

Foreign Ownership and Board Cultural Diversity

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This draft: April 9, 2024

This paper investigates the relationship between foreign ownership and board cultural diversity. Using detailed hand-collected data on firm ownership and board cultural diversity from Sweden, we find that the presence of foreign ownership is positively associated with board cultural diversity. This relationship is not an artifact of foreign owners joining the board and is not driven by firms with foreign operations. We further find that cultural diversity promoted by foreign owners does not translate into firm value creation and that foreign owners do not support other types of board diversity; these findings together suggest homophily. Additional analyses show that the positive relationship between foreign ownership and board cultural diversity is more pronounced in firms with certain types of ownership structure (family firms, dual-class share firms, and firms with concentrated ownership). We further show that heterogeneity among foreign owners plays a role in board composition.

Keywords: board cultural diversity; foreign owners; multiple large shareholders; dual-class shares; homophily.

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*We would like to thank Morten Bennesen (the editor), Bernt Arne Odegaard (the discussant at the JCF special issue conference), anonymous referees for both the conference and its special issue, Laura Starks, Stuart Gillan, Hans Degryse, Alberta di Giuli, Michelle Lowry, Nils Hermes, Jamil Jaballah, Francesco Stradi, and Jose Maria Martin Flores for their helpful comments. We also thank seminar participants at NYU, KU Leuven, Utrecht University, the Open Universiteit, University of Groningen, Grenoble Ecole de Management, Corvinus University, Massey University, and the University of Auckland. Sekerci thanks the Swedish House of Finance (SHoF) for providing a stimulating research environment during the hand-collection of the Modular Finance AB ownership database. She also thanks Oskar Stigland for research assistance and the Knut Wicksell Center for funding.

1. Introduction

Research suggests that foreign owners promote good corporate governance (e.g., Aggarwal, Erel, Ferreira, and Matos, 2011; Ferreira and Matos, 2008; and Boubakri, Cosset, and Saffar, 2013).¹ Foreign owners may potentially have fewer business ties to local firms. Domestic owners on the other hand may be biased toward managers they know. This makes foreign owners potentially more effective monitors compared to domestic owners (Gillan and Starks, 2003; Ferreira and Matos, 2008). Furthermore, depending on where the foreign owners come from and where the focal firm is located, foreign owners may have more financial resources at their disposal and better managerial know-how compared to domestic owners. This in turn may help foreign owners with their governance role (Frydman, Gray, Hessel, and Rapaczynski, 1999; Berger, Hasan, and Zhou, 2009; and Boubakri et al., 2013). One important way for foreign owners to directly affect firm governance is through the composition of board directors. For example, Aggarwal et al. (2011) shows that foreign (institutional) owners, through their active involvement in monitoring, promote independent boards which is one of the governance provisions aiming at improving board diversity.

In this paper, we focus on the role of foreign ownership on board *cultural* diversity which is a dimension of board composition not as well understood in the board diversity literature. The literature suggests that board diversity adds value to governance by bringing different talents and skills, international experience, and various social and occupational perspectives to corporate boardrooms (e.g., Anderson, Reeb, Upadhyay, and Zhao, 2011).² The public and

¹ Foreign ownership has also been linked to various other corporate outcomes (e.g., Choe, Kho, and Stulz, 1999; Boubakri et al., 2013; Kacperczyk, Sundaresan, and Wang, 2021; and Beuselinck, Blanco, and Lara, 2017).

² For more work supporting board diversity see Schwartz-Ziv, 2017; Giannetti and Wang, 2023; Adams and Ferreira, 2009; Hillman, Cannella, and Harris, 2002; Frijns, Dodd, and Cimerova, 2016; Dionne and Triki, 2005; Anderson et al., 2011; Anderson, Mansi, and Reeb, 2004; Masulis, Wang, and Xie, 2012; Liu, Miletkov, Wei, and Yang, 2015; Shin, Seidle, and Okhmatovskiy, 2016; and Talavera, Yin, and Zhang, 2018. On the other hand, other work argues that diversity has its drawbacks, such as more conflicts between directors, decision-making processes that may be protracted, and more limited organizational commitment and communication (see Anderson et al., 2011; and Carter, Simkins, and Simpson, 2003).

academic debates seem to predominantly focus on gender and ethnic diversity. For example, the SEC recently approved NASDAQ's proposal to boost the number of women and ethnic minorities on U.S. corporate boards (Greene, Intintoli, and Kahle, 2020).³ Furthermore, new European and US laws mandate board gender diversity (see Schwartz-Ziv, 2017). It is relatively straightforward to require, say, 40% women on every board, as Norway's parliament did in 2005, or require a specific number of women and underrepresented communities to have board seats, as the state of California did (the courts struck down these law provisions in 2022).

However, board cultural diversity seems to be at the discretion of companies. Compared to gender diversity, for example, cultural diversity is relatively difficult to observe and measure, which may be why there has been little social pressure to increase board cultural diversity even though it may be an equally worthwhile goal and may contribute to governance at large.⁴ We proxy for cultural diversity using Hofstede's culture measures (Hofstede, 2001).

Our goal is to investigate whether foreign owners are associated with board cultural diversity. Previous literature shows, as discussed above, that foreign owners tend to be active monitors in governance. We further argue that foreign owners are also *able to* realize governance changes. They are more likely to identify top talent from around the world and promote the (constrained) best team on the board of directors. They may know people through their professional international networks, possibly also through college connections, family relationships and local politics. In all cases, foreign owners are more likely to reach out to a larger set of qualified people around the world rather than just local talent. In addition, our detailed ownership data from Sweden allows us to study the direct influence of foreign owners on governance thanks to their link to the nomination committees and thus to board composition.

³ <https://www.usnews.com/news/business/articles/2021-08-06/sec-approves-nasdaqs-plan-to-require-board-diversity> (Accessed on March 21, 2023)

⁴ The concept of culture has been introduced to finance in various influential studies (most prominently Guiso, Sapienza, and Zingales, 2006 and 2009; and Zingales, 2011; see also see also Karolyi, 2016 for an overview of the culture and finance literature).

Our data are also a good testing ground for our research question since foreign owners in Sweden tend to have relatively large stakes in firms and thus typically have representatives on the firm's nomination committee, which essentially appoints the board of directors in Sweden (Dent Jr, 2013; and Eckbo, Paone, and Urheim, 2010). With such representation on the nomination committee, foreign owners can directly have a say on board composition. Furthermore, we study the largest (foreign) owners of firms in an institutional setting with concentrated ownership, where large owners have large enough stakes in the company and thus are influential in firm governance (e.g., Alchian and Demsetz, 1972; Shleifer and Vishny, 1986 and 1997; Claessens, Djankov, Fan, and Lang, 2002; McCahery, Sautner, and Starks, 2016; Gillan and Starks, 2007; Anderson and Reeb, 2003a; and Ravid and Sekerci, 2020). Since foreign owners have both the incentives and the ability to implement their preferences regarding board cultural diversity, we expect the presence of foreign owners to be positively associated with the level of cultural diversity on the board.

Next, we examine other board diversity dimensions that are extensively studied in the literature in many other contexts (e.g., Liu, Wei, and Xie, 2014; Brahma, Nwafor, and Boateng, 2020; Harjoto, Laksmana, and Lee, 2015; and Hafsi and Turgut, 2013). The reason we conduct this analysis is to complement our main research question by testing whether foreign owners value diversity in general. Specifically, we investigate whether foreign ownership can explain other board diversity dimensions, such as board independence, gender diversity, and dispersion in qualifications and tenure.

We further study whether board cultural diversity in the presence of foreign ownership is associated with higher firm value. Following studies showing that board diversity may lead to better firm outcomes, one can argue that foreign owners advocate a higher level of board cultural diversity because they may think it is a value-maximizing strategy (e.g., Carter et al.,

2003). If this logic is correct, one would expect a positive association between board cultural diversity in the presence of foreign owners and firm value.

Our study is based on board diversity and firm ownership data from Sweden. The Swedish Security Register Center offers very comprehensive documentation of shareholders in listed firms which enables us to have a complete picture of a firm's ownership structure. In addition, Swedish ownership data allows us to differentiate owners by their type (Dahlquist and Robertsson, 2001) and provide a more comprehensive analysis of foreign ownership compared to most papers that focus on foreign institutional investors due to a lack of publicly available data on other types of owners. Further, we hand-collect data and construct a sample that comprises 13,655 director-firm-year observations. Directors in our sample hail from 31 different countries.

Our main findings are as follows. We show that the presence of foreign owners is positively associated with board cultural diversity. We rule out two alternative explanations for this relationship. First, we show that the positive relationship between foreign ownership and cultural diversity is not mechanical, that is, foreign owners could join the board and mechanically increase diversity. Because, our results hold when we re-calculate our cultural diversity measure by excluding the directors who are also one of the top five owners. Second, we show that the positive relationship between foreign ownership and board cultural diversity is not driven by firms with significant foreign operations.

Next, we find that cultural diversity accompanied by foreign ownership does not necessarily translate into higher firm value. Furthermore, foreign ownership does not encourage other types of board diversity. These two findings together suggest that foreign owners may have homophilic biases in that they prefer a more culturally diverse board simply because they prefer to interact or associate with people like themselves on the board. Even though direct testing of homophily has been challenging as the literature readily acknowledges, our findings provide

suggestive evidence in that direction (see the growing body of work on homophilic biases: Giannetti and Wang, 2023; Gompers, Mukharlyamov, and Xuan, 2016; Ewens and Townsend, 2020; Hwang and Kim, 2009; Barrios, Bianchi, Isidro, and Nanda, 2021; Biswas, 2016; Goenner, 2021; and Centola, Gonzalez-Avella, Eguiluz, and Miguel, 2007).⁵

Additional analyses show that the role of large foreign ownership is more pronounced under particular firm ownership structures. Specifically, we find that the positive relationship between foreign ownership and cultural diversity is greater for family firms, firms with dual-class shares, and firms with higher ownership concentration. Large owners have even greater power over firm decisions and board composition in these settings. These results support the view that it is large foreign owners who prefer a culturally diverse board.

Our last set of tests considers heterogeneity among foreign owners to see whether language or cultural affinity may be a possible channel for the positive relationship we identify between foreign ownership and board cultural diversity (Grinblatt and Keloharju, 2001; and Huberman, 2001). To do so, we classify foreign owners into Scandinavian or non-Scandinavian owners. We find that Scandinavian foreign owners promote only board cultural diversity, while non-Scandinavian owners promote foreign board membership in general and are not just interested in board cultural diversity. This heterogeneity among foreign owners further supports the presence of homophilic biases.

The main specification in our methodology includes firm and year fixed effects to address endogeneity concerns that could stem from omitted variables. Such variables could potentially be correlated with our independent variables, including ownership, causing endogeneity. We conduct extensive additional robustness tests, including instrumental variable regressions, and our results hold.

⁵ For related work on cultural affinity, see for example Grinblatt and Keloharju (2001); Bedendo, Garcia-Appendini, and Siming (2020); and Bedendo, Garcia-Appendini, and Siming (2023).

Our paper contributes to several strands of literature. First, we contribute to the literature on firm ownership as well as board diversity by showing for the first time (to the best of our knowledge) that firm foreign ownership is positively associated with board cultural diversity. We also contribute to the literature stream on the interplay between firm ownership and the board of directors. We do so by showing that the positive relationship between foreign ownership and board cultural diversity holds in firms with different firm ownership settings (i.e., family firms, dual-class share firms, and firms with concentrated ownership). Also, by documenting foreign ownership as an important factor in explaining board composition, we contribute to the literature that links foreign ownership to corporate governance provisions at large (e.g., Bena, Ferreira, Matos, and Pires, 2017; Aggarwal et al., 2011; and Ferreira and Matos, 2008). Moreover, we contribute to the board diversity literature in general by studying the determinants and consequences of board cultural diversity (e.g., Frijns et al., 2016; Ahern, Daminelli, and Fracassi, 2015; Estélyi and Nisar, 2016; Dodd, Frijns, and Gilbert, 2015; Bryan, Nash, and Patel, 2015; El Ghouli and Zheng, 2016; Aggarwal, Kearney, and Lucey, 2012; Burns, Minnick, and Starks, 2017; and Li, Griffin, Yue, and Zhao, 2013). Finally, by showing that homophily matters for foreign owners' attitudes towards cultural diversity, we also contribute to the literature which considers homophilic biases in corporate settings (e.g., Giannetti and Wang, 2023; Gompers et al., 2016; Ewens and Townsend, 2020; and Hwang and Kim, 2009).

2. Data and Variable Construction

Our data come from several sources. First, as highlighted in the introduction, we use detailed firm ownership data from Sweden. We obtain year-end firm ownership data from Modular Finance AB (Holdings), which provides the Swedish government share registry data.⁶ The Swedish Securities Register Center, Värdepapperscentralen, maintains a register of all

⁶ Prior to being acquired by Modular Finance, this data company had been called SIS Ägarservice AB. Elements of these data have been used in Dahlquist and Robertsson, 2001; Cronqvist and Nilsson, 2003; Giannetti and Simonov, 2006; Giannetti and Laeven, 2008; and Ravid and Sekerci, 2020.

shareholders in firms listed on the Stockholm Stock Exchange. We focus on the top five shareholders as these owners are typically represented in nomination committees in Sweden (Dent Jr, 2013; and Eckbo et al., 2010). Modular Finance AB provides information on owners' holdings (capital and votes), type (i.e., family owner), and nationalities. We collect data on the dual-class structure of the firm from this database. We can calculate firm (foreign) ownership concentration using this database. The database also provides information on the roles of the shareholders on the board (e.g., Chairman, board member).

Second, we hand-collect data on directors' nationalities and board size to compute board cultural diversity at the firm level. We tabulate the composition of the board and the names of the corporate board members available in corporate annual reports and on corporate websites, Euroland, search engines, etc. Often board members' nationalities are listed in corporate reports. Otherwise, we search professional profiles by exploring board members' CVs, LinkedIn accounts, business articles, Endole, Market Screener, Bloomberg, Wikipedia, etc.⁷ We also obtain data on other board diversity characteristics from BoardEx, including board independence, directors' qualifications, tenure, and female ratio. Table 1 shows the nationalities of the board members of 220 Swedish firms from 1998 to 2014.

< Insert Table 1 about here >

We complement information on ownership and board characteristics with firm-level accounting data and characteristics from Thomson Reuters Refinitiv and annual reports. All data are collected as fiscal year-end values.

< Insert Table 2 about here >

⁷ During the data collection process, careful consideration was given to the cultural origin of directors, and particularly the rare cases of dual citizenships. For instance, a Mexican national who immigrates to Sweden as an adult to study and work, and later holds a director position on a corporate board is classified as a Mexican director since his/her specific traits, behavior, and personal characteristics are presumably most influenced by the country of origin in which he/she had grown up. However, a director born and raised in Sweden to Mexican parents, is classified as a Swedish director.

Table 2 provides definitions of all variables used in this study. Below, we detail the construction of our key variables.

2.1 Constructing a Measure of Board Cultural Diversity

2.1.1 Background on Hofstede's Cultural Dimensions

Several measures and scales have been developed to quantify different aspects of culture. The most widely recognized scale is the one by Hofstede (2001), who scores countries on several cultural dimensions. Countries receive a score on each dimension reflecting their society's norms and values. Hofstede's six cultural dimensions include: i) Power distance, which captures a society's acceptance of an unequal power distribution between people; ii) Individualism/collectivism, which captures the importance of an individual within society; iii) Masculinity/femininity, which focuses on the extent to which a society values certain gender-stereotypical traits (e.g., assertiveness and competitiveness are typical male traits whereas caring and nurturing are typical female traits); iv) Uncertainty avoidance, which is the extent to which a society feels threatened by uncertainty and ambiguity, and seeks to avoid such situations (Kirkman, Lowe, and Gibson, 2006); v) Long- versus short-term orientation, which is the extent to which a society leads its members to accept delayed satisfaction (Vasile and Nicolescu, 2016); vi) Indulgence/restraint, which reflects the ease of satisfying basic human and natural aspirations vs. restraints and rigid social norms. In line with previous literature, we focus on Hofstede's first four dimensions (e.g., Kirkman et al., 2006; and Frijns et al., 2016).

2.1.2 Measuring Board Cultural Diversity

We follow Frijns et al. (2016) in constructing our board cultural diversity measure. We first compute the cultural distance between directors following Kogut and Singh (1988) by looking at the scaled squared distance between a pair of directors on each culture dimension based on their nationality:

$$CD_{ij} = \sqrt{\sum_{k=1}^4 \{(I_{ki} - I_{kj})^2 / V_k\}} \quad \forall i \neq j, \quad (1)$$

where CD_{ij} is the cultural distance between each director pair (i, j) , I_{ki} is the national culture score on dimension k for director i , I_{kj} is the national cultural value on dimension k for director j , and V_k is the in-sample variance of the score corresponding to the specific cultural dimension.

Using these cultural distance scores, we calculate board cultural diversity at the firm level as the average of the cultural distances between each director pair within the board (Hutzschenreuter and Voll, 2008):

$$CD Board_{nt} = \frac{\sum_{i,j} CD_{ij,nt}}{m(m-1)/2} \quad \forall i \neq j, \quad (2)$$

where $CD Board_{nt}$, our main variable, captures the board cultural diversity of firm n in year t , and m represents the number of board members.

2.2 Foreign Ownership Variables

We measure foreign ownership at the firm level in two ways. First, we focus on the presence and power of the largest foreign owner. Second, we look at foreign ownership concentration measured in other ways.

We use the following proxies to capture the role of the largest foreign owner in corporate governance: i) *FO ISH*, is a dummy variable that equals one when the largest shareholder is foreign and zero otherwise; ii) *FO ISH vote* is the percentage of votes held by the largest shareholder who is foreign; and iii) *FO ISH capital* is the percentage of capital held by the largest foreign shareholder.

To capture foreign ownership concentration in the firm's ownership structure, we use the following measures: i) *FO concentration h3*, calculated as the Herfindahl index of the holdings of the top three foreign shareholders measured as the sum of the squares of the top three foreign shareholders' voting rights; ii) *FO concentration h5*, calculated as the Herfindahl index of the

holdings of the top five foreign shareholders measured as the sum of the squares of the top five foreign shareholders' voting rights; and iii) *CD Owners*, which is the weighted cultural distance of owners, calculated as the weighted (based on the percentage of the owner's votes) average of cultural distances in all pairs of the top five shareholders.

3. Descriptive Statistics

Table 3 presents univariate statistics for our sample of 220 Swedish firms listed on the NASDAQ-OMX. Panel A of Table 3 provides descriptive statistics for our variables. Panel B of Table 3 presents correlations between our main variables.

< Insert Table 3 about here >

The minimum and maximum values of the *CD Board* measure (0 - 2.69) and its mean value (0.70) are comparable to Frijns et al. (2016) for the UK market: (0 - 3.36) and 0.52, respectively. Some firms have very culturally diverse boards, while others do not. The average size of the board in our sample (7.49) is smaller by nearly 1.5 members compared with Frijns et al. (2016).

Panel A of Table 3 also shows that the largest owner in 9.5% of the companies in our sample is foreign, which is comparable to the statistics from the literature (e.g., Dahlquist and Robertsson, 2001; and Miletkov, Poulsen, and Wintoki, 2014). These owners hold, on average, 2.4% of all votes and 2.1% of a firm's equity capital. 39% of our firms have at least one foreign (i.e., non-Swedish) director on the board, which is a higher percentage than the 13% presented in Estélyi and Nisar (2016). About 14% of our firms have boards where *all* foreign directors are non-Scandinavian.

Family firms constitute most of our sample (56.3%) which is consistent with the summary statistics reported in the literature (e.g., Faccio and Lang, 2002; Maury, 2006; and Maury and Pajuste, 2005). Most firms (56.2%) have a dual-class share structure similar to other Continental European countries (Belot, Ginglinger, and Starks, 2023). The largest owner holds, on average,

33.8% of the total votes, which is also in line with ratios from the literature (e.g., Maury and Pajuste, 2005). In 63.9% of the firms the largest shareholder is an insider.

Panel B of Table 3 shows the correlations between our main variables. Our *CD Board* variable appears to have a positive and significant correlation with *FO ISH* (0.23) and with the foreign ownership concentration measures, *FO concentration h3* and *FO concentration h5* (the correlation is 0.13 with both concentration measures). We further notice a positive correlation (0.27) between *CD Board* and the number of board members.

Overall, the correlations provide a first indication of a positive relationship between foreign ownership and board cultural diversity. The following sections confirm this positive relationship using multivariate regression analyses.

4. Empirical Findings

4.1 Foreign Ownership and Board Cultural Diversity

We first examine the relationship between the largest foreign owner and board cultural diversity using the following model:

$$CD\ Board_{it} = \alpha_0 + \alpha_1(FO\ 1SH_{it}) + \alpha_2(Controls_{it}) + u_{it} \quad (1a)$$

CD Board is the cultural diversity of the board of directors. Our variable of interest is *FO ISH*, a dummy variable that equals one if the largest owner is foreign and zero otherwise. In the governance literature, an owner's power and leverage in governance is typically captured by their voting and cash flow rights, as well as the possibility that they hold differential voting rights, if any (e.g., Burkart and Lee, 2008; Adams and Ferreira, 2009; Gompers, Ishii, and Metrick, 2010; and Edmans, 2014). Thus, we also control for the largest owner's power by including the following variables one at a time: *Vote ISH*, *Capital ISH*, *Excess vote ISH*, and *Dual-class* so that we can compare foreign and domestic owners of equal power. *Vote ISH* is the percentage of votes held by the largest shareholder. *Capital ISH* is the percentage of cash

flow rights held by the largest shareholder. *Excess vote ISH* is the difference between the largest owner's voting and cash flow rights. *Dual-class* is a dummy variable that equals one if the firm employs a dual-class share structure in which the owners can have differential voting rights and zero otherwise.

In addition to ownership-related control variables, our model includes several firm-specific characteristics to control for the firm's fundamentals: the number of directors on the board (*No of directors*), market-to-book ratio (*M-B*), leverage (*Leverage*), firm sales over total assets (*Sales/total assets*), and capital expenditures over total assets (*Capex/total assets*). First, we include the number of directors on the board on the right-hand-side to control for board size that would likely increase the likelihood of being a diverse board (Anderson et al., 2011; and Estélyi and Nisar, 2016). Carter et al. (2003) for instance show that the proportion of minorities and women on boards is positively associated with board size (i.e., the number of directors on boards). Second, we include the market-to-book ratio as a proxy for growth opportunities, which is shown to be a key determinant of board composition (Anderson et al., 2011; and Aggarwal et al., 2011). Third, we add leverage which is a fundamental firm characteristic to control for in a governance setting like ours. For example, Aggarwal et al. (2011) and Estélyi and Nisar (2016) show that firms with higher leverage have a better governance structure. Fourth, similar to Estélyi and Nisar (2016), we control for firm sales to proxy for firm size. We note that *No of directors* and total assets are highly correlated (61%). Therefore, we chose to include, on the right-hand side, the number of directors on the board which seemed more appropriate given the nature of our investigation. Our results remain unchanged if we include total assets among the control variables instead. Fifth, we include capital expenditures to control for the level of corporate investment (e.g., Bauer, Braun, and Clark, 2008; and Aggarwal et al., 2011).

We use a two-way fixed effects model. We include firm fixed effects to control for potential omitted variables, particularly unobserved firm heterogeneity that may correlate with our independent variables, including ownership variables, leading to endogeneity. For robustness, we also run our regressions by including industry fixed effects instead of firm fixed effects to address the possibility that our key independent variable, ownership, may not change much over time and thus with firm fixed effects we would then only capture the within-firm variation. We use year fixed effects to control for any potential year-specific factors that could similarly affect all firms. Errors are clustered at the firm level to account for serial correlation over time.

< Insert Table 4 about here >

Panel A of Table 4 presents the main results of our analysis. Columns 1-5, which include different control variables, show a positive and statistically significant association between *FO ISH* and *CD Board*. This relationship is also economically significant. A one standard deviation increase in *FO ISH* (0.293) is associated with an 8.6% increase in *CD Board*. Our finding suggests that the largest foreign owner of the firm promotes board cultural diversity. This finding supports our main research question on the positive association between foreign ownership and board cultural diversity. The only significant control variable in this regression is leverage. Our main findings hold when using industry fixed effects instead of firm fixed effects (see Panel B of Table 4).

For robustness, we examine the relationship between foreign ownership concentration, which is the alternative foreign ownership measure, and board cultural diversity. The literature on block holders suggests that multiple large owners are prevalent in continental Europe, and that they affect firm governance and outcomes (e.g., Faccio and Lang, 2002; Maury and Pajuste, 2005; and Boubaker, Nguyen, and Rouatbi, 2016). We use the Herfindahl index for the top three and five foreign owners to capture foreign ownership concentration. To test the

relationship between foreign ownership concentration and board cultural diversity, we use the following model:

$$CD\ Board_{it} = \beta_0 + \beta_1(FO\ concentration_{it}) + \beta_2(Controls_{it}) + u_{it} \quad (1b)$$

CD Board is the cultural diversity of the board. Our variable of interest is foreign ownership concentration *FO concentration*, captured by two proxies: *FO concentration h3* and *FO concentration h5*, where the Herfindahl index of ownership concentration is calculated based on the top three and top five foreign owners' voting rights, respectively. The controls are the same as those from the previous model. As in Equation (1a), we use both firm and year fixed effects in Equation (1b). Errors are clustered at the firm level.

< Insert Table 5 about here >

Columns 1-2 of Table 5 show that foreign ownership is positively associated with board cultural diversity. This relationship is also economically significant. For example, a one standard deviation increase in *FO concentration h3* (0.033) is associated with about a 14% increase in *CD Board*. This result, combined with the findings from Table 4, suggests that (concentrated) foreign ownership promotes board cultural diversity, further supporting our main research question.

4.2 Alternative Explanations

In this section, we consider two alternative explanations for our main finding. First, one can argue that the relationship we identify between foreign ownership and board cultural diversity could be mechanical, i.e., that it is driven by large owners who are likely to be board members themselves. To rule out this possibility, we re-calculate our board cultural diversity by excluding directors who are *also* one of the top five owners (*CD Board excluding owners*). In our sample, 64.5% (142) of the total firms fall into this category.

< Insert Table 6 about here >

Table 6 shows that the positive relationship between foreign ownership and board cultural diversity holds when we use our newly constructed dependent variable, *CD Board excluding owners*.

A second alternative explanation can be that the positive relationship between foreign ownership and board cultural diversity we found may be driven by firms with foreign operations, i.e., that appointing foreign directors may be a way to deal with operations abroad. We use two proxies for a firm's foreign operations: *Foreign sales/total assets high* and *Foreign sales/total sales high*. *Foreign sales/total assets high* is a dummy variable capturing the size of foreign operations: it takes the value of one if a firm's foreign sales scaled by total assets is in the top quartile of firms in that category and zero otherwise. *Foreign sales/total sales high* is an alternative dummy variable which takes the value of one if a firm's foreign sales scaled by total sales falls in the top quartile of firms in that category and zero otherwise. As shown in Panel A and B of Table 7, our main finding of a relationship between foreign ownership and board cultural diversity is not driven by firms with foreign operations since the interaction between foreign ownership and firm's foreign operations is consistently insignificant.

< Insert Table 7 about here >

4.3 Do Foreign Owners Value Other Types of Board Diversity?

We now turn to the question of whether foreign owners promote board diversity in a broad sense, or they only promote cultural diversity. To this end, we replace our *CD Board* dependent variable with the following dependent variables: *Board independence*, measured as the ratio of the independent directors to the total number of directors; *Board qualification dispersion*, which is the standard deviation of the number of qualifications (i.e., academic degrees such as bachelor, MBA or Ph.D., or professional certificates such as CFA) held by the board of directors; *Board tenure dispersion*, calculated as the standard deviation of the tenure of the directors on the board; and *Female ratio*, the percentage of the female directors on the board.

Our key variables are *FO ISH*, *FO concentration h3*, and *FO concentration h5*. Our model specifications are:

$$\text{Board diversity}_{it} = \theta_0 + \theta_1(\text{FO ISH}_{it}) + \theta_2(\text{Controls}_{it}) + u_{it} \quad (2a)$$

$$\text{Board diversity}_{it} = \lambda_0 + \lambda_1(\text{FO concentration}_{it}) + \lambda_2(\text{Controls}_{it}) + u_{it} \quad (2b)$$

Similar to Equation (1a), we include in our models (2a and 2b), in addition to firm controls, the variables: *Vote ISH*, *Capital ISH*, *Excess vote ISH*, and *Dual-class*, one at a time to control for the largest owner's power. In both specifications (2a) and (2b) we add firm and year fixed effects. Errors are clustered at the firm level.

< Insert Table 8 about here >

Panel A of Table 8 shows a negative relationship between foreign ownership concentration and board independence (Columns 6-7). We also find a negative relationship between foreign ownership concentration and female board representation (Columns 6-7 in Panel D of Table 8). We note that these negative relationships hold only for our foreign ownership concentration measures (*FO concentration h3* and *FO concentration h5*) and not for the largest foreign owner measure (*FO ISH*).

Moreover, as we show in Panels B and C of Table 8, we find no significant association between foreign ownership and the other two board diversity measures, *Board qualification dispersion* and *Board tenure dispersion*. Our results from Table 8 are consistent with Ruigrok, Peck, Tacheva, Greve, and Hu (2006), who argue that an increase in diversity in one dimension may come at the expense of other aspects of diversity because there exist economic and institutional constraints when opting for greater board diversity and complexity. In sum, it seems that foreign owners prefer only cultural diversity, consistent with homophily rather than with preferences for diversity in general.

4.4 Is Board Cultural Diversity Driven by Foreign Ownership Associated with a Change in Firm Value?

In this section, we analyze the value implications of greater board cultural diversity in the presence of foreign ownership. For this, we use the following specifications:

$$\begin{aligned} \text{Tobin's } Q_{it} = & \gamma_0 + \gamma_1(\text{CD Board}_{i,t-1}) + \gamma_2(\text{CD Board}_{i,t-1} \times \text{FO 1SH}_{i,t-1}) + \gamma_3(\text{FO 1SH}_{i,t-1}) + \\ & \gamma_4(\text{Control Variables}_{i,t-1}) + u_t \end{aligned} \quad (3a)$$

$$\begin{aligned} \text{Tobin's } Q_{it} = & \rho_0 + \rho_1(\text{CD Board}_{i,t-1}) + \rho_2(\text{CD Board}_{i,t-1} \times \text{FO concentration}_{i,t-1}) + \\ & \rho_3(\text{FO concentration}_{i,t-1}) + \rho_4(\text{Control Variables}_{i,t-1}) + u_t \end{aligned} \quad (3b)$$

As in our previous models, we use both firm and year fixed effects in Equations (3a) and (3b) and include the relevant controls following the literature. Our dependent variable is the natural logarithm of Tobin's Q which proxies for firm value. Errors are clustered at the firm level. We interact our key foreign ownership variable (*FO 1SH*) with our cultural diversity variable (*CD Board*) in Columns 2-4 of Table 9. In Column 6, we interact our alternative key foreign ownership variable (*FO concentration h3*) with our cultural diversity variable (*CD Board*). Even though we are interested in the interaction terms, for robustness, we also present the results of the regressions that contain only the constituent terms (Columns 1 and 5). We lag all independent variables in this analysis as the relationship we study in this model would take time to happen.

< Insert Table 9 about here >

Table 9 suggests that firm value is not associated with a higher level of board cultural diversity in the presence of foreign owners to the extent that board diversity is fundamentally related to firm value. We further find (in unreported regressions) that our results hold when we use our second foreign ownership concentration measure (*FO concentration h5*). In addition, the results stay unchanged when we control for *Excess vote 1SH* and *Dual-class* one at a time

in our regressions. Moreover, our results hold when we do not take the natural logarithm of Tobin's Q. Last, we obtain similar results when we use other firm performance measures, such as ROA and ROE, as the outcome variable.⁸

5. Robustness Tests

In this section, we run robustness tests and conclude that our main results hold with various specifications. First, we use three alternative measures for our *CD Board* variable. Second, we use an Instrumental Variable (IV) model. Third, we use alternative measures for our key independent variables. Last, we employ alternative estimation models.

In addition to the tests in this section, Appendix A includes further robustness tests to rule out another alternative explanation for the positive relationship we identify between foreign ownership and board cultural diversity. We show that foreign owners do not seem to select domestic (Swedish) directors with international (educational and professional) experience for the board. This only strengthens our main finding, which is that foreign owners promote cultural diversity on the board rather than international exposure and experience.

5.1 Alternative Measures for Board Cultural Diversity

One may argue that what we have shown so far may represent a preference for more foreign board members if the owners are foreign, rather than a preference for cultural diversity per se. It is difficult to tell these two ideas apart, but we now proceed to use this alternative measure. We show that the positive relationship we identify between foreign ownership and board cultural diversity holds when we use an alternative measure for our *CD Board* variable, which is *% of foreign directors*. It is the proportion of foreign directors on the board, calculated as the

⁸ We also use international joint ventures as the outcome variable instead of firm value and performance measures. In unreported results (available upon request) we show weak evidence that board cultural diversity promoted by foreign ownership is associated with more international joint ventures. Joint venture is defined as a dummy variable taking the value of one if our sample firm has a joint venture arrangement with a least one firm located internationally.

number of foreign directors divided by the total number of directors on the board. The correlation between *% of foreign directors* and *CD Board* is 91% and significant at the 1% level.

<Insert Table 10 about here>

As shown in Panel A of Table 10, the positive relationship we identify between foreign ownership and board cultural diversity holds when we use this alternative dependent variable.

We construct two other alternative dependent variables that capture the cultural distance of the largest (three) shareholder(s) to the board. We calculate the distance by using the same logic as we used in constructing our main *CD Board* variable. We create two new dependent variables: i) *CD Board to 1SH*, the cultural distance between each director on the board and the largest shareholder, ii) *CD Board to 3SH*, cultural distance between each director on the board and each of the three largest shareholders. We report the regression results with these two alternative dependent variables in Panel B and C of Table 10. Our main finding holds. Also, given the nature of the dependent variable in these regressions, we control for the number of directors and the largest shareholder(s) under consideration. The findings further hold when we use our regular “*No of directors*” control on the right-hand-side.

5.2 Instrumental Variable Regressions

We estimate the relationship between foreign ownership and board cultural diversity using an instrumental variable (IV) model to further address endogeneity concerns. We instrument for one of our alternative measures of CD, which is *% of foreign directors* on the board. Our *% of foreign directors* variable is highly correlated (91%) with *CD Board* and it is easier to identify valid instruments for the former variable. The two instruments we find are related to the portfolio composition of the largest shareholder and fulfill the relevance and exogeneity conditions for *% of foreign directors*, but not for *CD Board*. Our first IV is *Stock importance*

ISH which is the weight of a firm's stock in the largest shareholders' portfolio (Ravid and Sekerci, 2020).

Our second IV is *Portfolio diversification ISH high*, which is a dummy variable equal to one if the portfolio of the largest shareholder is well-diversified and zero otherwise. It is constructed using the median value of the following diversification value: one minus the sum of the squared weights that each stock has in the largest shareholder's portfolio (Faccio, Marchica, and Mura, 2011).⁹

< Insert Table 11 about here >

The IV estimation results are reported in Panel A and B of Table 11. Both regressions confirm the positive relationship between foreign ownership and board cultural diversity.

5.3 Alternative Measures for the Key Independent Variables

In this section, we use alternative measures for our key independent variables. We replace *FO ISH* with *FO ISH vote* and *FO ISH capital*, where we consider the largest foreign owner's voting and cash flow holdings, respectively. We also replace *FO concentration* with *CD Owners*, which is the weighted cultural distances for all pairs of the top five shareholders, as the correlations between *CD Owners* and *FO concentration h3* and *FO concentration h5* are 0.683 and 0.687, respectively.

< Insert Table 12 about here >

Columns 1-2 of Table 12 report the regression results with the new measures for the largest foreign owner. Column 3 of Table 12 shows the results for the new measure for foreign ownership concentration, *CD Owners*. Table 12 suggests that the positive relationship between foreign ownership and cultural diversity we identify earlier still holds.

⁹ The results also hold when we use the continuous variable, *Portfolio diversification ISH*, as the IV in Table 11 Panel B.

5.4 Alternative Estimation Techniques

With firm fixed effects models, the coefficients of our key variables are only identified by within-firm variation. Yet, to the extent that our key variables do not change much over time, within-firm variation can be limited. We therefore re-estimate our main specifications using random and between effects models. Columns 1-10 in Table 13 show that our main result holds when we use these alternative econometric models.¹⁰

< Insert Table 13 about here >

6. Additional Analyses on Potential Channels for Board Cultural Diversity

6.1 Does Firm Governance Moderate the Relationship between Foreign Ownership and Board Cultural Diversity?

Corporate governance has been shown to influence firm decisions and outcomes (e.g., Anderson and Reeb, 2003a; Anderson and Reeb, 2003b; Ravid and Sekerci, 2020; Gompers, Ishii, and Metrick, 2003, 2010; Maury and Pajuste, 2005; and Boubaker et al., 2016). In this section, we investigate whether governance affects the association between foreign ownership and board cultural diversity.

< Insert Table 14 about here >

First, we test whether the role of the largest foreign owner matters. Specifically, we examine whether our results differ if the largest foreign owner is an insider (defined as a director or the chairman). To this end, we interact our *FO ISH* key variable with *Board ISH*, *Chairman ISH*,

¹⁰ In unreported tables (available upon request), we find that our results also hold when we estimate our regressions with a Tobit model. We conduct this robustness test as 39% of the sample firms have at least one foreign director and 61% of them have no foreign directors.

and *Insider ISH*. Column 1 of Table 14 shows that the largest foreign owner's preference for cultural diversity is stronger when this foreign owner is a board member.¹¹

However, we also note that the positive and significant coefficients on *FO ISH* in Columns 1-3 of Table 14 suggest that the largest foreign owner promotes cultural diversity on the board *even when* this foreign owner does *not* have any insider role in the firm (i.e., when the dummy variables, *Board ISH*, *Chairman ISH*, and *Insider ISH* are equal to zero, respectively).

Next, we analyze whether the positive relationship between foreign ownership and board cultural diversity holds in family firms, which are different in many ways (e.g., Anderson and Reeb, 2003a; Anderson and Reeb, 2003b; Bennedsen, Nielsen, Pérez-González, and Wolfenzon, 2007; Bennedsen and Nielsen, 2010; Cronqvist and Nilsson, 2003; and Villalonga and Amit, 2006). The literature on family firms suggests that since much of the wealth of family owners is tied to the firm, they should have stronger incentives to monitor and thus improve firm governance. On the other hand, family owners may also expropriate wealth from minority shareholders because of their dominant power over firm decisions. To test these ideas, we interact our *FO ISH* key variable with the dummy variable *Family ISH*. As reported in Column 1 of Table 15, this interaction term is significant and positive. This result is consistent with the premise that family owners monitor, engage, and have a stronger effect on firm outcomes (e.g., Anderson and Reeb, 2003a).

< Insert Table 15 about here >

We further investigate whether a dual-class share structure plays a role in the relationship between the foreign ownership and board cultural diversity. Dual-class shares have been shown to affect firm outcomes (e.g., Ravid and Sekerci, 2020; Sekerci, 2020; and Gompers et al., 2003,

¹¹ Owners in our sample that are not individuals, that is that are institutional investors, corporations, family firms, and the government appoint employees to represent them on the board in the firms in which they have equity stakes.

2010). Some studies suggest that dual-class shares can harm firm value due to management entrenchment potential (e.g., Gompers et al., 2003, 2010; and Cronqvist and Nilsson, 2003). On the other hand, dual-class share structures can increase the commitment of superior voting class shareholders to the firm, improve their monitoring incentives, and ultimately enhance firm value (Ravid and Sekerci, 2020). Accordingly, we interact our *FO ISH* key variable with the *Dual-class* dummy variable. Column 2 of Table 15 reports a positive coefficient on this interaction term. This result supports the premise that dual-class shares empower the largest foreign owner further in enhancing the cultural diversity of the board.

Lastly, we analyze the moderating role of firm ownership concentration in the relationship between foreign ownership and board cultural diversity. Previous research shows that ownership concentration is an important governance mechanism and thus affects firm outcomes (e.g., Maury and Pajuste, 2005; and Boubaker et al., 2016). Therefore, we interact *FO ISH* with the following ownership concentration measures: *O concentration h3* and *O concentration h5*, which are Herfindahl indices measuring ownership concentration for the top three and five owners. Columns 3-4 of Table 15 show that the influence of the largest foreign owner on board cultural diversity is more pronounced for firms with higher ownership concentration. This finding is consistent with prior work suggesting that the interaction between large owners influences firm-level outcomes (e.g., Pagano and Roell, 1998; Maury and Pajuste, 2005; and Attig, Guedhami, and Mishra, 2008). In sum, the association we have found seems to be enhanced by governance structures that empower the largest foreign owner. This further supports the view that large foreign owners matter to board cultural diversity.

6.2 Does Heterogeneity among Foreign Owners Matter for Cultural Diversity?

In this section, we consider in more detail the national identity of the large owners and its implications for board cultural diversity. Prior research suggests that investor origin is important (Kim, Eppler-Kim, Kim, and Byun, 2010; and Huberman, 2001). In our setting, the

natural classification of countries is Scandinavian (or Nordic) or non-Scandinavian. Scandinavian countries have similar financial reporting regulations and practices (Hooghiemstra, Hermes, Oxelheim, and Randøy, 2019). They share very similar languages, and the languages may also overlap (e.g., Swedish is an official language in Finland). Scandinavian countries also share a common history and mythology (Piekkari, Oxelheim, and Randøy, 2015). Until the 19th century, they were often part of the same kingdom. Finland has a related history and shared geography with other Scandinavian countries and is often included in the classification. All Scandinavian countries are part of the Schengen zone, facilitating economic cooperation. We decompose *FO ISH* into *Scandinavian DV*, *Non-Scandinavian DV*, and *Swedish DV*. *Scandinavian DV* is a dummy variable that equals one if the largest shareholder is an owner from a Scandinavian country (excluding Sweden) and zero otherwise. *Non-Scandinavian DV* is a dummy variable that equals one if the largest shareholder is an owner from a non-Scandinavian country and zero otherwise. *Swedish DV* is a dummy variable that equals one if the largest shareholder is a Swedish owner and zero otherwise. *Swedish DV* is our base case in the regressions.

< Insert Table 16 about here >

Columns 1-5 of Table 16 report the results from this analysis. We use the same controls as in previous tables for all columns. The coefficient on *Scandinavian DV* is about 0.370, significant at 5%. The coefficient on *Non-Scandinavian DV* is around 0.255 and significant at 10%. Table 16 suggests that both Scandinavian and non-Scandinavian foreign owners prefer board cultural diversity.

6.3 Does Heterogeneity among Foreign Owners Matter for Foreign Directorship?

We build on our analysis in Section 6.2 and test whether foreign owners with different national origins have different preferences for foreign *directors* on the board. In particular, we address a possible language channel, i.e., the suggestion that non-Scandinavian owners may

want to see more foreign directors on the board because board meetings will then likely be held in English rather than in a local language (keeping in mind that Scandinavian languages are very similar to each other and different than English). For instance, Grinblatt and Keloharju (2001) find that shareholders whose native tongue is Finnish prefer holding and trading stocks of companies that publish their corporate reports in Finnish rather than firms that publish their reports in foreign languages.¹² In our tests, we expect that foreign owners, depending on their country of origin, will be more or less likely to look for foreign directors on boards through the communications channel.¹³

We employ two new dependent variables for this analysis: *At least 1 non-Swedish director* and *All non-Scandinavian directors*. *At least 1 non-Swedish director* is a dummy variable equal to one if at least one director is a foreigner (non-Swedish) and zero otherwise. *All non-Scandinavian directors* is a dummy variable equal to one if all foreign directors are non-Scandinavian and zero otherwise. Our key independent variables, as in Table 15, are *Scandinavian DV*, *Non-Scandinavian DV*, and *Swedish DV*. *Swedish DV* is our base case in the regressions.

< Insert Table 17 about here >

Table 17 shows that non-Scandinavian foreign owners support the presence of at least one non-Swedish director on the board (a positive and significant coefficient on *Non-Scandinavian DV* in Columns 1-5). Moreover, non-Scandinavian foreign owners have a less pronounced preference for a board where all the foreign directors are non-Scandinavian since the coefficient on *Non-Scandinavian DV* in Columns 6-10 is positive but significant mainly at the 10% level.

¹² A manual screening of all annual reports of firms in our sample reveals that only 12% of Swedish companies during the sample period 1998-2014 translate *all of* their reports to English.

¹³ Grinblatt and Keloharju (2001) also suggest that when large equity owners show a preference for a specific language, then a firm may choose that language to communicate with investors.

On the other hand, Scandinavian foreign owners do not promote the presence of foreign directors, as indicated by the insignificant coefficient on *Scandinavian DV* in Columns 1-10 in Table 17.

Overall, these results, combined with those from Section 6.2, suggest that Scandinavian foreign owners promote only board cultural diversity, while non-Scandinavian foreign owners promote foreign board membership in general and are not just interested in board cultural diversity. This is possibly because with foreign directors on board, meetings are more likely to be held in English. This heterogeneity among foreign owners further supports the idea of homophily. That is, non-Scandinavian foreign owners push for foreign directors and cultural diversity on the board because they prefer to interact with like-minded people on the board. They presumably also have language preferences. Overall, homophilic bias seems to be more pronounced among non-Scandinavian foreign owners.

7. Conclusion

An extensive body of literature investigates diversity in corporate boards and what this diversity brings to the table. This paper shows that foreign ownership is positively associated with board cultural diversity. We show that the result is not attributable to foreign owners joining the board and thus mechanically increasing board diversity. Nor are our findings driven by firms with foreign operations. Moreover, the positive relationship between foreign ownership and board cultural diversity is greater in family firms, firms with dual-class shares, and firms with concentrated ownership, further supporting the idea that cultural diversity is promoted by large foreign owners aided by appropriate governance structures.

Our paper further shows that cultural diversity promoted by foreign owners is not associated with higher firm value. Furthermore, foreign owners do not seem to support other aspects of board diversity such as diversity in gender, directors' tenure, qualifications, and independence. These findings suggest that homophily may be at the root of these diversity preferences. The

homophily premise is supported further by considering the heterogeneity among foreign owners and the resulting board composition.

Overall, our paper contributes to the understanding of the effectiveness of large foreign owners in crafting boards. Our findings may be relevant for policymakers as they suggest that one potential way to improve board cultural diversity is to help increase foreign ownership in a firm's ownership structure.

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Table 1. Breakdown of directors' nationalities

Nationalities of directors	Number of director-firm-year observations	% of total
Swedish*	11,991	87.81%
Norwegian*	267	1.96%
Finnish*	255	1.87%
American	254	1.86%
Danish*	209	1.53%
British	204	1.49%
German	114	0.83%
French	60	0.44%
Canadian	53	0.39%
Dutch	43	0.31%
Italian	32	0.23%
Austrian	28	0.20%
Swiss	24	0.18%
Belgian	18	0.13%
Russian	13	0.10%
Australian	12	0.09%
Indian	11	0.08%
Spanish	10	0.07%
Mexican	10	0.07%
Bangladi	9	0.07%
Chinese	8	0.06%
Korean	6	0.04%
Singaporean	4	0.03%
South African	4	0.03%
Tanzanian	4	0.03%
Israeli	4	0.03%
Japanese	2	0.02%
Colombian	2	0.02%
Romanian	2	0.02%
Venezuelian	1	0.01%
Ukranian	1	0.01%
Total	13,655	100%

This table provides a breakdown of the different nationalities of board members represented in our sample over the period 1998-2014. Asterisks indicate Scandinavian countries.

Table 2. Variable definitions

Board cultural diversity	
CD Board	Cultural Distance of the Board, calculated as the average of cultural distances in all pairs of board members.
CD Board excluding owners	Cultural Distance of the Board, calculated by excluding directors that are also one of the top 5 owners.
Foreign ownership	
FO 1SH	Dummy variable that equals one when the largest shareholder is a foreign owner and zero otherwise.
FO 1SH vote	% of votes held by the largest shareholder who is a foreign owner.
FO 1SH capital	% of capital held by the largest shareholder who is a foreign owner.
FO concentration h3	Herfindahl index of the holdings of the top three foreign shareholders measured as the sum of the squares of the top three foreign shareholders' voting rights.
FO concentration h5	Herfindahl index of the holdings of the top five foreign shareholders, measured as the sum of the squares of the top five foreign shareholders' voting rights.
CD Owners	Weighted Cultural Distance of Owners, calculated as the weighted (based on the percentage of the owner's votes) average of cultural distances in all pairs of the top five shareholders.
Other ownership variables	
Vote 1SH	% of votes held by the largest shareholder.
Capital 1SH	% of capital held by the largest shareholder.
Excess vote 1SH	(% of votes) – (% of capital) held by the largest shareholder.
Board 1SH	Dummy variable that equals one when the largest shareholder is also a board member and zero otherwise.
Chairman 1SH	Dummy variable that equals one when the largest shareholder is also the chairman of the board and zero otherwise.
Insider 1SH	Dummy variable that equals one when the largest shareholder is also either a board member or the chairman of the board and zero otherwise.
Family 1SH	Dummy variable that equals one when the largest shareholder is a family owner and zero otherwise.
Dual-class	Dummy variable that equals one when the firm has a dual-class share structure and zero otherwise.
O concentration h3	Herfindahl index of the holdings of the top three shareholders measured as the sum of the squares of the top three shareholders' voting rights.
O concentration h5	Herfindahl index of the holdings of the top five shareholders measured as the sum of the squares of the top five shareholders' voting rights.
Scandinavian DV	Dummy variable that equals one if the largest shareholder is an owner from a Scandinavian country (excluding Sweden) and zero otherwise.
Non-Scandinavian DV	Dummy variable that equals one if the largest shareholder is an owner from a non-Scandinavian country and zero otherwise.
Swedish DV	Dummy variable that equals one if the largest shareholder is a Swedish owner and zero otherwise.
Alternative measures for CD Board	
% of foreign directors	The proportion of foreign directors sitting on the board, calculated as the number of foreign directors divided by the total number of directors on the board.
CD Board to 1SH	The average of cultural distances between each board member and the largest shareholder.
CD Board to 3SH	The average of cultural distances between each board member and each of the three largest shareholders.
Foreigners on the board	
At least 1 non-Swedish director	Dummy variable equals one if at least one of the directors on the board is a foreigner (non-Swedish) and zero otherwise.
All non-Scandinavian directors	Dummy variable equals one if all the foreign directors are non-Scandinavian and zero otherwise.
Instrumental variables	
Stock importance 1SH	The weight of a firm's stock in the largest shareholders' portfolio.
Portfolio diversification 1SH high	Dummy variable equal to one if the portfolio of the largest shareholder is well-diversified and zero otherwise. It is constructed using the median value of the following diversification value: one minus the sum of the squared weights that each stock has in the largest shareholder's portfolio.

Foreign operations/ focus	
Foreign sales/total assets high	Dummy variable to capture the size of foreign operations, which takes the value of one if a firm's foreign sales scaled by total assets fall in the top quartile of firms in that category and zero otherwise.
Foreign sales/total sales high	Alternative dummy variable to capture the extent of foreign operations, which takes the value of one if a firm's foreign sales scaled by total sales falls in the top quartile of firms in that category and zero otherwise.
Other board diversity measures	
Board independence	Ratio of the independent directors to the total number of directors.
Board qualification dispersion	Standard deviation of the number of qualifications (i.e., academic degrees such as bachelor, MBA or PhD, or professional certificates such as CFA) held by the board of directors.
Board tenure dispersion	Standard deviation of the tenure of the directors on the board.
Female ratio	% of the female directors on the board.
Firm characteristics	
No of directors	Number of directors on a given board.
No directors and 1SH	The total number of directors on the board and the largest shareholder.
No directors and 3SH	The total number of directors on the board and the three largest shareholders.
M-B	Market-to-book ratio.
Leverage	Total long-term debt divided by total assets.
Sales/total assets	Net sales divided by total assets.
Capex/total assets	Capital expenditures divided by total assets.
Tobin's Q	The natural logarithm of the sum of the market value of equity plus the book value of total liabilities, all divided by the book value of assets.

This table presents definitions of the variables used in this paper. The data is obtained from annual reports, Modular Finance AB, and company websites. The currency used is SEK.

Table 3 Panel A. Summary statistics

	N	Mean	St. Dev.	Min	Max
Board Cultural Diversity					
CD Board	1,824	0.695	0.911	0.000	2.689
CD Board excluding owners	1,678	0.636	0.919	0.000	2.828
Foreign ownership					
FO 1SH	2,754	0.095	0.293	0.000	1.000
FO 1SH vote	2,744	0.024	0.087	0.000	0.709
FO 1SH capital	2,744	0.021	0.076	0.000	0.704
FO concentration h3	2,300	0.009	0.033	0.000	0.445
FO concentration h5	2,261	0.009	0.033	0.000	0.445
CD Owners	1,814	0.070	0.132	0.000	0.989
Other ownership variables					
Vote 1SH	2,810	0.338	0.212	0.002	0.934
Capital 1SH	2,810	0.239	0.161	0.002	0.861
Excess vote 1SH	2,810	0.099	0.126	-0.149	0.536
Board 1SH	2,491	0.607	0.489	0.000	1.000
Chairman 1SH	2,491	0.275	0.447	0.000	1.000
Insider 1SH	2,491	0.639	0.480	0.000	1.000
Family 1SH	2,820	0.563	0.496	0.000	1.000
Dual-class	2,810	0.562	0.496	0.000	1.000
O concentration h3	2,338	0.181	0.183	0.000	0.872
O concentration h5	2,318	0.182	0.181	0.000	0.872
Scandinavian DV	2,779	0.028	0.164	0.000	1.000
Non-Scandinavian DV	2,779	0.075	0.264	0.000	1.000
Swedish DV	2,754	0.905	0.293	0.000	1.000
Alternative measures for CD Board					
% of foreign directors	1,726	0.112	0.177	0.000	0.875
CD Board to 1SH	1,801	0.122	0.220	0.000	1.633
CD Board to 3SH	1,705	0.328	0.411	0.000	1.612
Foreigners on the board					
At least 1 non-Swedish director	1,824	0.388	0.487	0.000	1.000
All non-Scandinavian directors	1,853	0.142	0.349	0.000	1.000
Instrumental variables					
Stock importance 1SH	2,390	0.609	0.409	0.000	1.000
Portfolio diversification 1SH high	2,399	0.501	0.500	0.000	1.000
Foreign operations/ focus					
Foreign sales/total assets high	1,913	0.250	0.433	0.000	1.000
Foreign sales/total sales high	1,911	0.250	0.433	0.000	1.000
Other board diversity measures					
Board independence	949	0.581	0.230	0.000	1.000
Board qualification dispersion	1,198	1.125	0.401	0.000	2.400
Board tenure dispersion	1,192	4.575	2.564	0.000	13.300
Female ratio	1,198	0.201	0.129	0.000	0.625
Firm characteristics					
No of directors	1,824	7.486	2.125	3.000	15.000

No directors and 1SH	1,824	8.486	2.125	4.000	16.000
No directors and 3SH	1,824	10.486	2.125	6.000	18.000
M-B	2,859	1.360	1.825	0.002	26.782
Leverage	3,188	0.210	0.192	0.000	1.161
Sales/total assets	3,198	1.068	0.750	0.000	3.721
Capex/total assets	3,148	0.041	0.050	0.000	0.298
Tobin's Q	2,859	1.824	1.475	0.538	9.112

This table reports summary statistics of our variables. N is the number of observations. All variables are defined in Table 2.

Table 3 Panel B. Correlations between selected variables

	CD Board	FO 1SH	FO concentration h3	FO concentration h5	No of directors	M-B	Leverage	Sales/total assets	Capex/total assets
CD Board	1								
FO 1SH	0.234***	1							
FO concentration h3	0.132***	0.680***	1						
FO concentration h5	0.133***	0.689***	1***	1					
No of directors	0.265***	-0.020	-0.045*	-0.046*	1				
M-B	0.058**	0.018	0.034	0.023	-0.183***	1			
Leverage	-0.016	0.009	-0.047**	-0.041*	0.155***	-0.303***	1		
Sales/total assets	-0.067***	-0.044**	0.030	0.020	0.040	-0.031*	-0.251***	1	
Capex/total assets	0.032	-0.015	0.027	0.021	0.023	-0.020	0.267***	-0.101***	1

This table presents the correlations between selected variables used in this study. All variables are described in Table 2. ***, **, * denote significance at the 1%, 5% and 10% level, respectively.

Table 4 Panel A. Foreign ownership and board cultural diversity: Role of the largest foreign owner

	(1)	(2)	(3)	(4)	(5)
Dependent variable:	CD Board				
FO 1SH	0.297*** (0.111)	0.294*** (0.111)	0.295*** (0.112)	0.296*** (0.112)	0.300*** (0.112)
Vote 1SH		0.019 (0.436)			
Capital 1SH			-0.001 (0.460)		
Excess vote 1SH				0.065 (0.654)	
Dual-class					0.240 (0.289)
No of directors	0.027 (0.025)	0.026 (0.025)	0.026 (0.025)	0.026 (0.025)	0.028 (0.025)
M-B	0.015 (0.018)	0.015 (0.018)	0.015 (0.018)	0.015 (0.018)	0.015 (0.018)
Leverage	0.394* (0.210)	0.384* (0.207)	0.383* (0.208)	0.383* (0.209)	0.388* (0.209)
Sales/total assets	-0.130 (0.110)	-0.131 (0.110)	-0.131 (0.111)	-0.130 (0.110)	-0.132 (0.110)
Capex/total assets	0.037 (0.436)	0.037 (0.437)	0.038 (0.437)	0.038 (0.437)	0.052 (0.440)
Constant	0.323 (0.320)	0.322 (0.326)	0.328 (0.325)	0.322 (0.319)	0.191 (0.368)
Observations	1701	1697	1697	1697	1697
R-squared	0.043	0.042	0.042	0.042	0.044
Firm FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Errors Clustered at Firm	Yes	Yes	Yes	Yes	Yes

This table reports OLS results in which the dependent variable is *CD Board*, defined as the average of cultural distances in all pairs of board members. *FO 1SH* is a dummy variable that equals one when the largest shareholder is a foreign owner and zero otherwise. All independent variables are measured at time t . *Vote 1SH* is % of votes held by the largest shareholder. *Capital 1SH* is % of capital held by the largest shareholder. *Excess vote 1SH* is (% of votes) - (% of capital) held by the largest shareholder. *Dual-class* is a dummy variable that equals one when the firm has a dual-class share structure and zero otherwise. *No of directors* represents the number of directors on a given board. *M-B* is the market-to-book ratio. *Leverage* is measured as total long-term debt divided by total assets. *Sales/total assets* is net sales divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively. Clustered errors at the firm level are in parentheses.

Table 4 Panel B. Foreign ownership and board cultural diversity: Role of the largest foreign owner – With industry fixed effects

	(1)	(2)	(3)	(4)	(5)
Dependent variable:	CD Board				
FO 1SH	0.666*** (0.177)	0.641*** (0.178)	0.659*** (0.180)	0.643*** (0.178)	0.640*** (0.175)
Vote 1SH		-0.279 (0.210)			
Capital 1SH			-0.346 (0.280)		
Excess Vote 1SH				-0.252 (0.420)	
Dual class					-0.136 (0.115)
No of directors	0.124*** (0.025)	0.123*** (0.025)	0.122*** (0.025)	0.124*** (0.025)	0.124*** (0.024)
M-B	0.029 (0.027)	0.027 (0.027)	0.028 (0.027)	0.028 (0.027)	0.024 (0.027)
Leverage	-0.200 (0.298)	-0.233 (0.298)	-0.222 (0.300)	-0.220 (0.296)	-0.245 (0.295)
Sales/total assets	-0.294*** (0.076)	-0.286*** (0.077)	-0.282*** (0.077)	-0.295*** (0.076)	-0.298*** (0.075)
Capex/total assets	1.260 (1.252)	1.301 (1.237)	1.349 (1.249)	1.240 (1.236)	1.220 (1.198)
Constant	-0.489 (0.397)	-0.399 (0.393)	-0.431 (0.398)	-0.444 (0.394)	-0.369 (0.406)
Observations	1,701	1,697	1,697	1,697	1,697
R-squared	0.199	0.200	0.199	0.197	0.201
Industry FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Errors Clustered at Firm	Yes	Yes	Yes	Yes	Yes

This table reports OLS results in which the dependent variable is *CD Board*, defined as the average of cultural distances in all pairs of board members. *FO 1SH* is a dummy variable that equals one when the largest shareholder is a foreign owner and zero otherwise. All independent variables are measured at time t . *Vote 1SH* is % of votes held by the largest shareholder. *Capital 1SH* is % of capital held by the largest shareholder. *Excess vote 1SH* is (% of votes) - (% of capital) held by the largest shareholder. *Dual-class* is a dummy variable that equals one when the firm has a dual-class share structure and zero otherwise. *No of directors* represents the number of directors on a given board. *M-B* is the market-to-book ratio. *Leverage* is measured as total long-term debt divided by total assets. *Sales/total assets* is net sales divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively. Clustered errors at the firm level are in parentheses.

Table 5. Foreign ownership and board cultural diversity: Role of foreign ownership concentration

Dependent variable:	(1)	(2)
	CD Board	
FO concentration h3	4.284** (1.872)	
FO concentration h5		4.512** (1.859)
No of directors	0.030 (0.026)	0.027 (0.026)
M-B	0.010 (0.020)	0.010 (0.020)
Leverage	0.368 (0.225)	0.378 (0.236)
Sales/total assets	-0.155 (0.124)	-0.153 (0.125)
Capex/total assets	0.024 (0.455)	0.022 (0.456)
Constant	0.260 (0.358)	0.269 (0.362)
Observations	1561	1549
R-squared	0.036	0.037
Firm FE	Yes	Yes
Year FE	Yes	Yes
Errors Clustered at Firm	Yes	Yes

This table reports OLS results in which the dependent variable is *CD Board*, defined as the average of cultural distances in all pairs of board members. *FO concentration h3* and *FO concentration h5* are the Herfindahl index of the holdings of the top three and the top five foreign shareholders, measured as the sum of the squares of the top three and the top five foreign shareholders' voting rights, respectively. All independent variables are measured at time *t*. *No of directors* represents the number of directors on a given board. *M-B* is the market-to-book ratio. *Leverage* is measured as total long-term debt divided by total assets. *Sales/total assets* is net sales divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively. Clustered errors at the firm level are in parentheses.

Table 6. Ruling out the alternative explanation that our results are mechanic

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dependent variable:	CD Board excluding owners						
FO 1SH	0.282** (0.115)	0.283** (0.116)	0.296** (0.117)	0.293** (0.114)	0.280** (0.115)		
FO concentration h3						4.660*** (1.714)	
FO concentration h5							4.775*** (1.738)
Vote 1SH		-0.030 (0.471)					
Capital 1SH			-0.326 (0.453)				
Excess vote 1SH				0.895 (0.580)			
Dual-class					-0.059 (0.057)		
No of directors	0.030 (0.028)	0.030 (0.028)	0.029 (0.028)	0.030 (0.028)	0.029 (0.028)	0.030 (0.029)	0.027 (0.029)
M-B	-0.001 (0.023)	-0.001 (0.023)	-0.000 (0.023)	-0.000 (0.023)	-0.001 (0.023)	-0.011 (0.026)	-0.011 (0.026)
Leverage	0.365 (0.229)	0.363 (0.230)	0.345 (0.230)	0.365 (0.229)	0.364 (0.230)	0.379 (0.247)	0.390 (0.260)
Sales/total assets	-0.152 (0.120)	-0.151 (0.121)	-0.147 (0.123)	-0.144 (0.122)	-0.152 (0.120)	-0.156 (0.136)	-0.153 (0.137)
Capex/total assets	0.019 (0.483)	0.020 (0.483)	0.023 (0.481)	0.013 (0.484)	0.018 (0.482)	0.047 (0.503)	0.047 (0.504)
Constant	0.224 (0.376)	0.234 (0.388)	0.300 (0.386)	0.131 (0.374)	0.258 (0.386)	0.254 (0.406)	0.266 (0.410)
Observations	1,578	1,578	1,578	1,578	1,578	1,503	1,491
R-squared	0.044	0.044	0.045	0.047	0.044	0.038	0.037
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Errors Clustered	Yes	Yes	Yes	Yes	Yes	Yes	Yes

This table reports OLS results. We use the dependent variable *CD Board excluding owners*, defined as the cultural distance of the board calculated by excluding directors that are also one of the top five owners. *FO 1SH* is a dummy variable that equals one when the largest shareholder is a foreign owner and zero otherwise. *FO concentration h3* and *FO concentration h5* are the Herfindahl index of the holdings of the top three and the top five foreign shareholders, measured as the sum of the squares of the top three and the top five foreign shareholders' voting rights, respectively. All independent variables are measured at time *t*. *Vote 1SH* is % of votes held by the largest shareholder. *Capital 1SH* is % of capital held by the largest shareholder. *Excess vote 1SH* is (% of votes) - (% of capital) held by the largest shareholder. *Dual-class* is a dummy variable that equals one when the firm has a dual-class share structure and zero otherwise. *No of directors* represents the number of directors on a given board. *M-B* is the market-to-book ratio. *Leverage* is measured as total long-term debt divided by total assets. *Sales/total assets* is net sales divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively. Clustered errors at the firm level are in parentheses.

Table 7 Panel A. Ruling out the alternative explanation that our results may be driven by firms with foreign operations (proxy I)

Dependent variable:	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	CD Board						
FO 1SH	0.238**	0.216*	0.212*	0.248**	0.235**		
	(0.112)	(0.113)	(0.112)	(0.113)	(0.113)		
Foreign sales/total assets high	0.146*	0.137*	0.138*	0.148*	0.148*	0.179**	0.178**
	(0.076)	(0.077)	(0.077)	(0.076)	(0.077)	(0.081)	(0.082)
FO 1SH*Foreign sales/total assets high	0.264	0.271	0.279	0.252	0.263		
	(0.327)	(0.335)	(0.336)	(0.324)	(0.329)		
Vote 1SH		0.899**					
		(0.394)					
Capital 1SH			0.612				
			(0.407)				
Excess vote 1SH				0.531			
				(0.733)			
Dual-class					-0.107		
					(0.068)		
FO concentration h3						3.558	
						(2.245)	
FO concentration h3*Foreign sales/total assets high						-0.159	
						(1.361)	
FO concentration h5							3.783*
							(2.180)
FO concentration h5*Foreign sales/total assets high							-0.191
							(1.362)
No of directors	0.010	0.008	0.009	0.009	0.009	0.010	0.007
	(0.029)	(0.028)	(0.028)	(0.028)	(0.029)	(0.030)	(0.029)
M-B	0.004	0.004	0.004	0.004	0.004	0.011	0.011
	(0.033)	(0.032)	(0.033)	(0.033)	(0.033)	(0.033)	(0.033)
Leverage	0.649**	0.664**	0.658**	0.633**	0.631**	0.546*	0.532*
	(0.299)	(0.296)	(0.296)	(0.298)	(0.299)	(0.305)	(0.304)
Capex/total assets	0.065	0.131	0.113	0.057	0.063	-0.038	-0.034
	(0.687)	(0.690)	(0.692)	(0.691)	(0.690)	(0.739)	(0.738)
Constant	0.734**	0.476	0.616*	0.692**	0.806**	0.638*	0.661*
	(0.339)	(0.342)	(0.348)	(0.331)	(0.352)	(0.379)	(0.378)
Observations	1,247	1,243	1,243	1,243	1,243	1,160	1,155
R-squared	0.041	0.050	0.045	0.042	0.041	0.030	0.030
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Errors Clustered	Yes	Yes	Yes	Yes	Yes	Yes	Yes

This table reports OLS results in which the dependent variable is *CD Board*, defined as the average of cultural distances in all pairs of board members. *FO 1SH* is a dummy variable that equals one when the largest shareholder is a foreign owner and zero otherwise. *FO concentration h3* and *FO concentration h5* are the Herfindahl index of the holdings of the top three and the top five foreign shareholders, measured as the sum of the squares of the top three and the top five foreign shareholders' voting rights, respectively. *Foreign sales/total assets high* is a dummy variable to capture the size of foreign operations, which takes the value of one if a firm's foreign sales scaled by total assets falls in the top quartile of firms in that category and zero otherwise. All independent variables are measured at time *t*. *Vote 1SH* is % of votes held by the largest shareholder. *Capital 1SH* is % of capital held by the largest shareholder. *Excess vote 1SH* is (% of votes) - (% of capital) held by the largest shareholder. *Dual-class* is a dummy variable that equals one when the firm has a dual-class share structure and zero otherwise. *No of directors* represents the number of directors on a given board. *M-B* is the market-to-book ratio. *Leverage* is measured as total long-term debt divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively. Clustered errors at the firm level are in parentheses.

Table 7 Panel B. Ruling out the alternative explanation that our results may be driven by firms with foreign operations (proxy II)

Dependent variable	CD Board						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
FO 1SH	0.284** (0.135)	0.236* (0.129)	0.243* (0.130)	0.285** (0.135)	0.277** (0.135)		
Foreign sales/total sales high	0.030 (0.079)	0.024 (0.078)	0.027 (0.079)	0.028 (0.079)	0.030 (0.079)	-0.006 (0.092)	-0.007 (0.092)
FO 1SH* Foreign sales/total sales high	-0.057 (0.234)	0.017 (0.234)	-0.013 (0.235)	-0.031 (0.241)	-0.039 (0.238)		
Vote 1SH		0.948** (0.386)					
Capital 1SH			0.645 (0.403)				
Excess vote 1SH				0.533 (0.743)			
Dual-class					-0.057 (0.063)		
FO concentration h3						1.284 (3.049)	
FO concentration h3*Foreign sales/total sales high						5.997 (4.500)	
FO concentration h5							1.528 (2.989)
FO concentration h5*Foreign sales/total sales high							5.894 (4.540)
No of directors	0.012 (0.029)	0.010 (0.029)	0.011 (0.029)	0.010 (0.029)	0.010 (0.029)	0.011 (0.030)	0.007 (0.030)
M-B	0.002 (0.034)	0.002 (0.033)	0.002 (0.033)	0.002 (0.034)	0.002 (0.034)	0.011 (0.033)	0.012 (0.033)
Leverage	0.563* (0.301)	0.585* (0.297)	0.576* (0.298)	0.547* (0.299)	0.546* (0.300)	0.452 (0.306)	0.435 (0.305)
Capex/total assets	0.043 (0.693)	0.111 (0.695)	0.093 (0.697)	0.034 (0.697)	0.040 (0.696)	-0.082 (0.749)	-0.080 (0.749)
Constant	0.772** (0.351)	0.497 (0.349)	0.645* (0.357)	0.731** (0.343)	0.814** (0.362)	0.725* (0.382)	0.751* (0.381)
Observations	1,245	1,241	1,241	1,241	1,241	1,158	1,153
R-squared	0.030	0.039	0.035	0.031	0.030	0.029	0.028
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Errors Clustered	Yes	Yes	Yes	Yes	Yes	Yes	Yes

This table reports OLS results in which the dependent variable is *CD Board*, defined as the average of cultural distances in all pairs of board members. *FO 1SH* is a dummy variable that equals one when the largest shareholder is a foreign owner and zero otherwise. *FO concentration h3* and *FO concentration h5* are the Herfindahl index of the holdings of the top three and the top five foreign shareholders, measured as the sum of the squares of the top three and the top five foreign shareholders' voting rights, respectively. *Foreign sales/total sales high* is an alternative dummy variable to capture the extent of foreign operations, which takes the value of one if a firm's foreign sales scaled by total sales falls in the top quartile of firms in that category and zero otherwise. All independent variables are measured at time *t*. *Vote 1SH* is % of votes held by the largest shareholder. *Capital 1SH* is % of capital held by the largest shareholder. *Excess vote 1SH* is (% of votes) - (% of capital) held by the largest shareholder. *Dual-class* is a dummy variable that equals one when the firm has a dual-class share structure and zero otherwise. *No of directors* represents the number of directors on a given board. *M-B* is the market-to-book ratio. *Leverage* is measured as total long-term debt divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively. Clustered errors at the firm level are in parentheses.

Table 8 Panel A. Do foreign owners value board diversity measured with % of independent directors?

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dependent variable:	Board independence						
FO 1SH	0.019 (0.055)	0.019 (0.055)	0.021 (0.055)	0.021 (0.056)	0.020 (0.057)		
FO concentration h3						-3.890*** (1.417)	
FO concentration h5							-3.834*** (1.397)
Vote 1SH		-0.091 (0.199)					
Capital 1SH			-0.123 (0.189)				
Excess vote 1SH				0.062 (0.247)			
Dual-class					0.008 (0.038)		
No of directors	-0.019* (0.011)	-0.019* (0.011)	-0.020* (0.011)	-0.020* (0.011)	-0.019* (0.011)	-0.027*** (0.010)	-0.026*** (0.010)
M-B	0.006 (0.008)	0.006 (0.008)	0.006 (0.008)	0.007 (0.008)	0.006 (0.008)	0.004 (0.010)	0.004 (0.010)
Leverage	0.141 (0.105)	0.138 (0.106)	0.137 (0.106)	0.139 (0.105)	0.140 (0.105)	0.106 (0.116)	0.116 (0.116)
Sales/total assets	0.029 (0.038)	0.028 (0.038)	0.028 (0.038)	0.029 (0.039)	0.029 (0.039)	0.008 (0.052)	0.009 (0.052)
Capex/total assets	-0.090 (0.197)	-0.098 (0.195)	-0.095 (0.197)	-0.089 (0.196)	-0.091 (0.197)	-0.156 (0.200)	-0.158 (0.198)
Constant	0.308** (0.133)	0.338** (0.142)	0.336** (0.135)	0.303** (0.134)	0.304** (0.140)	0.424*** (0.155)	0.413*** (0.155)
Observations	918	916	916	916	916	830	825
R-squared	0.386	0.386	0.387	0.386	0.386	0.350	0.349
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Errors Clustered	Yes	Yes	Yes	Yes	Yes	Yes	Yes

This table reports OLS results. We use the dependent variable *Board independence*, which is the ratio of the independent directors to the total number of directors. *FO 1SH* is a dummy variable that equals one when the largest shareholder is a foreign owner and zero otherwise. *FO concentration h3* and *FO concentration h5* are the Herfindahl index of the holdings of the top three and the top five foreign shareholders, measured as the sum of the squares of the top three and the top five foreign shareholders' voting rights, respectively. All independent variables are measured at time *t*. *Vote 1SH* is % of votes held by the largest shareholder. *Capital 1SH* is % of capital held by the largest shareholder. *Excess vote 1SH* is (% of votes) - (% of capital) held by the largest shareholder. *Dual-class* is a dummy variable that equals one when the firm has a dual-class share structure and zero otherwise. *No of directors* represents the number of directors on a given board. *M-B* is the market-to-book ratio. *Leverage* is measured as total long-term debt divided by total assets. *Sales/total assets* is net sales divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively. Clustered errors at the firm level are in parentheses.

Table 8 Panel B. Do foreign owners value board diversity measured with board qualification dispersion?

Dependent variable:	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Board qualification dispersion						
FO 1SH	0.068 (0.066)	0.064 (0.067)	0.067 (0.066)	0.052 (0.073)	0.052 (0.062)		
FO concentration h3						3.071 (2.012)	
FO concentration h5							2.793 (2.014)
Vote 1SH		-0.212 (0.419)					
Capital 1SH			-0.007 (0.414)				
Excess Vote 1SH				-0.621 (0.930)			
Dual class					-0.216 (0.155)		
No of directors	0.011 (0.012)	0.011 (0.012)	0.011 (0.012)	0.012 (0.012)	0.010 (0.012)	0.017 (0.012)	0.018 (0.012)
M-B	0.002 (0.008)	0.001 (0.008)	0.002 (0.008)	0.001 (0.008)	0.002 (0.008)	0.001 (0.008)	0.001 (0.008)
Leverage	-0.102 (0.192)	-0.102 (0.193)	-0.097 (0.191)	-0.095 (0.192)	-0.103 (0.193)	-0.297 (0.190)	-0.287 (0.192)
Sales/total assets	0.047 (0.061)	0.047 (0.061)	0.048 (0.060)	0.049 (0.062)	0.049 (0.060)	-0.029 (0.073)	-0.025 (0.073)
Capex/total assets	-0.617 (0.650)	-0.630 (0.644)	-0.615 (0.649)	-0.644 (0.644)	-0.625 (0.648)	-0.552 (0.683)	-0.549 (0.687)
Constant	0.868*** (0.141)	0.931*** (0.214)	0.866*** (0.182)	0.924*** (0.177)	0.998*** (0.175)	0.938*** (0.162)	0.927*** (0.161)
Observations	937	935	935	935	935	848	843
R-squared	0.024	0.025	0.024	0.028	0.027	0.036	0.035
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Errors Clustered	Yes	Yes	Yes	Yes	Yes	Yes	Yes

This table reports OLS results. We use the dependent variable *Board qualification dispersion*, which is the standard deviation of the total number qualifications (i.e., academic degrees or professional certificates) held by the board of directors. *FO 1SH* is a dummy variable that equals one when the largest shareholder is a foreign owner and zero otherwise. *FO concentration h3* and *FO concentration h5* are the Herfindahl index of the holdings of the top three and the top five foreign shareholders, measured as the sum of the squares of the top three and the top five foreign shareholders' voting rights, respectively. All independent variables are measured at time *t*. *Vote 1SH* is % of votes held by the largest shareholder. *Capital 1SH* is % of capital held by the largest shareholder. *Excess vote 1SH* is (% of votes) - (% of capital) held by the largest shareholder. *Dual-class* is a dummy variable that equals one when the firm has a dual-class share structure and zero otherwise. *No of directors* represents the number of directors on a given board. *M-B* is the market-to-book ratio. *Leverage* is measured as total long-term debt divided by total assets. *Sales/total assets* is net sales divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively. Clustered errors at the firm level are in parentheses.

Table 8 Panel C. Do foreign owners value board diversity measured with board tenure dispersion?

Dependent variable:	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Board tenure dispersion						
FO 1SH	-0.015 (0.319)	-0.020 (0.321)	0.016 (0.317)	0.162 (0.296)	-0.141 (0.241)		
FO concentration h3						7.928 (9.760)	
FO concentration h5							8.161 (9.619)
Vote 1SH		-0.324 (1.940)					
Capital 1SH			-3.077 (1.972)				
Excess Vote 1SH				7.472*** (2.143)			
Dual class					-1.839*** (0.476)		
No of directors	-0.086 (0.071)	-0.085 (0.071)	-0.086 (0.070)	-0.090 (0.070)	-0.093 (0.071)	-0.051 (0.062)	-0.054 (0.063)
M-B	0.000 (0.034)	-0.001 (0.032)	-0.010 (0.031)	0.007 (0.034)	-0.002 (0.034)	0.008 (0.027)	0.009 (0.027)
Leverage	0.785 (1.537)	0.780 (1.544)	0.699 (1.537)	0.763 (1.519)	0.731 (1.538)	2.291* (1.190)	2.335* (1.201)
Sales/total assets	0.557 (0.344)	0.556 (0.344)	0.537 (0.353)	0.546 (0.349)	0.567* (0.339)	0.569 (0.384)	0.577 (0.383)
Capex/total assets	2.302 (2.324)	2.282 (2.321)	2.226 (2.325)	2.661 (2.263)	2.218 (2.330)	1.740 (2.365)	1.774 (2.344)
Constant	2.793*** (0.973)	2.891** (1.163)	3.461*** (1.124)	2.070** (0.964)	3.932*** (1.020)	1.995** (0.863)	1.979** (0.869)
Observations	932	930	930	930	930	843	838
R-squared	0.125	0.125	0.136	0.150	0.133	0.145	0.148
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Errors Clustered	Yes	Yes	Yes	Yes	Yes	Yes	Yes

This table reports OLS results. We use the dependent variable *Board tenure dispersion*, which is the standard deviation of the tenure of the directors on the board. *FO 1SH* is a dummy variable that equals one when the largest shareholder is a foreign owner and zero otherwise. *FO concentration h3* and *FO concentration h5* are the Herfindahl index of the holdings of the top three and the top five foreign shareholders, measured as the sum of the squares of the top three and the top five foreign shareholders' voting rights, respectively. All independent variables are measured at time t . *Vote 1SH* is % of votes held by the largest shareholder. *Capital 1SH* is % of capital held by the largest shareholder. *Excess vote 1SH* is (% of votes) - (% of capital) held by the largest shareholder. *Dual-class* is a dummy variable that equals one when the firm has a dual-class share structure and zero otherwise. *No of directors* represents the number of directors on a given board. *M-B* is the market-to-book ratio. *Leverage* is measured as total long-term debt divided by total assets. *Sales/total assets* is net sales divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively. Clustered errors at the firm level are in parentheses.

Table 8 Panel D. Do foreign owners value board diversity in terms of % female directors on the board?

Dependent variable:	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Female ratio						
FO 1SH	-0.015 (0.023)	-0.017 (0.022)	-0.012 (0.023)	-0.012 (0.024)	-0.018 (0.024)		
FO concentration h3						-1.294** (0.542)	
FO concentration h5							-1.229** (0.541)
Vote 1SH		-0.189* (0.102)					
Capital 1SH			-0.238** (0.114)				
Excess Vote 1SH				0.086 (0.137)			
Dual class					-0.051 (0.058)		
No of directors	-0.007* (0.004)	-0.007* (0.004)	-0.007* (0.004)	-0.007* (0.004)	-0.007* (0.004)	-0.004 (0.004)	-0.004 (0.004)
M-B	-0.001 (0.003)	-0.001 (0.003)	-0.001 (0.003)	-0.001 (0.003)	-0.001 (0.003)	-0.000 (0.003)	-0.000 (0.003)
Leverage	-0.135** (0.057)	-0.142** (0.058)	-0.144** (0.059)	-0.138** (0.057)	-0.139** (0.057)	-0.150*** (0.053)	-0.151*** (0.054)
Sales/total assets	-0.041** (0.020)	-0.043** (0.020)	-0.043** (0.020)	-0.042** (0.020)	-0.042** (0.019)	-0.070*** (0.020)	-0.070*** (0.020)
Capex/total assets	-0.059 (0.103)	-0.074 (0.102)	-0.066 (0.106)	-0.056 (0.103)	-0.063 (0.102)	-0.131 (0.101)	-0.132 (0.102)
Constant	0.216*** (0.053)	0.277*** (0.063)	0.270*** (0.058)	0.210*** (0.054)	0.250*** (0.067)	0.256*** (0.051)	0.257*** (0.052)
Observations	937	935	935	935	935	848	843
R-squared	0.414	0.424	0.427	0.416	0.417	0.440	0.437
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Errors Clustered	Yes	Yes	Yes	Yes	Yes	Yes	Yes

This table reports OLS results. We use the dependent variable *Female ratio*, which is the percentage of the female directors on the board. *FO 1SH* is a dummy variable that equals one when the largest shareholder is a foreign owner and zero otherwise. *FO concentration h3* and *FO concentration h5* are the Herfindahl index of the holdings of the top three and the top five foreign shareholders, measured as the sum of the squares of the top three and the top five foreign shareholders' voting rights, respectively. All independent variables are measured at time t . *Vote 1SH* is % of votes held by the largest shareholder. *Capital 1SH* is % of capital held by the largest shareholder. *Excess vote 1SH* is (% of votes) - (% of capital) held by the largest shareholder. *Dual-class* is a dummy variable that equals one when the firm has a dual-class share structure and zero otherwise. *No of directors* represents the number of directors on a given board. *M-B* is the market-to-book ratio. *Leverage* is measured as total long-term debt divided by total assets. *Sales/total assets* is net sales divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively. Clustered errors at the firm level are in parentheses.

Table 9. Is higher board cultural diversity promoted by foreign ownership related to higher firm value?

	(1)	(2)	(3)	(4)	(5)	(6)
Dependent variable:	Tobin's Q					
CD Board	-0.006 (0.060)	-0.016 (0.060)	-0.016 (0.060)	-0.016 (0.060)	-0.015 (0.065)	-0.023 (0.066)
FO 1SH	-0.109 (0.154)	-0.390 (0.326)	-0.394 (0.326)	-0.404 (0.326)		
FO 1SH*CD Board		0.201 (0.171)	0.203 (0.171)	0.198 (0.170)		
FO concentration h3					2.520 (1.901)	-1.129 (4.352)
FO concentration h3*CD Board						1.772 (1.791)
Vote 1SH			0.169 (0.659)			
Capital 1SH				0.473 (0.619)		
No of directors	-0.017 (0.034)	-0.014 (0.034)	-0.014 (0.034)	-0.014 (0.034)	-0.029 (0.031)	-0.028 (0.031)
Leverage	0.041 (0.435)	0.023 (0.431)	0.030 (0.434)	0.050 (0.436)	-0.112 (0.455)	-0.129 (0.453)
Sales/total assets	0.412* (0.215)	0.409* (0.215)	0.409* (0.215)	0.405* (0.216)	0.382* (0.208)	0.380* (0.208)
Capex/total assets	0.142 (0.856)	0.142 (0.855)	0.127 (0.861)	0.118 (0.860)	0.073 (0.952)	0.063 (0.952)
Constant	2.094*** (0.576)	2.101*** (0.575)	2.051*** (0.543)	1.989*** (0.527)	2.087*** (0.555)	2.116*** (0.557)
Observations	1,563	1,563	1,560	1,560	1,424	1,424
R-squared	0.100	0.102	0.102	0.103	0.110	0.111
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Errors Clustered	Yes	Yes	Yes	Yes	Yes	Yes

This table reports OLS results. The dependent variable is *Tobin's Q*, which is calculated as the natural logarithm of the sum of the market value of equity plus the book value of total liabilities, divided by the book value of assets. *CD Board* is the average of cultural distances in all pairs of board members. *FO 1SH* is a dummy variable that equals one when the largest shareholder is a foreign owner and zero otherwise. *FO concentration h3* is the Herfindahl index of the holdings of the top three foreign shareholders, measured as the sum of the squares of the top three foreign shareholders' voting rights. All independent variables are measured at time $t-1$. *Vote 1SH* is % of votes held by the largest shareholder. *Capital 1SH* is % of capital held by the largest shareholder. *No of directors* represents the number of directors on a given board. *Leverage* is measured as total long-term debt divided by total assets. *Sales/total assets* is net sales divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. All independent variables are lagged by one year. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively. Clustered errors at the firm level are in parentheses.

Table 10 Panel A. Robustness test 1 - Alternative measure for board cultural diversity: % of foreign directors

Dependent variable:	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	% of foreign directors						
FO 1SH	0.047*** (0.016)	0.044*** (0.016)	0.042** (0.016)	0.045*** (0.016)	0.048*** (0.017)		
Vote 1SH		0.066 (0.075)					
Capital 1SH			0.083 (0.080)				
Excess vote 1SH				-0.085 (0.101)			
Dual-class					0.054 (0.073)		
FO concentration h3						0.889** (0.395)	
FO concentration h5							0.909** (0.395)
No of directors	-0.000 (0.004)	-0.001 (0.004)	-0.000 (0.004)	-0.001 (0.004)	-0.000 (0.004)	-0.000 (0.004)	-0.000 (0.004)
M-B	0.004 (0.003)	0.004 (0.003)	0.003 (0.003)	0.004 (0.003)	0.004 (0.003)	0.003 (0.003)	0.003 (0.003)
Leverage	0.084** (0.034)	0.087*** (0.033)	0.088*** (0.033)	0.083** (0.033)	0.084** (0.033)	0.075** (0.035)	0.078** (0.036)
Sales/total assets	-0.026* (0.016)	-0.027* (0.015)	-0.028* (0.015)	-0.027* (0.015)	-0.026* (0.015)	-0.030 (0.018)	-0.029 (0.018)
Capex/total assets	0.034 (0.064)	0.032 (0.064)	0.031 (0.064)	0.033 (0.064)	0.036 (0.066)	0.025 (0.064)	0.025 (0.064)
Constant	0.086* (0.049)	0.068 (0.051)	0.071 (0.051)	0.096* (0.049)	0.057 (0.065)	0.077 (0.055)	0.078 (0.056)
Observations	1,682	1,678	1,678	1,678	1,678	1,543	1,531
R-squared	0.058	0.060	0.062	0.059	0.060	0.054	0.056
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Errors Clustered	Yes	Yes	Yes	Yes	Yes	Yes	Yes

This table reports OLS results in which the dependent variable is *% of foreign directors*, which is the proportion of foreign directors sitting on the board, calculated as the number of foreign directors divided by the total number of directors on the board. *FO 1SH* is a dummy variable that equals one when the largest shareholder is a foreign owner and zero otherwise. *FO concentration h3* and *FO concentration h5* are the Herfindahl index of the holdings of the top three and the top five foreign shareholders, measured as the sum of the squares of the top three and the top five foreign shareholders' voting rights, respectively. All independent variables are measured at time *t*. *Vote 1SH* is % of votes held by the largest shareholder. *Capital 1SH* is % of capital held by the largest shareholder. *Excess vote 1SH* is (% of votes) - (% of capital) held by the largest shareholder. *Dual-class* is a dummy variable that equals one when the firm has a dual-class share structure and zero otherwise. *No of directors* represents the number of directors on a given board. *M-B* is the market-to-book ratio. *Leverage* is measured as total long-term debt divided by total assets. *Sales/total assets* is net sales divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively. Clustered errors at the firm level are in parentheses.

Table 10 Panel B. Robustness test 1 - Alternative measure for board cultural diversity: CD Board to 1SH

	(1)	(2)	(3)	(4)	(5)
Dependent variable:	CD Board to 1SH				
FO 1SH	0.502*** (0.078)	0.503*** (0.078)	0.503*** (0.078)	0.502*** (0.078)	0.505*** (0.078)
Vote 1SH		-0.017 (0.079)			
Capital 1SH			-0.008 (0.094)		
Excess vote 1SH				-0.024 (0.155)	
Dual-class					0.088 (0.059)
No directors and 1SH	0.001 (0.005)	0.001 (0.005)	0.001 (0.005)	0.001 (0.005)	0.001 (0.005)
M-B	-0.001 (0.005)	-0.001 (0.005)	-0.001 (0.005)	-0.001 (0.005)	-0.001 (0.006)
Leverage	-0.057 (0.049)	-0.060 (0.049)	-0.059 (0.049)	-0.059 (0.049)	-0.057 (0.049)
Sales/total assets	-0.007 (0.017)	-0.007 (0.017)	-0.007 (0.017)	-0.008 (0.017)	-0.008 (0.017)
Capex/total assets	0.034 (0.086)	0.034 (0.087)	0.034 (0.087)	0.034 (0.086)	0.038 (0.088)
Constant	0.104* (0.060)	0.110* (0.063)	0.107* (0.062)	0.107* (0.062)	0.055 (0.069)
Observations	1,661	1,657	1,657	1,657	1,657
R-squared	0.425	0.425	0.425	0.425	0.428
Firm FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Errors Clustered	Yes	Yes	Yes	Yes	Yes

This table reports OLS results in which the dependent variable is *CD Board to 1SH*, defined as the average of cultural distances between each board member and the largest shareholder. *FO 1SH* is a dummy variable that equals one when the largest shareholder is a foreign owner and zero otherwise. All independent variables are measured at time t . *Vote 1SH* is % of votes held by the largest shareholder. *Capital 1SH* is % of capital held by the largest shareholder. *Excess vote 1SH* is (% of votes) - (% of capital) held by the largest shareholder. *Dual-class* is a dummy variable that equals one when the firm has a dual-class share structure and zero otherwise. *No directors and 1SH* represents the number of directors and the largest shareholder on a given board. *M-B* is the market-to-book ratio. *Leverage* is measured as total long-term debt divided by total assets. *Sales/total assets* is net sales divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively. Clustered errors at the firm level are in parentheses.

Table 10 Panel C. Robustness test 1 - Alternative measure for board cultural diversity: CD Board to 3SH

	(1)	(2)	(3)	(4)	(5)
Dependent variable:	CD Board to 3SH				
FO 1SH	0.335*** (0.096)	0.342*** (0.096)	0.344*** (0.096)	0.335*** (0.096)	0.333*** (0.096)
Vote 1SH		-0.283 (0.215)			
Capital 1SH			-0.274 (0.221)		
Excess vote 1SH				0.042 (0.250)	
Dual-class					-0.049 (0.034)
No directors and 3SH	-0.011 (0.010)	-0.011 (0.010)	-0.011 (0.010)	-0.011 (0.010)	-0.011 (0.010)
M-B	0.012 (0.008)	0.012 (0.008)	0.013* (0.008)	0.012 (0.008)	0.012 (0.008)
Leverage	-0.039 (0.129)	-0.056 (0.125)	-0.057 (0.125)	-0.040 (0.129)	-0.040 (0.129)
Sales/total assets	-0.067 (0.055)	-0.064 (0.055)	-0.061 (0.056)	-0.066 (0.056)	-0.067 (0.055)
Capex/total assets	-0.055 (0.282)	-0.056 (0.279)	-0.055 (0.279)	-0.055 (0.282)	-0.057 (0.282)
Constant	0.687*** (0.145)	0.772*** (0.164)	0.744*** (0.156)	0.683*** (0.148)	0.715*** (0.149)
Observations	1,577	1,577	1,577	1,577	1,577
R-squared	0.082	0.085	0.085	0.082	0.082
Firm FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Errors Clustered	Yes	Yes	Yes	Yes	Yes

This table reports OLS results in which the dependent variable is *CD Board to 3SH*, defined as the average of cultural distances between each board member and each of the three largest shareholders. *FO 1SH* is a dummy variable that equals one when the largest shareholder is a foreign owner and zero otherwise. All independent variables are measured at time *t*. *Vote 1SH* is % of votes held by the largest shareholder. *Capital 1SH* is % of capital held by the largest shareholder. *Excess vote 1SH* is (% of votes) - (% of capital) held by the largest shareholder. *Dual-class* is a dummy variable that equals one when the firm has a dual-class share structure and zero otherwise. *No directors and 3SH* represents the number of directors and largest three shareholders on a given board. *M-B* is the market-to-book ratio. *Leverage* is measured as total long-term debt divided by total assets. *Sales/total assets* is net sales divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively. Clustered errors at the firm level are in parentheses.

Table 11 Panel A. Robustness test 2 - IV model (IV: Stock Importance 1SH)

	Dependent variables:		Dependent variables:		Dependent variables:	
	FO 1SH	% of foreign directors	FO concentration h3	% of foreign directors	FO concentration h5	% of foreign directors
	1st Stage	2nd Stage	1st Stage	2nd Stage	1st Stage	2nd Stage
FO 1SH/FO concentration h3/FO concentration h5		0.080** (0.037)		1.499** (0.752)		1.585** (0.756)
Stock Importance 1SH	0.224*** (0.020)		0.012*** (0.001)		0.012*** (0.001)	
Vote 1SH	0.263*** (0.087)	-0.001 (0.037)				
No of directors	-0.014*** (0.005)	0.000 (0.002)	-0.001** (0.000)	-0.000 (0.002)	-0.001** (0.000)	-0.000 (0.002)
M-B	-0.008* (0.005)	0.000 (0.002)	0.001*** (0.000)	-0.002 (0.002)	0.001*** (0.000)	-0.002 (0.002)
Leverage	0.205* (0.055)	0.067*** (0.024)	0.008** (0.003)	0.064*** (0.025)	0.010*** (0.003)	0.067*** (0.025)
Sales/total assets	0.010 (0.022)	-0.025*** (0.009)	0.002 (0.001)	-0.028*** (0.010)	0.001 (0.001)	-0.027*** (0.010)
Capex/total assets	-0.072 (0.150)	0.053 (0.061)	-0.003 (0.008)	0.047 (0.063)	-0.003 (0.009)	0.047 (0.063)
Constant	-0.039 (0.066)	0.081*** (0.026)	0.000 (0.004)	0.101*** (0.029)	0.000*** (0.004)	0.100*** (0.029)
Observations	1,578	1,578	1,469	1,469	1,458	1,458
R-squared	0.015	0.046	0.037	0.035	0.034	0.035
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

This table reports the IV estimation results. In the first stage of the two-stage IV estimation, the dependent variables are *FO 1SH*, *FO concentration h3*, and *FO concentration h5*, respectively. *FO 1SH* is a dummy variable that equals one when the largest shareholder is a foreign owner and zero otherwise. *FO concentration h3* and *FO concentration h5* are the Herfindahl index of the holdings of the top three and the top five foreign shareholders, measured as the sum of the squares of the top three and the top five foreign shareholders' voting rights, respectively. In the second stage of the two-stage IV estimation, the dependent variable is *% of foreign directors*, which is the proportion of foreign directors sitting on the board, calculated as the number of foreign directors divided by the total number of directors on the board. *Stock Importance 1SH* is the instrumental variable, which is the weight of a firm's stock in the largest shareholders' portfolio. All independent variables are measured at time *t*. *Vote 1SH* is % of votes held by the largest shareholder. *No of directors* represents the number of directors on a given board. *M-B* is the market-to-book ratio. *Leverage* is measured as total long-term debt divided by total assets. *Sales/total assets* is net sales divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table 11 Panel B. Robustness test 2 - IV model (IV: Portfolio diversification 1SH high)

	Dependent variables:		Dependent variables:		Dependent variables:	
	FO 1SH	% of foreign directors	FO concentration h3	% of foreign directors	FO concentration h5	% of foreign directors
	1st Stage	2nd Stage	1st Stage	2nd Stage	1st Stage	2nd Stage
FO 1SH/FO concentration h3/FO concentration h5		0.098** (0.040)		2.132** (0.943)		2.280** (0.938)
Portfolio diversification 1SH high	-0.153*** (0.015)		-0.007*** (0.000)		-0.007*** (0.001)	
Vote 1SH	0.347*** (0.087)	-0.006 (0.037)				
No of directors	-0.015*** (0.005)	0.000 (0.002)	-0.001*** (0.000)	0.000 (0.002)	-0.001** (0.000)	0.000 (0.002)
M-B	-0.008* (0.005)	0.000 (0.002)	0.001*** (0.000)	-0.003 (0.002)	0.001*** (0.000)	-0.003 (0.002)
Leverage	0.182*** (0.056)	0.063*** (0.024)	0.007*** (0.003)	0.059** (0.025)	0.008** (0.003)	0.060** (0.026)
Sales/total assets	0.014 (0.0225)	-0.025*** (0.010)	0.002 (0.001)	-0.030*** (0.010)	0.002 (0.001)	-0.029*** (0.010)
Capex/total assets	-0.105 (0.151)	0.053 (0.061)	-0.004 (0.009)	0.049 (0.064)	-0.004 (0.009)	0.048 (0.064)
Constant	0.153*** (0.066)	0.080*** (0.027)	0.011*** (0.004)	0.097*** (0.029)	0.011*** (0.004)	0.097*** (0.029)
Observations	1,578	1,578	1,469	1,469	1,458	1,458
R-squared	0.009	0.054	0.037	0.038	0.034	0.037
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

This table reports the IV estimation results. In the first stage of the two-stage IV estimation, the dependent variables are *FO 1SH*, *FO concentration h3*, and *FO concentration h5*, respectively. *FO 1SH* is a dummy variable that equals one when the largest shareholder is a foreign owner and zero otherwise. *FO concentration h3* and *FO concentration h5* are the Herfindahl index of the holdings of the top three and the top five foreign shareholders, measured as the sum of the squares of the top three and the top five foreign shareholders' voting rights, respectively. In the second stage of the two-stage IV estimation, the dependent variable is *% of foreign directors*, which is the proportion of foreign directors sitting on the board, calculated as the number of foreign directors divided by the total number of directors on the board. *Portfolio diversification 1SH high* is the instrumental variable, which is a dummy variable that is equal to one if the portfolio of the largest shareholder is well-diversified and zero otherwise. It is constructed using the median value of the following diversification value: one minus the sum of the squared weights that each stock has in the largest shareholder's portfolio. All independent variables are measured at time *t*. *Vote 1SH* is % of votes held by the largest shareholder. *No of directors* represents the number of directors on a given board. *M-B* is the market-to-book ratio. *Leverage* is measured as total long-term debt divided by total assets. *Sales/total assets* is net sales divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table 12. Robustness test 3 - Alternative measures for the largest foreign owner & foreign ownership concentration

	(1)	(2)	(3)
Dependent variable:	CD Board		
FO 1SH vote	1.579*** (0.512)		
FO 1SH capital		1.545*** (0.516)	
CD Owners			0.645*** (0.227)
No of directors	0.028 (0.025)	0.028 (0.025)	0.035 (0.028)
M-B	0.013 (0.018)	0.012 (0.018)	0.005 (0.023)
Leverage	0.359* (0.207)	0.371* (0.208)	0.471* (0.278)
Sales/total assets	-0.135 (0.110)	-0.131 (0.110)	-0.128 (0.135)
Capex/total assets	0.023 (0.435)	0.008 (0.435)	0.498 (0.426)
Constant	0.319 (0.320)	0.329 (0.319)	0.021 (0.603)
Observations	1697	1697	1,422
R-squared	0.051	0.048	0.054
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Errors Clustered at Firm	Yes	Yes	Yes

This table reports OLS results. The dependent variable is *CD Board*, defined as the average of cultural distances in all pairs of board members. We use three alternative foreign ownership measures: *FO 1SH vote* is % of votes held by the largest shareholder who is a foreign owner. *FO 1SH capital* is % of capital held by the largest shareholder who is a foreign owner. *CD Owners* is the weighted average of cultural distances in all pairs of the top five shareholders. All independent variables are measured at time *t*. *No of directors* represents the number of directors on a given board. *M-B* is the market-to-book ratio. *Leverage* is measured as total long-term debt divided by total assets. *Sales/total assets* is net sales divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively. Clustered errors at the firm level are in parentheses.

Table 13. Robustness test 4 - Alternative estimation techniques: Random and between effects models

Dependent variable:	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	CD Board									
	Random effects model					Between effects model				
FO 1SH	0.341*** (0.106)	0.341*** (0.105)	0.346*** (0.105)			0.771*** (0.253)	0.767*** (0.253)	0.784*** (0.250)		
FO concentration h3				4.487*** (1.624)					4.390* (2.547)	
FO concentration h5					4.668*** (1.620)					4.375* (2.546)
Vote 1SH		-0.174 (0.295)					-0.317 (0.304)			
Capital 1SH			-0.184 (0.384)					-0.742* (0.435)		
No of directors	0.040* (0.022)	0.039* (0.022)	0.039* (0.022)	0.042* (0.023)	0.040* (0.023)	0.134*** (0.035)	0.131*** (0.035)	0.127*** (0.035)	0.142*** (0.036)	0.142*** (0.037)
M-B	0.017 (0.017)	0.017 (0.017)	0.017 (0.017)	0.014 (0.019)	0.014 (0.019)	0.062 (0.049)	0.057 (0.049)	0.057 (0.049)	0.082* (0.049)	0.081 (0.049)
Leverage	0.340* (0.202)	0.320 (0.200)	0.321 (0.200)	0.315 (0.214)	0.323 (0.224)	0.105 (0.522)	0.065 (0.523)	0.132 (0.518)	0.258 (0.531)	0.225 (0.535)
Sales/total assets	-0.142 (0.087)	-0.139 (0.088)	-0.137 (0.089)	-0.167* (0.095)	-0.165* (0.096)	-0.109 (0.117)	-0.089 (0.119)	-0.060 (0.120)	-0.096 (0.121)	-0.114 (0.120)
Capex/total assets	0.010 (0.433)	0.021 (0.436)	0.019 (0.435)	-0.006 (0.455)	-0.006 (0.455)	-1.429 (2.494)	-0.946 (2.533)	-0.758 (2.507)	-1.975 (2.616)	-1.709 (2.635)
Constant	-0.161 (0.362)	-0.107 (0.361)	-0.117 (0.366)	-0.177 (0.394)	-0.172 (0.397)	0.260 (4.530)	0.702 (4.554)	0.551 (4.507)	2.483 (4.747)	2.220 (4.876)
Observations	1701	1697	1697	1561	1549	1701	1697	1697	1561	1549
R-squared	0.247	0.251	0.251	0.240	0.238	0.425	0.428	0.435	0.401	0.394
RE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Errors Clustered at Firm	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes

This table reports results from random and between effects models. The dependent variable is *CD Board*, defined as the average of cultural distances in all pairs of board members. *FO 1SH* is a dummy variable that equals one when the largest shareholder is a foreign owner and zero otherwise. *FO concentration h3* and *FO concentration h5* are the Herfindahl index of the holdings of the top three and the top five foreign shareholders, measured as the sum of the squares of the top three and the top five foreign shareholders' voting rights, respectively. All independent variables are measured at time *t*. *Vote 1SH* is % of votes held by the largest shareholder. *Capital 1SH* is % of capital held by the largest shareholder. *No of directors* represents the number of directors on a given board. *M-B* is the market-to-book ratio. *Leverage* is measured as total long-term debt divided by total assets. *Sales/total assets* is net sales divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively. Clustered errors at the firm level are in parentheses.

Table 14. Does the largest foreign owner's insider role matter for their taste for board cultural diversity?

Dependent variable:	(1)	(2)	(3)
	CD Board		
Role of 1SH:	Board 1SH	Chairman 1SH	Insider 1SH
Role of 1 SH	0.009 (0.107)	0.067 (0.080)	0.070 (0.095)
FO 1SH	0.230** (0.100)	0.287** (0.117)	0.245** (0.102)
Role of 1SH*FO 1SH	0.606** (0.268)	0.543 (0.413)	0.490 (0.301)
No of directors	0.029 (0.026)	0.029 (0.026)	0.028 (0.026)
M-B	0.019 (0.019)	0.018 (0.019)	0.018 (0.019)
Leverage	0.364 (0.225)	0.395* (0.227)	0.359 (0.227)
Sales/total assets	-0.154 (0.118)	-0.153 (0.119)	-0.153 (0.119)
Capex/total assets	-0.024 (0.442)	-0.018 (0.442)	-0.069 (0.445)
Constant	0.374 (0.338)	0.355 (0.335)	0.350 (0.335)
Observations	1,637	1,637	1,637
R-squared	0.055	0.049	0.054
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Errors Clustered at Firm	Yes	Yes	Yes

This table reports OLS results in which the dependent variable is *CD Board*, defined as the average of cultural distances in all pairs of board members. *Board 1SH*, *Chairman 1SH*, and *Insider 1SH* are dummy variables that take the value of one if the largest shareholder is a) a board member, b) the chairman of the board, or c) insider (i.e., either a board member or the chairman), respectively, and zero otherwise. All independent variables are measured at time t . *FO 1SH* is a dummy variable that equals one when the largest shareholder is a foreign owner and zero otherwise. *No of directors* represents the number of directors on a given board. *M-B* is the market-to-book ratio. *Leverage* is measured as total long-term debt divided by total assets. *Sales/total assets* is net sales divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively. Clustered errors at the firm level are in parentheses.

Table 15. Does firm governance matter for the largest foreign owner's taste for board cultural diversity?

Dependent variable:	(1)	(2)	(3)	(4)
	CD Board			
Governance setting:	Family 1SH	Dual class	O concentration h3	O concentration h5
Governance setting	-0.018 (0.096)	0.214 (0.294)	-0.218 (0.614)	-0.230 (0.623)
FO 1SH	0.233** (0.096)	0.131 (0.109)	-0.064 (0.129)	-0.085 (0.134)
Governance setting*FO 1SH	1.310*** (0.111)	0.581** (0.247)	4.844** (1.960)	4.939** (1.979)
No of directors	0.025 (0.025)	0.029 (0.025)	0.029 (0.025)	0.029 (0.025)
M-B	0.016 (0.018)	0.016 (0.018)	0.012 (0.020)	0.012 (0.020)
Leverage	0.390* (0.209)	0.407* (0.208)	0.351 (0.223)	0.370 (0.233)
Sales/total assets	-0.127 (0.110)	-0.128 (0.109)	-0.146 (0.124)	-0.142 (0.125)
Capex/total assets	0.029 (0.437)	0.078 (0.441)	-0.083 (0.467)	-0.087 (0.467)
Constant	0.346 (0.310)	0.148 (0.370)	0.297 (0.349)	0.290 (0.352)
Observations	1,701	1697	1580	1575
R-squared	0.053	0.054	0.047	0.047
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Errors Clustered at Firm	Yes	Yes	Yes	Yes

This table reports OLS results in which the dependent variable is *CD Board*, defined as the average of cultural distances in all pairs of board members. *Family 1SH* is a dummy variable that equals one when the largest shareholder is a family owner and zero otherwise. *Dual-class* is a dummy variable that equals one when the firm has a dual-class share structure and zero otherwise. *O concentration h3* and *O concentration h5* are the Herfindahl index of the holdings of the top three and the top five shareholders, measured as the sum of the squares of the top three and the top five shareholders' voting rights, respectively. All independent variables are measured at time *t*. *FO 1SH* is a dummy variable that equals one when the largest shareholder is a foreign owner and zero otherwise. *No of directors* represents the number of directors on a given board. *M-B* is the market-to-book ratio. *Leverage* is measured as total long-term debt divided by total assets. *Sales/total assets* is net sales divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively. Clustered errors at the firm level are in parentheses.

Table 16. Does heterogeneity among foreign owners matter for cultural diversity?

Dependent variable:	(1)	(2)	(3)	(4)	(5)
	CD Board				
Scandinavian DV	0.372** (0.185)	0.367** (0.184)	0.367** (0.183)	0.368** (0.183)	0.369** (0.183)
Non-Scandinavian DV	0.255* (0.135)	0.254* (0.134)	0.255* (0.136)	0.256* (0.137)	0.263* (0.136)
Vote 1SH		0.020 (0.435)			
Capital 1SH			0.003 (0.457)		
Excess vote 1SH				0.053 (0.654)	
Dual-class					0.237 (0.290)
No of directors	0.028 (0.025)	0.028 (0.025)	0.028 (0.025)	0.028 (0.025)	0.029 (0.025)
M-B	0.015 (0.018)	0.014 (0.018)	0.014 (0.018)	0.014 (0.018)	0.014 (0.018)
Leverage	0.384* (0.209)	0.374* (0.207)	0.373* (0.207)	0.373* (0.208)	0.378* (0.209)
Sales/total assets	-0.130 (0.110)	-0.131 (0.110)	-0.131 (0.111)	-0.130 (0.110)	-0.132 (0.110)
Capex/total assets	0.023 (0.433)	0.024 (0.435)	0.025 (0.434)	0.025 (0.434)	0.039 (0.438)
Constant	0.321 (0.320)	0.320 (0.325)	0.326 (0.324)	0.321 (0.318)	0.191 (0.368)
Observations	1,701	1,697	1,697	1,697	1,697
R-squared	0.043	0.043	0.043	0.043	0.044
Firm FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Errors Clustered	Yes	Yes	Yes	Yes	Yes

This table reports OLS results in which the dependent variable is the *CD Board*, defined as the average of cultural distances in all pairs of board members. *Scandinavian DV* is a dummy variable that equals one if the largest shareholder is an owner from a Scandinavian country (excluding Sweden) and zero otherwise. *Non-Scandinavian DV* is a dummy variable that equals one if the largest shareholder is an owner from a non-Scandinavian country and zero otherwise. *Swedish DV*, which is the base case, is a dummy variable that equals one if the largest shareholder is a Swedish owner and zero otherwise. All independent variables are measured at time t . *Vote 1SH* is % of votes held by the largest shareholder. *Capital 1SH* is % of capital held by the largest shareholder. *Excess vote 1SH* is (% of votes) - (% of capital) held by the largest shareholder. *Dual-class* is a dummy variable that equals one when the firm has a dual-class share structure and zero otherwise. *No of directors* represents the number of directors on a given board. *M-B* is the market-to-book ratio. *Leverage* is measured as total long-term debt divided by total assets. *Sales/total assets* is net sales divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively. Clustered errors at the firm level are in parentheses.

Table 17. Does heterogeneity among foreign owners matter for foreign directorship?

Dependent variable:	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	At least 1 non-Swedish director					All non-Scandinavian directors				
Scandinavian DV	0.955 (0.718)	0.989 (0.713)	1.092 (0.755)	0.934 (0.718)	0.930 (0.713)	-0.390 (1.149)	-0.456 (1.161)	-0.454 (1.153)	-0.405 (1.149)	-0.389 (1.154)
Non-Scandinavian DV	1.228** (0.612)	1.265** (0.603)	1.310** (0.603)	1.227** (0.613)	1.216** (0.610)	0.993* (0.558)	1.004* (0.542)	1.121** (0.544)	0.941* (0.549)	1.010* (0.558)
Vote 1SH		-1.837* (1.086)					-2.788*** (1.071)			
Capital 1SH			-2.094 (1.394)					-3.246** (1.390)		
Excess vote 1SH				0.054 (1.555)					-1.293 (1.601)	
Dual-class					-0.283 (0.485)					0.318 (0.334)
No of directors	0.236*** (0.090)	0.229*** (0.088)	0.224** (0.088)	0.235*** (0.090)	0.236*** (0.089)	0.094 (0.089)	0.081 (0.093)	0.074 (0.090)	0.096 (0.089)	0.092 (0.088)
M-B	0.046 (0.044)	0.047 (0.044)	0.049 (0.044)	0.045 (0.044)	0.044 (0.044)	0.036 (0.042)	0.039 (0.042)	0.040 (0.042)	0.035 (0.042)	0.036 (0.042)
Leverage	1.524 (0.950)	1.463 (0.951)	1.489 (0.956)	1.492 (0.951)	1.469 (0.949)	0.849 (1.123)	0.795 (1.140)	0.800 (1.118)	0.847 (1.128)	0.888 (1.123)
Sales/total assets	-0.383 (0.324)	-0.353 (0.335)	-0.343 (0.338)	-0.384 (0.323)	-0.390 (0.322)	-0.542 (0.428)	-0.545 (0.456)	-0.514 (0.455)	-0.547 (0.432)	-0.531 (0.427)
Capex/total assets	-0.279 (3.167)	-0.342 (3.150)	-0.172 (3.125)	-0.237 (3.161)	-0.209 (3.159)	-4.597 (3.439)	-4.699 (3.622)	-4.870 (3.580)	-4.528 (3.456)	-4.647 (3.398)
Constant	-4.358*** (1.449)	-3.869*** (1.388)	-3.905*** (1.428)	-4.347*** (1.446)	-4.265*** (1.436)	-3.549** (1.440)	-2.881** (1.423)	-2.785** (1.398)	-3.526** (1.425)	-3.603** (1.457)
Observations	1,653	1,649	1,649	1,649	1,649	1,551	1,547	1,547	1,547	1,547
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Errors Clustered	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

This table reports probit results. Columns 1-5 report regression results for the dependent variable *At least 1 non-Swedish director*, which is a dummy variable that equals one if at least one of the directors on the board is a foreigner (non-Swedish) and zero otherwise. Columns 6-10 report regression results for the dependent variable *All non-Scandinavian directors*, a dummy variable that equals one if all the foreign directors are non-Scandinavian and zero otherwise. *Scandinavian DV* is a dummy variable that equals one if the largest shareholder is an owner from a Scandinavian country (excluding Sweden) and zero otherwise. *Non-Scandinavian DV* is a dummy variable that equals one if the largest shareholder is an owner from a non-Scandinavian country and zero otherwise. *Swedish DV*, which is the base case, is a dummy variable that equals one if the largest shareholder is a Swedish owner and zero otherwise. All independent variables are measured at time *t*. *Vote 1SH* is % of votes held by the largest shareholder. *Capital 1SH* is % of capital held by the largest shareholder. *Excess vote 1SH* is (% of votes) - (% of capital) held by the largest shareholder. *Dual-class* is a dummy variable that equals one when the firm has a dual-class share structure and zero otherwise. *No of directors* represents the number of directors on a given board. *M-B* is the market-to-book ratio. *Leverage* is measured as total long-term debt divided by total assets. *Sales/total assets* is net sales divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively. Clustered errors at the firm level are in parentheses.

Appendix A. Further Robustness Tests

In this section, we conduct further robustness tests and rule out another alternative explanation for the positive relationship we identify between foreign ownership and board cultural diversity. All the additional variables we use in this section are defined in Table A1. Summary statistics of these additional variables are reported in Table A2.

Specifically, we investigate whether foreign owners promote domestic (Swedish) directors with substantial international experience. We capture Swedish directors' international experience by observing their international education and international professional experience. To this end, we construct four variables. i) *% of directors foreign qual.*, which is the proportion of the Swedish directors holding at least one international educational qualification, calculated as the number of Swedish directors with a foreign qualification(s) divided by the number of Swedish directors on the board, ii) *Avg. period foreign qual.*, which is the average number of years of cumulative international academic experience by the Swedish directors within a board, calculated as the total number of years spent to complete a degree(s) divided by the number of Swedish directors on the board. iii) *% of directors intl. exp.*, which is the proportion of Swedish directors who have had at least one year of professional experience abroad, calculated as the number of Swedish directors with international professional experience divided by the number of Swedish directors on the board, and iv) *Avg. period intl. qual-exp.*, which is the average number of years of cumulative international academic and professional experience by the Swedish directors within a board, calculated as the total number of years of international academic and professional experience of all Swedish board members divided by the number of Swedish directors on the board. Panels A, B, C, and D of Table A3 show that foreign owners do not seem to select Swedish directors with international experience for the board. This only strengthens our main finding, which is that foreign owners care about cultural diversity rather than international exposure and experience.

Table A1. Definition of additional variables used in the Appendix

% of directors foreign qual.	The proportion of the Swedish directors holding at least one international education qualification, calculated as the number of Swedish directors with a foreign qualification(s) divided by the number of Swedish directors on the board.
Avg. period foreign qual.	The average number of years of cumulative international academic experience by the Swedish directors within a board, calculated as the total number of years spent to complete a degree(s) divided by the number of Swedish directors on the board.
% of directors intl. exp.	The proportion of the Swedish directors who have had at least one year of professional experience abroad, calculated as the number of Swedish directors with international professional experience divided by the number of Swedish directors on the board.
Avg. period intl. qual-exp.	The average number of years of cumulative international academic and professional experience by the Swedish directors within a board, calculated as the total number of years of international academic and professional experience of all Swedish board members divided by the number of Swedish directors on the board.

This table presents definitions of the additional variables used in this paper. The data are obtained from annual reports, Modular Finance AB, and company websites. The currency used is SEK.

Table A2. Summary statistics of the additional variables

	N	Mean	St. Dev.	Min	Max
% of directors foreign qual.	1,082	0.075	0.130	0.000	0.750
Avg. period foreign qual.	1,082	0.183	0.363	0.000	2.250
% of directors intl. exp.	1,242	0.090	0.144	0.000	1.000
Avg. period intl. qual-exp.	1,082	0.379	1.076	0.000	11.000

This table reports summary statistics of the additional variables that are used in the Appendix. *N* is the number of observations. All these additional variables are defined in Table A1.

Table A3 Panel A. Do large foreign owners promote Swedish directors with foreign education?

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dependent variable:	% of directors foreign qual.						
FO 1SH	0.019 (0.036)	0.019 (0.036)	0.020 (0.036)	0.021 (0.037)	0.018 (0.037)		
Vote 1SH		0.035 (0.102)					
Capital 1SH			-0.005 (0.100)				
Excess vote 1SH				0.136 (0.132)			
Dual-class					-0.064*** (0.011)		
FO concentration h3						1.256 (0.796)	
FO concentration h5							1.243 (0.795)
No of directors	-0.008* (0.005)	-0.008* (0.005)	-0.008* (0.005)	-0.008* (0.005)	-0.008* (0.005)	-0.008* (0.005)	-0.008* (0.005)
M-B	0.000 (0.003)	0.000 (0.003)	0.000 (0.003)	0.000 (0.003)	0.000 (0.003)	-0.004 (0.004)	-0.004 (0.004)
Leverage	0.045 (0.058)	0.046 (0.060)	0.044 (0.059)	0.045 (0.058)	0.043 (0.058)	0.097 (0.061)	0.107 (0.066)
Sales/total assets	0.012 (0.015)	0.011 (0.014)	0.012 (0.014)	0.012 (0.015)	0.013 (0.015)	0.034** (0.014)	0.036** (0.015)
Capex/total assets	0.069 (0.064)	0.069 (0.064)	0.070 (0.064)	0.065 (0.065)	0.067 (0.064)	0.033 (0.087)	0.033 (0.088)
Constant	0.051 (0.060)	0.042 (0.072)	0.053 (0.067)	0.040 (0.062)	0.087 (0.062)	-0.024 (0.062)	-0.028 (0.064)
Observations	1,060	1,058	1,058	1,058	1,058	990	985
R-squared	0.049	0.050	0.049	0.051	0.051	0.112	0.115
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Errors Clustered	Yes	Yes	Yes	Yes	Yes	Yes	Yes

This table reports OLS results in which the dependent variable is *% of directors foreign qual.*, which is the proportion of the Swedish directors holding at least one international education qualification, calculated as the number of Swedish directors with a foreign qualification(s) divided by the number of Swedish directors on the board. *FO 1SH* is a dummy variable that equals one when the largest shareholder is a foreign owner and zero otherwise. *FO concentration h3* and *FO concentration h5* are the Herfindahl index of the holdings of the top three and the top five foreign shareholders, measured as the sum of the squares of the top three and the top five foreign shareholders' voting rights, respectively. All independent variables are measured at time *t*. *Vote 1SH* is % of votes held by the largest shareholder. *Capital 1SH* is % of capital held by the largest shareholder. *Excess vote 1SH* is (% of votes) - (% of capital) held by the largest shareholder. *Dual-class* is a dummy variable that equals one when the firm has a dual-class share structure and zero otherwise. *No of directors* represents the number of directors on a given board. *M-B* is the market-to-book ratio. *Leverage* is measured as total long-term debt divided by total assets. *Sales/total assets* is net sales divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively. Clustered errors at the firm level are in parentheses.

Table A3 Panel B. Do large foreign owners promote Swedish directors who studied abroad for a longer period?

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dependent variable:	Avg. period foreign qual.						
FO 1SH	0.085 (0.102)	0.082 (0.101)	0.081 (0.100)	0.093 (0.103)	0.084 (0.102)		
Vote 1SH		0.361 (0.351)					
Capital 1SH			0.209 (0.336)				
Excess vote 1SH				0.570 (0.430)			
Dual-class					-0.120*** (0.031)		
FO concentration h3						5.005 (3.080)	
FO concentration h5							4.999 (3.081)
No of directors	-0.016 (0.012)	-0.017 (0.012)	-0.017 (0.012)	-0.017 (0.012)	-0.017 (0.012)	-0.018 (0.012)	-0.018 (0.012)
M-B	-0.004 (0.008)	-0.004 (0.008)	-0.005 (0.009)	-0.003 (0.008)	-0.004 (0.008)	-0.016 (0.014)	-0.017 (0.014)
Leverage	0.123 (0.147)	0.134 (0.152)	0.128 (0.150)	0.121 (0.147)	0.118 (0.147)	0.218 (0.163)	0.243 (0.174)
Sales/total assets	0.034 (0.034)	0.024 (0.032)	0.027 (0.032)	0.034 (0.034)	0.034 (0.034)	0.076** (0.035)	0.080** (0.036)
Capex/total assets	0.219 (0.170)	0.211 (0.171)	0.221 (0.172)	0.201 (0.175)	0.215 (0.170)	0.131 (0.226)	0.135 (0.229)
Constant	0.112 (0.139)	0.013 (0.197)	0.073 (0.173)	0.064 (0.149)	0.179 (0.143)	-0.067 (0.151)	-0.078 (0.154)
Observations	1,060	1,058	1,058	1,058	1,058	990	985
R-squared	0.036	0.041	0.038	0.040	0.037	0.113	0.117
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Errors Clustered	Yes	Yes	Yes	Yes	Yes	Yes	Yes

This table reports OLS results in which the dependent variable is *Avg. period foreign qual.*, which is the average number of years of cumulative international academic experience by the Swedish directors within a board, calculated as the total number of years spent to complete a degree(s) divided by the number of Swedish directors on the board. *FO 1SH* is a dummy variable that equals one when the largest shareholder is a foreign owner and zero otherwise. *FO concentration h3* and *FO concentration h5* are the Herfindahl index of the holdings of the top three and the top five foreign shareholders, measured as the sum of the squares of the top three and the top five foreign shareholders' voting rights, respectively. All independent variables are measured at time *t*. *Vote 1SH* is % of votes held by the largest shareholder. *Capital 1SH* is % of capital held by the largest shareholder. *Excess vote 1SH* is (% of votes) - (% of capital) held by the largest shareholder. *Dual-class* is a dummy variable that equals one when the firm has a dual-class share structure and zero otherwise. *No of directors* represents the number of directors on a given board. *M-B* is the market-to-book ratio. *Leverage* is measured as total long-term debt divided by total assets. *Sales/total assets* is net sales divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively. Clustered errors at the firm level are in parentheses.

Table A3 Panel C. Do large foreign owners promote Swedish directors with international experience?

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dependent variable:	% of directors intl. exp.						
FO 1SH	0.006 (0.012)	0.005 (0.012)	0.004 (0.012)	0.007 (0.012)	0.008 (0.012)		
Vote 1SH		0.098 (0.084)					
Capital 1SH			0.084 (0.087)				
Excess vote 1SH				0.028 (0.152)			
Dual-class					0.083* (0.042)		
FO concentration h3						0.284 (0.412)	
FO concentration h5							0.298 (0.412)
No of directors	-0.004 (0.004)	-0.004 (0.004)	-0.004 (0.004)	-0.004 (0.004)	-0.004 (0.004)	-0.006 (0.004)	-0.006 (0.005)
M-B	0.005 (0.007)	0.004 (0.006)	0.004 (0.006)	0.005 (0.007)	0.005 (0.007)	0.003 (0.007)	0.003 (0.007)
Leverage	-0.016 (0.047)	-0.011 (0.049)	-0.012 (0.048)	-0.018 (0.047)	-0.016 (0.047)	-0.003 (0.041)	-0.008 (0.043)
Sales/total assets	-0.029 (0.026)	-0.031 (0.026)	-0.031 (0.026)	-0.029 (0.027)	-0.030 (0.027)	-0.020 (0.029)	-0.021 (0.029)
Capex/total assets	0.108 (0.074)	0.103 (0.075)	0.104 (0.075)	0.106 (0.075)	0.109 (0.075)	0.065 (0.076)	0.056 (0.075)
Constant	0.090* (0.046)	0.063 (0.056)	0.075 (0.051)	0.089* (0.050)	0.045 (0.051)	0.085 (0.053)	0.089 (0.054)
Observations	1,215	1,212	1,212	1,212	1,212	1,126	1,119
R-squared	0.024	0.029	0.028	0.025	0.027	0.032	0.033
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Errors Clustered	Yes	Yes	Yes	Yes	Yes	Yes	Yes

This table reports OLS results in which the dependent variable is *% of directors intl. exp.*, which is the proportion of the Swedish directors with international professional experience, calculated as the number of Swedish directors who have had at least one year of professional experience abroad divided by the number of Swedish directors on the board. *FO 1SH* is a dummy variable that equals one when the largest shareholder is a foreign owner and zero otherwise. *FO concentration h3* and *FO concentration h5* are the Herfindahl index of the holdings of the top three and the top five foreign shareholders, measured as the sum of the squares of the top three and the top five foreign shareholders' voting rights, respectively. All independent variables are measured at time *t*. *Vote 1SH* is % of votes held by the largest shareholder. *Capital 1SH* is % of capital held by the largest shareholder. *Excess vote 1SH* is (% of votes) - (% of capital) held by the largest shareholder. *Dual-class* is a dummy variable that equals one when the firm has a dual-class share structure and zero otherwise. *No of directors* represents the number of directors on a given board. *M-B* is the market-to-book ratio. *Leverage* is measured as total long-term debt divided by total assets. *Sales/total assets* is net sales divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively. Clustered errors at the firm level are in parentheses.

Table A3 Panel D. Do large foreign owners promote Swedish directors with longer international professional experience?

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dependent variable:	Avg. period intl. qual-exp.						
FO 1SH	0.786 (0.670)	0.763 (0.666)	0.752 (0.667)	0.803 (0.677)	0.776 (0.676)		
Vote 1SH		1.647 (1.046)					
Capital 1SH			1.200 (1.032)				
Excess vote 1SH				1.808* (0.997)			
Dual-class					-0.147 (0.132)		
FO concentration h3						25.107* (14.681)	
FO concentration h5							24.864* (14.669)
No of directors	-0.088 (0.058)	-0.087 (0.058)	-0.086 (0.058)	-0.088 (0.059)	-0.086 (0.058)	-0.105 (0.065)	-0.098 (0.064)
M-B	-0.013 (0.024)	-0.014 (0.026)	-0.015 (0.026)	-0.010 (0.024)	-0.013 (0.024)	-0.067 (0.052)	-0.067 (0.051)
Leverage	-0.081 (0.387)	0.004 (0.374)	-0.014 (0.373)	-0.055 (0.371)	-0.060 (0.372)	0.284 (0.533)	0.400 (0.551)
Sales/total assets	-0.054 (0.112)	-0.088 (0.112)	-0.079 (0.108)	-0.044 (0.110)	-0.047 (0.111)	0.052 (0.110)	0.080 (0.108)
Capex/total assets	1.018 (0.725)	1.001 (0.710)	1.048 (0.705)	0.981 (0.737)	1.032 (0.723)	0.177 (0.569)	0.166 (0.570)
Constant	0.672* (0.382)	0.189 (0.474)	0.417 (0.446)	0.493 (0.347)	0.728* (0.389)	0.304 (0.421)	0.185 (0.393)
Observations	1,060	1,058	1,058	1,058	1,058	990	985
R-squared	0.101	0.108	0.103	0.102	0.099	0.189	0.190
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Errors Clustered	Yes	Yes	Yes	Yes	Yes	Yes	Yes

This table reports OLS results in which the dependent variable is *Avg. period intl. qual-exp.*, which is the average number of years of cumulative international academic and professional experience by the Swedish directors within a board, calculated as the total number of years of international academic and professional experience of all Swedish board members divided by the number of Swedish directors on the board. *FO 1SH* is a dummy variable that equals one when the largest shareholder is a foreign owner and zero otherwise. *FO concentration h3* and *FO concentration h5* are the Herfindahl index of the holdings of the top three and the top five foreign shareholders, measured as the sum of the squares of the top three and the top five foreign shareholders' voting rights, respectively. All independent variables are measured at time *t*. *Vote 1SH* is % of votes held by the largest shareholder. *Capital 1SH* is % of capital held by the largest shareholder. *Excess vote 1SH* is (% of votes) - (% of capital) held by the largest shareholder. *Dual-class* is a dummy variable that equals one when the firm has a dual-class share structure and zero otherwise. *No of directors* represents the number of directors on a given board. *M-B* is the market-to-book ratio. *Leverage* is measured as total long-term debt divided by total assets. *Sales/total assets* is net sales divided by total assets. *Capex/total assets* is capital expenditures divided by total assets. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively. Clustered errors at the firm level are in parentheses.