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Hiring culturally similar directors could negatively impact board performance, new FIU Business research finds

MIAMI (Oct. 5, 2022) – Company executives looking for a foreign director must pay attention to the implicit bias that leads to the hiring of a culturally similar director, who may share characteristics including language, religion or heritage, new research from Florida International University’s [College of Business](#) (FIU Business) shows.

These similarities, researchers found, could induce social conformity and groupthink that may result in inefficient decision-making and have a negative impact on board performance.

“We are experiencing the globalization of boardrooms driven by similarity versus diversity,” said Pietro Bianchi, assistant professor in the FIU Business School of Accounting, who conducted the research.

The paper, published in the September issue of the *Journal of Accounting Research*, analyzed how similarities, including language, religion and financial as well as governance factors impact foreign director appointments.

“Contrary to common wisdom, foreign directors share many similarities to the home country of the company to which they’re appointed,” Bianchi said.

Researchers examined the BoardEx database for information on board membership and directors and senior executive officers of public companies in 38 countries – 169,472 directors appointed to 26,940 corporate boards from 2000 to 2013. They also reviewed reports from World Bank, United Nations Comtrade Database and World Economic Forum, among others.

The study’s findings can provide valuable insight for companies looking to add directors from different backgrounds.

A U.S. company seeking to open new markets in Latin America, for example, would benefit from appointing directors with experience in the countries being targeted, Bianchi

explained. The firm may find talent in Miami from those regions who? may open doors that are key for new markets or acquisitions.

“Executives should look for talented individuals from Latin America,” Bianchi said. “These individuals might bring unique and diverse expertise that can result beneficial to the board, for example by introducing the board to the rules of corporate governance of their own country.”

The phenomenon of similarities shared by foreign directors and a company’s home country, constant throughout the 15 years Bianchi and the co-authors looked at in the study, is likely to continue for a long time.

“To change, there is a need of change at the higher levels, maybe pushing companies to bring a different expertise of board; looking for directors with different characteristics,” said Bianchi.

Bianchi conducted the research with John Barrios of Washington University, Helena Isidro of Instituto Universitario de Lisboa, and Dhananjay Nanda of the University of Miami.

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About FIU Business:

Florida International University’s [College of Business](#) plays a pivotal role in the development of global business leaders. With more than 10,000 undergraduate and graduate students, FIU Business is widely recognized for its expertise in international business, real estate, data analytics, entrepreneurship, healthcare management, and a broad range of financial services. Its faculty ranks among the Top 100 in the U.S. in UT Dallas’ survey of business research productivity. For more information about FIU Business, visit www.business.fiu.edu.

About FIU:

[Florida International University](#) is a top [public university](#) that drives real talent and innovation in Miami and globally. Very high research (R1) activity and high social mobility come together at FIU to uplift and accelerate learner success in a global city by focusing in the areas of environment, health, innovation, and justice. Today, FIU has two campuses and multiple centers. FIU serves a diverse student body of more than 58,000 and 270,000 Panther alumni. U.S. News and World Report places dozens of FIU programs among the best in the nation, including international business at No. 2. Washington Monthly Magazine ranks FIU among the top 20 public universities contributing to the public good.