

SET IN STONE: THE PERSISTENCE AND ORIGINS OF CORPORATE CULTURE

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WHAT IS CORPORATE CULTURE?

Corporate culture is “a system of shared values and norms that define appropriate attitudes and behaviors for organizational members.”

—O'Reilly and Chatman (1996)

Corporate culture is “a set of principles and values that should inform the behavior of all the firms' employees.”

—Guiso, Sapienza, and Zingales (2015)

MOTIVATION: CORPORATE CULTURE FROM THE FIELD

“Culture is not the most important thing in the world. **It's the only thing.** It is the thing that drives the business.”

—Jim Sinegal, Cofounder & Former CEO, Costco

“Our **workplace culture** and forward-leaning approach **created operational, compliance, and cultural challenges**, and a failure to address these challenges would **adversely impact our business, financial condition, operating results, and prospects.**”

—Uber (2019 Annual Report)

91% of North American CEOs and CFOs consider culture **highly important**; **79%** rank culture as a **“top 5” factor** affecting firm value.

—Graham et al. (2022a, b)

MOTIVATION: CORPORATE CULTURE FROM THE LITERATURE

- ▶ Corporate culture explains mergers and acquisitions, corporate risk-taking, frauds, among other business outcomes.
 - Hilary and Hui (2009), Fahlenbrach, Prilmeier, and Stulz (2012), Ahern, Daminelli, and Fracassi (2015), Biggerstaff, Cicero, and Puckett (2015), Guiso, Sapienza, and Zingales (2015) Xiaoding Liu (2016), Pan, Siegel, and Wang (2017), Pan, Siegel, and Wang (2020), Li, Xing Liu, et al. (2021), Li, Mai, Shen, and X. Yan (2021), Graham et al. (2022a), Graham et al. (2022b), Li, Mai, Shen, Yang, et al. (2026).

THIS PAPER

- ▶ Despite its importance, corporate culture remains under-studied in the finance literature.
- ▶ In this paper, we address the following questions:
 - Is corporate culture persistent, or is it subject to change?
 - If culture is persistent, what mechanisms sustain it over time?
 - Who is responsible for a firm's culture?
- ▶ Answers to these questions have direct implications for firm value and corporate risk management.

CONTRIBUTIONS TO THE LITERATURE

- ▶ Literature on corporate culture:
 - Cronqvist, Low, and Nilsson (2009), Grullon, Kanatas, and Weston (2009), Hilary and Hui (2009), Fahlenbrach, Prilmeier, and Stulz (2012), McGuire, Omer, and Sharp (2012), Frederick Bereskin, Campbell, and Kedia (2013), Ahern, Daminelli, and Fracassi (2015), Biggerstaff, Cicero, and Puckett (2015), Braguinsky and Mityakov (2015), Davidson, Dey, and Smith (2015), DeBacker, Heim, and Tran (2015), Guiso, Sapienza, and Zingales (2015), Xiaoding Liu (2016), Pan, Siegel, and Wang (2017), Fred Bereskin et al. (2018), Grennan (2019), Pan, Siegel, and Wang (2020), Li, Xing Liu, et al. (2021), Li, Mai, Shen, and X. Yan (2021), Graham et al. (2022a), Graham et al. (2022b), Li, Mai, Shen, Yang, et al. (2026).
- ▶ Among the first to document the persistence of culture over time.
- ▶ Systematically examine founder characteristics that shape firms' initial cultures.

CONTRIBUTIONS TO THE LITERATURE

- ▶ Literature on management style:
 - Bertrand and Schoar (2003), Malmendier and Tate (2005), Graham et al. (2013), Liu (2016), Schoar and Zuo (2017), Yonker (2017), Pan, Siegel, and Wang (2020), Schoar, Yeung, and Zuo (2024).
 - Fee, Hadlock, and Pierce (2013): Large policy changes only after (performance-related) endogenous CEO turnover.
- ▶ CEOs matter for culture persistence not by imposing a personal style, but by being selected for their alignment with a firm's values and/or treated by its values and then to uphold them.

CONTRIBUTIONS TO THE LITERATURE

- ▶ Literature on managers' life/career experiences in shaping their styles:
 - Malmendier, Tate, and J. Yan (2011), Custódio, Ferreira, and Matos (2013), Benmelech and Frydman (2015), Dittmar and Duchin (2016), Bernile, Bhagwat, and Rau (2017), Lee, Hwang, and Chen (2017), Schoar and Zuo (2017), Sunder et al. (2017), Yonker (2017), Islam and Zein (2020), Pan, Siegel, and Wang (2020), Duchin, Simutin, and Sosyura (2021), Schoar, Yeung, and Zuo (2024), Garcia et al. (2025).
- ▶ Highlight founders' early life and career experiences in shaping the initial cultures of the firms they create.

CONCEPTUAL FRAMEWORK – PERSISTENT CULTURE

- ▶ Culture as a stock of knowledge, such as common language, shared facts, that is widely shared among employees but not with outsiders. Crémer (1993)
 - Changing culture is costly, both because it is tacit and because it underpins coordination throughout the organization.

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 - Culture persistence arises from reputational lock-in.
- ▶ **Culture as shared beliefs** between management and employees about “the best way of doing things.” (Van den Steen, 2010, p. 1718)
 - Cultural change is slow and would require substantial turnover or disruptive events to alter prevailing beliefs.

The null: Corporate culture is persistent over time.

CONCEPTUAL FRAMEWORK - THE ORIGINS OF CULTURE

- ▶ Founders embody the initial vision, values, and beliefs upon which a company is built.
 - **Cultural heritage** significantly influences an individual's values and preferences. (Guiso et al., 2006; Ahern et al., 2015; Liu, 2016)
 - **Founder birthplace environment: racial diversity and exposure to the frontier experience.** (Alesina and La Ferrara, 2005)
 - **Early career exposure to recessions.** (Schoar and Zuo, 2017; Schoar et al., 2024)
- ▶ In contrast to top executives, firms' founders are not selected, and therefore if there are any effects from them on a firm's culture, these effects are likely to be **causal**.

DATA AND MEASUREMENT

MEASURING CORPORATE CULTURE

- ▶ Culture scores from Li et al. (2021), 2002-2021
 - Develop a semi-supervised machine learning technique to construct a culture dictionary.
 - Quantify a firm's culture in five dimensions following Guiso, Sapienza, and Zingales (2015): **innovation, integrity, quality, respect, and teamwork.**
 - Cross-validated.
 - We use the sum of these five values at the firm-year level.
 - We also use subscores and individual cultural values:
 - Operations-oriented culture: innovation and quality.
 - People-oriented culture: integrity, respect, and teamwork.

MEASURING CORPORATE CULTURE

- ▶ One concern about our culture measure is that earnings calls are held regularly and follow a relatively fixed format, raising the possibility that our persistence results reflect persistence in how earnings calls are conducted rather than in culture itself.
 - Voluntary disclosure such as earnings calls varies with factors that change over time (e.g., governance and market conditions) (Healy and Palepu, 2001), and supported by empirical evidence. (Cohen et al. 2020)
 - Our measure is based on the Q&A section of calls.
 - We also employ [an alternative culture measure](#) based on [Glassdoor employee reviews](#).(Li et al. 2024; Li et al. 2026)

FOUNDER CHARACTERISTICS

- ▶ *Founder UAI*: Founder cultural heritage measure.
 - Match a founder's surname to her country of ancestry using the Census records from 1850 to 1940 in the Integrated Public Use Microdata Series (IPUMS).
 - Uncertainty avoidance index (UAI) is from Hofstede's national cultural framework (Hofstede, 1980).
- ▶ Founder birthplace environment variables at the time of her birth:
 - *Founder birthplace racial diversity*: The US Census identifies five racial groups.
 - *Founder birthplace TFE*: We use the county-level measure of total frontier experience (TFE) from Bazzi et al. (2020).
- ▶ *Founder work recession*: An indicator for founders starting work during recessions (Schoar and Zuo, 2017; Schoar et al., 2024).

THE PERSISTENCE IN CORPORATE CULTURE

VARIANCE DECOMPOSITION USING CULTURE SCORES

Panel A: Corporate Culture and Glassdoor Culture for The Full Sample

	Culture (1)	Culture (2)	Culture (3)	Glassdoor CC (4)	Glassdoor CC (5)	Glassdoor CC (6)
Firm FE	0.88		0.86	0.94		0.93
CEO FE	0.11		0.13	0.05		0.06
Year FE	0.01	0.21	0.01	0.01	0.04	0.01
Industry FE		0.62			0.64	
Firm characteristics	No	Yes	Yes	No	Yes	Yes
Adj. R ²	0.74	0.32	0.75	0.62	0.24	0.62

Delisted firms and Non-S&P 1500 firms

VARIANCE DECOMPOSITION USING SUBSCORES AND CULTURAL VALUES

Panel B: Corporate Culture Subscores for The Full Sample

	Operations-oriented culture	People-oriented culture	Innovation	Quality	Integrity	Teamwork	Respect
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Firm FE	0.86	0.86	0.86	0.88	0.80	0.84	0.88
CEO FE	0.13	0.12	0.12	0.10	0.19	0.15	0.11
Year FE	0.01	0.01	0.02	0.01	0.01	0.01	0.01
Firm characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R ²	0.70	0.72	0.75	0.70	0.53	0.65	0.71

INTERPRETATION

- ▶ In our sample, most CEOs appear at only one firm and many firms are led by a single CEO, raising the possibility that firm and CEO fixed effects capture some of the same underlying variation.
- ▶ **Solution:** To disentangle these effects, we use a subsample of firms whose CEOs have served as a CEO at multiple companies (Bertrand and Schoar, 2003; Dittmar and Duchin, 2016; Schoar et al., 2024).
 - We identify executives in ExecuComp who have worked at two or more firms (“movers”).
 - We require each mover spend at least three years at each firm to allow sufficient time to “leave their mark” on those firms.

VARIANCE DECOMPOSITION USING CULTURE SCORES

Panel C: Firms with CEOs Who Have Worked at Two or More Firms

	Culture	Glassdoor CC	Operations- oriented culture	People- oriented culture	Innovation	Quality	Integrity	Teamwork	Respect
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Firm FE	0.95	0.92	0.96	0.96	0.96	0.98	0.95	0.94	0.98
CEO FE	0.01	0.00	0.01	0.01	0.01	0.00	0.02	0.02	0.00
Year FE	0.03	0.07	0.02	0.02	0.02	0.01	0.02	0.02	0.01
Firm characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R ²	0.77	0.48	0.76	0.81	0.81	0.76	0.55	0.64	0.76

Corporate Policies

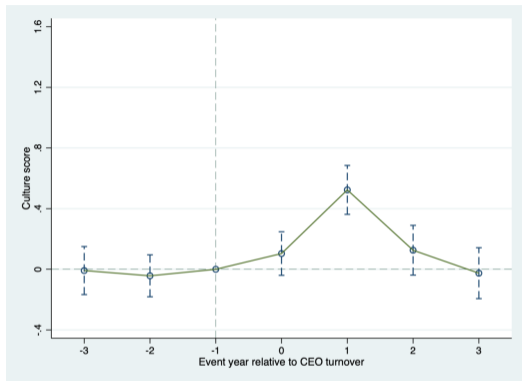
CEO TURNOVER AND CORPORATE CULTURE

- ▶ We examine the effect of CEO turnover events on corporate culture using a DID specification:

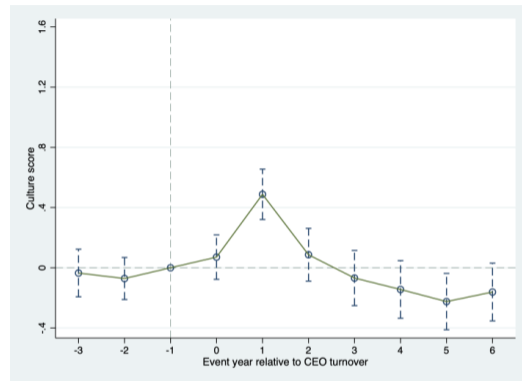
$$Culture_{i,t} = \alpha + \sum_{k \in [-3,3], k \neq -1} Treat_i * Year_k + \beta X_{i,t-1} + \eta_i + v_t + \epsilon_{i,t}, \quad (1)$$

$Year_k$ is an indicator variable that captures the temporal effects, with k indicating the year relative to the turnover event in year 0. We use year -1 as the benchmark.

CEO TURNOVER AND CORPORATE CULTURE



Panel A: The (-3, +3) year window



Panel B: The (-3, +6) year window

- ▶ There is a short-run impact of CEO turnover on corporate culture.

Operations- vs. people-oriented subscores

Founder-CEOs vs. non-founder-CEOs

Exogenous vs. endogenous turnovers

Internal vs. external CEOs

THE ROLE OF A FIRM'S INITIAL CULTURE

THE ROLE OF A FIRM'S INITIAL CULTURE

- ▶ Motivated by seminal work on the origins of corporate culture (Schein, 1983; Schneider, 1987; Van den Steen, 2010b; Guiso et al., 2015a) and by the empirical evidence (Pan et al., 2017), we hypothesize that **a firm's culture is shaped in important ways by its founding principles and values.**
- ▶ Measuring a firm's initial culture
 - We use the culture score around a firm's IPO to proxy for its culture in the early years of its life cycle, *Culture IPO*.
- ▶ Panel data regression specification:

$$Culture_{i,t} = \alpha + \gamma_1 CultureIPO_i + \gamma_2 CultureIPO_i \times Ln(Firm\ age) + \beta X_{i,t-1} + \lambda_j + v_t + \varepsilon_{i,t}, \quad (2)$$

THE ROLE OF A FIRM'S INITIAL CULTURE

All Firms

	Culture (1)	Culture (2)	Culture (3)
Culture IPO	0.781*** (0.052)	0.646*** (0.053)	0.467*** (0.054)
Culture IPO x Ln(Firm age)	-0.078* (0.043)	-0.068 (0.041)	-0.040 (0.039)
Firm controls	No	No	Yes
Industry FE	No	Yes	Yes
Year FE	No	No	Yes
No. of firms	1236	1236	1236
Obs.	6670	6670	6670
Adj. R ²	0.414	0.477	0.537

- ▶ There is little decay over time in the role of a firm's initial culture.
 - The firm age at which the effect of initial culture falls to half its initial magnitude (i.e., half-life) is about 150 years.

INTERPRETATION AND CAVEAT

- ▶ For some of these firms, founders may still serve as officers or directors.
- ▶ This raises the possibility that the strong explanatory power of initial culture merely reflect ongoing founder involvement, rather than a lasting imprint of founding values.
- ▶ **Solution:** We remove firm-year observations in which a founder is either a CEO or a director.

THE ROLE OF A FIRM'S INITIAL CULTURE: FOUNDERS HAVING NO ACTIVE INVOLVEMENT

	Culture (1)	Culture (2)	Culture (3)
Culture IPO	0.821*** (0.045)	0.689*** (0.046)	0.507*** (0.045)
Culture IPO x Ln(Firm age)	-0.113*** (0.036)	-0.101*** (0.035)	-0.073** (0.032)
Firm controls	No	No	Yes
Industry FE	No	Yes	Yes
Year FE	No	No	Yes
No. of firms	1,167	1,167	1,167
Obs.	6,011	6,011	6,011
Adj. R ²	0.435	0.492	0.556

- ▶ In the absence of active founder involvement, the influence of initial culture exhibits some decay over time.

THE DETERMINANTS OF A FIRM'S INITIAL CULTURE

THE DETERMINANTS OF EARLY CULTURE–FOUNDER CHAR.

	Culture obs (1)	first obs (2)	Culture obs (3)	first obs (4)	Culture obs (5)	first
Founder UAI	0.088*** (0.013)	0.071*** (0.011)	0.065*** (0.013)	0.060*** (0.012)	0.053*** (0.016)	
Founder birthplace racial diversity	0.067*** (0.020)	0.065** (0.022)	0.054** (0.021)	0.056** (0.023)	0.060** (0.022)	
Founder birthplace TFE	-0.006 (0.018)	-0.003 (0.018)	-0.008 (0.019)	-0.003 (0.019)	-0.002 (0.017)	
Founder work recession	-0.192*** (0.058)	-0.160** (0.050)	-0.133** (0.051)	-0.130** (0.045)	-0.121** (0.043)	
Firm controls	Yes	Yes	Yes	Yes	Yes	
Fixed effects	No	FF5	Founding cohort	FF5 Founding cohort	and FF5 Founding cohort	×
No. of firms	802	802	802	802	802	
Obs.	987	987	987	987	987	
Adj. R ²	0.133	0.170	0.155	0.177	0.176	

- ▶ Founder cultural heritage, early exposure to racial diversity, and early career exposure to recessions all predict a firm's initial culture.

THE MECHANISMS UNDERLYING PERSISTENT CULTURE

CONCEPTUAL FRAMEWORK

- ▶ **Assortative matching mechanism:** CEOs/employees and firms match on values (Hackman, 1992; Van den Steen, 2010b; Liu 2016). It manifests in two ways:
 - New CEOs/employees possess cultural traits aligned with those of the firms they join.
 - New CEOs/employees whose values are incongruent with those of the firms they join, are more likely to be turned over.
- ▶ **Treatment mechanism:** Corporate culture can have a direct effect on individual behaviour through organizational norms by putting pressure on non-compliant employees to conform. (Hackman, 1992; Kreps, 1990; Van den Steen, 2010b; Liu, 2016)

MECHANISM (1): ASSORTATIVE MATCHING BETWEEN CEOs AND FIRMS ON VALUES

	Incoming CEO UAI (1)	Incoming CEO UAI (2)	Incoming CEO UAI (3)	Incoming CEO UAI (4)	Incoming CEO UAI (5)	Incoming CEO UAI (6)
Culture before turnover	0.147** (0.061)	0.130** (0.066)	0.148** (0.072)	0.145** (0.061)	0.130** (0.066)	0.148** (0.072)
Departed CEO UAI				0.035* (0.019)	0.031* (0.019)	0.024 (0.019)
Firm controls	No	Yes	Yes	No	Yes	Yes
Industry FE	No	No	Yes	No	No	Yes
Obs.	2942	2915	2904	2942	2915	2904
Adj. R ²	0.002	0.005	0.004	0.002	0.006	0.004

- ▶ There is a positive association between a firm's culture score and its new CEO's UAI score.

MECHANISM (1): DEPARTURE OF POTENTIALLY MISMATCHED CEOs

	Departure in 3yr (1)	Departure in 3yr (2)	Departure in 3yr (3)	Departure in 3yr (4)
Abs diff in UAI quartile	0.021** (0.009)	0.020** (0.010)	0.018** (0.009)	0.019** (0.010)
Culture before turnover	0.004*** (0.002)	0.004** (0.002)	0.003 (0.002)	0.003 (0.002)
Industry FE	No	No	Yes	Yes
Obs.	1952	1759	1916	1748
Adj. R ²	0.036	0.058	0.045	0.070

- ▶ Using a sample of *exogenous* CEO turnover events, we show that there is a positive association between the degree of cultural mismatch and the likelihood of a new CEO's departure.

MECHANISM (1): DEPARTURE OF POTENTIALLY MISMATCHED EMPLOYEES

	Employee Departure (1)	Employee Departure (2)	Employee Departure (3)	Employee Departure (4)
Culture similarity	-1.953*** (0.042)	-1.827*** (0.039)	-1.953*** (0.002)	-1.827*** (0.002)
Firm controls	No	Yes	No	Yes
Employee FE	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
No. of firms	3,538	3,538	3,538	3,538
No. of employee	1,803,708	1,803,708	1,803,708	1,803,708
Obs.	8,130,720	8,130,720	8,130,720	8,130,720
Adj. R ²	0.178	0.238	0.178	0.238
Cluster error	Firm-Year	Firm-Year	Firm + Year + Employee	Firm + Year + Employee

MECHANISM (2): TREATMENT EFFECT OF CULTURE ON CEOs

	R&D (1)	Product quality (2)	Discretionary accrual (3)	Diversity (4)
Former employer culture × Post	0.023** (0.011)	0.004** (0.002)	-0.074** (0.036)	0.015*** (0.006)
Culture	0.022 (0.028)	-0.008** (0.004)	-0.007 (0.082)	0.004 (0.012)
CEO UAI	-0.808 (0.523)	0.120 (0.093)	0.327 (1.782)	0.364 (0.261)
Exec UAI	-0.062 (1.884)	0.034 (0.215)	-0.888 (4.836)	-0.485 (0.843)
Firm controls	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
No. of events	183	153	231	227
No. of firms	156	137	199	203
Obs.	855	591	1085	943
Adj. R ²	0.914	0.645	0.322	0.914

- ▶ Using former employer culture as a proxy for culture's treatment on a new CEO, we show that there is a positive association between the treatment and the new CEO's future firm policies.

SUPPLEMENTAL ANALYSES

- ▶ Large M&As and Corporate Culture M&As
- ▶ Financial Distress and Corporate Culture Distress
- ▶ Bankruptcy and Corporate Culture Bankruptcy
- ▶ Accounting Frauds and Corporate Culture Frauds
- ▶ The Role of Initial Culture Among Private Firms PrivateGS
- ▶ IPOs and Corporate Culture IPOs

WHEN DOES CORPORATE CULTURE CHANGE?

- ▶ We identify such episodes using a conservative rank-based definition (move by at least 5 out of 20 quantiles).
 - We focus on **large changes** in a firm's position in the cross-sectional distribution of culture.
 - The change **persists** under a no-reversion requirement (at least three-year horizon).
- ▶ Two findings emerge from this analysis.
 - Large and persistent cultural changes are infrequent. **59 upward episodes and 57 downward episodes** for S&P 1500 firms from 2002 to 2021.
 - **Anecdotal and logistic LASSO evidence:** When large changes do occur, they appear to be associated with broader changes in a firm's organizational or operating environment.

PERMANENT HETEROGENEITY VERSUS DYNAMIC PERSISTENCE

	Culture	Culture	Operation-oriented Culture	Operation-oriented Culture	People-oriented Culture	People-oriented Culture
	OLS (1)	Firm FE (2)	OLS (3)	Firm FE (4)	OLS (5)	Firm FE (6)
L.Culture	0.762*** (0.004)	0.388*** (0.006)				
L.Operation			0.720*** (0.004)	0.304*** (0.006)		
L.People					0.796*** (0.004)	0.418*** (0.006)
obs.	26168	26,268	26,168	26,268	26,168	26,268
Adj. R ²	0.680	0.191	0.647	0.032	0.715	0.278

- ▶ Permanent heterogeneity: $Culture_{i,t} = \mu_i + \varepsilon_{i,t}$, stable, time-invariant differences across firms in their long-run cultural levels
- ▶ Dynamic persistence: $Culture_{i,t} = \rho Culture_{i,t} + \varepsilon_{i,t}$, serial correlation from slowly decaying transitory shocks

CONCLUSION

- ▶ Firm fixed effects explain the most variation in corporate culture.
- ▶ A substantial portion of the persistence traces back to a firm's initial culture.
- ▶ Founder characteristics shape initial culture: cultural heritage, early exposure to racial diversity, recessions at career start all significantly influence founding values.
- ▶ Firm-CEO (employee) matching on values and culture's influence on CEOs are key mechanisms underlying culture persistence.

APPENDIX

VARIANCE DECOMPOSITION USING CORPORATE POLICIES

Impact of Different Fixed Effects on Firm Policies (All Firms)

	Sales (1)	Capex (2)	ROA (3)	Book Leverage (4)	Market Leverage (5)	Cash (6)	R&D (7)
Firm FE	0.63	0.54	0.62	0.89	0.88	0.61	0.66
CEO FE	0.35	0.45	0.33	0.10	0.11	0.37	0.33
Year FE	0.02	0.01	0.05	0.01	0.01	0.02	0.01
Adj. R ²	0.91	0.84	0.73	0.79	0.81	0.74	0.93

- ▶ Firm policies (with the exception of leverage) do not exhibit similar firm fixed effects as corporate culture does.

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VARIANCE DECOMPOSITION: DELISTED FIRMS AND NON-S&P 1500 FIRMS

	Delisted Firms			Non-S&P 1500 Firms		
	Culture (1)	Culture (2)	Culture (3)	Culture (4)	Culture (5)	Culture (6)
Firm FE	0.71		0.68	0.92		0.90
CEO FE	0.26		0.29	0.07		0.09
Year FE	0.02	0.17	0.02	0.01	0.11	0.01
Industry FE		0.68			0.63	
Firm size		0.00	0.00		0.01	0.00
Ln(Firm age)		0.00	0.00		0.01	0.00
Sales growth		0.01	0.00		0.00	0.00
Leverage		0.00	0.00		0.00	0.00
M/B		0.02	0.00		0.15	0.00
ROA		0.02	0.00		0.03	0.00
Tangibility		0.06	0.00		0.04	0.00
Institutional ownership		0.01	0.00		0.01	0.00
Num M&As			0.03			0.01
Num SEOs		0.00	0.00		0.00	0.00
Adj. R ²	0.71	0.34	0.71	0.80	0.44	0.80

SAMPLE FORMATION USING EMPLOYEE REVIEWS

	# of reviews	# of firms	# of firm-year obs.
Glassdoor employee reviews	13,150,185	138,244	367,710
Match with CUSIP	8,693,107	11,520	100,618
Obtain culture scores using methodology by Li, Mai, Shen, and X. Yan (2021)	5,422,535	4,839	48,093
Match with Compustat-CRSP merged data	4,082,705	3,746	30,232
Remove observations with less than 10 em- ployee reviews or missing control variables	4,053,273	3,010	25,197
Final sample		3,010	25,197

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THE ROLE OF A FIRM'S INITIAL CULTURE: GLASSDOOR

	Glassdoor CC (1)	Glassdoor CC (2)	Glassdoor CC (3)	Glassdoor CC (4)	Glassdoor CC (5)	Glassdoor CC (6)
Glassdoor CC IPO	0.219*** (0.073)	0.107* (0.060)				
Glassdoor CC IPO x Ln(Firm age)	-0.003 (0.039)	0.003 (0.032)				
Glassdoor CC first IPO3y			0.232*** (0.055)	0.140*** (0.051)		
Glassdoor CC first IPO3y x Ln(Firm age)			-0.032 (0.033)	-0.027 (0.032)		
Glassdoor CC ave IPO3y					0.465*** (0.132)	0.337*** (0.115)
Glassdoor CC ave IPO3y x Ln(Firm age)					-0.101 (0.073)	-0.095 (0.065)
Firm controls	No	Yes	No	Yes	No	Yes
Industry FE	No	Yes	No	Yes	No	Yes
Year FE	No	Yes	No	Yes	No	Yes
No. of firms	649	649	888	886	791	789
Obs.	2989	2989	3955	3955	3260	3260
Adj. R ²	0.075	0.251	0.060	0.194	0.109	0.220

FOUNDER CHARACTERISTICS AND INITIAL CULTURAL VALUES

	Operations- oriented first obs (1)	People- oriented first obs (2)	Innovation first obs (3)	Quality first obs (4)	Integrity first obs (5)	Teamwork first obs (6)	Respect first obs (7)
Founder UAI	0.039* (0.017)	0.045** (0.017)	0.037 (0.021)	0.022 (0.021)	0.048* (0.023)	-0.010 (0.018)	0.051** (0.018)
Founder birthplace racial diversity	0.026* (0.012)	0.067** (0.026)	0.052** (0.019)	-0.034* (0.017)	0.037 (0.027)	0.063** (0.022)	0.038** (0.016)
Founder birthplace TFE	0.016 (0.028)	-0.018 (0.025)	-0.006 (0.026)	0.046* (0.024)	-0.039* (0.019)	-0.019 (0.011)	0.010 (0.032)
Founder work recession	-0.087* (0.039)	-0.103** (0.036)	-0.077** (0.026)	-0.057 (0.066)	-0.178** (0.057)	-0.012 (0.053)	-0.046 (0.040)
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fixed effects	FF5 × Found- ing cohort	FF5 × Found- ing cohort	FF5 × Found- ing cohort	FF5 × Found- ing cohort	FF5 × Found- ing cohort	FF5 × Found- ing cohort	FF5 × Found- ing cohort
No. of firms	802	802	802	802	802	802	802
Obs.	987	987	987	987	987	987	987
Adj. R ²	0.225	0.178	0.207	0.155	0.086	0.214	0.142

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THE DETERMINANTS OF EARLY CULTURE: FOUNDERS VS. INSIDERS

	Culture first obs (1)	Culture first obs (2)	Culture first obs (3)
Founder UAI	0.562*** (0.167)	0.553*** (0.166)	0.548*** (0.206)
CEO UAI culture first obs	-0.119 (0.161)	-0.098 (0.160)	-0.132 (0.187)
Exec UAI culture first obs	0.117 (0.164)	0.091 (0.163)	-0.024 (0.189)
Board UAI culture first obs	0.106 (0.200)	0.109 (0.198)	0.329 (0.233)
Founder work recession		-1.225*** (0.333)	-1.288*** (0.385)
Founder birthplace racial diversity			2.668** (1.353)
Founder birthplace TFE			0.113 (0.173)
Firm controls	Yes	Yes	Yes
Obs.	918	918	645
Adj. R ²	0.175	0.186	0.153

- It is founders, not top executives (nor CEOs), who drive a firm's initial culture.

MATCHING: ENDOGENOUS TURNOVER

	Incoming CEO UAI (1)	Incoming CEO UAI (2)	Incoming CEO UAI (3)
Culture before turnover	0.259*** (0.089)	0.252*** (0.095)	0.220** (0.109)
Departed CEO UAI	0.048 (0.029)	0.048 (0.030)	0.042 (0.030)
Firm controls	No	Yes	Yes
Industry FE	No	No	Yes
Observations	1194	1179	1176
Adj. R ²	0.008	0.010	0.019

- ▶ CEO-firm matching on values mainly takes place around endogenous turnover events.

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MATCHING: EXOGENOUS TURNOVER

	Incoming CEO UAI (1)	Incoming CEO UAI (2)	Incoming CEO UAI (3)
Culture before turnover	0.066 (0.086)	0.049 (0.093)	0.098 (0.100)
Departed CEO UAI	0.026 (0.024)	0.022 (0.025)	0.019 (0.025)
Firm controls	No	Yes	Yes
Industry FE	No	No	Yes
Observations	1748	1736	1726
Adj. R ²	-0.000	0.001	0.002

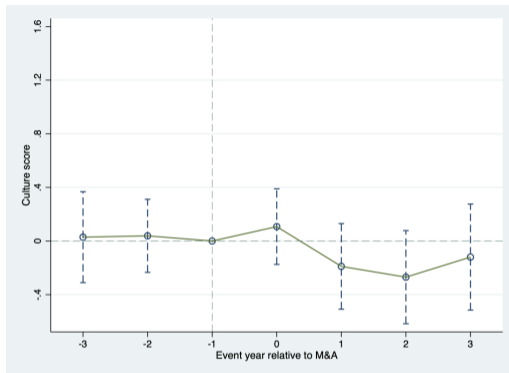
- ▶ CEO-firm matching on values does not take place around exogenous turnover events.

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LINKING CULTURAL VALUES TO NATIONAL CULTURE BASED ON WORLD VALUES SURVEY

Cultural Value	Definition by Guiso et al. (2015)	World Values Survey (2017)
Innovation	This variable takes a value of one if at least one of the following words appears on a firm's website: Innovation, Creativity, Excellence, Improvement, Passion, Pride, Leadership, Growth, Performance, Efficiency, Results.	Q158. Science and technology are making our lives healthier, easier, and more comfortable.
Integrity	This variable takes a value of one if at least one of the following words appears on a firm's website: Integrity, Ethics, Accountability, Trust, Honesty, Responsibility, Fairness, Do the right thing, Transparency, Ownership.	Q177 Claiming government benefits to which you are not entitled Q178 Avoiding a fare on public transport. Q180 Cheating on taxes if you have a chance.
Respect	This variable takes a value of one if at least one of the following words appears on a firm's website: Respect, Diversity, Inclusion, Development, Talent, Employees, Dignity, and Empowerment.	Q12 Tolerance and respect for other people
Quality	This variable takes a value of one if at least one of the following words appears on a firm's website: Quality, Customer, Meet needs, Commitment, Make a difference, Dedication, Value, Exceed expectations.	Q39 People who don't work turn lazy. Q40 Work is a duty towards society. Q41 Work should always come first, even if it means less spare time.
Teamwork	This variable takes a value of one if at least one of the following words appears on a firm's website: Teamwork, Collaboration/Cooperation.	Q57. Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people?

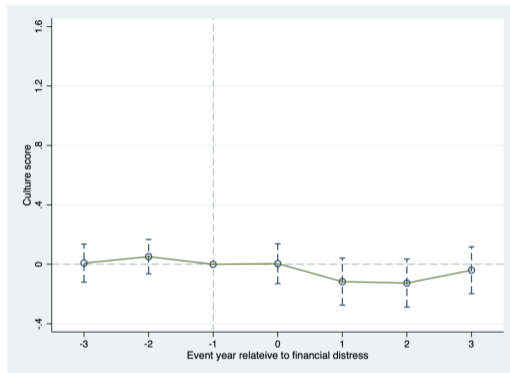
LARGE M&As AND CORPORATE CULTURE



- ▶ We find some impact of large M&A deals on corporate culture.
 - The relative size of a completed deal is at least 50% (799 deals).

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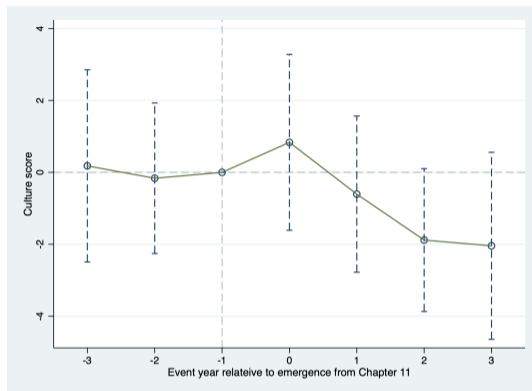
FINANCIAL DISTRESS AND CORPORATE CULTURE



- ▶ We find little impact of financial distress on corporate culture.
 - Using the expected default risk to identify financial distress (4,028 distress events).

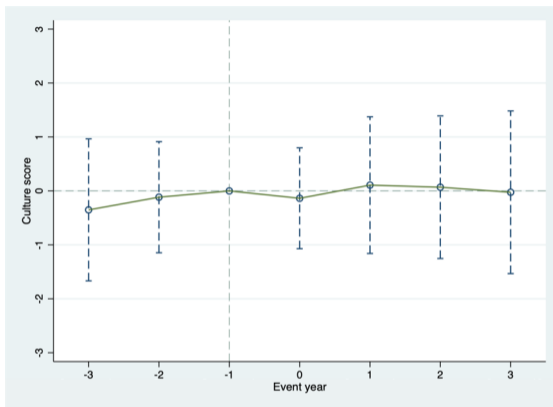
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BANKRUPTCY AND CORPORATE CULTURE



- ▶ We find some decline in corporate culture after a firm's emergence from Chapter 11.
 - We identify firms emerged from Chapter 11 from the Florida-UCLA-LoPucki Bankruptcy Research Database (217 cases).

ACCOUNTING FRAUDS AND CORPORATE CULTURE



- ▶ Accounting fraud from the SEC's Accounting and Auditing Enforcement Releases (AAERs). The sample consists of 190 such events.
- ▶ We find little impact of accounting fraud on corporate culture .

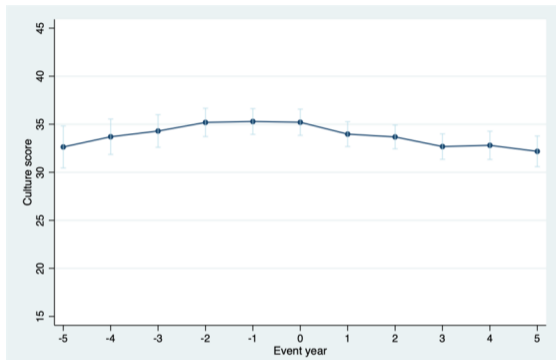
THE ROLE OF A FIRM'S INITIAL CULTURE: PRIVATE FIRMS

	Glassdoor CC (1)	Glassdoor CC (2)	Glassdoor CC (3)	Glassdoor CC (4)
Glassdoor CC first obs	0.807*** (0.022)	0.796*** (0.021)	0.790*** (0.021)	0.791*** (0.022)
Glassdoor CC first obs \times Ln(GD year gap)	-0.113*** (0.016)	-0.114*** (0.016)	-0.111*** (0.016)	-0.112*** (0.016)
Ln(GD year gap)	2.232*** (0.390)	2.171*** (0.384)	2.392*** (0.415)	2.405*** (0.423)
Constant	4.851*** (0.530)	5.236*** (0.527)	4.946*** (0.567)	4.935*** (0.579)
Industry FE	No	Yes	Yes	No
Year FE	No	No	Yes	No
Industry-Year FE	No	No	No	Yes
Obs. of firms	2,761	2,761	2,761	2,760
Obs.	15,180	15,180	15,180	15,154
Adj. R ²	0.460	0.471	0.475	0.471

- ▶ Alternative culture measure derived from Glassdoor employee reviews and restricting the sample to private firms
- ▶ A private firm's initial culture significantly predicts its future culture.

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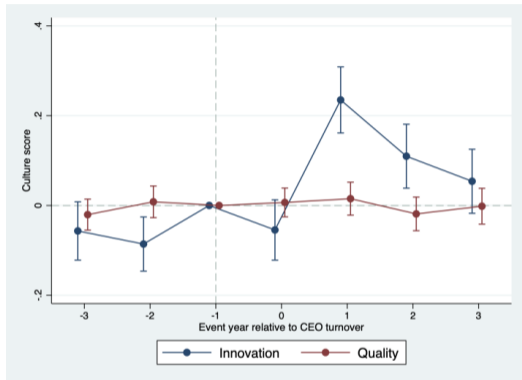
IPOs AND GLASSDOOR CULTURE SCORES



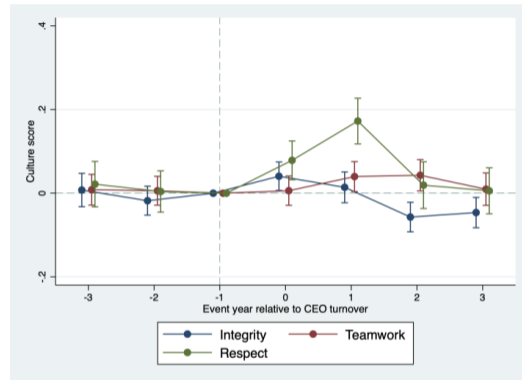
- ▶ The sample consists of 374 IPO events. Culture does not change significantly around the IPO.

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CEO TURNOVER AND CORPORATE CULTURAL VALUES



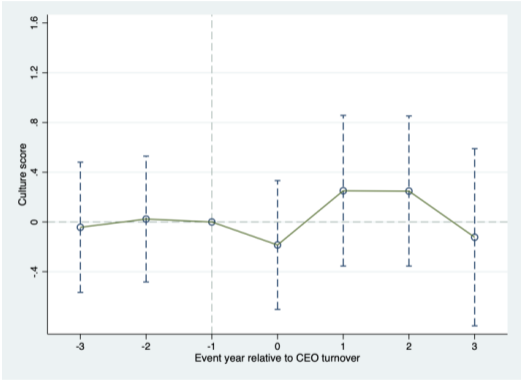
Panel A: Operations-oriented Culture Values



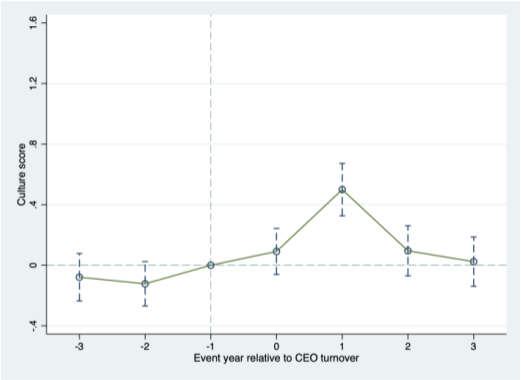
Panel B: People-oriented Culture Values

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FOUNDER CEO VS. NON-FOUNDER CEO TURNOVER AND CORPORATE CULTURE



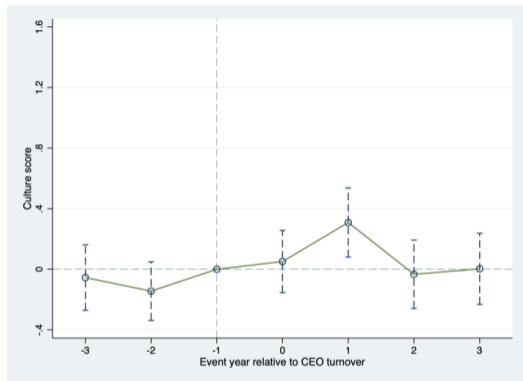
Panel A: Founder CEO Turnover



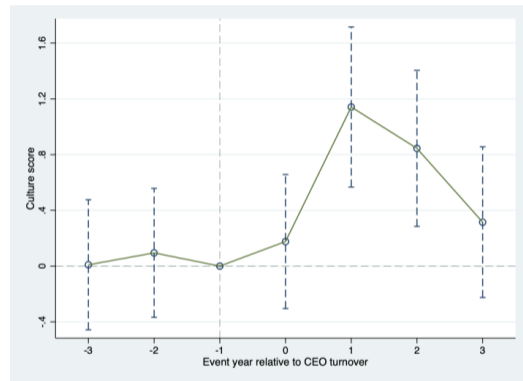
Panel B: Non-founder CEO Turnover

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EXOGENOUS VS. ENDOGENOUS CEO TURNOVER AND CORPORATE CULTURE

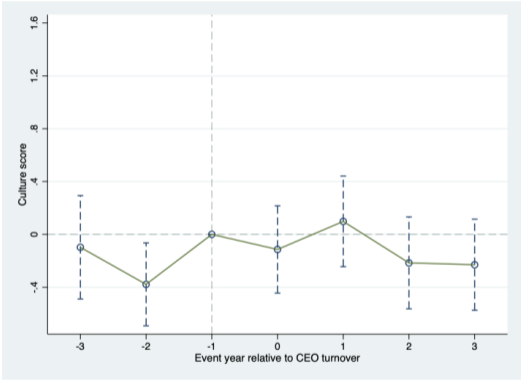


Panel A: Exogenous CEO Turnover
(death, health, retirement)

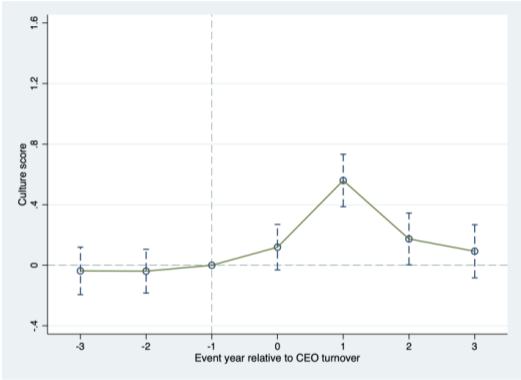


Panel B: Endogenous CEO Turnover
(poor performance)

INTERNAL VS. EXTERNAL CEO TURNOVER AND CORPORATE CULTURE



Panel A: Internal CEO Appointments



Panel B: External CEO Appointments

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