Directors' Immigrant Background and Board Leadership Positions

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Abstract

We examine the impact of a directors' immigrant background on their appointments to board committees and board leadership positions. We find no evidence that the likelihood of being represented on board committees is influenced by a directors' immigrant background. However, we document a negative impact of a director's immigrant status on the likelihood of serving in board leadership roles. Specifically, first-generation immigrant directors and immigrant directors with cultural backgrounds that are more dissimilar to domestic population of the host country are the least successful at obtaining appointments. Moreover, consistent with social categorisation theory, we also find that immigrant directors are more likely to be appointed to committees and board leadership roles in the presence of other board members with the same ethnicity as the immigrant director. Overall, our study provides a novel evidence on a leadership gap for immigrant directors that is driven by their immigrant generational status and cultural background.

Keywords: Board of directors, diversity, immigrants, director labour market, board committees

GEL classification: G30, G34, J15, J71, M14, M51

1. INTRODUCTION

There have been growing societal and regulatory demands to increase board diversity in regards to demographic minorities (Chu & Davis, 2016; Knippen et al., 2019). Accordingly, the impact of individuals' innate demographic attributes on their careers in the boardroom has received significant scholars' attention (Baker et al., 2020; Knyazeva et al., 2021). Specifically, there is extensive research that examines demographic minorities' representation on corporate boards (see, for example, Farrell & Hersch, 2005; Peterson et al., 2007; Adams & Ferreira, 2009; Field et al., 2020; Knyazeva et al., 2021). However, prior literature largely focuses on demographic minorities in terms of gender and race. No research to date investigates the impact of an individuals' immigrant background on their representation on board committees and in board leadership positions.

Importantly, an immigrant background is a demographic attribute which differs from race. While race refers to individuals' visual biological characteristics (e.g., skin colour) (Purkiss et al., 2006), an immigrant background is a construct comprised of multiple dimensions, such as an individual's country of birth, generation, language, ethnicity and length of stay in a receiving country (Glick & White, 2003). Therefore, it is not clear whether individuals of the same race experience different career outcomes in the boardroom, conditioned on their immigrant background and its specific dimensions. Accordingly, this study has a number of objectives. First, it investigates the impact of a directors' immigrant background on the likelihood of being represented on board committees and in board leadership positions. Second, the study explores the roles of immigrant directors' generational status and cultural background in immigrants' appointments to board committees and board leadership positions. Third, it examines whether the presence of a CEO and other board members with an immigrant status or with the same ethnicity as an immigrant director influences the immigrant director's representation on board committees and in board leadership roles.

Prior literature on the socioeconomic assimilation of immigrants has documented significant occupational attainment gap between immigrants and the domestic population of the host country (Chiswick & Miller, 2008; Chiswick & Miller, 2009; Fleming et al., 2016; Gorodzeisky & Semyonov, 2017; Kifle et al., 2019). According to the model of human capital (Chiswick, 1978), this initial occupational attainment gap between immigrants and the domestic population of the receiving country is attributable to limited international transferability of human capital. Due to the nature of responsibilities assigned to board committee members and board leaders, successful candidates for those roles have to possess a very high level of human capital relevant for the local director labour market. Thus, according to the model of human capital (Chiswick, 1978), this study hypothesises that immigrant directors are less likely to be represented on board committees and to serve in board leadership roles than their non-immigrant peers.

Furthermore, proponents of the model of human capital (Chiswick, 1978) and new assimilation theory (Alba & Nee, 1997; 2003) argue that the initial occupational attainment gap narrows over time, as second and-higher generations of immigrants obtain human capital relevant for the host country. In addition, the transferability of human capital and, therefore, a level of socioeconomic immigrant assimilation is dependent on the relative similarities between national cultures of the sending and the receiving countries, as national cultures determine rules of social and professional interactions, educational, economic and legal systems (Schwartz, 2006), which, in turn, form attributes of human capital distinct for each country. Based on the above, this study infers that first-generation immigrants and immigrant with a greater difference between their cultural background and the cultural background of the domestic population of the host country are less likely to be represented on board committees and to serve in board leadership roles.

Furthermore, the incumbent CEO's and board members' immigrant status and ethnicity may influence immigrant directors' appointments to board committees and to board leadership roles. However, whether their impact is positive or negative is debatable, as existing research provides conflicting arguments and evidence. On the one hand, according to social categorisation theory (Tajfel, 1978; Turner et al., 1987), individuals' perceptions of themselves and others may be affected by ingroup and outgroup biases resulting in favouring ingroup members over outgroup members and devaluing outgroup members' achievements and competence. An immigrant background and ethnicity are salient attributes for social categorisation due to their high distinctiveness (Nelson & Miller, 1995) and, therefore, they may trigger ingroup and outgroup biases of a significant magnitude. As a result, it may be expected that CEOs and board members who have an immigrant status or have the same ethnicity as the immigrant candidates are more likely to support their candidatures for board committee assignments and board leadership positions.

On the other hand, prior literature on tokenism argues that high-ranked females and racial minorities often impede career advancement of other minority group members to protect their unique and valuable status of a member of the corporate elite (Kanter, 1977; Ely, 1994; Duguid et al., 2012). Therefore, whilst it is hypothesised that the likelihood an immigrant director is appointed to board committees and board leadership roles is associated with the presence of a CEO and (or) board members who have an immigrant background or have the same ethnicity as the immigrant director, the direction of the association is uncertain.

Australian sample of 20,194 director-firm-year observations for the period 2008-2020 is used to test the hypotheses. Australia provides an interesting setting for this research, as approximately half of its population are first and second-generation immigrants, with more than 300 ancestries represented in the country (Australian Bureau of Statistics, 2017). In

addition, Australia has a skilled immigration points system which has been designed to attract immigrants with a high level of human capital. A directors' immigrant background and ethnicities are determined based on their countries of birth and surnames, since surnames serve as reliable indicators of ethnicity (Mateos, 2014). As prior research indicates that the audit, nominating, remuneration and governance committees are the most influential in terms of board decisions and performing key board functions (Kesner, 1988), a directors' membership on these committees is examined when testing the hypotheses in relation to immigrants' appointments to board committees. Following Field et al. (2020), board leadership roles are defined as board non-executive chairs and chairs of the above four key board committees.

This study finds no evidence that a directors' immigrant background influences their representation on board committees. However, a director's immigrant background negatively affects the likelihood of serving in board leadership roles. Consistent with predictions, immigrant directors who are first generation immigrants and those with a greater dissimilarity between their cultural background and the cultural background of the domestic population of the receiving country are less likely to obtain appointments to board committees and to perform board leadership roles relative to other categories of immigrants. Surprisingly, the evidence provided by this study suggests that the incumbent CEO' immigrant status and ethnicity have no influence on immigrant directors' representation on board committees and in board leadership roles. Similarly, there is no indication that an incumbent board members' immigrant status is a determinant of immigrants' appointments to board committees. Yet the presence of other board members with an immigrant status negatively affects the likelihood that the immigrant candidate is appointed to board leadership positions, which supports arguments based on tokenism. It appears that immigrant directors serve as mere tokens of diversity and inclusion. However, the presence of directors with the same ethnicity as immigrant candidates

increases the likelihood of their appointments to board committees and to board leadership roles, which is consistent with the predictions of social categorisation theory.

Furthermore, a number of additional tests are conducted to further investigate the above findings and check their robustness. First, additional analysis demonstrates that immigrants with non-Anglo and non-Western European cultural backgrounds are more disadvantaged in terms of their representation on board committees, in board leadership positions relative to immigrants belonging to the Anglo and Western European cultural groups. Second, to mitigate the concern that an immigrant background of female directors is measured with error, as they are likely to change their surnames by marriage, the hypotheses are tested using samples restricted to male directors. Third, to address endogeneity concerns, entropy balanced sample is constructed and used to test the hypotheses. In addition, to alleviate the concern that foreign directors may be misidentified as immigrant directors, the hypotheses are tested on samples restricted to directors of firms whose head offices are located in Australia. The hypotheses are also tested using an alternative measure of a relative difference between an immigrant's cultural background and the cultural background of the domestic population of the host country. Finally, additional tests of the hypotheses are conducted by controlling for the effect of directors' race and immigrant directors' English language proficiency. The results of the above additional tests are largely consistent with the main findings.

This study provides several contributions to prior academic knowledge. First, it extends prior literature on board diversity by examining an immigrant background of individuals as an additional aspect of diversity. It provides novel empirical evidence on immigrants' representation on board committees and in board leadership positions. Second, this study considers an immigrant background as a complex concept and examines effects of immigrant generational status and cultural background as additional dimensions of an immigrant

background on appointments to board committees and board leadership roles. This study documents a leadership gap for immigrant directors that is driven by their immigrant generational status and the difference between their cultural background and the cultural background of the domestic population of the receiving country.

Third, this study adds to prior literature which examines determinants of board diversity by providing empirical evidence on potential determinants of immigrants' representation on board committees and in board leadership positions: the incumbent CEO's and board members' immigrant status and ethnicity. It demonstrates that the presence of directors with an immigrant background or with the same ethnicity as immigrant candidates influence immigrants' board committee memberships and their assignment to board leadership roles.

The remainder of this study is structured as follows. Section 2 discusses relevant theory and develops hypotheses. Section 3 details the sample construction process and research design. Section 4 presents the descriptive statistics and the results of the multivariate analyses, and Section 5 presents concluding remarks.

2. HYPOTHESES DEVELOPMENT

2.1 Immigrants' representation on board committees and in board leadership positions

Prior literature which examines the impact of directors' demographic characteristics on their appointments to key board positions predominantly focus on gender and race (see, for example, Adams & Ferreira, 2009; Peterson et al., 2007; Jiraporn et al., 2009; Field et al., 2020). Specifically, to determine whether female and racial minority directors have influence on corporate affairs and provide important contributions to board activities, or they serve as mere tokens of minority representation, scholars have investigated board committee assignments of

those directors. Board committee assignments reflect a director's scope of responsibilities (Klein, 1998), and corporate outcomes and decisions are mostly influenced by the following key committees: the audit, nominating, compensation and executive committees (Kesner, 1988). Therefore, female and racial minority directors' membership in those committees has been considered by previous research as an indicator of minority directors' influence on corporate governance and participation in board activities (Adams & Ferreira, 2009). Empirical evidence shows that there is no racial or gender bias in assigning board committee memberships, although female and racial minority representation varies across different committees (Adams & Ferreira, 2009; Peterson et al., 2007).

Field et al. (2020) adopt an alternative approach to determining the influence of female and racial minority directors. Rather than focusing on mere board committee memberships, Field et al. (2020) define board leadership positions as board non-executive chair and chair of the four key board committees: audit, compensation, nomination, and governance. According to Field et al. (2020), there is a gap between overall female and racial minority directors' representation on corporate boards and their representation in board leadership positions.

However, to our knowledge, there are no studies to date which explore the role of a directors' immigrant background in their appointments to key board committees and to board leadership positions. Considering the absence of empirical evidence on the association between a directors' immigrant background and their career outcomes in the boardroom, we draw on the literature on immigrant socioeconomic assimilation. It has documented an occupational attainment gap between recent immigrants and domestic population of the host country. For instance, findings in Chiswick and Miller (2009) show that for first generation immigrants foreign labour market experience has a negative effect on occupational status in the US, and the magnitude of this effect is more pronounced for higher-status occupations. The authors

conclude that the occupational attainment gap is driven by limited transferability of human capital across countries (Chiswick & Miller, 2009). The concept of human capital includes language proficiency, education, professional skills, knowledge and training that are relevant for the labour market in a host country (Chiswick, 1978). International transferability of human capital is a key factor of socioeconomic assimilation for immigrants (Chiswick & Miller, 2009), and the socioeconomic gap reduces over time as immigrants acquire human capital which is applicable in a receiving country (Chiswick, 1978).

Empirical evidence supporting this notion is not limited to the US as it is found in various settings with immigration programs and systems that differ from the US immigration regime. For example, the likelihood of being employed in high-status occupations (including managerial positions) for first generation immigrants in the UK, France, Belgium and Sweden is less relative to domestic population (Gorodzeisky & Semyonov, 2017). Similar occupational gap between recent immigrants and domestic population, which narrows with time since immigration, is documented for countries with skills-based points immigration systems such as Australia (Chiswick & Miller, 2008; Fleming et al., 2016; Kifle et al., 2019) and New Zealand (Maani et al., 2015).

Thus, based on the human capital model (Chiswick, 1978) and the above empirical evidence, given that performing board leadership roles requires a great level of professional competence, leadership skills and abilities, i.e., possessing highly internationally transferrable human capital, we posit that:

> *H1: Immigrant directors are less likely to be represented in board committees and to serve in board leadership roles.*

The model of human capital developed by Chiswick (1978) and the aforementioned findings are consistent with the classic assimilation theory and new assimilation theory. According to the classic assimilation theory (Park, 1921), with the passage of time immigrants' similarity to domestic population in terms of social status increases, and, therefore, descendants of first-generation immigrants are expected to experience upward social mobility. According to the proponents of new assimilation theory, second generation immigrants are likely to achieve upward social mobility as they acquire human capital relevant for the host country, including proficiency in the language of the host country (Alba et al., 2011).

Taken together, the tenets of the human capital model and the classic and new assimilation theories suggest that second or third generation immigrants are more likely to achieve socioeconomic parity with domestic population than first generation immigrants. Accordingly, directors with an immigrant background who belong to second and higher generations of immigrants may have advantages in the director labour market relative to their counterparts who are first generation immigrants in terms of receiving appointments to board committees and to board leadership positions, as they have greater opportunities to invest in their human capital and obtain skills and resources that are highly relevant for these appointments.

Furthermore, another factor which determines the degree to which human capital is transferrable across countries, and, therefore, the rate of socioeconomic assimilation of immigrants is the similarity of national cultures of the sending country and the host country. National cultural traits and values form and influence norms of social interaction, legal and economic systems, policies and institutions (Schwartz, 2006), which, in turn, determine characteristics of human capital specific to every country. Immigrants from countries whose national cultures are similar to the culture of the host country are more likely to possess human capital that is highly transferrable to the labour market of the host country, and, therefore, they

are more likely to experience socioeconomic parity with domestic population, including obtaining high status positions, regardless of the time since their arrival to the host country.

Accordingly, immigrants from countries with national cultures that are dissimilar to the culture of the host country are likely to have a lower level of transferability of their human capital to the host country relative to their counterparts arrived from countries whose national cultures are more similar to the culture of the host country. Consequently, they might be less likely to receive appointments to key board committees and board leadership positions. This is consistent with the empirical evidence provided by Barrios et al. (2022), according to which foreign directors from countries with similar national culture to the culture of the firm's home country are more likely to be appointed to the board of the firm. Likewise, prior literature on socioeconomic assimilation of immigrants shows that human capital of individuals with a high level of education from developed English-speaking countries to the US is highly internationally transferrable (Chiswick, 1978; Chiswick & Miller, 2011). Similarly, recent immigrants from developed English-speaking countries to Australia have parity with domestic population in terms of their occupational status (Chiswick & Miller, 2008; Fleming et al., 2016). In addition, only immigrants with a European background achieve an improvement in their occupational attainment with the passage of time, while other groups of immigrants from non-English-speaking countries to Australia do not catch up with domestic population over time (Fleming et al., 2016). For first-generation immigrants from non-English-speaking European countries to New Zealand the odds of being employed in a higher-ranked occupation are greater relative to immigrants from the Pacific Island countries and Asia (Maani et al., 2015). In the European setting, the occupational gap between immigrants and domestic population is wider for first-generation immigrants from non-European countries to UK, France, Belgium and Sweden relative to immigrants from European countries (Gorodzeisky & Semyonov, 2017).

Therefore, it may be expected that even second, third-and higher generation immigrants from countries with national cultures that are dissimilar to the culture of the host country do not catch up with immigrants whose cultural backgrounds are more similar to those of the domestic population of the host country in terms of their socioeconomic status. Consequently, second- and higher generation directors whose cultural background differs from the national culture of the receiving country may be less likely to be represented on board committees and in board leadership roles.

Based on the above discussion, we predict that:

> *H2: First-generation immigrant directors and immigrant directors with a greater difference between their cultural background and the cultural background of the domestic population of the host country are less likely to be represented on board committees and to serve in board leadership roles.*

2.2 An incumbent CEO's and directors' immigrant background and ethnicity and immigrants' representation on board committees and in board leadership positions

Prior literature demonstrates that corporate boards in the US are characterised by a high level of homogeneity along a range of demographic characteristics of their members, such as educational level, functional and industry background, gender and race (Westphal & Milton, 2000; Knyazeva et al., 2021). Empirical evidence from previous studies suggests that there is an association between board demographic homogeneity and a CEOs' personal background. Anderson et al. (2011) link directors' homogeneity regarding occupational characteristics (educational and professional background and experience) and social characteristics (gender, ethnicity and age) to powerful CEOs with similar attributes. Similarly, Westphal and Zajac

(1995) find that new director candidates with similar demographic characteristics to the incumbent CEO are more likely to be selected to sit on a board when the CEO is more powerful relative to the board. This evidence suggests that the director selection process is driven by CEOs preferences (Westphal & Zajac, 1995) and by social dynamics and biases of those involved in the process (Withers et al., 2012), such as ingroup and outgroup biases triggered by social categorisation.

According to social categorisation theory, individuals view themselves and others based on the social groups to which they belong (Tajfel 1978; Turner et al., 1987). Social categorisation often results in ingroup and outgroup biases: favouring the ingroup members and developing negative biases towards outgroup members. Failures of outgroup members are attributed to the absence of necessary skills, while the same failures of ingroup members are justified by misfortune or by a high level of task complexity. Similarly, outgroup achievements are often diminished and attributed to luck (Hewstone, 1990). Due to these biases, director candidates with similar demographic characteristics to the incumbent CEO may be perceived by the latter as ingroup members and, as a result, may be favoured over their counterparts who do not belong to the same social group as the CEO. Selecting directors with similar demographic characteristics to the CEO for board committee memberships and for board leadership roles is more likely to increase the CEO's relative power, since those directors are less inclined to control top management and they are more sympathetic for the CEO's needs and interests.

The salience of a particular trait for social categorisation (including self-categorisation) is determined by the level of distinctiveness of that trait among other members of the relevant population (Nelson & Miller, 1995). Since an immigrant background is a highly distinctive demographic attribute, it may activate social categorisation and significant ingroup and outgroup biases. Therefore, CEOs with an immigrant background may be more likely to

support appointments to board committees and board leadership positions of directors who also have an immigrant background, due to unconscious ingroup bias or driven by a rational motivation to increase their power over the board through loyalty and support of those directors. Furthermore, the salience of an immigrant background for social categorisation may be affected by ethnicity, given that ethnicity is also a salient attribute of social categorisation which may induce ingroup and outgroup biases of a significant magnitude (Weldon, 2006). Consequently, immigrant director candidates may be more likely to receive appointments to board committees and board leadership roles if they have the same ethnicity as the CEO.

Furthermore, similar to CEOs actions during the director selection process, board members may also be affected by ingroup and outgroup biases, and, as a result, prefer to choose director candidates who possess similar demographic characteristics to them, including an immigrant background and ethnicity. Such candidates may be perceived as ingroup members who are expected to be sympathetic to the incumbent directors' interests and increase their relative power in the boardroom. This argument is consistent with some prior evidence on female and racial minority directors' representation on boards which shows that the representation of women on boards increases with an increase in their representation in the total number of candidates (Tinsley et al., 2017). Thus, it may be expected that the presence of incumbent board members with an immigrant background or with the same ethnicity as the immigrant director candidate has a positive impact on the likelihood of obtaining an appointment to board committees and to board leadership position by the immigrant candidate.

On the other hand, prior research on tokenism shows that females in leadership roles often demonstrate "queen bee" behaviour and block the advancement of other females to preserve their exclusive status in an organisation (Kanter, 1977; Ely, 1994; Ellemers et al., 2012). Duguid et al. (2012) argue that females and racial minorities in high positions may avoid

supporting appointments to their work group individuals with similar demographic characteristics to them because they are perceived as threats to their value as members of the elite group. Therefore, females and racial minorities in high-ranked positions guard the dominating values of their group determined by white males by preventing other females and racial minorities from joining the group and serve as tokens of diversity (Kanter, 1977; Hekman et al., 2017). Furthermore, females and racial minorities in powerful positions may impede the advancement of their fellow minority group members because they are penalised with lower performance ratings when they promote greater diversity within their company (Hekman et al., 2017). Consistent with the above arguments, Farrell and Hersch (2005) find that the greater number of female directors appointed to a board, the less likely an additional female director will be appointed to the board, suggesting that female directors serve as mere tokens of female representation.

Therefore, due to the tokenism phenomenon, immigrants may be less likely to receive appointments to board committees and to board leadership positions if the incumbent CEO is also an immigrant or has the same ethnicity as the director candidate. A similar effect may occur in the presence of incumbent board members with an immigrant background or with the same ethnicity as the director candidate.

Thus, given the conflicting arguments developed based on social categorisation theory and prior evidence on tokenism discussed above, we posit that:

> *H3: There is an association between the likelihood an immigrant director is appointed to board committees and board leadership roles and the presence of immigrant directors on the board and (or) the presence of an immigrant CEO.*

H4: There is an association between the likelihood an immigrant director is appointed to board committees and board leadership roles and the presence of board members with the same ethnicity as the director and (or) the presence of a CEO who has the same ethnicity as the director.

3. RESEARCH DESIGN

3.1 Sample construction

Table 1 describes the process of constructing the sample of directors. The sample of Australian directors is obtained from the Connect 4 Boardroom database for the period 2008-2020. Financial data are extracted from the Morningstar DatAnalysis Premium database. Data on directors' board committee membership and board leadership positions are derived from the Connect 4 Boardroom database. Data on directors' places of birth and missing data on directors' age are hand collected from ASIC-approved information brokers websites (Ready Search, CreditorWatch). Data on directors' ethnicities are hand collected based on immigration records from ancestry.com.au. Each individual surname is analysed, and ethnicity is assigned based on the country of origin for the surname as indicated by the records from ancestry.com.au. In situations where it is not possible to find relevant records in ancestry.com.au or those records provide conflicting data about an individual's ethnicity, the observations are excluded from the samples. The sample of directors includes only directors of those firms for which data on immigrant backgrounds of all their board members are available. Executive directors are excluded from the sample of directors.

[Insert Table 1 here]

3.2 Immigrants' representation on board committees and in board leadership roles

The following linear probability model is estimated on the full sample of directors to examine the impact of a directors' immigrant background on their board committee memberships and representation in board leadership positions (Hypothesis 1):

$$Director\ Committee\ (Director\ Lead) = \alpha + \beta_1 Immigrant\ Director + \beta_2 Control\ Variables + \varepsilon_i \quad (1)$$

The dependent variable *Director Committee* is included in Model (1) to test Hypothesis 1 regarding an immigrant directors' membership on board committees. *Director Committee* is an indicator variable equal to 1 if a director is a member of the audit, remuneration, nomination, governance committee, and 0 otherwise. The dependent variable *Director Lead* is used to test Hypothesis 1 in relation to the likelihood an immigrant director serves in board leadership roles. It is an indicator variable equal to 1 if a director is the chair of the board, the chair of the audit, remuneration, nomination, governance committee, and 0 otherwise. Following Field et al. (2020), board leadership positions are defined as the chair of the board and chair of the following committees: audit, remuneration, nomination and governance, as these four committees play a key role in performing monitoring function (Adams & Ferreira, 2009).

The independent variable of interest to test Hypothesis 1, *Immigrant Director,* is an indicator variable set to 1 if a director is an immigrant, and 0 otherwise. Immigrant directors are identified based on their ethnicity and country of birth. We follow the approach of the Australian Bureau of Statistics outlined in the Australian Standard Classification of Cultural and Ethnic Groups (2019), which defines ethnicity as the shared identity of a group of individuals based on one or more following distinct characteristics: common history, culture and traditions, a shared geographic origin, shared literature, religion, language, race. Following Ellahie et al. (2017) and Pan et al. (2017), surnames are used to define directors' ethnicity using immigration records from ancestry.com.au. According to demographic and population genetics

research, there is a correlation between an individual's surname and ethnicity that persists across multiple generations, and surnames can be used as markers of belonging to a certain ethnic group (Mateos, 2014). Since we use the sample of Australian directors and given that Australians with English, Irish and Scottish ancestries make up 56.4% of the total Australian population (Australian Bureau of Statistics, 2017), all individuals in the samples with non-English, non- Irish and non- Scottish surnames are classified as immigrants, regardless of their country of birth, as well as directors with English, Irish and Scottish surnames who were born overseas.

In addition, Model (1) incorporates a set of variables to control for director, board and firm characteristics identified in prior research. The control variables include *Director Age* (in years), *Number Outside Board Seats*, *Director Tenure* (measured as the number of years served on the board), *Female (*an indicator variable equal to 1 if the director is a female, 0 otherwise), *Board Size* measured as the number of directors on the board (Farrell & Hersch, 2005), *Percent Independent Directors* (measured as the percent of independent directors on the board), *CEO is Chair* (an indicator variable equal to 1 if the CEO is a chair, 0 otherwise). Finally, firm-level characteristics include *Firm Size* measured as the natural logarithm of market capitalisation of the firm (Farrell & Hersch, 2005; Peterson et al., 2007), *ROA* as a measure of firm performance, *Volatility* measured as the standard deviation of annual stock returns over the previous three years as according to Farrell and Hersch (2005) and Adams and Ferreira (2009), there is a link between volatility and board diversity. In addition, Model (1) incorporates firm and year fixed effects, and robust standard errors clustered at the director level (Field et al., 2020).

3.3 The impact of immigrant generational status, cultural background, the incumbent CEO's and directors' immigrant background and ethnicities on immigrants' representation on board committees and in board leadership roles

To examine the impact of immigrant directors' generational status and cultural background on their appointments to board committees and to leadership roles, and to explore the effect of the incumbent CEOs' and board members' immigrant background as factors influencing board committee and leadership appointments (Hypothesis 2 and Hypothesis 3), the following linear probability model is estimated on a subsample of immigrant directors:

$$\begin{aligned} &Director\ Committee\ (Director\ Lead) \\ &\quad = \alpha + \beta_1 Director\ Born\ Overseas + \beta_2 Cultural\ Distance \\ &\quad + \beta_3 Director\ Born\ Overseas\ x\ Cultural\ Distance \\ &\quad + \beta_4 Presence\ Immigrant\ Directors\ +\ \beta_5 Immigrant\ CEO \\ &\quad + \beta_6 Control\ Variables + \varepsilon_i \end{aligned} \tag{2}$$

The dependent variable *Director Committee* is an indicator variable equal to 1 if an immigrant director is a member of the audit, remuneration, nomination, governance committee, and 0 otherwise. The dependent variable *Director Lead* is an indicator variable equal to 1 if an immigrant director is the chair of the board, the chair of the audit, remuneration, nomination, governance committee, and 0 otherwise. *Director Born Overseas* is an indicator variable set to 1 if a director was born overseas, and 0 otherwise. It is the variable of interest to test the prediction of Hypothesis 2 that immigrant directors belonging to second-and-higher generations of immigrants (i.e., immigrant directors born in the host country) are more likely to be members of board committees and to be engaged in board leadership roles than first generation immigrant directors (i.e., immigrant directors born overseas). Immigrant generations are defined based on the guidelines of the Australian Bureau of Statistics (2012) in accordance with an individuals' country of birth. First generation immigrants are individuals

with an immigrant background who were born overseas, while second, third-and-higher generation immigrants are immigrants born in the host country.[1]

The variable *Cultural Distance* is included in Model (2) to examine whether the difference between the cultural backgrounds of immigrant directors and the cultural background of the domestic population of the receiving country negatively affects the likelihood of immigrant directors participating in board committees and serving in board leadership positions. *Cultural Distance* measures the relative distance of an immigrant directors' cultural background from the cultural background of the domestic population of the host country. Directors' cultural background is defined by the cultural cluster to which the country of a director's ethnicity belongs. Cultural clusters represent country groupings based on similarities of their national cultures (Ronen & Shenkar, 2013).

Using work-related values and attitudes as a basis for classification prior literature (for instance, Hofstede, 2001; Inglehart and Baker, 2000; House et al., 2004; Schwartz, 2006; Ronen & Shenkar, 2013) provides taxonomies of global cultural clusters which are similar to each other. To construct the measure of cultural distance between immigrant directors' cultural background and the cultural background of the domestic population of the host country (represented by the variable *Cultural Distance*), first, the following cultural clusters are defined based on the classifications developed in Hofstede (2001), Inglehart and Baker (2000), House et al. (2004), Schwartz (2006), Ronen and Shenkar (2013): 1) Anglo; 2) West Europe; 3) Latin America; 4) Confucian Asia; 5) East Europe; 6) Southern Asia; 7) Africa and Middle East.

[1] This identification of first-generation immigrants is recognised as a limitation since it may result in misidentification of foreign directors i.e., individuals who reside in foreign countries (Masulis et al., 2012), as immigrant directors. To mitigate this concern, the hypotheses are additionally tested using samples restricted to directors of firms headquartered in the host country (Australia). The results (untabulated) are consistent with the main findings.

Although some of the above studies (for instance, House et al., 2004) propose a more detailed grouping of national cultures, given the closeness of some cultural clusters to each other and a relatively small number of observations for some clusters, the higher level of aggregation is utilised to determine cultural clusters. Second, for each cultural cluster the following values of the continuous variable *Cultural Distance* are assigned in increasing order of their distance from the Anglo cultural cluster to which the host country (Australia) belongs, with West Europe being the closest to the Anglo culture and Africa and Middle East the most distant from the Anglo cluster in terms of cultural background:

- Anglo=1;
- West Europe=2;
- Latin America =3;
- Confucian Asia =4;
- East Europe =5;
- Southern Asia=6;
- Africa and Middle East=7.

The above determination of the cultural distance between the Anglo cluster and the other cultural clusters is guided by mapping the cultural distances between cultural groups provided in Schwartz (2006)[2]. Table 2 summarises the process of determining the measure of cultural distance represented by the variable *Cultural Distance* based on countries of directors' ethnicity.

[2] The hypotheses are additionally tested using an alternative measurement of variable *Cultural Distance,* which follows the approach in Barrios et al. (2022) and determines cultural homophily between the host country and the sending country based on traditional versus secular-rational values and survival versus self-expression values in Inglehart and Welzel (2005). The measurement of this variable is discussed in Section 4.7. The results of this additional analysis (untabulated) are consistent with the main findings.

[Insert Table 2 here]

The interaction term *Director Born Overseas x Cultural Distance* is included in Model (2) to investigate whether the relative distance between immigrant directors' cultural background and the cultural background of the domestic population of the host country attenuates the impact of immigrant directors' generational status on their likelihood of serving on board committees and as board leaders. *Presence Immigrant Directors* and *Immigrant CEO* are the variables of interest to test Hypothesis 3 which predicts that the likelihood of being represented in board committees and in board leadership roles for immigrant directors is greater when the CEO is an immigrant, and (or) in the presence of board members who are immigrants. *Presence Immigrant Directors* is an indicator variable equal to 1 if the firm has at least one other immigrant director on the board, and 0 otherwise. *Immigrant CEO* is also an indicator variable which takes on the value of 1 if the CEO of the firm is an immigrant, and 0 otherwise. When testing Hypothesis 3 the interaction term *Director Born Overseas x Cultural Distance* is excluded from Model (2).

Finally, the effect of ethnicity of the incumbent CEO and other board members on immigrant candidates' appointments to board committees and board leadership roles is examined. To test Hypothesis 4 which posits that the presence of an incumbent CEO and (or) other board members with the same ethnicity as the immigrant candidate increases the chances for the latter to be appointed to board committees and the board leadership roles, the variables *Presence Directors Same Ethnicity* and *CEO Same Ethnicity* are included in Model (2) to replace the *Presence Immigrant Directors* and *Immigrant CEO* variables. *Presence Directors Same Ethnicity* is an indicator variable set to 1 if there is at least one board member with the same ethnicity as the immigrant director, and 0 otherwise. *CEO Same Ethnicity* is an indicator variable equal to 1 if the CEO has the same ethnicity as the immigrant director, and 0 otherwise.

The interaction term *Director Born Overseas x Cultural Distance* is excluded from Model (2) when testing Hypothesis 4. Furthermore, Model (2) includes the same control variables and fixed effects as Model (1).

4. RESULTS

4.1 Descriptive statistics

Table 3 Panel A reports descriptive statistics for the subsamples of immigrant and non-immigrant directors. The average of 0.798 for the variable *Director Born Overseas* in the subsample of immigrant directors indicates that first-generation immigrants prevail in the subsample. As, by definition, none of the individuals classified as non-immigrants were born overseas, the mean *Born Overseas* for the subsample of non-immigrant directors is zero. Based on the average of 2.058 of *Cultural Distance* for the subsample of immigrants, immigrant directors with an Anglo and Western European cultural background dominate in this subsample. Since all non-immigrant directors belong to the Anglo cultural group, the mean of the *Cultural Distance* variable for the subsample of non-immigrant directors equals 1.

[Insert Table 3 Panel A here]

In addition, the results indicate that the likelihood of being represented on board committees (*Director Committee*) and in board leadership roles (*Director Lead*) differs significantly between immigrant directors and non-immigrant directors providing preliminary support for Hypothesis 1. There is a positive statistically significant difference of 0.062 (at the 1% level) for means on *Director Committee,* which indicates that immigrant directors are less likely to have board committee assignments relative to non-immigrant directors. Similarly, the positive statistically significant difference in means on *Director Lead* demonstrates that immigrant directors are less likely to serve in board leadership roles. There is a greater presence of other board members and CEOs who are immigrants within the subsample of immigrant directors,

as suggested by the negative significant differences in the means on *Presence Immigrant Directors* and *Immigrant CEO,* respectively. The positive statistically significant differences for the means on *Presence Directors Same Ethnicity* and *CEO Same Ethnicity* indicate that within the subsample of immigrant directors the presence of other board members and the CEO with the same ethnicity as immigrant directors are lower than in the subsample of non-immigrant directors.

Immigrant directors are younger than non-immigrants, according to the positive statistically significant difference in means on *Director Age* (1.883). On average, they hold fewer outside board seats as indicated by the positive statistically significant at the 1% level difference in means on *Number Outside Board Seats.* In addition, immigrant directors have shorter average tenure relative to their non-immigrant counterparts (there is a positive statistically significant difference in means of 0.544 on *Director Tenure*). There is no significant difference in female representation between immigrant directors and non-immigrant directors (*Female*). The positive significant difference in means on *Percent Independent Directors* indicates that immigrant directors serve on boards with a lower proportion of independent directors[3], while board size and CEO duality do not differ significantly between the subsamples. Furthermore, immigrant directors, on average, are more likely to be present on boards in smaller firms, as there is a positive statistically significant difference in means on *Firm Size,* and in less profitable firms as indicated by the positive statistically significant at the 1% level difference in means on *ROA.* There is no significant difference between the subsamples in terms of firm risk as indicated by *Volatility.*

[3] The proportion of independent directors is based on the classification of independent directors in the Connect4 database. Classifying all non-executive directors as independent results in the average proportion of independent directors of 74% in the full sample of directors. The hypotheses are additionally tested using this alternative measurement of the proportion of independent directors, and the results (untabulated) are consistent with the main findings.

Table 3 Panel B reports the results of univariate testing of the subsamples of first-generation immigrant directors and second-and-higher generation immigrant directors. The findings do not provide support for Hypothesis 2 regarding immigrants' committee assignments, as there is no significant difference in means between the subsamples in relation to the proportion of immigrants represented on board committees (*Director Committee*). However, the positive and significant difference in means on *Director Lead* reported in Column (5) indicates that first generation immigrants are less likely to be represented in board leadership roles than other generations of immigrant directors.

[Insert Table 3 Panel B here]

Panel C of Table 3 presents the analysis of the subsample of immigrant directors with the Anglo and Western European cultural backgrounds (observations with *Cultural Distance* equal to 1 and 2) and the subsample of immigrant directors from other cultural groups (observations with *Cultural Distance* >2). The positive and significant differences in means on *Director Committee* and *Director Lead* reported in Column (5) demonstrate that immigrants with an Anglo and Western European cultural background are more successful at obtaining board committee seats and board leadership positions than immigrants who come from national cultures more distant from the Anglo culture.

4.2 Results of testing the impact of a directors' immigrant background, generational status and cultural background on their representation on board committees and in board leadership roles

The results of investigating the impact of a directors' immigrant background on their representation on board committees are reported in Column (1) of Table 4. The coefficient on the variable of interest *Immigrant Director* is negative and insignificant providing no support

for Hypothesis 1 in relation to the effect of a directors' immigrant status on their membership in board committees.

[Insert Table 4 here]

Next the analysis turns to exploring the role of immigrant generational status and cultural background on immigrant directors' representation on board committees. Following Hypothesis 2, it is expected that being a first-generation immigrant and having a cultural background which differs from the cultural background of the domestic population of the receiving country negatively affects the likelihood of immigrant directors being represented on board committees. The results of testing this conjecture using a subsample of immigrant directors presented in Column (2)-(4) of Table 4 support Hypothesis 2 regarding first-generation immigrant directors' board committee assignments. In particular, the negative and significant coefficient of -0.045 on the variable *Director Born Overseas* in Column (2) suggests that first-generation immigrants directors are 4.5 percentage points less likely to be present on board committees. Given that an average board size in the full sample of directors is 5, there is a 20% unconditional likelihood for a director to be a member of at least one board committee or to perform a board leadership role. Therefore, the evidence that first-generation immigrants are 4.5% less likely to serve as board committee members has a relative economic effect of 22.5% (4.5% / 20%).

According to the findings reported in Column (3)-(4) of Table 4, there is a negative and significant association between the dependent variable *Director Committee* and *Cultural Distance,* the variable of interest to test Hypothesis 2. This indicates that the greater the difference between an immigrant directors' cultural background and the cultural background of the domestic population of the receiving country, the less likely immigrant directors are to obtain board committee membership. The results of testing the joint effect of immigrant

generational status and cultural background on immigrant directors' representation on board committees are reported in Column (5) of Table 4. The negative and insignificant coefficient on the interaction term *Director Born Overseas x Cultural Distance* indicates that immigrant generational status does not influence the likelihood an immigrant director whose cultural background is more dissimilar to the cultural background of the domestic population of the host country is represented on board committees.

The results related to the control variables presented in Table 4 are largely consistent with prior research on gender and racial minority representation on board committees. The positive and significant coefficients on *Director Age, Number Outside Board Seats, Director Tenure, Percent Independent Directors, Firm Size, Female* indicate that there is a positive association between the likelihood of being represented on board committees and immigrant directors' age, total number of outside board seats held, tenure, percentage of independent directors on the board, firm size and being a female, which is consistent with the findings in Adams and Ferreira (2009) and Jiraporn et al. (2009). In addition, the likelihood of immigrant directors obtaining board committee memberships is positively related to CEO duality, firm profitability and risk as suggested by the positive and significant coefficients on *CEO is Chair, ROA* and *Volatility* in Column (2)-(5) of Table 4. Board size is not significantly associated with the likelihood an immigrant director is appointed to a board committee (the coefficients on *Board Size* are positive and insignificant in Column (2)-(5) of Table 4.

The analysis continues with exploring whether a directors' immigrant and cultural backgrounds affect the likelihood of appointment to leadership roles, such as board chair and chairs of the key board committees: audit, remuneration, nomination, and governance. The results of testing the prediction of Hypothesis 1 that immigrant directors are less likely to hold board leadership positions are presented in Column (1) of Table 5. The negative and significant coefficient of -

0.049 on variable *Immigrant Director* provides support for the hypothesis, as it indicates that immigrant directors are 4.9 percentage points less likely to be represented in board leadership roles than their non-immigrant counterparts. A relative economic effect of this finding equals to 24.5% (4.9% / 20%).

[Insert Table 5 here]

Column (2)-(5) of Table 5 reveal the results of testing Hypothesis 2 which posits that first-generation immigrants and immigrants with a greater distance between their cultural background and the cultural background of the domestic population of the receiving country are less successful at obtaining board leadership positions. The coefficients on variable *Director Born Overseas* in Column (2) and Column (4) of Table 5 are negative and significant, which indicates that first-generation immigrant directors are less likely to serve in board leadership roles than second-and-higher generation immigrant directors. The results reported in Column (3)-(4) of Table 5 support the prediction of Hypothesis 2 that a greater distance between an immigrant directors' cultural background and the cultural background of the domestic population of the host country is negatively related to the likelihood of them being appointed to board leadership roles, as the coefficients on variable *Cultural Distance* are negative and significant.

Thus, taken together, the findings presented in Column (2)-(4) in Table 5 support Hypothesis 2 regarding immigrant directors' representation in board leadership roles. Interestingly, for immigrant directors the negative impact of being a first-generation immigrant is more pronounced in relation to the likelihood of receiving a board leadership role than for obtaining a board committee assignment. Column (5) of Table 5 presents the results of testing the joint effect of immigrant generational status and cultural background on the immigrant directors' representation in board leadership positions. As the coefficient on the interaction term *Director*

Born Overseas x Cultural Distance is negative and insignificant, there is no indication that first-generation immigrants with cultural backgrounds which are distant from the Anglo culture experience more pronounced leadership gap relative to directors with similar cultural backgrounds but belonging to second-and-higher generations of immigrants.

The coefficients on the control variables reported in Table 5 are mainly consistent with those found in Field et al. (2020) which examines gender and racial minority representation in board leadership positions. Specifically, immigrant directors who are more senior, with a longer tenure and with more outside board seats are more likely to be represented in board leadership roles, as indicated by the positive and significant coefficients on *Director Age, Director Tenure, Number Outside Board Seats* in Column (2)-(5) of Table 5. In addition, the negative and significant coefficients on *CEO is Chair* and *Board Size* in Column (2)-(5) of Table 5 suggest that there is a negative association between CEO duality, board size and the likelihood immigrant directors perform board leadership roles, which is consistent with the results reported in Field et al. (2020). On the other hand, in contrast to the results regarding immigrants' representation on board committees reported in Table 4, there is no indication that immigrant directors' gender, board independence measured as the percent of independent directors on the board and firm characteristics have an impact on immigrants' representation in board leadership positions, as the coefficients on *Female, Percent Independent Directors, Firm Size, ROA* and *Volatility in* Column (2)-(5) of Table 5 are insignificant.

4.3 Results of testing the association between a CEO's and board members' immigrant status and ethnicity and immigrant directors' representation on board committees and in board leadership positions

This study also explores the role of the incumbent CEO's and directors' immigrant status and ethnicity as determinants of immigrant directors' representation on board committees and in

board leadership positions. Following the competing arguments of social categorisation theory (Tajfel, 1978; Turner et al., 1987) and tokenism (Kanter, 1977; Ely, 1994), Hypothesis 3 predicts that the presence of an incumbent CEO and directors with an immigrant status affect the likelihood that an immigrant director is appointed to board committees and board leadership roles. Column (1)-(2) of Table 6 report the results of testing this conjecture in relation to board committee assignments (Column (1)) and board leadership positions (Column (2)) on the subsample of immigrant directors. The insignificant coefficients on the variables of interest *Presence Immigrant Directors* and *Immigrant CEO* in Column (1) of Table 6 provide no support for Hypothesis 3 in terms of immigrant directors' representation on board committees.

[Insert Table 6 here]

However, according to the results reported in Column (2) of Table 6, there is a negative and significant relation between the presence of incumbent board members with an immigrant status and an immigrant director's appointment to board leadership roles, as indicated by the negative and significant coefficient of -0.059 on variable *Presence Immigrant Directors.* The presence of the incumbent CEO who is an immigrant has no impact on such appointment, according to the negative and insignificant coefficient on *Immigrant CEO*. Thus, Hypothesis 3 is partially supported, as an association exists between the presence of other immigrant directors on board and the likelihood that an immigrant director is represented in board leadership positions. This significant association is negative, which is consistent with the arguments developed in prior literature on tokenism: incumbent immigrant directors may impede career advancement of their peers to preserve their exclusive status, or immigrant directors may serve as tokens of immigrant representation on boards with a limited capacity to influence board decisions as board leaders.

Another factor which may influence immigrant directors' appointments to board committees and to board leadership roles is the presence of incumbent directors and CEOs who have the same ethnicity as the immigrant candidate for a board committee membership or for a board leadership role (Hypothesis 4). Column (3) of Table 6 presents the results of testing Hypothesis 4 regarding board committee assignments using the subsample of immigrant directors. The hypothesis is partially supported, as the coefficient on the variable of interest *Presence Directors Same Ethnicity* is positive and significant, whilst the coefficient on the other variable of interest -*CEO Same Ethnicity*- is positive and insignificant. The results of testing Hypothesis 4 in relation to board leadership appointments on the subsample of immigrant directors are reported in Column (4) of Table 6. The positive and significant coefficient on the variable *Presence Directors Same Ethnicity* indicates that the likelihood an immigrant director's appointment to board leadership roles is positively associated with the presence of board members with the same ethnicity as the immigrant candidate, which is consistent with the arguments based on social categorisation theory. However, there is no indication that the presence of the incumbent CEO with the same ethnicity as the immigrant candidate for a board leadership role influences this appointment, as the coefficient on *CEO Same Ethnicity* is negative and insignificant.

Overall, the results presented in Table 6 suggest that incumbent board members' ethnicity is a factor which has an impact on an immigrant directors' representation on board committees and in board leadership roles, while board members' immigrant status determines only appointments to board leadership roles. In contrast, the incumbent CEO's immigrant background and ethnicity play no role in either immigrants' representation in board leadership positions or in their representation on board committees. This lack of an association between the CEO's immigrant status and ethnical background and immigrants' appointments to board

committees and board leadership roles may be due to CEOs being excluded from nomination committees and may indicate that CEOs have little influence over board appointments.

4.4 Representation of immigrants with non-Anglo and non-Western-European cultural backgrounds on board committees and in board leadership roles

The results of testing Hypothesis 2 reported in Table 4 and Table 5 indicate that immigrants with a greater distance between their cultural background and the cultural background of the domestic population of the host country are less successful at obtaining board committee assignments and appointments to board leadership roles relative to other immigrants. To further investigate this adverse effect, Hypothesis 2 is tested by using an alternative definition of the variable that represents individuals' cultural background - *Cultural Distance >2*, which is an indicator variable set to 1 if the immigrant does not belong to the Anglo and Western European cultural groups, and zero otherwise.

The results of testing Hypotheses 2 using this alternative definition of immigrant directors' cultural backgrounds are detailed in Table 7. The negative and significant coefficients on the variable of interest, *Cultural Distance >2*, in Column (1)-(2) and Column (4)-(5) confirm the findings obtained in main testing and demonstrate that immigrants with non-Anglo and non-Western-European cultural backgrounds are less likely to be represented on board committees and in board leadership roles that than their immigrant counterparts from the Anglo and Western European cultural groups. In addition, the negative and significant coefficient on the interaction term *Director Born Overseas x Cultural Distance >2* reported in Column (3) of Table 7 suggests that first-generation immigrants with non-Anglo and non-Western-European cultural backgrounds experience a more pronounced negative effect of their cultural backgrounds on their appointments to board committees. However, there is no indication that they experience a similar effect in relation to their appointments to board leadership roles, as

the coefficient on the interaction term *Director Born Overseas x Cultural Distance >2* in Column (6) of Table 7 is negative and insignificant.

[Insert Table 7 here]

4.5 Testing the hypotheses using a sample restricted to male directors

One of the limitations of the surname-based approach to identifying directors' immigrant background and ethnicity adopted in this study is the potential misclassification of females, as traditionally they are likely to change their surnames by marriage. To address this concern, additional testing of all the hypotheses is conducted on samples restricted to male directors. The results of testing Hypothesis 1 and Hypothesis 2 regarding immigrant directors' representation on board committees using the sample of male directors reported in Table 8 are consistent with the findings of main testing detailed in Table 4.

[Insert Table 8 here]

Table 9 presents the results of testing Hypothesis 1 and Hypothesis 2 in relation to immigrant directors' representation in board leadership roles using the sample of male directors. The findings are consistent with those reported in Table 5 for the full sample of directors indicating that immigrant directors are less likely to be represented in board leadership roles, and this adverse effect of a directors' immigrant background is more pronounced for first-generation immigrant directors and immigrant directors with a greater distance between their cultural background and the cultural background of the domestic population of the host country.

[Insert Table 9 here]

The results of testing Hypothesis 3 and Hypothesis 4 using the sample restricted to male directors are reported in Table 10. The insignificant coefficients on *Presence Immigrant*

Directors and *Immigrant CEO* in Column (1) and Column (2) provide no support for Hypothesis 3 which posits that an association exists between the presence of incumbent directors and CEOs with an immigrant status and the likelihood of an immigrant director being appointed to board committees and board leadership roles. Similarly, there is no indication that the presence of incumbent directors who have the same ethnicity as the immigrant candidate for a board committee membership affects such appointments, as the coefficient on *Presence Directors Same Ethnicity* in Column (3) of Table 10 is positive and insignificant. However, the positive and significant coefficient on *CEO Same Ethnicity* in Column (3) indicates that the presence of a CEO with the same ethnicity as the immigrant board committee candidate positively influences the likelihood of the latter being appointed to a board committee. In line with the findings reported in Column (4) of Table 6, the positive and significant coefficient on variable *Presence Directors Same Ethnicity* in Column (4) of Table 10 provides support for Hypothesis 4 and indicates that the presence of board members with the same ethnicity as the immigrant candidate is positively associated with the likelihood of the immigrant candidate's appointment to board leadership roles.

[Insert Table 10 here]

4.6 Results using entropy balancing

Immigrant directors may self-select and choose to serve in firms with certain characteristics. To address this self-selection problem, entropy balancing is employed to construct a control group in which each observation is weighted such that the distribution of covariates in the control and the treatment groups are equal (Hainmueller, 2012). There are several advantages of utilising this method relative to propensity score matching. First, entropy balancing provides multiple balanced covariates between the treatment group and the control group (Hainmueller, 2012). Second, entropy balancing allows the unit weights to vary smoothly across observations

and, thus, to retain observations in the samples. Third, it produces weights based on the known sample moments, which avoids continuous balance checking and the iterative processes used in propensity score matching to create a balanced control group (Hainmueller, 2012).

Using entropy balancing the control group is created based on the full samples of directors with the weights assigned to observations to achieve covariate balance across the variables which are significantly different between the control group and the treatment group as indicated by the descriptive statistics in Panel A in Table 3. The results of testing Hypothesis 1 using the entropy balanced sample of directors are reported in Column (2) and Column (4) of Table 11. These findings are consistent with the evidence obtained in main testing which is presented in Column (1) and Column (3) of Table 11.

[Insert Table 11 here]

4.7. Untabulated additional analyses

The surname-based approach to identifying an immigrant background of individuals utilised in this study may lead to misclassifying foreign directors (i.e., directors who domicile overseas) as immigrants. It is difficult to distinguish them from immigrants given the unavailability of data on directors' residential addresses. To mitigate this risk of misidentification, the hypotheses are additionally tested on samples restricted to directors of firms whose head offices are located in Australia. Data on addresses of firms' head offices are obtained from the Connect 4 Boardroom database. The results of testing on the restricted samples (untabulated) are consistent with the main findings.

Next, the predictions of Hypothesis 2 about the impact of an immigrants' cultural background on their appointments to board committees and board leadership roles are additionally tested using an alternative measure of a difference between an immigrant's cultural background and

the cultural background of the domestic population of the host country. Following Barrios et al. (2022), the *Cultural Distance* variable is defined as a continuous variable that measures cultural homophily between the host country and the country of arrival of the immigrant director and the immigrant CEO. The country-pair cultural homophily is measured based on the mean scores across the traditional versus secular-rational values perspective and the survival versus self-expression values perspective obtained from Inglehart and Welzel (2005). Following Barrios et al. (2022), values of variable *Cultural Distance* are calculated as:

$$Cultural\ Distance_{i,j} = \sqrt{(TSR_j - TSR_i)^2 + (SSE_j - SSE_i)^2},$$

where i denotes country of origin of an immigrant, j denotes the host country, TSR and SSE are the mean scores of Traditional versus Secular-Rational values and Survival versus Self-Expression values, respectively, based on Inglehart and Welzel (2005). The results of additional testing Hypothesis 2 using the above alternative measurement of *Cultural Distance* (untabulated) are in line with the main findings.

Furthermore, the hypotheses are additionally tested using Model (1) and Model (2) with added race fixed effects based on the following racial groups considered in prior literature (Field et al., 2020): African, Asian, Caucasian, Hispanic, Indian, Middle Eastern. These additional tests provide evidence which is consistent with the main results. Finally, to control for immigrants' English language proficiency, the hypotheses are additionally tested using Model (1) and Model (2) with an additional control variable *Same Language*. It is an indicator variable set to 1 if English is an official language of the immigrant 's country of arrival, and zero otherwise. The findings of this additional analysis (untabulated) are consistent with the results of the main tests.

5. CONCLUSION

Diversity of corporate boards has been recently a large focus of scholars, legislators and media (Field et al., 2020; Naumovska et al., 2020; Knyazeva et al., 2021). Existing literature on board diversity considers mainly such facets of demographic diversity as gender and race. To date very little attention has been given to another aspect of diversity within boards - an individual's immigrant background. Our study bridges this gap in prior research and explores the role of an immigrant status of individuals in outcomes in the director labour market in terms of obtaining appointments to board committees and to board leadership roles. This study also considers an incumbent CEO's and directors' immigrant status and ethnicity as potential determinants of immigrant directors' representation on board committees and in board leadership positions.

Our study finds that an immigrant background is a significant negative determinant of the likelihood of an individual serving in board leadership roles. According to the empirical evidence provided by this study, in economic terms an immigrant director is 24.5% less likely to be represented in board leadership roles than a non-immigrant director. Furthermore, our study demonstrates that first-generation immigrants and immigrants whose cultural backgrounds are more dissimilar to those of the domestic population of the receiving country are the most disadvantaged categories of immigrants in terms of receiving board committee assignments and board leadership positions. The findings documented in this study also indicate that the presence of board members with the same ethnicity as the immigrant director increases the likelihood that the immigrant director is appointed to board committees and to board leadership positions.

Thus, the overall evidence presented in this study suggests that immigrants experience negative consequences of their demographic background on their subsequent board careers in the context of performing key leadership roles on boards. These adverse outcomes are more

pronounced for first-generation immigrants and immigrants with cultural backgrounds outside of the Anglo and Western Europe cultural groups.

This study is limited by certain considerations. Firstly, the surname-based identification strategy in relation to an individual's immigrant background cannot provide a perfectly accurate measure of immigrant status as it is dependent on the assumption that a person bears the surname received from birth parents. Since this assumption is often not valid for females who traditionally in many cultures take their husband's surname upon marriage, the hypotheses in this study are additionally tested using samples restricted to males to address this concern. However, it is not possible to completely remove noise from measuring an immigrant background.

Secondly, as the data on residential addresses of directors not available, it is very difficult to distinguish immigrants from foreigners, i.e., individuals with overseas domicile, which may result in misidentification of directors with an immigrant background. As an attempt to alleviate this limitation, the hypotheses are also tested on samples restricted to directors of firms whose head offices are located in Australia. Thirdly, since the data on the time of immigrant directors' arrival to the host country are not directly available, it is not possible to consider the effect of the length of stay in the host country on immigrants' career in the director and labour market. In addition, in the absence of data on time of arrival and given that our study uses the Australian setting, all second, third-and-higher generations of immigrants with the Anglo cultural background are classified as the domestic population of the host country. However, the above limitations should lead to a bias against finding results.

Finally, the findings of this study indicating that immigrant directors are less likely to perform board leadership functions may be potentially driven by a difference in qualifications, professional expertise and education between immigrant directors and their non-immigrant

colleagues. However, since our study examines directors' board career subsequent to their initial appointments to the board, it should be of less concern in this setting, as these directors have already been deemed appropriate to sit on the board upon their initial selection. In addition, prior research shows that educational level, qualifications and expertise of demographic minorities on corporate boards is at least comparable and even higher than those of their non-minority peers (see, for example, Field et al., 2020).

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Appendices

Appendix A - Definition of variables

Variable	Definition
Director Committee	An indicator variable equal to 1 if a director is a member of the audit, remuneration, nomination, governance committee, and 0 otherwise.
Director Lead	An indicator variable equal to 1 if a director is the chair of the board, the chair of the audit, remuneration, nomination, governance committee, and 0 otherwise.
Immigrant Director	An indicator variable set to 1 if a director is an immigrant, and 0 otherwise.
Director Age	The age of the director in years.
Number Outside Board Seats	The number of outside directorships held by the director.
Director Tenure	The number of years served by the director on the board of the firm.
Female	An indicator variable equal to 1 if the director is a female, 0 otherwise.
Board Size	Number of directors on the board.
Percent Independent Directors	Percentage of independent directors on the board
CEO is Chair	An indicator variable equal to 1 if the CEO is a chair, 0 otherwise.
Firm Size	Natural logarithm of market capitalisation of the firm.
ROA	Net income divided by total assets.
Volatility	Standard deviation of annual stock returns over the previous three years.
Director Born Overseas	An indicator variable set to 1 if a director was born overseas, and 0 otherwise.
Cultural Distance	Continuous variable that measures the relative distance of an immigrant directors' cultural background from the cultural background of the domestic population of the host country. A directors' cultural background is defined by the cultural cluster to which the country of a director's ethnicity belongs. Cultural clusters are country groupings based on similarities of their national cultures (Ronen & Shenkar, 2013). Values of the *Cultural Distance* variable are assigned in increasing order of the distance of an immigrant director' s cultural background from the Anglo cultural cluster to which Australia belongs: - Anglo=1; - West Europe=2; - Latin America =3; - Confucian Asia =4; - East Europe =5; - Southern Asia=6; - Africa and Middle East=7.
Presence Immigrant Directors	An indicator variable equal to 1 if the firm has at least one other immigrant director on the board, and 0 otherwise.
Immigrant CEO	An indicator variable which takes on the value of 1 if the CEO of the firm is an immigrant, and 0 otherwise.
Presence Directors Same Ethnicity	An indicator variable set to 1 if there is at least one board member with the same ethnicity as the immigrant director, and 0 otherwise.
CEO Same Ethnicity	An indicator variable equal to 1 if the CEO has the same ethnicity as the immigrant director, and 0 otherwise.
Cultural Distance >2	An indicator variable set to 1 if the immigrant does not belong to the Anglo and Western Europe cultural groups (observations for which the values of *Cultural Distance* variable are greater than 2), and zero otherwise.

Table 1: Sample construction

	Number of director-firm-year observations
Director-firm-year observations for the period 2008-2020 in the Connect 4 Boardroom database	111,017
Less executive directors	(32,082)
Less observations with missing data on directors' place of birth and ethnicity	(6,016)
Less observations with incomplete data on board members' immigrant background and ethnicity	(52,725)
Total observations for testing Model (1) and Model (2)	20,194

Table 2: Definition of the variable *Cultural Distance*

Cultural cluster	Countries included in the cultural cluster	Value of the variable *Cultural Distance*
Anglo	Australia, Canada, UK, Ireland, New Zealand, USA, white population of South Africa	1
West Europe	Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Italy, Israel, Luxembourg, Malta, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland	2
Latin America	Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Nicaragua, Peru, Salvador, Uruguay, Venezuela	3
Confucian Asia	Japan, South Korea, China, Singapore, Taiwan	4
East Europe	Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Kazakhstan, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Ukraine	5
Southern Asia	Bangladesh, Cambodia, Fiji, India, Indonesia, Iran, Malaysia, Myanmar, Nepal, New Caledonia, Papua New Guinea, Philippines, Sri Lanka, Thailand	6
Africa and Middle East	Algeria, Angola, Bahrain, Benin, Botswana, Brunei, Congo, Egypt, Ghana, Iraq, Kenya, Kuwait, Lebanon, Libya, Malawi, Mauritania, Morocco, Mozambique, Namibia, Nigeria, Qatar, Pakistan, Sierra Leone, Somalia, South Africa, Sudan, Tanzania, Turkey, Uganda, United Arab Emirates, Yemen, Zambia, Zimbabwe.	7

Table 3: Descriptive statistics

Panel A: Descriptive statistics for the full sample of directors

Variables	Immigrant directors (*Immigrant Director=1)*						Non-immigrant directors (*Immigrant Director=0)*						Difference
	Observations	Mean	SD	Median	25th percentile	75th percentile	Observations	Mean	SD	Median	25th percentile	75th percentile	
Director Born Overseas	7,892	0.798	0.402	1	1	1	12,302	0	0	0	0	0	-0.798***
Cultural Distance	7,892	2.058	1.647	1	1	2	12,302	1	0	1	1	1	-1.058***
Director Committee	7,892	0.667	0.471	1	0	1	12,302	0.729	0.444	1	0	1	0.062***
Director Lead	7,892	0.444	0.497	0	0	1	12,302	0.532	0.499	1	0	1	0.088***
Presence Immigrant Directors	7,892	0.758	0.428	1	1	1	12,302	0.686	0.464	1	0	1	-0.072***
Immigrant CEO	7,892	0.479	0.500	0	0	1	12,302	0.374	0.484	0	0	1	-0.105***
Presence Directors Same Ethnicity	7,892	0.579	0.494	1	0	1	12,302	0.968	0.176	1	1	1	0.389***
CEO Same Ethnicity	7,892	0.466	0.499	0	0	1	12,302	0.818	0.386	1	1	1	0.352***
Director Age	7,892	57.57	9.551	58	51	65	12,302	59.45	9.127	60	54	66	1.883***
Number Outside Board Seats	7,892	0.876	1.305	0	0	1	12,302	1.135	1.377	1	0	2	0.259***
Director Tenure	7,892	4.132	4.111	2.92	1.25	5.67	12,302	4.676	4.48	3.42	1.58	6.33	0.544***
Female	7,892	0.110	0.313	0	0	0	12,302	0.106	0.308	0	0	0	-0.004
Board Size	7,892	5.293	1.895	5	4	6	12,302	5.277	1.806	5	4	6	-0.017
Percent Independent Directors	7,892	0.512	0.291	0.571	0.333	0.75	12,302	0.549	0.281	0.6	0.333	0.75	0.037***
CEO is Chair	7,892	0.0003	0.016	0	0	0	12,302	0.0002	0.013	0	0	0	-0.0001
Firm Size	7,892	18.203	2.496	17.95	16.23	20.03	12,302	18.417	2.401	18.275	16.5	20.29	0.214***
ROA	7,892	-0.302	0.047	-0.001	-0.229	0.062	12,302	-0.197	0.828	0.022	-0.142	0.066	0.104***
Volatility	7,892	1.573	2.595	0.73	0.34	1.72	12,302	1.586	2.325	0.79	0.36	1.95	0.013

Panel A of Table 3 reports descriptive statistics for all the variables used for testing the hypotheses where the full sample is split into the subsample of immigrant directors (*Immigrant Director=1)* and the subsample of non-immigrant directors (*Immigrant Director=0*). Definitions of the variables are reported in Appendix A. All financial continuous variables are winsorized at the 1% and 99% percentiles. ***, **, * indicate statistical significance at the 1%, 5% and 10% level, respectively.

Panel B: Comparing first generation and second-and higher generation immigrant directors

Variables	(1)	(2)	(3)	(4)	(5)
	Second-and-higher generation immigrant directors (*Director Born Overseas =0)*		First generation immigrant directors (*Director Born Overseas =1)*		Difference
	Observations	Mean	Observations	Mean	
Cultural Distance	1,598	2.636	6,294	1.911	0.725***
Director Committee	1,598	0.662	6,294	0.669	-0.007
Director Lead	1,598	0.470	6,294	0.438	0.032**
Presence Immigrant Directors	1,598	0.725	6,294	0.767	-0.042***
Immigrant CEO	1,598	0.491	6,294	0.476	0.015
Presence Directors Same Ethnicity	1,598	0.0926	6,294	0.703	-0.610***
CEO Same Ethnicity	1,598	0.0645	6,294	0.567	-0.5025***
Director Age	1,598	55.21	6,294	58.16	-2.95***
Number Outside Board Seats	1,598	0.954	6,294	0.856	0.098***
Director Tenure	1,598	4.208	6,294	4.130	0.078
Female	1,598	0.0820	6,294	0.117	-0.035***
Board Size	1,598	4.977	6,294	5.374	-0.397***
Percent Independent Directors	1,598	0.499	6,294	0.515	-0.016*
CEO is Chair	1,598	0	6,294	0	0
Firm Size	1,598	17.88	6,294	18.28	-0.40***
ROA	1,598	-0.288	6,294	-0.305	0.017
Volatility	1,598	1.726	6,294	1.533	0.193***

Panel B of Table 3 reports descriptive statistics for the sample of immigrant directors used for testing Hypothesis 2 where the sample is split into the subsample of first-generation immigrant directors (*Director Born Overseas =1)* and the subsample of second-and-higher-generation immigrant directors (*Director Born Overseas =0*). Definitions of the variables are reported in Appendix A. All financial continuous variables are winsorized at the 1% and 99% percentiles. ***, **, * indicate statistical significance at the 1%, 5% and 10% level, respectively.

Panel C: Comparing immigrant directors with the Anglo and the Western European cultural backgrounds to immigrant directors from other cultural groups

Variables	(1)	(2)	(3)	(4)	(5)
	Immigrant directors with the Anglo and Western European cultural background (*Cultural Distance> 2*=0*)*		Immigrant directors with non-Anglo and non-Western European cultural background (*Cultural Distance> 2*=1*)*		Difference
	Observations	Mean	Observations	Mean	
Director Born Overseas	6,295	0.796	1,597	0.802	-0.006
Director Committee	6,295	0.704	1,597	0.522	0.182***
Director Lead	6,295	0.477	1,597	0.316	0.161***
Presence Immigrant Directors	6,295	0.750	1,597	0.791	-0.041***
Immigrant CEO	6,295	0.454	1,597	0.575	-0.121***
Presence Directors Same Ethnicity	6,295	0.654	1,597	0.284	0.370***
CEO Same Ethnicity	6,295	0.535	1,597	0.193	0.342***
Director Age	6,295	58.48	1,597	53.98	4.50***
Number Outside Board Seats	6,295	0.953	1,597	0.571	0.382***
Director Tenure	6,295	4.195	1,597	3.951	0.244**
Female	6,295	0.110	1,597	0.109	0.001
Board Size	6,295	5.328	1,597	5.157	0.171***
Percent Independent Directors	6,295	0.529	1,597	0.444	0.085***
CEO is Chair	6,295	0	1,597	0	0
Firm Size	6,295	18.34	1,597	17.67	0.670***
ROA	6,295	-0.262	1,597	-0.457	0.195***
Volatility	6,295	1.619	1,597	1.388	0.231***

Panel C of Table 3 reports descriptive statistics for the sample of immigrant directors used for testing Hypothesis 2 where the sample is split into the subsample of immigrant directors with the Anglo and Western European cultural backgrounds (*Cultural Distance> 2*=0*)* and the subsample of immigrant directors with non-Anglo and non-Western European cultural backgrounds (*Cultural Distance> 2*=1*)*). Definitions of the variables are reported in Appendix A. All financial continuous variables are winsorized at the 1% and 99% percentiles. ***, **, * indicate statistical significance at the 1%, 5% and 10% level, respectively.

Table 4: The impact of directors' immigrant status and cultural background on their representation on board committees

VARIABLES	(1) *Director Committee* Full sample	(2) *Director Committee* Subsample of immigrant directors	(3) *Director Committee* Subsample of immigrant directors	(4) *Director Committee* Subsample of immigrant directors	(5) *Director Committee* Subsample of immigrant directors
Immigrant Director	-0.014				
	(0.12)				
Director Born Overseas		-0.045**		-0.067***	-0.023
		(0.03)		(0.00)	(0.59)
Cultural Distance			-0.026***	-0.030***	-0.015
			(0.00)	(0.00)	(0.27)
Director Born Overseas x Cultural Distance					-0.018
					(0.21)
Director Age	0.003***	0.004***	0.003***	0.003***	0.003***
	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)
Number Outside Board Seats	0.015***	0.022***	0.020***	0.019***	0.019***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Director Tenure	0.011***	0.016***	0.016***	0.016***	0.016***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Female	0.070***	0.064**	0.059**	0.063**	0.063**
	(0.00)	(0.02)	(0.03)	(0.02)	(0.02)
Board Size	-0.006	0.002	0.003	0.003	0.003
	(0.16)	(0.79)	(0.71)	(0.69)	(0.67)
Percent Independent Directors	0.089***	0.100***	0.098***	0.098***	0.097***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Volatility	0.001	0.005**	0.005**	0.005**	0.005**
	(0.32)	(0.02)	(0.02)	(0.02)	(0.02)
Firm Size	0.013***	0.027***	0.025***	0.026***	0.026***
	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)
CEO is Chair	0.254***	0.366***	0.366***	0.370***	0.370***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
ROA	0.010***	0.008*	0.009*	0.009*	0.008*
	(0.01)	(0.08)	(0.07)	(0.07)	(0.07)
Observations	20163	7636	7636	7636	7636
Firm FE	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES
Adjusted R-squared	0.48	0.53	0.54	0.54	0.54

Definitions of the variables are reported in Appendix A. The models are estimated using linear probability models with standard errors clustered by director. All financial continuous variables are winsorized at the 1% and 99% percentiles. The numbers reported in parentheses are p-values. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table 5: The impact of directors' immigrant status and cultural background on their representation in board leadership roles

VARIABLES	(1) *Director Lead* Full sample	(2) *Director Lead* Subsample of immigrant directors	(3) *Director Lead* Subsample of immigrant directors	(4) *Director Lead* Subsample of immigrant directors	(5) *Director Lead* Subsample of immigrant directors
Immigrant Director	-0.049***				
	(0.00)				
Director Born Overseas		-0.072**		-0.095***	-0.041
		(0.02)		(0.00)	(0.52)
Cultural Distance			-0.026***	-0.031***	-0.012
			(0.00)	(0.00)	(0.52)
Director Born Overseas x Cultural Distance					-0.022
					(0.29)
Director Age	0.012***	0.014***	0.013***	0.013***	0.013***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Number Outside Board Seats	0.059***	0.073***	0.071***	0.071***	0.071***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Director Tenure	0.011***	0.008**	0.008**	0.008**	0.008**
	(0.00)	(0.01)	(0.01)	(0.02)	(0.02)
Female	-0.009	0.039	0.033	0.038	0.038
	(0.70)	(0.31)	(0.40)	(0.31)	(0.31)
Board Size	-0.045***	-0.039***	-0.038***	-0.038***	-0.038***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Percent Independent Directors	0.028	0.022	0.021	0.019	0.019
	(0.11)	(0.40)	(0.41)	(0.45)	(0.45)
Volatility	-0.000	0.002	0.002	0.002	0.002
	(0.87)	(0.48)	(0.46)	(0.44)	(0.44)
Firm Size	0.004	0.002	-0.000	0.001	0.001
	(0.56)	(0.84)	(0.99)	(0.93)	(0.94)
CEO is Chair	0.075	-0.327**	-0.328***	-0.323***	-0.322***
	(0.73)	(0.01)	(0.01)	(0.01)	(0.01)
ROA	0.005	-0.002	-0.001	-0.002	-0.002
	(0.27)	(0.73)	(0.79)	(0.77)	(0.75)
Observations	20163	7636	7636	7636	7636
Firm FE	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES
Adjusted R-squared	0.16	0.31	0.32	0.32	0.32

Definitions of the variables are reported in Appendix A. The models are estimated using linear probability models with standard errors clustered by director. All financial continuous variables are winsorized at the 1% and 99% percentiles. The numbers reported in parentheses are p-values. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table 6: The impact of the incumbent CEO's and board members' immigrant status and ethnicity on immigrant directors' representation on board committees and in board leadership roles

	(1)	(2)	(3)	(4)
VARIABLES	*Director Committee* Subsample of immigrant directors	*Director Lead* Subsample of immigrant directors	*Director Committee* Subsample of immigrant directors	*Director Lead* Subsample of immigrant directors
Presence Immigrant Directors	-0.030	-0.059**		
	(0.13)	(0.02)		
Immigrant CEO	0.014	-0.011		
	(0.50)	(0.71)		
Presence Directors Same Ethnicity			0.040*	0.089***
			(0.09)	(0.01)
CEO Same Ethnicity			0.025	-0.010
			(0.28)	(0.75)
Director Born Overseas	-0.067***	-0.094***	-0.094***	-0.131***
	(0.00)	(0.00)	(0.00)	(0.00)
Cultural Distance	-0.030***	-0.031***	-0.022***	-0.022**
	(0.00)	(0.00)	(0.00)	(0.02)
Director Age	0.003***	0.013***	0.003***	0.013***
	(0.00)	(0.00)	(0.00)	(0.00)
Number Outside Board Seats	0.019***	0.071***	0.019***	0.070***
	(0.00)	(0.00)	(0.00)	(0.00)
Director Tenure	0.016***	0.008**	0.016***	0.008**
	(0.00)	(0.02)	(0.00)	(0.02)
Female	0.063**	0.038	0.059**	0.033
	(0.02)	(0.31)	(0.03)	(0.38)
Board Size	0.005	-0.032***	0.002	-0.041***
	(0.47)	(0.00)	(0.82)	(0.00)
Percent Independent Directors	0.099***	0.023	0.098***	0.020
	(0.00)	(0.38)	(0.00)	(0.43)
Volatility	0.005**	0.002	0.005**	0.002
	(0.02)	(0.50)	(0.02)	(0.46)
Firm Size	0.026***	0.001	0.026***	0.001
	(0.00)	(0.95)	(0.00)	(0.94)
CEO is Chair	0.371***	-0.318***	0.390***	-0.299***
	(0.00)	(0.01)	(0.00)	(0.00)
ROA	0.009*	-0.001	0.009*	-0.001
	(0.06)	(0.91)	(0.06)	(0.86)
Observations	7636	7636	7636	7636
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Adjusted R-squared	0.54	0.32	0.54	0.32

Definitions of the variables are reported in Appendix A. The models are estimated using linear probability models with standard errors clustered by director. All financial continuous variables are winsorized at the 1% and 99% percentiles. The numbers reported in parentheses are p-values. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table 7: Analysis of the representation of immigrant directors with non-Anglo and non-Western European cultural backgrounds on board committees and in board leadership positions

VARIABLES	(1) Director Committee Subsample of immigrant directors	(2) Director Committee Subsample of immigrant directors	(3) Director Committee Subsample of immigrant directors	(4) Director Lead Subsample of immigrant directors	(5) Director Lead Subsample of immigrant directors	(6) Director Lead Subsample of immigrant directors
Director Born Overseas		-0.045**	-0.025		-0.072**	-0.051
		(0.03)	(0.29)		(0.02)	(0.15)
Cultural Distance >2	-0.117***	-0.117***	-0.037	-0.115***	-0.115***	-0.032
	(0.00)	(0.00)	(0.36)	(0.00)	(0.00)	(0.63)
Director Born Overseas x Cultural Distance > 2			-0.105**			-0.109
			(0.03)			(0.14)
Director Age	0.003***	0.003***	0.003***	0.012***	0.013***	0.013***
	(0.01)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)
Number Outside Board Seats	0.019***	0.020***	0.019***	0.071***	0.071***	0.071***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Director Tenure	0.016***	0.016***	0.016***	0.008**	0.008**	0.008**
	(0.00)	(0.00)	(0.00)	(0.01)	(0.02)	(0.02)
Female	0.062**	0.065**	0.064**	0.035	0.040	0.039
	(0.02)	(0.02)	(0.02)	(0.36)	(0.29)	(0.30)
Board Size	0.003	0.003	0.003	-0.038***	-0.038***	-0.038***
	(0.71)	(0.70)	(0.66)	(0.00)	(0.00)	(0.00)
Percent Independent Directors	0.098***	0.098***	0.097***	0.021	0.020	0.019
	(0.00)	(0.00)	(0.00)	(0.42)	(0.44)	(0.46)
Volatility	0.005**	0.005**	0.005**	0.002	0.002	0.002
	(0.02)	(0.02)	(0.02)	(0.47)	(0.46)	(0.45)
Firm Size	0.026***	0.026***	0.026***	0.000	0.001	0.001
	(0.00)	(0.00)	(0.00)	(0.99)	(0.92)	(0.94)
CEO is Chair	0.358***	0.360***	0.360***	-0.336***	-0.332***	-0.333***
	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)
ROA	0.009*	0.009*	0.009*	-0.001	-0.001	-0.002
	(0.06)	(0.06)	(0.07)	(0.82)	(0.79)	(0.77)
Observations	7636	7636	7636	7636	7636	7636
Firm FE	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES
Adjusted R-squared	0.54	0.54	0.54	0.32	0.32	0.32

Definitions of the variables are reported in Appendix A. The models are estimated using linear probability models with standard errors clustered by director. All financial continuous variables are winsorized at the 1% and 99% percentiles. The numbers reported in parentheses are p-values. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table 8: The impact of a directors' immigrant status and cultural background on their representation on board committees using a sample restricted to male directors

VARIABLES	(1) *Director Committee* Full sample	(2) *Director Committee* Subsample of immigrant directors	(3) *Director Committee* Subsample of immigrant directors	(4) *Director Committee* Subsample of immigrant directors	(5) *Director Committee* Subsample of immigrant directors
Immigrant Director	-0.009				
	(0.35)				
Director Born Overseas		-0.039*		-0.058***	-0.040
		(0.07)		(0.01)	(0.34)
Cultural Distance			-0.025***	-0.028***	-0.022*
			(0.00)	(0.00)	(0.10)
Director Born Overseas x Cultural Distance					-0.007
					(0.62)
Director Age	0.003***	0.004***	0.003***	0.003***	0.003***
	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)
Number Outside Board Seats	0.015***	0.019***	0.017***	0.016***	0.016***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Director Tenure	0.011***	0.017***	0.017***	0.017***	0.017***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Board Size	-0.005	0.005	0.005	0.005	0.006
	(0.31)	(0.56)	(0.50)	(0.49)	(0.49)
Percent Independent Directors	0.092***	0.090***	0.089***	0.088***	0.088***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Volatility	0.002	0.005**	0.005**	0.005***	0.005***
	(0.14)	(0.01)	(0.01)	(0.01)	(0.01)
Firm Size	0.013**	0.028***	0.027***	0.028***	0.028***
	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)
CEO is Chair	0.280***	0.370***	0.371***	0.374***	0.374***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
ROA	0.009**	0.009*	0.010**	0.010**	0.010**
	(0.03)	(0.05)	(0.04)	(0.04)	(0.04)
Observations	17979	6763	6763	6763	6763
Firm FE	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES
Adjusted R-squared	0.48	0.55	0.55	0.55	0.55

Definitions of the variables are reported in Appendix A. The models are estimated using linear probability models with standard errors clustered by director. All financial continuous variables are winsorized at the 1% and 99% percentiles. The numbers reported in parentheses are p-values. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table 9: The impact of a directors' immigrant status and cultural background on their representation in board leadership roles using a sample restricted to male directors

VARIABLES	(1) *Director Lead* Full sample	(2) *Director Lead* Subsample of immigrant directors	(3) *Director Lead* Subsample of immigrant directors	(4) *Director Lead* Subsample of immigrant directors	(5) *Director Lead* Subsample of immigrant directors
Immigrant Director	-0.053***				
	(0.00)				
Director Born Overseas		-0.061*		-0.083**	-0.054
		(0.07)		(0.01)	(0.41)
Cultural Distance			-0.028***	-0.032***	-0.022
			(0.00)	(0.00)	(0.28)
Director Born Overseas x Cultural Distance					-0.012
					(0.58)
Director Age	0.013***	0.014***	0.013***	0.013***	0.013***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Number Outside Board Seats	0.060***	0.074***	0.072***	0.071***	0.071***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Director Tenure	0.009***	0.007**	0.007**	0.007**	0.007*
	(0.00)	(0.04)	(0.04)	(0.05)	(0.05)
Board Size	-0.042***	-0.033***	-0.032***	-0.032***	-0.032***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Percent Independent Directors	0.030	0.022	0.021	0.020	0.020
	(0.11)	(0.42)	(0.42)	(0.45)	(0.45)
Volatility	-0.000	0.001	0.001	0.001	0.001
	(0.89)	(0.67)	(0.66)	(0.65)	(0.65)
Firm Size	0.005	0.006	0.004	0.005	0.005
	(0.40)	(0.57)	(0.67)	(0.64)	(0.65)
CEO is Chair	-0.070	-0.311**	-0.310**	-0.307**	-0.307**
	(0.70)	(0.02)	(0.01)	(0.01)	(0.01)
ROA	0.005	-0.001	-0.001	-0.001	-0.001
	(0.29)	(0.82)	(0.88)	(0.88)	(0.87)
Observations	17979	6763	6763	6763	6763
Firm FE	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES
Adjusted R-squared	0.18	0.35	0.35	0.35	0.35

Definitions of the variables are reported in Appendix A. The models are estimated using linear probability models with standard errors clustered by director. All financial continuous variables are winsorized at the 1% and 99% percentiles. The numbers reported in parentheses are p-values. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table 10: The impact of the incumbent CEO's and board members' immigrant status and ethnicity on immigrant directors' representation on board committees and in board leadership roles using a sample restricted to male directors

VARIABLES	(1) *Director Committee* Subsample of immigrant directors	(2) *Director Lead* Subsample of immigrant directors	(3) *Director Committee* Subsample of immigrant directors	(4) *Director Lead* Subsample of immigrant directors
Presence Immigrant Directors	-0.025	-0.044		
	(0.23)	(0.10)		
Immigrant CEO	0.009	-0.021		
	(0.71)	(0.50)		
Presence Directors Same Ethnicity			0.027	0.079**
			(0.25)	(0.03)
CEO Same Ethnicity			0.041*	0.007
			(0.09)	(0.84)
Director Born Overseas	-0.058***	-0.082**	-0.085***	-0.119***
	(0.01)	(0.01)	(0.00)	(0.00)
Cultural Distance	-0.028***	-0.032***	-0.021***	-0.023**
	(0.00)	(0.00)	(0.00)	(0.02)
Director Age	0.003***	0.013***	0.003***	0.013***
	(0.01)	(0.00)	(0.00)	(0.00)
Number Outside Board Seats	0.016***	0.071***	0.016***	0.070***
	(0.01)	(0.00)	(0.01)	(0.00)
Director Tenure	0.016***	0.007*	0.016***	0.007*
	(0.00)	(0.06)	(0.00)	(0.06)
Board Size	0.008	-0.027***	0.005	-0.035***
	(0.34)	(0.00)	(0.57)	(0.00)
Percent Independent Directors	0.089***	0.023	0.090***	0.023
	(0.00)	(0.39)	(0.00)	(0.40)
Volatility	0.005**	0.001	0.005**	0.001
	(0.01)	(0.70)	(0.01)	(0.69)
Firm Size	0.027***	0.005	0.027***	0.004
	(0.00)	(0.63)	(0.00)	(0.65)
CEO is Chair	0.375***	-0.303**	0.396***	-0.280***
	(0.00)	(0.01)	(0.00)	(0.01)
ROA	0.010**	-0.000	0.010**	-0.000
	(0.04)	(0.97)	(0.04)	(0.95)
Observations	6763	6763	6763	6763
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Adjusted R-squared	0.55	0.35	0.55	0.35

Definitions of the variables are reported in Appendix A. The models are estimated using linear probability models with standard errors clustered by director. All financial continuous variables are winsorized at the 1% and 99% percentiles. The numbers reported in parentheses are p-values. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table 11: The impact of a directors' immigrant status on their representation on board committees and in board leadership roles using entropy balancing

VARIABLES	(1) *Director Committee* Main testing	(2) *Director Committee* Using entropy balancing	(3) *Director Lead* Main testing	(4) *Director Lead* Using entropy balancing
Immigrant Director	-0.014	-0.013	-0.049***	-0.051***
	(0.12)	(0.13)	(0.00)	(0.00)
Director Age	0.003***	0.003***	0.012***	0.012***
	(0.00)	(0.00)	(0.00)	(0.00)
Number Outside Board Seats	0.015***	0.018***	0.059***	0.065***
	(0.00)	(0.00)	(0.00)	(0.00)
Director Tenure	0.011***	0.013***	0.011***	0.011***
	(0.00)	(0.00)	(0.00)	(0.00)
Female	0.070***	0.066***	-0.009	0.001
	(0.00)	(0.00)	(0.70)	(0.98)
Board Size	-0.006	-0.006	-0.045***	-0.045***
	(0.16)	(0.20)	(0.00)	(0.00)
Percent Independent Directors	0.089***	0.103***	0.028	0.032*
	(0.00)	(0.00)	(0.11)	(0.08)
Volatility	0.001	0.002	-0.000	-0.000
	(0.32)	(0.21)	(0.87)	(0.91)
Firm Size	0.013***	0.016***	0.004	0.005
	(0.01)	(0.00)	(0.56)	(0.38)
CEO is Chair	0.254***	0.277***	0.075	-0.033
	(0.00)	(0.00)	(0.73)	(0.86)
ROA	0.010***	0.010***	0.005	0.006
	(0.01)	(0.01)	(0.27)	(0.17)
Observations	20163	20163	20163	20163
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Adjusted R-squared	0.48	0.50	0.16	0.18

Definitions of the variables are reported in Appendix A. The models are estimated using linear probability models with standard errors clustered by director. All financial continuous variables are winsorized at the 1% and 99% percentiles. The numbers reported in parentheses are p-values. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.