

Foreign-born CEOs more likely to be dismissed from firms

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Foreign-born CEOs are more likely to be fired than native-born CEOs if the firm they are leading is performing poorly, according to a new study from researchers at Florida Atlantic University and the University of

North Carolina at Greensboro.

Yannick Thams, Ph.D., an associate professor in FAU's College of Business, and Marketa Rickley, Ph.D., with the University of North Carolina at Greensboro, came to their findings after looking at the rate of dismissals among 1,500 companies over an 18-year period for foreign-born CEOs compared to native-born CEOs at times when the firms they were leading were not doing well.

Their study, "Are foreign-born CEOs held to a higher performance standard? The role of national origin in CEO dismissals," was published in the *Global Strategy Journal*.

"We wanted to look at this idea that if firms are appointing people born outside of the United States at the CEO-level, does that mean that those foreign-born CEOs might not face discrimination at that level as they face at other positions, and once they were on the job, whether they were evaluated in the same way as their national counterparts?" said Thams.

After analyzing almost 12,000 observations from 2000 to 2018 from the S&P 1500, researchers found that American-born CEOs had a 4.02% chance of being fired from their role if the firm was not performing well under their leadership while foreign-born CEOs had a 15.96% chance of being dismissed from their job under the same circumstances.

The researchers' findings suggest that there could be some [bias](#) at play when boards of directors make these decisions.

"When we talk about biases that might hinder the career progress of workers in general, these biases exist at the CEO level, even at the largest firms in the United States," said Thams.

Moving forward, boards of directors at companies need to be aware of

these biases and the social-psychological factors contribute to their decision-making and take steps to lower them, as the biases can hurt the firm in the long run.

"Premature or more frequent CEO turnover is problematic for firms because it represents human capital loss, including loss of valuable contextual know-how, the severing of important relational ties, the depletion of organizational memory, and the disruption of established routines," the study noted. "Our findings thus offer an important caveat to the notion that leaders with a foreign or international background benefit their firms."

More information: Yannick Thams et al, Are foreign-born CEOs held to a higher performance standard? The role of national origin in CEO dismissals, *Global Strategy Journal* (2023). [DOI: 10.1002/gsj.1491](https://doi.org/10.1002/gsj.1491)

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