Foreign Ownership and Board Cultural Diversity

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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 have 13,655 observations at the director-firm-year level, with directors coming from 31 different countries. We find that board cultural diversity increases with the presence of foreign ownership. However, cultural diversity promoted by foreign owners does not translate into firm value creation. In addition, foreign owners do not promote other types of board diversity. Overall, these findings are consistent with 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 concentrated ownership). We further show that foreign owners' country of origin plays a role in board composition.

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

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1. Introduction

There is a growing literature on the implications of the board of directors' diversity for corporate governance (Anderson, Reeb, Upadhyay, and Zhao, 2011; Carter, Simkins, and Simpson, 2003). Studies often focus on board gender diversity, but other work considers diversity in ethnicity and culture, board independence, professional work experience, or age.[1] Proponents of board diversity argue that firms benefit from directors who bring different talents and skills, international experiences, and various social and occupational perspectives to the boardroom, contributing to improved corporate governance (e.g., Anderson et al., 2011). Others argue that board diversity promotes a better understanding of the marketplace, stimulates creativity and innovation, results in more effective problem-solving, and leads to better contributions to corporate strategic planning and decision-making (Carter et al., 2003).[2]

The public debate about board diversity predominantly focuses on gender and ethnicity. 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] However, in other contexts, the literature has warmed up to the idea of the economic impact of culture, especially after the introduction of the social psychologist Geert Hofstede's cultural classifications four decades ago.[4] According to Hofstede, Hofstede, and Minkov (2010), "*culture is the collective programming of the mind distinguishing the members of one group or category of people from others*" (p. 6). Following Hofstede's work, culture has been introduced

[1] See, for example, 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, and Yang, 2015; Shin, Seidle, and Okhmatovskiy, 2016; and Talavera, Yin, and Zhang, 2018.

[2] On the other hand, diversity is argued to have the drawbacks, such as conflicts that may arise, decision-making processes that may be protracted, and organizational commitment and communication that may be limited (Anderson et al., 2011; Carter et al., 2003).

[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] Hofstede's work has been used in thousands of empirical investigations and is one of the most cited studies in social sciences (Kirkman, Lowe, and Gibson, 2017).

to finance in various influential studies (most prominently Guiso, Sapienza, and Zingales, 2006 and 2009, and Zingales, 2011; see also Karolyi, 2016 for an overview of the culture and finance literature). More recent work considers the impact of cultural diversity on corporate outcomes, including firm value and performance.[5]

Despite the extensive literature on culture and finance, there is not much analysis on the drivers of board cultural diversity. New European and US laws mandate 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, cultural diversity seems to be at the discretion of companies. Cultural diversity is difficult to observe and measure, which may be why there is little social pressure to increase board cultural diversity, even though it may be an equally worthwhile goal and may contribute to better decision-making. Therefore, board cultural diversity, which is unaffected by laws and regulations, may be particularly interesting to analyze as it reflects the actual preferences of firm owners.

This paper examines board cultural diversity and its implications for firm governance and value. First, we investigate the relationship between foreign ownership and board cultural diversity. Shareholders, and especially large block holders, are influential in firm governance (e.g., Alchian and Demsetz, 1972; Shleifer and Vishny, 1986 and 1997; McCahery, Sautner and Starks, 2016; and Gillan and Starks, 2007). However, the owners' governance roles can be heterogenous (e.g., Edmans, 2014; Demsetz and Lehn, 1985; Demsetz and Villalonga, 2001; Claessens, Djankov, Fan, and Lang, 2002). The literature suggests that foreign owners are more

[5] See, for example, Frijns et al., 2016; Frijns, Gilbert, Lehnert, and Tourani-Rad, 2013; Lievenbrück and Schmid, 2014; Li, Griffin, Yue and Zhao, 2013; Ahern, Daminelli, and Fracassi, 2015; Dodd, Frijns, and Gilbert, 2015; Bryan, Nash, and Patel, 2015; El Ghoul and Zheng, 2016; Aggarwal, Kearney, and Lucey, 2012; and Burns, Minnick, and Starks, 2017.

active in governance than domestic owners, who may be biased toward managers they know (Gillan and Starks, 2003; and Ferreira and Matos, 2008). Other studies show that foreign owners are influential in promoting sound corporate governance practices by mainly using their *voice* (e.g., Bena, Ferreira, Matos, and Pires, 2017; Aggarwal, Erel, Ferreira, and Matos, 2011; Ferreira and Matos, 2008; and Estélyi and Nisar, 2016). In particular, Aggarwal et al. (2011) show that foreign owners are associated with a more diverse board proxied by board independence.[6] Our detailed ownership data allows us to study influential foreign owners in governance and their relationship with board composition via their large stakes in the firm and their link to the firm's nomination committee, which essentially appoints the board of directors (Dent Jr., 2013). We build on previous work and argue that foreign owners, who, by definition, bring diversity to the shareholder community, may also want a diverse board, specifically, a more culturally diverse board.

Second, we examine whether board cultural diversity in the presence of foreign ownership is associated with higher firm value. Following studies that show 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). Thus, board cultural diversity may be just another value-increasing strategy. On the other hand, it may be that foreign owners have homophilic biases in that they prefer a more culturally diverse board simply because they prefer to interact or associate with similar people on the board or they do not wish discussions on the board to be held in a language they do not

[6] Foreign ownership has also been linked to various corporate outcomes (e.g., Choe, Kho, and Stulz, 1999; Boubakri, Cosset, and Saffar, 2013; and Kacperczyk, Sundaresan and Wang, 2021).

understand.[7,8] In the latter case, a higher board cultural diversity promoted by foreign owners may not necessarily relate to higher firm value.

Third, we investigate whether foreign ownership can explain other diversity dimensions, such as board independence, qualifications, experiences, and gender diversity. The literature suggests that various aspects of board diversity are important for corporate governance and firm outcomes (Liu, Wei, and Xie, 2014; Brahma, Nwafor, and Boateng, 2020; Harjoto, Laksmana, and Lee, 2015; and Hafsi and Turgut, 2013). Therefore, based on our first research question, we may conjecture that foreign ownership can promote other types of board diversity. On the other hand, if homophily is the driving force, we expect foreign owners may not value other dimensions of board diversity.

We conduct our study by using detailed data on both board diversity and firm ownership 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. Further, we hand-collect data and construct a sample that comprises 13,655 director-firm-year observations, with directors coming from 31 different countries.

By combining these data, we show that cultural diversity increases with the presence of foreign ownership. We also find that cultural diversity driven by foreign ownership does not necessarily translate into higher firm value. Furthermore, foreign ownership does not promote

[7] Homophilic biases refer to cases where individuals tend to associate, bond and interact with people who possess similar characteristics and background (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).

[8] 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 (2022).

other types of board diversity. Together, these results suggest possible homophily consistent with the growing work on homophilic biases.

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 in 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 foreign owners prefer a culturally diverse board.

Lastly, we look at foreign owners' country of origin to test whether proximity matters for their preference for board cultural diversity and whether language may be a 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 and non-Scandinavian. We find that language seems to play a role in the board's composition. Specifically, 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.

We conduct extensive robustness tests and find that our results hold. We first rule out an alternative explanation. We show that the positive relationship between foreign ownership and cultural diversity is not just an artifact of foreign owners joining the board, and our results hold when we re-calculate our cultural diversity measure excluding the directors who are also one of the top five owners.

Our paper contributes to the literature in several ways. By focusing on board cultural diversity, to our knowledge, we are the first to document how the firm's ownership structure can influence board cultural diversity. We also contribute to the literature on the interplay

between firm ownership and the board of directors. We do this by showing a positive relationship between foreign ownership and board cultural diversity and adding that this relationship holds in firms with different firm ownership settings (i.e., family firms, dual-class share firms, and firms with concentrated ownership). By documenting foreign ownership as an important determinant of board cultural diversity, we contribute to the literature that links foreign ownership to corporate governance (e.g., Bena et al., 2017; Aggarwal et al., 2011; and Ferreira and Matos, 2008). We also contribute to the board diversity literature in general by studying the determinants and consequences of board diversity (e.g., Frijns et al., 2016; Ahern et al., 2015; Estélyi and Nisar, 2016; Dodd et al., 2015; Bryan et al., 2015; El Ghoul and Zheng, 2016; Aggarwal et al., 2012; Burns et al., 2017; and Li et al., 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. Hypotheses Development

Our paper considers the role that foreign owners play in board composition. The null hypothesis is straightforward: each firm has an optimal firm-specific board structure (for the most recent contribution in the voluminous literature in this area, see Graham, Kim, and Leary, 2020), and it is independent of the composition of block holdings in the firm's ownership structure.

As discussed above, prior research suggests that foreign owners may be more active in governance than domestic owners and that they are linked to various corporate governance practices and firm outcomes (Gillan and Starks, 2003; Ferreira and Matos, 2008; Bena et al., 2017; Aggarwal et al., 2011; Beuselinck, Blanco, and Lara, 2017; Aggarwal et al., 2011; Choe et al., 1999; Boubakri et al., 2013; and Estélyi and Nisar, 2016). Furthermore, foreign owners with large stakes in the company are particularly influential (Anderson and Reeb, 2003a; Ravid

and Sekerci, 2020). In addition to monitoring the firm, foreign owners can affect board composition directly through the nomination committee, as nomination committees in Sweden usually include representatives of the four or five largest shareholders (Dent Jr., 2013). Thus, our first hypothesis suggests that if we find cultural diversity in boards, it is most likely related to influential foreign owners. We see three potential competing explanations for the expected positive association we test with hypothesis one.[9] The first explanation for the correlation between foreign ownership and board cultural diversity is a value argument. Foreign owners may be aware of the value enhancement they can achieve through diversity, and thus they promote cultural diversity at the board level. The second argument is a governance argument. Foreign owners might see cultural diversity as one way to improve the firm's governance in addition to other board characteristics they try to influence. The third is a homophily argument. This argument builds on the notion that foreign owners may prefer having foreigners on the board simply because the board becomes less foreign to them. Regardless of the motivation of foreign owners, we expect a positive association between foreign ownership and board cultural diversity (the null hypothesis is that there is no relationship between foreign ownership and board cultural diversity).

Hypothesis 1: Foreign ownership is positively associated with board cultural diversity.

Foreign owners can improve corporate governance via their monitoring role and may encourage value-maximizing firm risk-taking (Boubakri et al., 2013). Furthermore, the close monitoring of foreign owners can improve CEO performance and ultimately increase firm value (Aggarwal et al., 2011). Moreover, foreign investors can increase firm value presumably due to their good reputation (Ferreira and Matos, 2008).[10] Cultural diversity may be an additional tool in their toolbox. Foreign owners, through their networks, may also be able to identify top

[9] In subsequent hypotheses we unpack this relationship and essentially rule out several explanations.

[10] Nevertheless, the effect of board cultural diversity on the firm value and performance is mixed (e.g., Frijns et al., 2016; Carter et al., 2003; and Anderson et al., 2011).

talent from around the world and promote the (constrained) best team on the board of directors.[11] Thus, increased board cultural diversity linked to foreign ownership may be associated with higher firm value, consistent with the literature showing that greater board diversity may increase value (e.g., Carter et al., 2003). This discussion leads to hypothesis 2a.

Hypothesis 2a: Culturally diverse boards promoted by foreign ownership positively relates to higher firm value.

If we find no empirical support for Hypothesis 2a, it may be that foreign owners prefer a more culturally diverse board simply because they prefer people with similar backgrounds on the board, consistent with the homophily argument. In the presence of directors of different nationalities, foreign owners will use a common language that might be more to their liking or more conducive to overcoming potential communication barriers. This motivation reflects the idea of homophily (Giannetti and Wang, 2023; Gompers et al., 2016; Ewens and Townsend, 2020; Hwang and Kim, 2009; Barrios et al., 2021; Biswas, 2016; Goenner, 2021; and Centola et al., 2007). In such a case, board cultural diversity will not necessarily lead to improvement in firm value. This discussion leads to hypothesis 2b.

Hypothesis 2b (homophily): Culturally diverse boards promoted by foreign ownership is not related to firm value.

We now turn to the possible impact of foreign ownership on other manifestations of board diversity. The literature extensively examines other attributes of board diversity in terms of gender, independence, professional experience, education, and tenure (Schwartz-Ziv, 2017; Hillman et al., 2002; Dionne and Triki, 2005; Shin al., 2016; Talavera et al., 2018; and Anderson et al., 2011). Board diversity is a key corporate governance issue considered by directors,

[11] Foreign owners may know people through their professional networks, but possibly also through college connections, family relationships and local politics. In all cases they are more likely to know qualified people abroad compared to local (Swedish) owners.

managers, and shareholders (Carter et al., 2003). It has also sparked much interest among government agencies, shareholders, and other stakeholders, including the popular press, related to the desire to promote social or ethical values and increase a firm's profitability (Anderson et al., 2011). There is an increasing number of governance guidelines around the world calling for more diverse boards. For example, the Swedish Corporate Governance Code encourages corporate boards to be heterogenous, particularly in gender and independence, as well as qualifications, experience, and background.

As discussed above, the literature further indicates that other board diversity dimensions matter for firm governance and outcomes (Liu et al., 2014; Brahma et al., 2020; Harjoto et al., 2015; and Hafsi and Turgut, 2013). Therefore, it may be that foreign owners who are themselves culturally diverse value diversity in general, which is how they expect to improve value. On the other hand, if the motivation for cultural diversity is homophily, foreign owners will not necessarily promote other dimensions of diversity. Therefore, we propose two competing hypotheses:

Hypothesis 3a: Foreign ownership is positively associated with other dimensions of board diversity.

Hypothesis 3b (homophily): Foreign ownership is not related to other dimensions of board diversity.

We now proceed to our data, empirical tests, and results.

3. 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.[12] The Swedish Securities Register Center, Värdepapperscentralen, maintains a register of all shareholders in firms listed on the Stockholm Stock Exchange. We study large shareholders, given these shareholders' powerful influence on a firm's governance and outcomes (e.g., Shleifer and Vishny, 1986 and 1997; Edmans, 2014; and Claessens et al., 2002). We focus on the top five shareholders as these owners are typically represented in nomination committees in Sweden (Dent Jr., 2013). Modular Finance AB provides information on owners' holdings (capital and votes), type (i.e., family owner), and nationalities. We also collect data on the dual-class structure of the firm from this database. We can also 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.[13] 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.

[12] Prior to being acquired by Modular Finance, this data company was previously 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).

[13] 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 migrates 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, behaviors, and personal characteristics are presumably most influenced by the country of origin in which he/she grew up. Besides, a director born and raised in Sweden to Mexican parents, is classified as a Swedish director.

< Insert Table 1 about here >

Finally, we complement information on ownership and board characteristics with firm-level accounting data and characteristics from Datastream and annual reports. All the data are collected as fiscal year-end values.

< Insert Table 2 about here >

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

3.1 Constructing a Measure of Board Cultural Diversity

3.1.1 Background on Hofstede's Cultural Dimensions

Several measures and scales have been offered to quantify different aspects of culture. The most widely recognized scale is by Hofstede (2001), who uses several cultural dimensions to score countries. 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; Frijns et al., 2016).

3.1.2 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:

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

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 compute the 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):

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

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.

3.2 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 1SH*, is a dummy variable that equals one when the largest shareholder is foreign and zero otherwise; ii) *FO 1SH vote* is the percentage of votes held by the largest

shareholder who is foreign; and iii) *FO 1SH 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.

4. 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 the13% presented

in Estélyi and Nisar (2016). About 14% of our firms have boards where *all* foreign directors are non-Scandinavian.

Family firms constitute the majority 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, 2021). 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 1SH* (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.

5. Empirical Findings

5.1 Foreign Ownership and Board Cultural Diversity

We now test our hypotheses. We first examine the relationship between the largest foreign owner and board cultural diversity using the following model:

$$\text{CD Board}_{\text{it}} = \alpha_0 + \alpha_1(\text{FO 1SH}_{\text{it}}) + \alpha_2(\text{Controls}_{\text{it}}) + u_{it} \quad (1a)$$

CD Board is the cultural diversity of the board of directors. Our variable of interest is *FO 1SH*, a dummy variable that equals one if the largest owner is foreign and zero otherwise. We also control for the largest owner's power by including the following variables one at a time:

Vote 1SH, Capital 1SH, Excess vote 1SH, and *Dual-class*. *Vote 1SH* is the percentage of votes held by the largest shareholder. *Capital 1SH* is the percentage of cash flow rights held by the largest shareholder. *Excess vote 1SH* 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 control variables: the number of directors on the board, market-to-book ratio, leverage, firm sales (over total assets), and capital expenditures (over total assets).

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, leading to endogeneity. 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 >

Table 4 presents the results of our analysis. Columns 1-5, which include different control variables, show a positive and statistically significant association between *FO 1SH* and *CD Board*. This relationship is also economically significant. A one standard deviation increase in *FO 1SH* (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 hypothesis 1. However, we cannot tell whether hypothesis 2a or 2b drives this effect. Among the control variables, the only significant variable in this regression is leverage.

For robustness, we examine the relationship between foreign ownership concentration and board cultural diversity. The literature on block holders suggests that multiple large owners are prevalent in continental Europe, and they affect firm governance and outcomes (e.g., Faccio and Lang, 2002; Bennedsen, Nielsen, Pérez-González, and Wolfenzon, 2007; 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:

$$\text{CD Board}_{\text{it}} = \beta_0 + \beta_1(\text{FO concentration}_{\text{it}}) + \beta_2(\text{Controls}_{\text{it}}) + u_{it} \quad (1b)$$

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 similar to 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 hypothesis 1.

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

We now test whether cultural diversity is a value-maximizing strategy or whether it possibly reflects a homophilic or familiarity bias. We thus analyze the value implications of greater board cultural diversity in the presence of foreign ownership. Specifically, we investigate

whether firm value increases as foreign ownership and cultural diversity increase. To test our second hypothesis, we use the following specifications:

$$\text{Tobin's Q}_{it} = \gamma_0 + \gamma_1(\text{CD Board}_{i,t-1}) + \gamma_2(\text{CD Board}_{i,t-1} \times \text{FO 1SH}_{i,t-1}) + \gamma_3(\text{FO 1SH}_{i,t-1}) + \gamma_4(Control\ Variables_{i,t-1}) + u_t \quad (2a)$$

$$\text{Tobin's Q}_{it} = \rho_0 + \rho_1(\text{CD Board}_{i,t-1}) + \rho_2(\text{CD Board}_{i,t-1} \times \text{FO concentration}_{i,t-1}) + \rho_3(\text{FO concentration}_{i,t-1}) + \rho_4(Control\ Variables_{i,t-1}) + u_t \quad (2b)$$

As in our previous models, we use both firm and year fixed effects in Equations (2a) and (2b). Our dependent variable is the natural logarithm of Tobin's Q to proxy 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 6. In Column 6, we interact our alternative key foreign ownership variable (*FO concentration h3*) with our cultural diversity variable (*CD Board*). We lag all independent variables in this analysis as the relationship we study in this model would take time to happen.

< Insert Table 6 about here >

Columns 1-4 of Table 6 report the regression results that use *FO 1SH,* and Columns 5-6 present the regression results that use foreign ownership concentration (*FO concentration h3*). 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). Table 6 suggests that firm value is not associated with a higher level of board cultural diversity in the presence of foreign owners. These results are consistent with homophily, as is widely reported in the literature (e.g., Giannetti and Wang, 2023; and Ewens and Townsend, 2020). In other words, we support hypothesis 2b, that board diversity driven by foreign ownership does not seem to be associated with higher firm values.

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. Lastly, we obtain similar results when we use other firm performance measures, such as ROA and ROE, as the outcome variable.[14]

5.3 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 test hypothesis 3 by exploring a "board diversity matrix," replacing 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 1SH, FO concentration h3*, and *FO concentration h5.* Our proposed models' specifications are:

$$\text{Board diversity}_{\text{it}} = \theta_0 + \theta_1(\text{FO 1SH}_{\text{it}}) + \theta_2(\text{Controls}_{\text{it}}) + u_{it} \quad (3a)$$

$$\text{Board diversity}_{\text{it}} = \lambda_0 + \lambda_1(\text{FO concentration}_{\text{it}}) + \lambda_2(\text{Controls}_{\text{it}}) + u_{it} \quad (3b)$$

Similar to Equation (1a), we include in our models (3a and 3b), in addition to firm controls, the variables: *Vote 1SH, Capital 1SH, Excess vote 1SH,* and *Dual-class,* one at a time to control

[14] 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.

for the largest owner's power. We add in both specification models (3a) and (3b) firm and year fixed effects. Errors are clustered at the firm level.

< Insert Table 7 about here >

Panel A of Table 7 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 7). 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 1SH*).

Moreover, as we show in Panels B and C of Table 7, 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 7 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, supporting hypothesis 3b.

6. Robustness Tests

In this section, we run robustness tests and conclude that our main results hold across these tests. First, we rule out an alternative explanation for our main finding. We then use different measures for our key independent variables. Lastly, we employ alternative estimation models.

In addition to the tests in Section 6, Appendix A includes a broad array of further robustness checks. We first show that the positive relationship we identify between foreign ownership and board cultural diversity holds when we use alternative measures for *CD Board*, and when we estimate our regression with an Instrumental Variable (IV) model. We further show that the

positive relationship between foreign ownership and board cultural diversity is not driven by firms with a high level of foreign operations. Last, Appendix A shows that foreign owners do not seem to select domestic (Swedish) directors with international experience on 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.

6.1 An alternative Explanation

In this section, we consider an alternative reasoning for our main finding. One can argue that the relationship we identify between foreign ownership and board cultural diversity may 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, where we identify that at least one of the five largest equity owners is also a director.

< Insert Table 8 about here >

Table 8 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*.

6.2 Other Measures for the Key Independent Variables

In this section, we use alternative measures for our key independent variables. We replace *FO 1SH* with *FO 1SH vote* and *FO 1SH capital,* where we consider the 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 9 about here >

Columns 1-2 of Table 9 report the regression results with the new measures for the largest foreign owner. Column 3 of Table 9 shows the results for the new measure for foreign ownership concentration, *CD Owners*. Table 9 suggests that the positive relationship between foreign ownership and cultural diversity we identify earlier still holds.

6.3 Alternative Estimation Techniques

Since our key variables do not change much over time, and with firm fixed effects models, the coefficients on our key variables are only identified by within-firm variation, we re-estimate our main specifications using random and between effects models. Columns 1-10 in Table 10 show that our main result holds when we use these alternative econometric models.[15]

< Insert Table 10 about here >

7. Additional Analyses on Potential Channels for Board Cultural Diversity

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

We investigate whether firm governance influences the relationship between foreign ownership and board cultural diversity since 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).

< Insert Table 11 about here >

[15] In untabulated 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.

First, we test whether the precise 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 1SH* key variable with *Board 1SH*, *Chairman 1SH*, and *Insider 1SH*. Column 1 of Table 11 shows that the largest foreign owner's preference for cultural diversity is stronger when this foreign owner is a board member.[16]

However, we also note that the positive and significant coefficients on *FO 1SH* in Columns 1-3 of Table 11 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 1SH*, *Chairman 1SH,* and *Insider 1SH* are equal to zero, respectively).

< Insert Table 12 about here >

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; Cronqvist and Nilsson, 2003). 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 1SH* key variable with the dummy variable *Family 1SH*. As reported in Column 1 of Table 12, 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).

We further investigate whether a dual-class share structure influences the largest foreign owner's preference for board cultural diversity. Dual-class shares are shown to affect firm

[16] Owners in our sample that are not individuals, that is that are institutional, corporations, family firms, and the government appoint employees to represent them on the board in the firms in which they have equity stakes. In our sample, there are 36 largest foreign owners and 1262 largest Swedish owners who have representatives in the boardroom.

outcomes (e.g., Ravid and Sekerci, 2020; Sekerci, 2020; and Gompers et al., 2003, 2010). Some studies suggest that dual-class shares can harm firm value due to management entrenchment potential (e.g., Gompers et al., 2003, 2010; Cronqvist and Nilsson, 2003). At the same time, 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 1SH* key variable with the *Dual-class* dummy variable to test the argument that the largest foreign ownership matters more for board cultural diversity when this foreign owner holds superior voting rights. Column 2 of Table 12 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 firm ownership concentration. Previous research shows that ownership concentration is an important governance mechanism and thus influences firm outcomes (e.g., Maury and Pajuste, 2005; Boubaker et al., 2016). We interact *FO 1SH* 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 12 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.

7.2 Does Foreign Owners' Country of Origin Matter?

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 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 or an overlap of the same language thanks to their education system (e.g., knowledge of the Swedish language is common in Finland). Scandinavian countries 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 1SH* 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 13 about here >

Columns 1-5 of Table 13 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 13 suggests that both Scandinavian and non-Scandinavian foreign owners prefer board cultural diversity.

7.3 Role of Language

We build on our analysis in Section 7.2 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 would 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.[17] In our tests, we expect that foreign owners, depending on their country of origin, will be more likely to influence the foreignness of boards to establish better communication channels.[18]

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. As our key independent variables, as in Table 13, we use *Scandinavian DV, Non-Scandinavian DV*, and *Swedish DV* to detect the largest foreign owner's country of origin. *Swedish DV* is our base case in the regressions.

< Insert Table 14 about here >

Table 14 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

[17] 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.

[18] 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.

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 only at the 10% level.

On the other hand, Scandinavian foreign owners do not promote the presence of foreign directors in the board composition, as indicated by the insignificant coefficient on *Scandinavian DV* in Columns 1-10 in Table 14.

Overall, these results, combined with those from Section 7.2, 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 most likely because meetings are then 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, presumably also where meetings are held in a language they prefer. Overall, homophilic bias seems to be more pronounced among non-Scandinavian foreign owners.

8. Conclusion

An extensive literature investigates diversity in corporate boards and what this diversity brings to the table. This paper shows that cultural diversity in boards increases with foreign ownership. We provide evidence that the result is not mechanical, i.e., foreign owners do not self-represent their diversity preferences on the board but genuinely prefer cultural diversity. Moreover, the positive relationship between cultural diversity and foreign ownership is greater in family firms, firms with dual-class shares, and firms with concentrated ownership, further supporting the idea of a push by large foreign owners.

Our paper further shows that cultural diversity promoted by foreign owners does not lead to higher firm value. Furthermore, foreign owners do not seem to support other aspects of board diversity such as diversity in gender, board directors' tenure, qualifications, and independence.

These findings suggest 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 cultural diversity.

Overall, our paper increases our knowledge of the relative effectiveness of different aspects of ownership in promoting corporate governance provisions (i.e., board diversity) that help build a responsible business (Villalonga, 2018). Our findings are thus 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 board directors' nationalities

Nationalities of board members	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.
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 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.
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 directors.
Board tenure dispersion	Standard deviation of the tenure of the directors on the board.
Female ratio	% of the female directors on the board.

Table 2. Variable Definitions - Continued

Firm characteristics	
No of directors	Number of directors on a given board
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
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
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
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. 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***	0.294***	0.295***	0.296***	0.300***
	(0.111)	(0.111)	(0.112)	(0.112)	(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	0.026	0.026	0.026	0.028
	(0.025)	(0.025)	(0.025)	(0.025)	(0.025)
M-B	0.015	0.015	0.015	0.015	0.015
	(0.018)	(0.018)	(0.018)	(0.018)	(0.018)
Leverage	0.394*	0.384*	0.383*	0.383*	0.388*
	(0.210)	(0.207)	(0.208)	(0.209)	(0.209)
Sales/total assets	-0.130	-0.131	-0.131	-0.130	-0.132
	(0.110)	(0.110)	(0.111)	(0.110)	(0.110)
Capex/total assets	0.037	0.037	0.038	0.038	0.052
	(0.436)	(0.437)	(0.437)	(0.437)	(0.440)
Constant	0.323	0.322	0.328	0.322	0.191
	(0.320)	(0.326)	(0.325)	(0.319)	(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 5. Foreign ownership and board cultural diversity: Role of foreign ownership concentration

	(1)	(2)
Dependent variable:	CD Board	
FO concentration h3	4.284**	
	(1.872)	
FO concentration h5		4.512**
		(1.859)
No of directors	0.030	0.027
	(0.026)	(0.026)
M-B	0.010	0.010
	(0.020)	(0.020)
Leverage	0.368	0.378
	(0.225)	(0.236)
Sales/total assets	-0.155	-0.153
	(0.124)	(0.125)
Capex/total assets	0.024	0.022
	(0.455)	(0.456)
Constant	0.260	0.269
	(0.358)	(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. Does higher board cultural diversity promoted by foreign ownership lead to higher firm value?

	(1)	(2)	(3)	(4)	(5)	(6)
Dependent variable:	Tobin's Q					
CD Board	-0.006	-0.016	-0.016	-0.016	-0.015	-0.023
	(0.060)	(0.060)	(0.060)	(0.060)	(0.065)	(0.066)
FO 1SH	-0.109	-0.390	-0.394	-0.404		
	(0.154)	(0.326)	(0.326)	(0.326)		
FO 1SH*CD Board		0.201	0.203	0.198		
		(0.171)	(0.171)	(0.170)		
FO concentration h3					2.520	-1.129
					(1.901)	(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	-0.014	-0.014	-0.014	-0.029	-0.028
	(0.034)	(0.034)	(0.034)	(0.034)	(0.031)	(0.031)
Leverage	0.041	0.023	0.030	0.050	-0.112	-0.129
	(0.435)	(0.431)	(0.434)	(0.436)	(0.455)	(0.453)
Sales/total assets	0.412*	0.409*	0.409*	0.405*	0.382*	0.380*
	(0.215)	(0.215)	(0.215)	(0.216)	(0.208)	(0.208)
Capex/total assets	0.142	0.142	0.127	0.118	0.073	0.063
	(0.856)	(0.855)	(0.861)	(0.860)	(0.952)	(0.952)
Constant	2.094***	2.101***	2.051***	1.989***	2.087***	2.116***
	(0.576)	(0.575)	(0.543)	(0.527)	(0.555)	(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 7 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	0.019	0.021	0.021	0.020		
	(0.055)	(0.055)	(0.055)	(0.056)	(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*	-0.019*	-0.020*	-0.020*	-0.019*	-0.027***	-0.026***
	(0.011)	(0.011)	(0.011)	(0.011)	(0.011)	(0.010)	(0.010)
M-B	0.006	0.006	0.006	0.007	0.006	0.004	0.004
	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.010)	(0.010)
Leverage	0.141	0.138	0.137	0.139	0.140	0.106	0.116
	(0.105)	(0.106)	(0.106)	(0.105)	(0.105)	(0.116)	(0.116)
Sales/total assets	0.029	0.028	0.028	0.029	0.029	0.008	0.009
	(0.038)	(0.038)	(0.038)	(0.039)	(0.039)	(0.052)	(0.052)
Capex/total assets	-0.090	-0.098	-0.095	-0.089	-0.091	-0.156	-0.158
	(0.197)	(0.195)	(0.197)	(0.196)	(0.197)	(0.200)	(0.198)
Constant	0.308**	0.338**	0.336**	0.303**	0.304**	0.424***	0.413***
	(0.133)	(0.142)	(0.135)	(0.134)	(0.140)	(0.155)	(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 7 Panel B. Do foreign owners value board diversity measured with board qualification dispersion?

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dependent variable:	Board qualification dispersion						
FO 1SH	0.068	0.064	0.067	0.052	0.052		
	(0.066)	(0.067)	(0.066)	(0.073)	(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	0.011	0.011	0.012	0.010	0.017	0.018
	(0.012)	(0.012)	(0.012)	(0.012)	(0.012)	(0.012)	(0.012)
M-B	0.002	0.001	0.002	0.001	0.002	0.001	0.001
	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)
Leverage	-0.102	-0.102	-0.097	-0.095	-0.103	-0.297	-0.287
	(0.192)	(0.193)	(0.191)	(0.192)	(0.193)	(0.190)	(0.192)
Sales/total assets	0.047	0.047	0.048	0.049	0.049	-0.029	-0.025
	(0.061)	(0.061)	(0.060)	(0.062)	(0.060)	(0.073)	(0.073)
Capex/total assets	-0.617	-0.630	-0.615	-0.644	-0.625	-0.552	-0.549
	(0.650)	(0.644)	(0.649)	(0.644)	(0.648)	(0.683)	(0.687)
Constant	0.868***	0.931***	0.866***	0.924***	0.998***	0.938***	0.927***
	(0.141)	(0.214)	(0.182)	(0.177)	(0.175)	(0.162)	(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 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 7 Panel C. Do foreign owners value board diversity measured with board tenure dispersion?

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dependent variable:	Board tenure dispersion						
FO 1SH	-0.015	-0.020	0.016	0.162	-0.141		
	(0.319)	(0.321)	(0.317)	(0.296)	(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	-0.085	-0.086	-0.090	-0.093	-0.051	-0.054
	(0.071)	(0.071)	(0.070)	(0.070)	(0.071)	(0.062)	(0.063)
M-B	0.000	-0.001	-0.010	0.007	-0.002	0.008	0.009
	(0.034)	(0.032)	(0.031)	(0.034)	(0.034)	(0.027)	(0.027)
Leverage	0.785	0.780	0.699	0.763	0.731	2.291*	2.335*
	(1.537)	(1.544)	(1.537)	(1.519)	(1.538)	(1.190)	(1.201)
Sales/total assets	0.557	0.556	0.537	0.546	0.567*	0.569	0.577
	(0.344)	(0.344)	(0.353)	(0.349)	(0.339)	(0.384)	(0.383)
Capex/total assets	2.302	2.282	2.226	2.661	2.218	1.740	1.774
	(2.324)	(2.321)	(2.325)	(2.263)	(2.330)	(2.365)	(2.344)
Constant	2.793***	2.891**	3.461***	2.070**	3.932***	1.995**	1.979**
	(0.973)	(1.163)	(1.124)	(0.964)	(1.020)	(0.863)	(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 7 Panel D. Do foreign owners value board diversity in terms of % female directors on the board?

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dependent variable:	Female ratio						
FO 1SH	-0.015	-0.017	-0.012	-0.012	-0.018		
	(0.023)	(0.022)	(0.023)	(0.024)	(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*	-0.007*	-0.007*	-0.007*	-0.007*	-0.004	-0.004
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
M-B	-0.001	-0.001	-0.001	-0.001	-0.001	-0.000	-0.000
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Leverage	-0.135**	-0.142**	-0.144**	-0.138**	-0.139**	-0.150***	-0.151***
	(0.057)	(0.058)	(0.059)	(0.057)	(0.057)	(0.053)	(0.054)
Sales/total assets	-0.041**	-0.043**	-0.043**	-0.042**	-0.042**	-0.070***	-0.070***
	(0.020)	(0.020)	(0.020)	(0.020)	(0.019)	(0.020)	(0.020)
Capex/total assets	-0.059	-0.074	-0.066	-0.056	-0.063	-0.131	-0.132
	(0.103)	(0.102)	(0.106)	(0.103)	(0.102)	(0.101)	(0.102)
Constant	0.216***	0.277***	0.270***	0.210***	0.250***	0.256***	0.257***
	(0.053)	(0.063)	(0.058)	(0.054)	(0.067)	(0.051)	(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 8. Robustness test 1 - Ruling out the alternative explanation for Tables 4 & 5

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dependent variable:	CD Board excluding owners						
FO 1SH	0.282**	0.283**	0.296**	0.293**	0.280**		
	(0.115)	(0.116)	(0.117)	(0.114)	(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	0.030	0.029	0.030	0.029	0.030	0.027
	(0.028)	(0.028)	(0.028)	(0.028)	(0.028)	(0.029)	(0.029)
M-B	-0.001	-0.001	-0.000	-0.000	-0.001	-0.011	-0.011
	(0.023)	(0.023)	(0.023)	(0.023)	(0.023)	(0.026)	(0.026)
Leverage	0.365	0.363	0.345	0.365	0.364	0.379	0.390
	(0.229)	(0.230)	(0.230)	(0.229)	(0.230)	(0.247)	(0.260)
Sales/total assets	-0.152	-0.151	-0.147	-0.144	-0.152	-0.156	-0.153
	(0.120)	(0.121)	(0.123)	(0.122)	(0.120)	(0.136)	(0.137)
Capex/total assets	0.019	0.020	0.023	0.013	0.018	0.047	0.047
	(0.483)	(0.483)	(0.481)	(0.484)	(0.482)	(0.503)	(0.504)
Constant	0.224	0.234	0.300	0.131	0.258	0.254	0.266
	(0.376)	(0.388)	(0.386)	(0.374)	(0.386)	(0.406)	(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, as an alternative proxy for *CD 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. Robustness test 2 - 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	0.028	0.035
	(0.025)	(0.025)	(0.028)
M-B	0.013	0.012	0.005
	(0.018)	(0.018)	(0.023)
Leverage	0.359*	0.371*	0.471*
	(0.207)	(0.208)	(0.278)
Sales/total assets	-0.135	-0.131	-0.128
	(0.110)	(0.110)	(0.135)
Capex/total assets	0.023	0.008	0.498
	(0.435)	(0.435)	(0.426)
Constant	0.319	0.329	0.021
	(0.320)	(0.319)	(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 10. Robustness test 3 - Alternative estimation techniques: Random and Between effects models

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Dependent variable:	CD Board									
	Random effects model					Between effects model				
FO 1SH	0.341***	0.341***	0.346***			0.771***	0.767***	0.784***		
	(0.106)	(0.105)	(0.105)			(0.253)	(0.253)	(0.250)		
FO concentration h3				4.487***					4.390*	
				(1.624)					(2.547)	
FO concentration h5					4.668***					4.375*
					(1.620)					(2.546)
Vote 1SH		-0.174					-0.317			
		(0.295)					(0.304)			
Capital 1SH			-0.184					-0.742*		
			(0.384)					(0.435)		
No of directors	0.040*	0.039*	0.039*	0.042*	0.040*	0.134***	0.131***	0.127***	0.142***	0.142***
	(0.022)	(0.022)	(0.022)	(0.023)	(0.023)	(0.035)	(0.035)	(0.035)	(0.036)	(0.037)
M-B	0.017	0.017	0.017	0.014	0.014	0.062	0.057	0.057	0.082*	0.081
	(0.017)	(0.017)	(0.017)	(0.019)	(0.019)	(0.049)	(0.049)	(0.049)	(0.049)	(0.049)
Leverage	0.340*	0.320	0.321	0.315	0.323	0.105	0.065	0.132	0.258	0.225
	(0.202)	(0.200)	(0.200)	(0.214)	(0.224)	(0.522)	(0.523)	(0.518)	(0.531)	(0.535)
Sales/total assets	-0.142	-0.139	-0.137	-0.167*	-0.165*	-0.109	-0.089	-0.060	-0.096	-0.114
	(0.087)	(0.088)	(0.089)	(0.095)	(0.096)	(0.117)	(0.119)	(0.120)	(0.121)	(0.120)
Capex/total assets	0.010	0.021	0.019	-0.006	-0.006	-1.429	-0.946	-0.758	-1.975	-1.709
	(0.433)	(0.436)	(0.435)	(0.455)	(0.455)	(2.494)	(2.533)	(2.507)	(2.616)	(2.635)
Constant	-0.161	-0.107	-0.117	-0.177	-0.172	0.260	0.702	0.551	2.483	2.220
	(0.362)	(0.361)	(0.366)	(0.394)	(0.397)	(4.530)	(4.554)	(4.507)	(4.747)	(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 11. Does the largest foreign owner's insider role matter for their taste for board cultural diversity?

	(1)	(2)	(3)
Dependent variable:	CD Board		
Role of 1SH:	Board 1SH	Chairman 1SH	Insider 1SH
Role of 1 SH	0.009	0.067	0.070
	(0.107)	(0.080)	(0.095)
FO 1SH	0.230**	0.287**	0.245**
	(0.100)	(0.117)	(0.102)
Role of 1SH*FO 1SH	0.606**	0.543	0.490
	(0.268)	(0.413)	(0.301)
No of directors	0.029	0.029	0.028
	(0.026)	(0.026)	(0.026)
M-B	0.019	0.018	0.018
	(0.019)	(0.019)	(0.019)
Leverage	0.364	0.395*	0.359
	(0.225)	(0.227)	(0.227)
Sales/total assets	-0.154	-0.153	-0.153
	(0.118)	(0.119)	(0.119)
Capex/total assets	-0.024	-0.018	-0.069
	(0.442)	(0.442)	(0.445)
Constant	0.374	0.355	0.350
	(0.338)	(0.335)	(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 role of the largest shareholder is a) board member, b) chairman of the board, or c) insider, 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 12. Does firm governance matter for the largest foreign owner's taste for board cultural diversity?

	(1)	(2)	(3)	(4)
Dependent variable:	CD Board			
Governance setting:	Family 1SH	Dual class	O concentration h3	O concentration h5
Governance setting	-0.018	0.214	-0.218	-0.230
	(0.096)	(0.294)	(0.614)	(0.623)
FO 1SH	0.233**	0.131	-0.064	-0.085
	(0.096)	(0.109)	(0.129)	(0.134)
Governance setting*FO 1SH	1.310***	0.581**	4.844**	4.939**
	(0.111)	(0.247)	(1.960)	(1.979)
No of directors	0.025	0.029	0.029	0.029
	(0.025)	(0.025)	(0.025)	(0.025)
M-B	0.016	0.016	0.012	0.012
	(0.018)	(0.018)	(0.020)	(0.020)
Leverage	0.390*	0.407*	0.351	0.370
	(0.209)	(0.208)	(0.223)	(0.233)
Sales/total assets	-0.127	-0.128	-0.146	-0.142
	(0.110)	(0.109)	(0.124)	(0.125)
Capex/total assets	0.029	0.078	-0.083	-0.087
	(0.437)	(0.441)	(0.467)	(0.467)
Constant	0.346	0.148	0.297	0.290
	(0.310)	(0.370)	(0.349)	(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 13. Does foreign owners' country of origin matter?

	(1)	(2)	(3)	(4)	(5)
Dependent variable:	CD Board				
Scandinavian DV	0.372**	0.367**	0.367**	0.368**	0.369**
	(0.185)	(0.184)	(0.183)	(0.183)	(0.183)
Non-Scandinavian DV	0.255*	0.254*	0.255*	0.256*	0.263*
	(0.135)	(0.134)	(0.136)	(0.137)	(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	0.028	0.028	0.028	0.029
	(0.025)	(0.025)	(0.025)	(0.025)	(0.025)
M-B	0.015	0.014	0.014	0.014	0.014
	(0.018)	(0.018)	(0.018)	(0.018)	(0.018)
Leverage	0.384*	0.374*	0.373*	0.373*	0.378*
	(0.209)	(0.207)	(0.207)	(0.208)	(0.209)
Sales/total assets	-0.130	-0.131	-0.131	-0.130	-0.132
	(0.110)	(0.110)	(0.111)	(0.110)	(0.110)
Capex/total assets	0.023	0.024	0.025	0.025	0.039
	(0.433)	(0.435)	(0.434)	(0.434)	(0.438)
Constant	0.321	0.320	0.326	0.321	0.191
	(0.320)	(0.325)	(0.324)	(0.318)	(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 14. Role of language

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

In this section, we conduct a series of further robustness tests. All the additional variables we use in this section are defined in Table A1, and summary statistics of these additional variables are in Table A2. First, we use three alternative measures for our *CD Board* variable, which are *% of foreign directors*, *No foreign directors*, and *No foreign nationalities*. *% of foreign directors* is the proportion of directors from different countries sitting on the board, calculated as the number of foreign directors divided by the total number of directors on the board. *No foreign directors* is the number of foreign directors on the board. *No foreign nationalities* is the number of foreign nationalities represented on the board. As shown in Panel A, B, and C of Table A3, the positive relationship we identify between foreign ownership and board cultural diversity overall holds when we use alternative dependent variables.

Second, we estimate the relationship between foreign ownership and board cultural diversity using an instrumental variable (IV) model to further address the endogeneity concerns that might stem from reverse causality. We identify two IVs for one of the alternative measures of CD, which is *% of foreign directors*, which is highly correlated (91%) with *CD Board*. That is, only these two IVs fulfill the requirements of being an appropriate IV (i.e., IV's relevance and exogeneity conditions) for *% of foreign directors*, not for *CD Board.* These two IVs represent the portfolio composition of the largest shareholder. Our first IV is *Stock importance 1SH* which is the weight of a firm's stock in the largest shareholders' portfolio (Ravid and Sekerci, 2020). Our second IV is *Portfolio diversification 1SH 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).[19] The IV estimation results are reported in Table A4 and A5. Both tables confirm the positive relationship between foreign ownership and board cultural diversity.

Third, we investigate whether the positive relationship between foreign ownership and board cultural diversity we find could be driven by firms with foreign operations. We use two measures to proxy 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 degree of foreign operations. The dummy takes the value of one if a firm's foreign sales scaled by total assets is in the top quartile and zero otherwise. *Foreign sales/total sales high* is an alternative dummy variable to capture the degree of the foreign operations. The dummy takes the value of one if a firm's foreign sales scaled by total sales falls in the top quartile and zero otherwise. As shown in Panel A and B of Table A6, our main finding of a relationship between foreign ownership and board cultural diversity is not driven by firms with foreign operations.

Lastly, we investigate whether foreign owners would promote domestic (Swedish) directors with substantial international experience. If this is not the case, this result would only make our main finding stronger. 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 cumulated 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

[19] The results also hold when we use the continuous variable, *Portfolio diversification 1SH*, as the IV in Table A5.

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 experiences of all Swedish board members divided by the number of Swedish directors on the board. Panels A, B, C, and D of Table A7 show that foreign owners do not seem to select Swedish directors with international experience on 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

Alternative measures for CD Board	
% of foreign directors	The proportion of directors from different countries sitting on the board, calculated as the number of foreign directors divided by the total number of directors on the board.
No foreign directors	The number of foreign directors on the board.
No foreign nationalities	The number of foreign nationalities represented on the board.
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 degree of foreign operations. The dummy takes the value of one if a firm's foreign sales scaled by total assets fall in the top quartile and zero otherwise.
Foreign sales/total sales high	Alternative dummy variable to capture the degree of foreign operations. The dummy takes the value of one if a firm's foreign sales scaled by total sales falls in the top quartile and zero otherwise.
Swedish owners with international education and/or experience	
% 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 cumulated 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 experiences 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 additional variables

	N	Mean	St. Dev.	Min	Max
Alternative measures for CD Board					
% of foreign directors	1,726	0.112	0.177	0.000	0.875
No foreign directors	1,726	0.918	1.509	0.000	7.000
No foreign nationalities	1,726	0.738	1.140	0.000	7.000
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
Swedish owners with international education and/or experience					
% 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. Percentage of foreign directors as an alternative measure for CD Board

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dependent variable:	% of foreign directors						
FO 1SH	0.047***	0.044***	0.042**	0.045***	0.048***		
	(0.016)	(0.016)	(0.016)	(0.016)	(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	-0.001	-0.000	-0.001	-0.000	-0.000	-0.000
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
M-B	0.004	0.004	0.003	0.004	0.004	0.003	0.003
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Leverage	0.084**	0.087***	0.088***	0.083**	0.084**	0.075**	0.078**
	(0.034)	(0.033)	(0.033)	(0.033)	(0.033)	(0.035)	(0.036)
Sales/total assets	-0.026*	-0.027*	-0.028*	-0.027*	-0.026*	-0.030	-0.029
	(0.016)	(0.015)	(0.015)	(0.015)	(0.015)	(0.018)	(0.018)
Capex/total assets	0.034	0.032	0.031	0.033	0.036	0.025	0.025
	(0.064)	(0.064)	(0.064)	(0.064)	(0.066)	(0.064)	(0.064)
Constant	0.086*	0.068	0.071	0.096*	0.057	0.077	0.078
	(0.049)	(0.051)	(0.051)	(0.049)	(0.065)	(0.055)	(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 directors from different countries 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 A3 Panel B. Number of foreign directors as an alternative measure for CD Board

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dependent variable:	No foreign directors						
FO 1SH	0.278**	0.252*	0.239*	0.270**	0.281**		
	(0.131)	(0.130)	(0.130)	(0.129)	(0.131)		
Vote 1SH		0.747					
		(0.517)					
Capital 1SH			0.765				
			(0.520)				
Excess vote 1SH				-0.324			
				(0.692)			
Dual-class					0.216		
					(0.427)		
FO concentration h3						4.920*	
						(2.840)	
FO concentration h5							4.978*
							(2.855)
No of directors	0.120***	0.117***	0.118***	0.117***	0.118***	0.121***	0.119***
	(0.032)	(0.032)	(0.032)	(0.032)	(0.032)	(0.034)	(0.034)
M-B	0.027	0.026	0.026	0.026	0.027	0.022	0.022
	(0.017)	(0.017)	(0.018)	(0.017)	(0.017)	(0.020)	(0.020)
Leverage	0.699**	0.734**	0.735**	0.695**	0.699**	0.627**	0.674**
	(0.296)	(0.288)	(0.288)	(0.292)	(0.292)	(0.284)	(0.299)
Sales/total assets	-0.273**	-0.276**	-0.283**	-0.272**	-0.270**	-0.298*	-0.291*
	(0.133)	(0.130)	(0.131)	(0.132)	(0.132)	(0.156)	(0.158)
Capex/total assets	0.251	0.211	0.210	0.229	0.241	0.273	0.269
	(0.481)	(0.482)	(0.482)	(0.483)	(0.485)	(0.483)	(0.486)
Constant	-0.096	-0.300	-0.232	-0.047	-0.201	-0.164	-0.172
	(0.421)	(0.423)	(0.421)	(0.418)	(0.481)	(0.463)	(0.470)
Observations	1,682	1,678	1,678	1,678	1,678	1,543	1,531
R-squared	0.114	0.117	0.118	0.112	0.113	0.106	0.106
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 *No foreign directors,* which is the number of foreign 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. Number of foreign nationalities as an alternative measure for CD Board

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dependent variable:	No foreign nationalities						
FO 1SH	0.293**	0.282*	0.279*	0.299**	0.297**		
	(0.145)	(0.146)	(0.146)	(0.143)	(0.144)		
Vote 1SH		0.434					
		(0.430)					
Capital 1SH			0.325				
			(0.444)				
Excess vote 1SH				0.234			
				(0.618)			
Dual-class					0.097		
					(0.429)		
FO concentration h3						3.779	
						(2.927)	
FO concentration h5							3.912
							(2.932)
No of directors	0.105***	0.104***	0.105***	0.104***	0.105***	0.106***	0.105***
	(0.030)	(0.031)	(0.031)	(0.031)	(0.030)	(0.033)	(0.033)
M-B	0.027	0.026	0.026	0.027	0.026	0.023	0.023
	(0.017)	(0.018)	(0.018)	(0.017)	(0.017)	(0.019)	(0.019)
Leverage	0.606**	0.616**	0.610**	0.593**	0.595**	0.587**	0.634**
	(0.254)	(0.252)	(0.252)	(0.253)	(0.253)	(0.254)	(0.268)
Sales/total assets	-0.237*	-0.242**	-0.244**	-0.236*	-0.239*	-0.283*	-0.277*
	(0.123)	(0.122)	(0.123)	(0.123)	(0.123)	(0.145)	(0.145)
Capex/total assets	0.097	0.080	0.083	0.090	0.096	0.259	0.255
	(0.456)	(0.460)	(0.459)	(0.457)	(0.457)	(0.457)	(0.461)
Constant	-0.188	-0.309	-0.246	-0.203	-0.236	-0.231	-0.242
	(0.388)	(0.397)	(0.395)	(0.385)	(0.447)	(0.425)	(0.431)
Observations	1,682	1,678	1,678	1,678	1,678	1,543	1,531
R-squared	0.129	0.131	0.130	0.129	0.129	0.118	0.119
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 *No foreign nationalities,* which is the number of foreign nationalities represented 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 A4. Instrumental variable estimation (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**		1.499**		1.585**
		(0.037)		(0.752)		(0.756)
Stock Importance 1SH	0.224***		0.012***		0.012***	
	(0.020)		(0.001)		(0.001)	
Vote 1SH	0.263***	-0.001				
	(0.087)	(0.037)				
No of directors	-0.014***	0.000	-0.001**	-0.000	-0.001**	-0.000
	(0.005)	(0.002)	(0.000)	(0.002)	(0.000)	(0.002)
M-B	-0.008*	0.000	0.001***	-0.002	0.001***	-0.002
	(0.005)	0.002)	(0.000)	(0.002)	(0.000)	(0.002)
Leverage	0.205*	0.067***	0.008**	0.064***	0.010***	0.067***
	(0.055)	(0.024)	(0.003)	(0.025)	(0.003)	(0.025)
Sales/total assets	0.010	-0.025***	0.002	-0.028***	0.001	-0.027***
	0.022	(0.009)	(0.001)	(0.010)	(0.001)	(0.010)
Capex/total assets	-0.072	0.053	-0.003	0.047	-0.003	0.047
	(0.150)	(0.061)	(0.008)	(0.063)	(0.009)	(0.063)
Constant	-0.039	0.081***	0.000	0.101***	0.000***	0.100***
	(0.066)	(0.026)	(0.004)	(0.029)	(0.004)	(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 directors from different countries 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 A5. Instrumental variable estimation (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**		2.132**		2.280**
		(0.040)		(0.943)		(0.938)
Portfolio diversification 1SH high	-0.153***		-0.007***		-0.007***	
	(0.015)		(0.000)		(0.001)	
Vote 1SH	0.347***	-0.006				
	(0.087)	(0.037)				
No of directors	-0.015***	0.000	-0.001***	0.000	-0.001**	0.000
	(0.005)	(0.002)	(0.000)	(0.002)	(0.000)	(0.002)
M-B	-0.008*	0.000	0.001***	-0.003	0.001***	-0.003
	(0.005)	(0.002)	(0.000)	(0.002)	(0.000)	(0.002)
Leverage	0.182***	0.063***	0.007***	0.059**	0.008**	0.060**
	(0.056)	(0.024)	(0.003)	(0.025)	(0.003)	(0.026)
Sales/total assets	0.014	-0.025***	0.002	-0.030***	0.002	-0.029***
	(0.0225)	(0.010)	(0.001)	(0.010)	(0.001)	(0.010)
Capex/total assets	-0.105	0.053	-0.004	0.049	-0.004	0.048
	(0.151)	(0.061)	(0.009)	(0.064)	(0.009)	(0.064)
Constant	0.153***	0.080***	0.011***	0.097***	0.011***	0.097***
	(0.066)	(0.027)	(0.004)	(0.029)	(0.004)	(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 directors from different countries 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. 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 A6 Panel A. Ruling out the alternative explanation that our results may be driven by firms with foreign operations (proxy I)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dependent variable:	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 degree of foreign operations. The dummy takes the value of one if a firm's foreign sales scaled by total assets falls in the top quartile 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 A6 Panel B. Ruling out the alternative explanation that our results may be driven by firms with foreign operations (proxy II)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dependent variable	CD Board						
FO 1SH	0.284**	0.236*	0.243*	0.285**	0.277**		
	(0.135)	(0.129)	(0.130)	(0.135)	(0.135)		
Foreign sales/total sales high	0.030	0.024	0.027	0.028	0.030	-0.006	-0.007
	(0.079)	(0.078)	(0.079)	(0.079)	(0.079)	(0.092)	(0.092)
FO 1SH* Foreign sales/total sales high	-0.057	0.017	-0.013	-0.031	-0.039		
	(0.234)	(0.234)	(0.235)	(0.241)	(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	0.010	0.011	0.010	0.010	0.011	0.007
	(0.029)	(0.029)	(0.029)	(0.029)	(0.029)	(0.030)	(0.030)
M-B	0.002	0.002	0.002	0.002	0.002	0.011	0.012
	(0.034)	(0.033)	(0.033)	(0.034)	(0.034)	(0.033)	(0.033)
Leverage	0.563*	0.585*	0.576*	0.547*	0.546*	0.452	0.435
	(0.301)	(0.297)	(0.298)	(0.299)	(0.300)	(0.306)	(0.305)
Capex/total assets	0.043	0.111	0.093	0.034	0.040	-0.082	-0.080
	(0.693)	(0.695)	(0.697)	(0.697)	(0.696)	(0.749)	(0.749)
Constant	0.772**	0.497	0.645*	0.731**	0.814**	0.725*	0.751*
	(0.351)	(0.349)	(0.357)	(0.343)	(0.362)	(0.382)	(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 degree of foreign operations. The dummy takes the value of one if a firm's foreign sales scaled by total sales falls in the top quartile 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 A7 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	0.019	0.020	0.021	0.018		
	(0.036)	(0.036)	(0.036)	(0.037)	(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*	-0.008*	-0.008*	-0.008*	-0.008*	-0.008*	-0.008*
	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)
M-B	0.000	0.000	0.000	0.000	0.000	-0.004	-0.004
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.004)	(0.004)
Leverage	0.045	0.046	0.044	0.045	0.043	0.097	0.107
	(0.058)	(0.060)	(0.059)	(0.058)	(0.058)	(0.061)	(0.066)
Sales/total assets	0.012	0.011	0.012	0.012	0.013	0.034**	0.036**
	(0.015)	(0.014)	(0.014)	(0.015)	(0.015)	(0.014)	(0.015)
Capex/total assets	0.069	0.069	0.070	0.065	0.067	0.033	0.033
	(0.064)	(0.064)	(0.064)	(0.065)	(0.064)	(0.087)	(0.088)
Constant	0.051	0.042	0.053	0.040	0.087	-0.024	-0.028
	(0.060)	(0.072)	(0.067)	(0.062)	(0.062)	(0.062)	(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 A7 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	0.082	0.081	0.093	0.084		
	(0.102)	(0.101)	(0.100)	(0.103)	(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	-0.017	-0.017	-0.017	-0.017	-0.018	-0.018
	(0.012)	(0.012)	(0.012)	(0.012)	(0.012)	(0.012)	(0.012)
M-B	-0.004	-0.004	-0.005	-0.003	-0.004	-0.016	-0.017
	(0.008)	(0.008)	(0.009)	(0.008)	(0.008)	(0.014)	(0.014)
Leverage	0.123	0.134	0.128	0.121	0.118	0.218	0.243
	(0.147)	(0.152)	(0.150)	(0.147)	(0.147)	(0.163)	(0.174)
Sales/total assets	0.034	0.024	0.027	0.034	0.034	0.076**	0.080**
	(0.034)	(0.032)	(0.032)	(0.034)	(0.034)	(0.035)	(0.036)
Capex/total assets	0.219	0.211	0.221	0.201	0.215	0.131	0.135
	(0.170)	(0.171)	(0.172)	(0.175)	(0.170)	(0.226)	(0.229)
Constant	0.112	0.013	0.073	0.064	0.179	-0.067	-0.078
	(0.139)	(0.197)	(0.173)	(0.149)	(0.143)	(0.151)	(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 cumulated 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 A7 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	0.005	0.004	0.007	0.008		
	(0.012)	(0.012)	(0.012)	(0.012)	(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	-0.006	-0.006
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.005)
M-B	0.005	0.004	0.004	0.005	0.005	0.003	0.003
	(0.007)	(0.006)	(0.006)	(0.007)	(0.007)	(0.007)	(0.007)
Leverage	-0.016	-0.011	-0.012	-0.018	-0.016	-0.003	-0.008
	(0.047)	(0.049)	(0.048)	(0.047)	(0.047)	(0.041)	(0.043)
Sales/total assets	-0.029	-0.031	-0.031	-0.029	-0.030	-0.020	-0.021
	(0.026)	(0.026)	(0.026)	(0.027)	(0.027)	(0.029)	(0.029)
Capex/total assets	0.108	0.103	0.104	0.106	0.109	0.065	0.056
	(0.074)	(0.075)	(0.075)	(0.075)	(0.075)	(0.076)	(0.075)
Constant	0.090*	0.063	0.075	0.089*	0.045	0.085	0.089
	(0.046)	(0.056)	(0.051)	(0.050)	(0.051)	(0.053)	(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 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. *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 A7 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	0.763	0.752	0.803	0.776		
	(0.670)	(0.666)	(0.667)	(0.677)	(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	-0.087	-0.086	-0.088	-0.086	-0.105	-0.098
	(0.058)	(0.058)	(0.058)	(0.059)	(0.058)	(0.065)	(0.064)
M-B	-0.013	-0.014	-0.015	-0.010	-0.013	-0.067	-0.067
	(0.024)	(0.026)	(0.026)	(0.024)	(0.024)	(0.052)	(0.051)
Leverage	-0.081	0.004	-0.014	-0.055	-0.060	0.284	0.400
	(0.387)	(0.374)	(0.373)	(0.371)	(0.372)	(0.533)	(0.551)
Sales/total assets	-0.054	-0.088	-0.079	-0.044	-0.047	0.052	0.080
	(0.112)	(0.112)	(0.108)	(0.110)	(0.111)	(0.110)	(0.108)
Capex/total assets	1.018	1.001	1.048	0.981	1.032	0.177	0.166
	(0.725)	(0.710)	(0.705)	(0.737)	(0.723)	(0.569)	(0.570)
Constant	0.672*	0.189	0.417	0.493	0.728*	0.304	0.185
	(0.382)	(0.474)	(0.446)	(0.347)	(0.389)	(0.421)	(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 experiences 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.