

# Cultural Foundations of Corporate Control: An Empirical Enquiry

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## **Abstract**

This paper argues for the importance of culture for corporate governance practices. We utilise both the contemporary and early patterns in settlement of Scots-Irish in the United States to study the effect of honour culture on the defensive behaviour of target firms in corporate control contests. Honour culture is characterised by reputation maintenance and defence. We compare the behaviour of target firms in places with varying degree of honour culture. We empirically examine if firms located in places with an honour culture are more resistant to hostile takeovers when becoming a target. We find that these firms show more resistance to hostile takeovers when becoming a target, and are more likely to win the contests. Beyond the existing explanations for target firm resistance, this study sheds light on how cultural dynamics can shape takeover resistance and corporate control.

*Keywords:* Culture of Honour, Corporate Governance, Corporate Control, Hostile Takeovers, Takeover Resistance