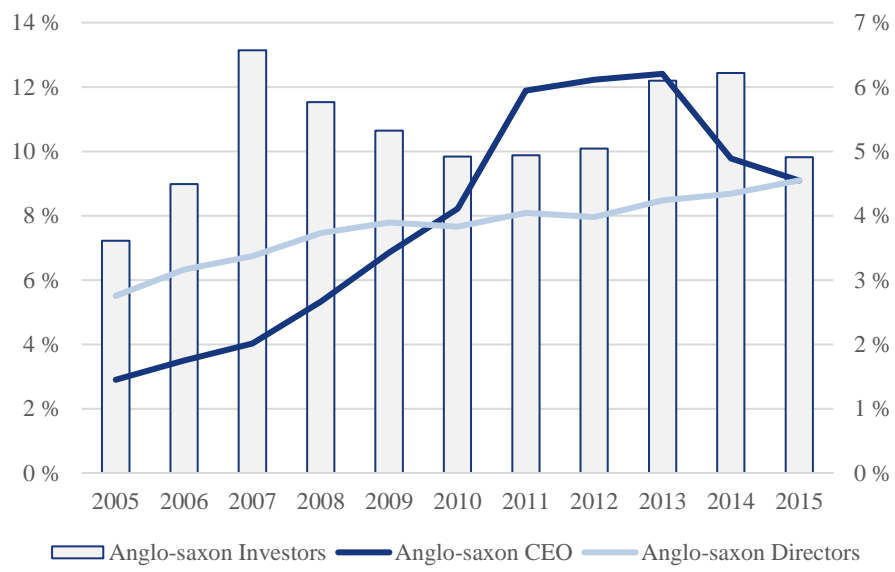
# Figures

Figure 1: Uncertainty avoidance: Anglo-Saxons versus the Rest of the World

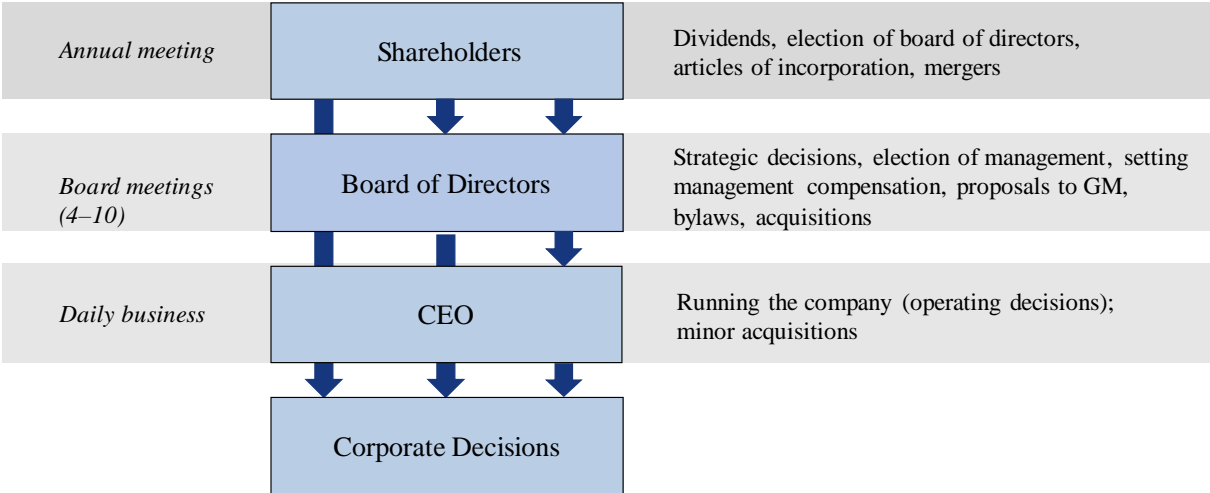




**Figure 2: Development of Anglo-Saxons in Swiss corporate governance**



**Figure 3: The role of corporate governance within the corporate (finance) decision framework**



## Tables

**Table 1: Definition of variables**

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<i>Panel A: Firm policies</i>	
Leverage	Ratio of total liabilities to total assets
Dividends	Ratio of dividends to earnings
Takeovers	Number of completed takeovers during a year
<i>Panel B: Anglo-Saxons in corporate governance</i>	
Anglo-Saxon Directors	Proportion of Anglo-Saxon directors on the board
Anglo-Saxon CEO	1 if CEO is Anglo-Saxon
Anglo-Saxon Shareholders	Proportion of voting rights held by Anglo-Saxon shareholders
<i>Panel C: Firm characteristics</i>	
Firm Size	Total liabilities and total shareholders' equity
Tangibility	Ratio of property, plant and equipment to total assets
Profitability	Ratio of EBITDA to lagged total assets, winsorized at 5% and 95%.
Growth opportunities	Total assets plus market value of equity minus book value of total equity divided by total assets, winsorized at 5% and 95%

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**Table 2: Summary statistics**

	Mean	Median	Min.	Max	S.D.
Firm policies					
Leverage	0.4694	0.4717	0.0000	1.0000	0.1895
Dividends	0.2871	0.2944	0.0000	0.9978	0.2525
Takeovers	0.5	0.0	0.0	19.0	1.17
Anglo-Saxons					
Anglo-Saxon Directors	0.0760	0.0000	0.0000	1.0000	0.1561
Anglo-Saxon CEO	0.0778	—	—	—	0.2679
Anglo-Saxon Shareholders	0.0527	0.0000	0.0000	0.8770	0.1022
Firm characteristics					
Firm size (in Mio. CHF)	4,135	476	0.34	13,1400	14,632
Tangibility	0.2601	0.2118	0.0000	0.9439	0.2012
Profitability	0.1143	0.1195	-0.0833	0.2733	0.0908
Growth opportunities	1.7757	1.4500	0.8229	3.8100	0.8696

**Table 3: Correlation matrix**

	1	2	3	4	5	6	7	8	9	10
1 Anglo-Saxon Directors		0.39	0.45	0.06	-0.10	0.10	0.20	-0.24	-0.08	0.23
2 Anglo-Saxon CEO	0.39		0.18	0.00	0.04	0.18	0.11	-0.15	-0.05	0.13
3 Anglo-Saxon Shareholders	0.45	0.18		-0.01	-0.06	0.02	0.06	-0.16	-0.04	0.13
4 Leverage	0.06	0.00	-0.01		-0.10	0.15	0.12	-0.06	-0.09	-0.08
5 Dividends	-0.10	0.04	-0.06	-0.10		0.16	0.33	0.05	0.40	0.17
6 Takeovers	0.10	0.18	0.02	0.15	0.16		0.37	-0.11	0.19	0.10
7 Firm size	0.20	0.11	0.06	0.12	0.33	0.37		0.01	0.34	0.02
8 Tangibility	-0.24	-0.15	-0.16	-0.06	0.05	-0.11	0.01		0.03	-0.34
9 Profitability	-0.08	-0.05	-0.04	-0.09	0.40	0.19	0.34	0.03		0.33
10 Growth opportunities	0.23	0.13	0.13	-0.08	0.17	0.10	0.02	-0.34	0.33	

**Table 4: Coefficients of determination for corporate policies**

The table presents coefficients of determination (adjusted  $R^2$ ) for corporate policies. The sample consists of 1,556 SPI firm-year observations.

	Leverage (I)	Dividends (II)	Takeovers (III)
Chairman fixed effects	71%	53%	35%
CEO fixed effects	80%	58%	38%
Shareholder fixed effects	61%	45%	30%

**Table 5: Regression results for leverage**

The table presents regression coefficient estimates for leverage. The sample consists of 1,556 SPI firm-year observations. Cluster-robust Huber/White standard errors are reported in parentheses, and significance at the 1, 5, and 10 percent levels is indicated by \*\*\*, \*\*, and \* respectively.

	Leverage					
	(I)		(II)		(III)	
(Intercept)			0.59269	(***)	0.96748	(***)
			(0.136)		(0.176)	
Anglo-Saxon Directors	0.24329	(***)	0.16230	(**)	0.24069	(***)
	(0.073)		(0.080)		(0.063)	
Anglo-Saxon CEO	-0.00868		-0.03517		-0.00500	
	(0.032)		(0.033)		(0.026)	
Anglo-Saxon Shareholders	-0.02088		-0.04371		-0.00792	
	(0.049)		(0.121)		(0.047)	
Firm size	-0.05838	(***)	0.01312	(*)	-0.02033	(*)
	(0.022)		(0.008)		(0.012)	
Tangibility	0.09588		-0.07277		0.05066	
	(0.101)		(0.084)		(0.084)	
Profitability	-0.27650	(***)	-0.37976	(***)	-0.27654	(***)
	(0.071)		(0.117)		(0.072)	
Growth opportunities	0.00896		0.00744		0.01833	
	(0.014)		(0.014)		(0.013)	
Effects	Firm/Year Fixed Effects		Industry/Year Fixed Effects		Random Effects	
Adjusted $R^2$	—		14.0%		—	

**Table 6: Regression results for dividend payout ratio**

The table presents regression coefficient estimates for dividend payout ratio. The sample consists of 1,556 SPI firm-year observations. Cluster-robust Huber/White standard errors are reported in parentheses, and significance at the 1, 5, and 10 percent levels is indicated by \*\*\*, \*\*, and \* respectively.

			Dividends			
	(I)		(II)		(III)	
(Intercept)			-0.37205	(***)	-0.45562	(***)
			(0.105)		(0.099)	
Anglo-Saxon Directors	-0.16095	(**)	-0.28415	(***)	-0.22374	(***)
	(0.068)		(0.069)		(0.056)	
Anglo-Saxon CEO	0.01116		0.05229		0.02233	
	(0.046)		(0.034)		(0.038)	
Anglo-Saxon Shareholders	0.14739	(**)	0.01560		0.09875	(*)
	(0.069)		(0.111)		(0.059)	
Firm size	0.03821	(***)	0.03243	(***)	0.03883	(***)
	(0.013)		(0.006)		(0.005)	
Tangibility	0.07777		0.01981		0.05646	
	(0.101)		(0.062)		(0.062)	
Profitability	0.22275	(**)	0.80074	(***)	0.37530	(***)
	(0.107)		(0.124)		(0.092)	
Growth opportunities	-0.00057		0.02426	(*)	0.01061	
	(0.014)		(0.014)		(0.012)	
Effects	Firm/Year Fixed Effects		Industry/Year Fixed Effects		Random Effects	
Adjusted $R^2$	—		29.5%		—	



**Table 7: Regression results for takeover activity**

The table presents regression coefficient estimates for takeover activity. The sample consists of 1,556 SPI firm-year observations. Cluster-robust Huber/White standard errors are reported in parentheses, and significance at the 1, 5, and 10 percent levels is indicated by \*\*\*, \*\*, and \* respectively.

	Takeovers		
	(I)	(II)	(III)
(Intercept)		-0.77112 (***)	-0.90044 (***)
		(0.271)	(0.236)
Anglo-Saxon Directors	0.13431 (0.134)	-0.08975 (0.167)	0.03879 (0.123)
Anglo-Saxon CEO	0.07803 (0.053)	0.25806 (*) (0.141)	0.13655 (**) (0.065)
Anglo-Saxon Shareholders	-0.09358 (0.149)	-0.04096 (0.137)	-0.06279 (0.120)
Firm size	0.10330 (***) (0.022)	0.08226 (***) (0.012)	0.08112 (***) (0.012)
Tangibility	0.12928 (0.139)	-0.24708 (**) (0.101)	-0.14656 (0.094)
Profitability	0.71232 (***) (0.191)	0.29641 (*) (0.161)	0.50186 (***) (0.158)
Growth opportunities	0.00648 (0.021)	0.03087 (0.035)	0.02145 (0.022)
Effects	Firm/Year Fixed Effects	Industry/Year Fixed Effects	Random Effects
Adjusted $R^2$	—	18.0%	—

**Table 8: Robustness tests: Controls**

The table presents robustness tests for firm policies. The sample consists of 1,527 SPI firm-year observations. Cluster-robust Huber/White standard errors are reported in parentheses, and significance at the 1, 5, and 10 percent levels is indicated by \*\*\*, \*\*, and \* respectively.

	(I)	Leverage (II)	(III)	(IV)	Dividends (V)	(VI)	(VII)	Takeovers (VIII)	(IX)
(Intercept)		0.54241 (0.642)	1.03210 (0.432) (**)		-0.73234 (0.587)	-0.99652 (0.590) (*)		1.18148 (0.858)	0.25618 (0.851)
Anglo-Saxon Directors	0.24385 (0.080) (***)	0.06019 (0.085)	0.23043 (0.067) (***)	-0.09665 (0.074)	-0.12977 (0.075) (*)	-0.12870 (0.065) (**)	0.17076 (0.147)	-0.16706 (0.200)	0.03884 (0.139)
Anglo-Saxon CEO	-0.00950 (0.031)	-0.03896 (0.030)	-0.00533 (0.024)	0.00806 (0.048)	0.05815 (0.035) (*)	0.02013 (0.040)	0.07649 (0.059)	0.27024 (0.135) (**)	0.14982 (0.069) (**)
Anglo-Saxon Shareholders	0.00006 (0.049)	-0.06144 (0.128)	0.01421 (0.046)	0.12098 (0.062) (*)	0.12462 (0.097)	0.11524 (0.057) (**)	0.00327 (0.146)	-0.02191 (0.137)	-0.01229 (0.121)
Board age	-0.07714 (0.101)	0.00559 (0.141)	-0.03254 (0.097)	0.23301 (0.183)	0.14171 (0.137)	0.20455 (0.147)	-0.04336 (0.227)	-0.31770 (0.192) (*)	-0.19463 (0.174)
Board gender diversity	-0.18531 (0.069) (***)	-0.20835 (0.107) (*)	-0.17413 (0.067) (***)	0.27566 (0.109) (**)	0.27161 (0.102) (***)	0.26648 (0.093) (***)	0.07405 (0.222)	-0.14180 (0.214)	-0.01531 (0.180)
Board language diversity	0.02738 (0.044)	-0.10189 (0.054) (*)	-0.00122 (0.041)	-0.03881 (0.062)	0.06779 (0.044)	0.02209 (0.045)	0.09972 (0.087)	-0.11808 (0.078)	-0.03626 (0.061)
Educational diversity	0.00429 (0.038)	-0.02566 (0.062)	0.00258 (0.037)	-0.08267 (0.067)	-0.07340 (0.064)	-0.08458 (0.057)	0.11886 (0.090)	0.01071 (0.071)	0.06599 (0.070)
Financial know how	0.00945 (0.042)	0.14477 (0.056) (**)	0.03398 (0.041)	-0.07376 (0.059)	-0.07219 (0.054)	-0.07687 (0.046) (*)	-0.11975 (0.102)	0.05454 (0.063)	-0.02200 (0.071)
CEO age	0.02997 (0.052)	0.02029 (0.067)	0.02251 (0.050)	0.05641 (0.067)	0.06107 (0.068)	0.04913 (0.060)	-0.01806 (0.092)	-0.13466 (0.108)	-0.03535 (0.090)
CEO gender	-0.15485 (0.084) (*)	-0.04208 (0.033)	-0.13691 (0.069) (**)	-0.24561 (0.120) (**)	0.03382 (0.067)	-0.09875 (0.111)	-0.04388 (0.092)	-0.36265 (0.057) (***)	-0.22917 (0.071) (***)
Family firm	0.04678 (0.026) (*)	0.01620 (0.023)	0.04708 (0.022) (**)	-0.03018 (0.033)	0.03127 (0.023)	-0.00001 (0.024)	0.01807 (0.069)	0.00602 (0.031)	0.00417 (0.037)
Firm size	-0.05575 (0.022) (**)	0.01212 (0.009)	-0.01838 (0.012)	0.02789 (0.014) (**)	0.01504 (0.007) (**)	0.02225 (0.006) (***)	0.10061 (0.024) (***)	0.08275 (0.012) (***)	0.07721 (0.011) (***)
Tangibility	0.07113 (0.097)	-0.05314 (0.083)	0.02657 (0.082)	0.06572 (0.102)	-0.06059 (0.062)	-0.01124 (0.061)	0.03976 (0.148)	-0.23811 (0.105) (**)	-0.18727 (0.097) (*)
Profitability	-0.26371 (0.070) (***)	-0.38227 (0.110) (***)	-0.27243 (0.071) (***)	0.25521 (0.112) (**)	0.68579 (0.120) (***)	0.38539 (0.095) (***)	0.81129 (0.200) (***)	0.39810 (0.167) (**)	0.55743 (0.164) (***)
Growth opportunities	0.00974 (0.012)	0.00620 (0.013)	0.01938 (0.012) (*)	0.00561 (0.014)	0.02572 (0.014) (*)	0.01242 (0.012)	0.00299 (0.022)	0.02879 (0.032)	0.02101 (0.023)
Stock volatility	-0.04051 (0.027) (**)	0.01950 (0.037)	-0.03359 (0.025)	-0.08741 (0.025) (***)	-0.15003 (0.025) (***)	-0.11122 (0.021) (***)	-0.10291 (0.053) (*)	-0.00251 (0.043)	-0.04100 (0.043)
Earnings volatility	0.05054 (0.061)	-0.01116 (0.063)	0.04139 (0.064)	-0.01374 (0.022)	-0.00196 (0.048)	-0.01083 (0.024)	-0.06026 (0.043)	-0.00855 (0.044)	-0.02330 (0.037)
Effects	Firm/Year Fixed Effects	Industry/ Year Fixed Effects	Random Effects	Firm/Year Fixed Effects	Industry/Y ear Fixed Effects	Random Effects	Firm/Year Fixed Effects	Industry/Yea r Fixed Effects	Random Effects
Adjusted $R^2$	—	18.2%	—	—	34.8%	—	—	19.7%	—

**Table 9: Robustness tests: Specification**

The table presents robustness tests for firm policies. The sample consists of 1,556 SPI firm-year observations. Cluster-robust Huber/White standard errors are reported in parentheses, and significance at the 1, 5, and 10 percent levels is indicated by \*\*\*, \*\*, and \* respectively.

	Long term debt / assets				Dividend yield				Cross-border acquisitions (%)			
	(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)			
(Intercept)		0.11143 (0.104)	0.06452 (0.112)		-0.00523 (0.010)	-0.01616 (0.009)	(*)		-0.92403 (0.152)	(***)	-0.91516 (0.147)	(***)
Anglo-Saxon Directors	0.12693 (0.047)	(***) 0.12585 (0.052)	(**) 0.11755 (0.041)	(***) -0.00279 (0.003)	-0.01599 (0.004)	(***) -0.01102 (0.003)	(***)	0.29815 (0.135)	(**) 0.11448 (0.117)		0.15971 (0.111)	
Anglo-Saxon CEO	-0.01702 (0.018)	0.00259 (0.030)	-0.01129 (0.018)	-0.00147 (0.002)	-0.00051 (0.002)	-0.00154 (0.002)		0.07880 (0.068)	0.11505 (0.062)	(*)	0.09360 (0.054)	(*)
Anglo-Saxon Shareholders	0.06858 (0.056)	0.04502 (0.069)	0.04770 (0.051)	0.00603 (0.006)	-0.00030 (0.006)	0.00250 (0.004)		-0.11588 (0.165)	-0.01607 (0.164)		-0.04179 (0.149)	
Firm size	0.01861 (0.016)	0.00644 (0.005)	0.00969 (0.007)	0.00070 (0.001)	0.00127 (0.000)	(***) 0.00168 (0.000)	(***)	0.09279 (0.023)	(***) 0.07009 (0.008)	(***)	0.06836 (0.008)	(***)
Tangibility	0.10095 (0.096)	0.20358 (0.063)	(***) 0.14461 (0.070)	(**) 0.00233 (0.007)	-0.00402 (0.004)	0.00189 (0.004)		0.02133 (0.130)	-0.17895 (0.074)	(**)	-0.14464 (0.075)	(*)
Profitability	-0.20667 (0.077)	(***) -0.23147 (0.106)	(**) -0.20196 (0.079)	-0.01092 (0.008)	0.03838 (0.009)	(***) 0.00733 (0.007)	(***)	0.61748 (0.189)	(***) 0.22501 (0.141)	(***)	0.33222 (0.144)	(**)
Growth opportunities	0.00475 (0.016)	0.00176 (0.014)	0.00108 (0.015)	-0.00049 (0.001)	-0.00078 (0.001)	-0.00019 (0.001)		-0.00050 (0.025)	0.01179 (0.019)		0.00828 (0.019)	
Effects	Firm/Year Fixed Effects	Industry/ Year Fixed Effects	Random Effects	Firm/Year Fixed Effects	Industry/Y ear Fixed Effects	Random Effects	Firm/Year Fixed Effects	Industry/Y ear Fixed Effects	Random Effects			
Adjusted $R^2$	—	16.2%	—	—	19.0%	—	—	15.6%	—			

**Table 10: Robustness tests: lagged variables**

The table presents robustness tests for firm policies. The sample consists of 1,395 SPI firm-year observations. Cluster-robust Huber/White standard errors are reported in parentheses, and significance at the 1, 5, and 10 percent levels is indicated by \*\*\*, \*\*, and \* respectively.

	Leverage			Dividends			Takeovers		
	(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)
(Intercept)		0.57398 (***) (0.140)	0.88744 (***) (0.157)		-0.30044 (***) (0.110)	-0.36741 (***) (0.106)		-0.66734 (**) (0.283)	-0.61311 (**) (0.257)
Anglo-Saxon Directors <i>t-1</i>	0.21516 (***) (0.073)	0.13927 (*) (0.082)	0.20951 (***) (0.065)	-0.22230 (***) (0.049)	-0.29980 (***) (0.071)	-0.26569 (***) (0.045)	0.11384 (0.177)	-0.12822 (0.197)	0.02170 (0.138)
Anglo-Saxon CEO <i>t-1</i>	0.01119 (0.033)	-0.03023 (0.031)	0.00989 (0.027)	0.01435 (0.042)	0.05447 (*) (0.031)	0.02460 (0.033)	0.04245 (0.084)	0.30969 (*) (0.172)	0.14588 (0.096)
Anglo-Saxon Shareholders <i>t-1</i>	0.01068 (0.089)	0.01410 (0.132)	0.03571 (0.080)	0.19955 (***) (0.075)	0.05834 (0.117)	0.15730 (**) (0.066)	-0.35482 (0.278)	-0.04115 (0.165)	-0.17639 (0.192)
Firm size <i>t-1</i>	-0.05247 (***) (0.017)	0.01525 (**) (0.008)	-0.01569 (*) (0.009)	0.04013 (**) (0.017)	0.03124 (***) (0.007)	0.03858 (***) (0.006)	-0.02664 (0.030)	0.07870 (***) (0.012)	0.06851 (***) (0.013)
Tangibility <i>t-1</i>	0.15119 (*) (0.087)	-0.06701 (0.084)	0.08715 (0.071)	0.11914 (0.113)	0.00618 (0.066)	0.04902 (0.065)	-0.10887 (0.196)	-0.26370 (**) (0.103)	-0.21088 (**) (0.103)
Profitability <i>t-1</i>	-0.28093 (***) (0.071)	-0.46628 (***) (0.132)	-0.29931 (***) (0.069)	0.28865 (**) (0.114)	0.87175 (***) (0.133)	0.44140 (***) (0.100)	0.26556 (*) (0.160)	0.16956 (0.160)	0.20865 (0.139)
Growth opportunities <i>t-1</i>	0.01565 (0.012)	0.01325 (0.014)	0.02595 (**) (0.012)	-0.00725 (0.014)	0.02184 (0.015)	0.00661 (0.011)	0.04537 (**) (0.022)	0.05795 (0.038)	0.06861 (***) (0.026)
Effects	Firm/Year Fixed Effects	Industry/Y ear Fixed Effects	Random Effects	Firm/Year Fixed Effects	Industry/Y ear Fixed Effects	Random Effects	Firm/Year Fixed Effects	Industry/Y ear Fixed Effects	Random Effects
Adjusted <i>R</i> <sup>2</sup>	—	14.0%	—	—	29.6%	—	—	18.5%	—

**Table 11: Robustness tests: Changes in firm policies**

The table presents robustness tests for firm policies. The sample consists of 1,080 SPI firm-year observations. Cluster-robust Huber/White standard errors are reported in parentheses, and significance at the 1, 5, and 10 percent levels is indicated by \*\*\*, \*\*, and \* respectively.

	$\Delta$ Leverage ( $t-1, t+2$ )		$\Delta$ Dividends ( $t-1, t+2$ )		$\Delta$ Takeovers ( $t-1, t+2$ )
(Intercept)	0.03143 (0.024)		0.03454 (0.035)		-0.06065 (0.085)
$\Delta$ Anglo-Saxon Directors ( $t-1, t0$ )	0.41275 (**) (0.161)		-0.13906 (*) (0.071)		0.16865 (0.148)
$\Delta$ Anglo-Saxon CEO ( $t-1, t0$ )	0.01116 (0.043)		0.05580 (0.054)		0.10179 (0.095)
$\Delta$ Anglo-Saxon Shareholders ( $t-1, t0$ )	-0.01550 (0.135)		-0.01688 (0.088)		-0.56150 (**) (0.285)
$\Delta$ Firm size ( $t-1, t0$ )	-0.02045 (0.042)		0.02497 (0.019)		-0.09498 (**) (0.038)
$\Delta$ Tangibility ( $t-1, t0$ )	0.17843 (0.140)		0.07459 (0.101)		-0.28498 (*) (0.168)
$\Delta$ Profitability ( $t-1, t0$ )	-0.24184 (***) (0.060)		0.11952 (0.105)		0.33884 (**) (0.144)
$\Delta$ Growth opportunities ( $t-1, t0$ )	0.01293 (0.011)		0.00109 (0.013)		0.03493 (0.028)
Effects	Industry/Year Fixed Effects		Industry/Year Fixed Effects		Industry/Year Fixed Effects
Adjusted $R^2$	7.0%		4.9%		1.8%

**Table 12: Regression results for Anglo-Saxons**

The table presents regression coefficient estimates for Anglo-Saxons. The sample consists of 1,556 SPI firm-year observations. Cluster-robust Huber/White standard errors are reported in parentheses, and significance at the 1, 5, and 10 percent levels is indicated by \*\*\*, \*\*, and \* respectively.

	Anglo-Saxon Directors (I)		Anglo-Saxon CEO (II)		Anglo-Saxon Shareholders (III)	
(Intercept)	-0.15161 (0.130)		-0.22541 (0.201)		-0.00241 (0.076)	
Firm size	0.02280 (***) (0.006)		0.02388 (**) (0.010)		0.00441 (0.004)	
Tangibility	-0.16343 (***) (0.046)		-0.15725 (**) (0.066)		-0.08430 (**) (0.037)	
Profitability	-0.31299 (***) (0.101)		-0.34471 (* ) (0.205)		-0.11197 (* ) (0.067)	
Growth opportunities	0.02622 (**) (0.012)		0.03787 (0.026)		0.01153 (0.008)	
Effects	Industry/Year Fixed Effects		Industry/Year Fixed Effects		Industry/Year Fixed Effects	
Adjusted $R^2$	25.8%		8.0%		12.2%	

**Table 13: Logit regression results for Anglo-Saxon CEOs**

The table presents logit regression coefficient estimates for Anglo-Saxon CEOs. The sample consists of 1,395 SPI firm-year observations. Standard errors are reported in parentheses, and significance at the 1, 5, and 10 percent levels is indicated by \*\*\*, \*\*, and \* respectively.

	Anglo-Saxon CEO (1=yes,0=no)				New Anglo-Saxon CEO (1=yes,0=no)			
(Intercept)	-5.70778	(***)	-6.49330	(***)	-7.10944	(***)	-7.43800	(***)
	(0.799)		(1.331)		(1.502)		(2.449)	
Anglo-Saxon Directors <i>t-1</i>	4.32560	(***)	3.94627	(***)	2.35827	(**)	1.64160	
	(0.551)		(0.608)		(0.924)		(1.126)	
Anglo-Saxon Shareholders <i>t-1</i>	-0.00288		1.19869		2.65715	(**)	4.10080	(**)
	(0.859)		(1.067)		(1.187)		(1.677)	
Firm size <i>t-1</i>	0.21416	(***)	0.22542	(***)	0.22788	(**)	0.25870	(**)
	(0.055)		(0.061)		(0.104)		(0.121)	
Tangibility <i>t-1</i>	-2.31371	(***)	-1.94755	(**)	-0.70945		-0.31440	
	(0.806)		(0.929)		(1.189)		(1.417)	
Profitability <i>t-1</i>	-3.37896	(***)	-2.70120	(**)	-5.09572	(**)	-5.34870	(**)
	(1.244)		(1.361)		(2.380)		(2.508)	
Growth opportunities <i>t-1</i>	0.26971	(**)	0.39062	(***)	0.09358		0.35900	
	(0.124)		(0.148)		(0.234)		(0.271)	
Effects	No		Industry/Year Fixed Effects		No		Industry/Year Fixed Effects	