Cultural diversity in top management teams: Review and agenda for future research

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ARTICLE INFO

Keywords:
Cultural diversity
Top management team
Literature review
Upper echelons
Corporate governance
Internationalization

ABSTRACT

Despite its growing social relevance, research on cultural diversity in top management teams (TMTs) has been sparse and fragmented. To build a firm foundation and facilitate the development of this field, we review and synthesize 106 key articles published between 1997 and 2021. Our study provides a comprehensive field map explicating the antecedents and influence of TMT cultural diversity, showing that cultural diversity constitutes a distinct and important aspect of TMT diversity that has significant implications for a variety of outcomes. By critically assessing the field, we identify key research gaps and promising areas for future research.

1. Introduction

Cultural diversity defined here as the representation of individuals with distinctly different group affiliations of cultural significance based on racioethnicity and nationality (Cox, 1993) is one of the most important attributes of top management teams’ (TMTs) diversity, yet also one of the least understood. A wealth of research rooted in the upper-echelons theory (Hambrick & Mason, 1984) has aimed to disentangle the effects of other TMT demographic diversity characteristics such as age, gender, functional background, tenure, and education (Abarbaradnan, 2020; Knippen, Shen, & Zhu, 2019; Mohr, Schumacher, & Kiefer, 2022; Shin, Seidle, & Okhmatovskiy, 2016). However, the inherent cultural homogeneity of organizational upper echelons (Perlmutter & Heenan, 1974; Simmonds, 1966) has long hampered the development of the field, leaving the topic at the periphery of the research agenda (Boone, Lokshin, Guenther, & Belderbos, 2019; Nielsen & Nielsen, 2013). Yet, shifting workforce demographics and the increasing internationalization of businesses during the past two decades have resulted in important changes in the cultural composition of TMTs. Together with the growing societal significance of cultural diversity among top managers, this has made managing cultural diversity in the executive suite a high-priority issue for organizations (Hunt, Prince, Dixon-Fyle, & Lee, 2018). Concurrently, growing scholarly interest in cultural diversity has unequivocally shown its profound impact on TMTs’ behaviors and strategic choices, with significant implications for the companies they lead (Roberson & Park, 2007; Schmid & Dauth, 2014).

Despite considerable progress, the questions of when do TMTs become culturally diverse and how this attribute of TMT diversity influences organizational outcomes remain ambiguous and debated issues offering limited directions for either scholars or practitioners. Yet, these questions are vital for corporations since TMTs are central for formulating and executing strategic goals (Hambrick & Mason, 1984). TMT cultural diversity is also one of the most obvious and visible aspects of diversity for owners, employees, and other stakeholders (Rattan, 2020; Shore, Randel, Chung, Dean, Holcombe Ehrhart, & Singh, 2011). Because of this visibility, individual perceptions are greatly influenced by cultural differences, and constitute one of the most common sources of identification and social categorization, with a significant impact on how teams function (Earley & Mosakowski, 2000; Ely & Thomas, 2001; Stahl, Maznevski, Voigt, & Jonsen, 2010). Relatedly, TMT cultural
diversity has symbolic value for employees and external stakeholders, by indicating that career opportunities in the organization are unaffected by an individual’s racial or national background (Shore et al., 2011).

Furthermore, the occurrence of cultural diversity in senior leadership is a rapidly expanding reality in corporations around the world. In the U.S., people from racial minorities hold about 15% of senior executive positions (Coury, Huang, Kumar, Prince, Krivokvich, & Yee, 2020), while the share of executives with foreign nationality in Switzerland has reached as high as 64%, earning it the title of a “laboratory for the new global managerial elite” (Davoine & Ravasi, 2013: 159). Mounting institutional pressure, as exemplified by the “Black Lives Matter” movement or leading private equity firms mandating their investments to increase cultural diversity in top management, has subjected the TMTs of many corporations to increasing scrutiny (Frost, 2020; Quiroz-Gutierrez, 2021). In response, multinational corporations implement changes aimed at enhancing cultural diversity in their upper echelons (Ruigrock & Greve, 2008; Shi et al., 2018).

Despite the significance of TMT cultural diversity for organizations and the growing social relevance of the phenomenon, no comprehensive study to date has taken stock of extant knowledge on this distinct and multifaceted aspect of TMT diversity. Prior reviews have mainly attended to workforce cultural diversity (e.g., Hutschenreuter, Matt, & Kleindienst, 2020; Stahl et al., 2010; Takahashi, Ishikawa, & Kanai, 2012; Tarique & Schuler, 2010) or TMT diversity in general (Ollie, 2010; Schoonhoven and Woolley 2005), without distinguishing among different diversity attributes. Against this backdrop we document the theoretical foundations of TMT cultural diversity, what we know about its key antecedents and outcomes, as well as whether and under what conditions such diversity is beneficial for organizations and their employees.

To provide a comprehensive overview and synthesis of current knowledge about cultural diversity in TMTs we conducted a semi-structured literature review of 106 studies published in 75 journals over the 1997–2021 period. We map the extant literature on the topic and, based on our analysis, propose an integrated framework to illustrate current knowledge about theoretical mechanisms linking antecedents, outcomes and contextual influence of the phenomenon, and identify research gaps and emerging themes that can advance the development of the field. Three key emerging themes are uncovered in our analysis that could advance the future development of the field. First, we identify a need for a clearer definition and conceptualization of TMT cultural diversity and its facets. Second, our analysis uncovers a need for a more nuanced understanding of theoretical mechanisms that drive the occurrence of TMT cultural diversity and shape its impact on the team and organizational outcomes. Specifically, more work is needed to disentangle why culturally diverse TMTs matter for organizations and how they function. Finally, our review reveals the dominance of a Western perspective on diversity. We urge future research to explore the notion of TMT cultural diversity in non-Western business contexts untapping the role of national institutional context in shaping the definition and influence of TMT cultural diversity.

2. Methods

For our review, we adopted a broad definition of TMT cultural diversity as a representation of executives with distinctly different group affiliations of cultural significance based on racioethnicity and nationality (cf. Cox, 1993, p. 8). In line with this definition, a group of cultural significance refers to “an affiliation of people who collectively share certain norms, values, or traditions that are different from those of other groups” (Cox, 1993: 5–6). Based on this definition, TMT cultural diversity based on racioethnicity and nationality can be manifested through multiple facets including country of birth, citizenship, race and ethnicity but also language and geographic background. Given the multifaceted nature of the phenomenon, studies attending to TMT cultural diversity differ considerably in terms of the facets of cultural diversity that form the focus of the study, their operationalization and measures. To identify and synthesize these different approaches to conceptualizing and studying cultural diversity in the TMT context we adopted a semi-structured literature review methodology, allowing us to embrace the complexity of the field when reviewing previous studies of TMT cultural diversity (Snyder, 2019; Wong, Greenhalgh, Westhorp, Buckingham, & Pawson, 2013).

The first stage of data collection was performed by searching the two largest abstract and citation databases of peer-reviewed literature (Scopus and Web of Science). Based on the definition adopted we conducted a Boolean keyword search at the intersection of two strings. Block 1 contained words related to top management team: “top management team” OR “executive board” OR “top team” OR “executive team” OR “leader team” OR ‘senior management’.” Block 2 contained words relevant for cultural diversity based on nationality and racioethnicity as well as general terms such as heterogeneity, diversity and faultlines to be able to capture studies that explored one or multiple aspects of TMT diversity with culture being one of them; “divers” OR “heterogen” OR “differ” OR “dissimilar” OR “faultline” OR “foreign” OR “cultur” OR “national” OR “raci” OR “race” OR “ethnic” OR “language” OR “linguist” OR “relig” OR “region” OR “trib” OR “citizenship” OR “international” OR “multi” OR “global”.

In line with similar reviews, and to assure quality control and capture works of greatest scholarly impact, we limited our search to articles published in peer-reviewed journals (e.g., Debellis, Rondi, Plakoyiannaki, & De Massis, 2020; Hutschenreuter et al., 2020). Given that the aim was to explore the field’s general development rather than present findings from a limited set of journals, we did not limit the search to specific journals or years of publication.

The search in both databases produced a total of 7424 articles; after the removal of duplicates, the final sample consisted of 4904 manuscripts. We assessed titles, abstracts, and keywords for relevance and classified articles into “definite inclusion” (n = 45), “possible inclusion” (n = 174), and “exclusion” (n = 4685). The 4685 excluded articles were those where the two search-string terms were not directly related. For example, an excluded article might deal with cultural differences among employees and the role of the TMT in managing these differences. Another excluded article might deal with linguistic differences within one given country and how executive boards in governmental organizations took this into account when developing specific policies.

We read all 219 articles classified as “definite” or “possible” inclusion in full. We eliminated 136 articles that did not deal with cultural or related dimensions of diversity, or focused on cultural diversity in boards of directors rather than TMTs, or collected data based on a sample of university students. This resulted in a sample of 83 articles.

The second stage of data collection ensured that our search-string procedure did not exclude any relevant articles. We supplemented the sample using bibliometric “ancestry sampling,” screening the reference lists of recently published articles in the Boolean keyword search for additional relevant articles (Bodolica & Spraggon, 2018). This procedure continued until no further references were revealed, yielding 23 additional articles fitting the inclusion criterion. Our final sample comprised 106 articles (see PRISMA flowchart in Fig. 1).

In line with similar reviews (e.g., Bodolica & Spraggon, 2009; Federo, Ponomareva, Aguilera, Saz-Carranza, & Losada, 2020; Malki, Uman, & Pittino, 2020; Terjesen, Hessels, & Li, 2016), we focused on seven themes: journal outlets, research methods, theories, empirical context, modeling, research questions, and concepts under study. We used a two-step coding method (Nielsen, 2010a) to first analyze frequencies of outlets, research questions and methods, and empirical context. In the second step, we performed a more in-depth analysis of theories, concepts, and research models. Summaries of studies in our sample are presented in Appendix A.
3. Descriptive overview of the field

The first paper we identified appeared in 1997. During 1997–2007, the field developed rather slowly, with between 0 and 5 articles (1.64 on average) published yearly. Interest grew from 2008 onwards, with between 2 and 12 articles published yearly (6.29 on average). Studies included in our review appeared across 75 journals in 18 disciplinary fields (see Appendix B).

The quality of these journals, as reflected in Association of Business School (ABS) rankings, varies from 4* ($n = 7$), 4 ($n = 10$), and 3 ($n = 18$), through 2 ($n = 17$) and 1 ($n = 12$), right through to “unranked” ($n = 11$). Most articles appeared in general management journals ($n = 24$; 22.6%), with a few published in outlets specialized in human resources ($n = 15$; 14.2%), international business ($n = 13$; 12.3%), strategy ($n = 10$; 9.4%), and international management ($n = 10$; 9.4%). The rest were spread across the fields of business ($n = 8$; 7.5%), economics ($n = 7$; 6.6%), corporate governance ($n = 4$; 3.8%), leadership ($n = 4$; 3.8%), innovation ($n = 2$; 1.9%), gender studies ($n = 2$; 1.9%), and public management ($n = 2$; 1.9%), among others.

The most common journals in our review were Journal of World Business ($n = 6$), International Journal of Human Resource Management ($n = 5$), Management International Review ($n = 4$), and European Management Journal ($n = 4$), with 3 (2) articles appearing in each of 3 (11) other journals. In terms of the field’s impact, only 23 studies (21.7%) have so far received 100+ citations on Google Scholar, while 57 (53.8%) have garnered fewer than 30 citations. The two most cited articles to date are Richard, Barnett, Dwyer, and Chadwick (2004) study of racial diversity in U.S. banks (999 citations in June 2021) and Kilduff, Angelmar, and Mehra (2000) study of national diversity among managerial teams in a European executive education program (854 citations in June 2021).

The distribution of papers across journals and disciplines suggests that TMT cultural diversity research dominates in management, human resource management, and international business journals. We also note growing interest from other disciplines in exploring how TMT cultural diversity relates to ethical, psychological, and gender-related topics. An overview of TMT cultural diversity conceptualizations along with a geographic setting of studies is available in Appendix C. Research methods employed, data source, levels of analysis, and theoretical perspectives applied in the literature are summarized in Appendix D.

4. Mapping the field

A central insight from our review is that the conceptualization and terminology used to refer to the nationality and racioethnicity aspects of cultural diversity vary greatly among the studies analyzed, encompassing national, ethnic, racial, cultural, regional, linguistic, and geographic characteristics of the TMT (Appendix C). Most articles ($n = 65$; 61.3%) emphasize study subjects’ nationality, captured through measures such as

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Fig. 1. Preferred reporting items for systematic reviews and meta-analyses (PRISMA) flow diagram.

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\[A standardized international ranking list of academic journals of relevance for business schools (i.e. both business and other social-science journals), where “top” journals are denoted 4* and others are ranked as 4, 3, 2, 1, or unranked, based on a number of quality metrics such as circulation, impact factor, etc.\]
as diversity indices based on individuals’ country of birth or citizenship status, or the proportion of home- versus host-country nationals (“foreigners”) on the TMT. Far fewer articles look at the ethnicity or racial diversity of the TMT (14 and 10 articles, respectively), while only 4 examine diversity through regional, linguistic, social-class (caste), and geographic characteristics—an approach frequently used when studying ethnic diversity in international business, geography, economics, and political science (e.g., Alesina & La Ferrara, 2005; Harzing & Pudelko, 2013). Given the considerable variation in the terminology used to conceptualize cultural diversity, we use the term “TMT cultural diversity” when we refer to a general finding across studies. However, when we discuss the findings of a particular study(ies), we use the terms used by the authors to refer to the specific facet of TMT cultural diversity, such as culture, ethnicity, nationality, citizenship, race, regional background, caste, language, country of birth, geographic background, or cultural cluster.

We organize our analysis around the antecedents, outcomes, and contextual influence of TMT cultural diversity. In Fig. 2 we synthesize the theoretical models (predictors and outcomes) in the studies reviewed into a comprehensive field map. Our review reveals that the phenomenon of cultural diversity in TMTs has been examined from a variety of angles. Most studies in our review, and especially the older ones, conceptualize TMT cultural diversity as an explanatory factor (n = 75; n = 71%), providing compelling evidence for the importance of the construct for both financial and nonfinancial outcomes. Evidence suggests that TMT cultural diversity may lead to both positive and negative outcomes, yet through different mechanisms. Recent research within the area has increasingly focused on these theoretical mechanisms, focusing on mediating variables such as team processes and team outcomes and moderating variables such as team, organizational, and environmental conditions and their role in the relationship between TMT cultural diversity and different levels of outcomes.

Another major area of research (n = 24; 23%) seeks to explain the occurrence of cultural diversity in the TMT. Although this research stream emerged later and grew more slowly than studies on the outcomes of TMT cultural diversity, studies have already outlined both the facilitators of, and barriers to, the recruitment of culturally diverse executives at institutional, firm, team, and individual levels. Research has provided compelling evidence that firm strategy and structure are key determinants of diversity climate—which, in turn, shapes the perception of and openness to diversity. Moreover, these relationships are embedded within the broader societal context. Yet, our field map highlights that comparatively little is known about the micro-foundations of these relationships—particularly the team- and individual-level dynamics that drive the recruitment of culturally diverse TMT members.

The third area within the field constitutes studies of TMT cultural diversity as a contextual variable (moderator) for other theorized relationships (10 papers, 9%). The primary focus in this area has been on how TMT cultural diversity serves as a context (e.g., dimensions of organizational structure) for the relationship between strategic choices or other executives’ characteristics and organizational outcomes. This stream highlights the importance of TMT cultural diversity in shaping the effects of team processes and strategic decisions on firm outcomes. Below, we synthesize current insights about the antecedents, outcomes, and contextual influences of TMT cultural diversity.

4.1. Antecedents of TMT cultural diversity

Among the core questions posed by scholars in the field are why and when firms appoint culturally diverse members to their TMTs, and what might explain greater or lesser progress in TMT internationalization. Hence, studies focusing on the antecedents of TMT cultural diversity at
institutional, firm, team, and individual levels of analysis form a major area of research within the field (see “Antecedents” in Fig. 2 for the summary of research models).

4.1. Firm-level antecedents of TMT cultural diversity

At the firm level of analysis, scholars have explored the extent to which the pursuit of an internationalization strategy can explain the presence of a culturally diverse TMT. Taking a strategic fit perspective, Greve, Nielsen, and Ruigrok (2009); 220–221 argue that firms tend to “match managers to strategies.” As internationalization strategies are often associated with high levels of uncertainty, recruiting nationally diverse TMT members can be seen as a way to counterbalance such uncertainty by enhancing the firm’s knowledge about local environments, conferring legitimacy on international stakeholder groups (Greve, Biemann, & Ruigrok, 2015; Nielsen & Nielsen, 2010). This view is complemented by the upper-echelons perspective which highlights the importance of fit between executives’ individual profiles and the type of TMT position (Hambrick & Mason, 1984). As a consequence, international candidates are more likely to be appointed to TMT roles related to activities that span organizational and geographical boundaries (Greve et al., 2015).

Yet, the speed of firms’ international expansion may not necessarily reflect the speed of TMT internationalization (i.e., increasing cultural diversity in the TMT). For example, a study of large Swedish and Dutch firms reveals that despite an increase in the presence of foreign nationals on these firms’ TMTs, it has lagged behind the internationalization of firms at large (Heijtjies, Olle, & Glunk, 2003). These findings are echoed in a study of Black and minority ethnic group representation in the UK National Health Service (Johns, Green, & Powell, 2012), and a similar tendency of TMTs internationalizing more slowly than their firms at large is noted in Polish listed companies (Dauth & Tomczak, 2016) as well as in the world’s largest corporations (Ghemawat & Vantrappen, 2015).

How can we explain the limited support for the strategic-fit and upper-echelons perspectives’ prediction that TMT cultural diversity will flow from firm internationalization? Research grounded in agency theory suggests that the slow progress is due to the costs of international expansion: Diversity increases uncertainty, driving up information-processing costs and the risks of opportunism (Collings, Morley, & Gunnigle, 2008; Greve et al., 2015; Van Veen, Sahib, & Aangeenbrug, 2014). When such costs outweigh the potential gains from the presence of foreign nationals on the TMT—as in complex, large-scale projects, where control and chain of command are paramount—firms often rely on home-country executives to staff their subsidiary TMTs (Lakhshman & Jiang, 2016). Recruitment of culturally diverse TMT members could also be hampered by a lack of skilled candidates, leaving key positions open to home-country nationals who can channel knowledge from headquarters to subsidiaries and engage in talent development (Lakhshman & Jiang, 2016). Multinationals may also deliberately internationalize their TMTs slowly in order to maintain a balance between a unified corporate culture and regional adaptation (Kundu, Mor, Kumar, & Bansal, 2019).

Some studies have sought to nuance this line of argument by positing that the balance between costs and benefits from TMT cultural diversity may change over time, suggesting time as a contingency between the respective predictions of the strategic-fit/upper-echelons and agency perspectives (Collings et al., 2006; Gong, 2006; Greve et al., 2009). As the firm accumulates knowledge about host-country settings and developing capabilities in diversity management, managerial uncertainty is reduced (Collings et al., 2008) and thus also the costs associated with TMT cultural diversity (Greve et al., 2009; Kundu et al., 2019).

Research has also examined factors that shape the climate of organizational diversity, including firm-level diversity programs and initiatives and the internationalization level of other power groups in the organization that can potentially reduce the costs of TMTs’ increased cultural diversity. Some studies argue that perceptions of racial diversity in the executive suite differ significantly among organizational subgroups (Silver 2017). Against this backdrop, firm-level diversity programs directed at raising the awareness of diversity issues among multiple groups within an organization are key for the increase the level of perceived racial diversity in the executive suite (Allen, Dawson, Wheatley, & White, 2008b). Relatedly, the internationalization of other powerful internal groups, such as the board of directors, has been shown to increase the probability of recruiting foreign-national TMT members (Nielsen & Nielsen, 2010). Greve et al. (2015) add further nuance by examining how firm context can help or hinder the internationalization of upper echelons. In a sample of 360 multinationals from the Netherlands, Switzerland, the UK, and the Nordic countries, the authors find that multinationals with below-average performance are more likely to appoint nationally diverse executives to their TMTs, as these candidates may bring new knowledge, skills, and networks, and serve as symbols of change. Together, these studies exemplify a gradual shift in the focus of research towards contextual and cognitive conditions that help or hinder TMT diversity.

4.1.2. Institutional-Level antecedents of TMT cultural diversity

One stream of research probes institutional characteristics as antecedents of TMT cultural diversity, showing considerable differences in TMT internationalization across countries (Schmid, Wurster, & Daub, 2015) Van Veen and Marsman (2008) find that country-level factors explain TMT national diversity more strongly than firm-level factors do, suggesting that the absorption of culturally diverse executives into TMTs is closely related to the structural opportunities for cultural minorities in a country environment. Focusing on country-specific factors in a comparative study of large German, Dutch, and UK firms, Van Veen and Elbertsen (2008) find that TMTs’ national composition is strongly tied to country-specific governance regimes, such as recruitment processes or corporate governance codes and practices. In such institutional regimes, the domination of the board by national blockholders such as families, banks, or the state may hinder international executives from building powerful positions, reducing the likelihood of international executive appointments. Relatedly, Kenney and Patton (2015) show that European executives vastly outnumber Asian executives in U.S. TMTs, which they explain as a function of European executives’ tendency to relocate to the U.S. when they have an advanced degree, while Asian executives mainly have only undergraduate degrees, which reduces their career advancement opportunities.

Studies conducted in both Western European (Van Veen et al., 2014) and emerging market contexts (Müllner, Klopf, & Nell, 2017) highlight the costs of internationalization stemming from greater institutional distance, increasing uncertainty, and the tendency to recruit international candidates who are more culturally, institutionally, and geographically similar to current TMT members. Despite the barriers to the increase of TMT cultural diversity stemming from inherent country-level differences, some scholars point to a trend towards the formation of a global labor market for top management elites facilitated by the convergence of management models and the increased international mobility of corporate executives, calling into question the future persistence of national career patterns as antecedents of TMT national diversity (Davoine & Ravasi, 2013).

4.1.3. Individual- and team-level antecedents of TMT cultural diversity

Antecedents of TMT cultural diversity have also been explained as a joint function of individual- and team-level factors in the management team itself. Examining the link between TMT functional roles and the appointments of non-majority national TMT members, Greve et al. (2015) find that organizations are more likely to appoint non-majority nationals to a TMT role, such as geographic responsibility and boundary-spanning activities, but less so for roles in throughput functions such as operations, in line with the strategic-fit and upper-echelons perspectives. Their results also indicate that foreign executives with richer human capital are more likely to join international TMTs, further underscoring the importance of a match between TMT functional
emphasize and individual candidates’ human capital.

In addition to the rational logic emphasizing the costs and benefits of recruiting culturally diverse TMT members, some studies in our review highlight the role of behavioral processes in executive selection. Drawing on the similarity-attraction paradigm, Nielsen (2009) shows that more homogeneous TMTs in Swiss firms tend to hire candidates of similar nationality—yet this tendency weakens with the degree of firm internationalization. Relatedly, Doms and Zu Knyphaus-Aufseß (2014) find that nationally diverse TMTs in France are more likely to hire additional non-national executives—while those in Germany or the UK are not. In line with this, Stafsudd (2006) does not find support to the link between TMT national distance and the nationality of new executive recruits in Sweden. However, the study does demonstrate some evidence of homosocial reproduction between the recruiter and the new TMT appointees.

Moving beyond the predominant focus on TMT national diversity, Bloch, Taylor, Church, and Buck (2021) consider the intersection between race and gender in their study of Black men and Black women in senior-level management positions in the U.S. Results show that both groups are disproportionately underrepresented in senior management positions compared to white women, yet their chances to accede to senior management are significantly higher in workplaces with a greater presence of women in general, as well as in workplaces with lower gender segregation across jobs. Another recent study argues that the tendency towards homosocial reproduction in demographic attributes is less pronounced for candidates with prior tenure inside the organization (Georgakakis, Greve, & Ruigrok, 2021). Examining non-CEO executive appointments in Germany, the Netherlands, Switzerland, and the UK, the authors show that nationally diverse executives are more likely to be appointed to the TMT when they are promoted from within the firm, while external foreign candidates are usually subject to negative selection biases.

To summarize, changes in cultural composition in TMTs are highlighted as strategic decisions related to the potential benefits and transaction costs associated with recruiting culturally diverse executives, as well as cognitive processes in executive selection. However, perceived benefits, transaction costs, socio-cognitive processes are themselves related to the current cultural composition of the TMT, indicating that TMT cultural diversity in organizations is an endogenous and evolving phenomenon. The tradeoffs between potential benefits and transaction costs, as well as attitudes towards diversity and its perceived value, may not operate in isolation, but can instead be subject to strategic contingencies faced by organizations in a specific institutional environment and managerial cognition. Whereas the contextual determinants of costs and benefits of increasing TMT diversity have received comparatively little attention to date, a nascent but rapidly developing strand of research draws attention to their temporal dynamics, as well as to the important role of firm and environmental contexts in shaping cultural composition in the executive suite.

4.2. Outcomes of TMT cultural diversity

The largest and most nuanced area of research in our review has sought to explain how TMT cultural diversity may influence multiple outcomes at the firm, TMT, and individual levels of analysis. The strength and direction of such influences have been found to be subject to a number of moderating and mediating factors at individual, team, firm, and environmental levels (see “Outcomes” section in Figure 2).

4.2.1. Financial performance outcomes of TMT cultural diversity

The lion’s share of studies in this area focuses on the influence of TMT cultural diversity on firm financial performance—a crucial variable for strategic leadership research. Primarily building on the upper echelons perspective and social-identity theory (Hogg, Terry, & White, 1995), studies embraced the complexity of TMT cultural heterogeneity early on, conceptualizing it as a double-edged sword. On the one hand, TMT cultural diversity has been argued to enhance teams’ information-processing capacity and creativity, improve strategic decision-making, and enhance power vis-à-vis other organizational groups (Athanassiou & Roth, 2006; Elron, 1997; Osemeke & Osemeke, 2017), which can be reflected in positive financial performance outcomes (Allen, Dawson, Wheatley, & White, 2008a; Barta, Kleiner, & Neumann, 2012; Rodríguez-Fernández, Gaspar-González, & Sánchez-Teba, 2020; Tulung, Nelwan, & Lengkong, 2012). On the other hand, these benefits may come at the cost of increased intragroup conflict, negative social categorization among team members, and reduced cooperation and communication (Barczak, McDonough, & Athanassiou, 2006; Carson, Mosley, & Boyar, 2004; Gong, 2003a; Schermerhorn & Bond, 1997), leading to negative performance effects of TMT cultural diversity (Collin, Smith, Umans, Broberg, & Tagesson, 2013; Cook & Glass, 2009). Some studies do not find any stable relationship between TMT cultural diversity and firm financial performance (Hassan, Marimuth, Tariq, & Aqeel, 2017; Marimuthu & Kolandaassamy, 2009), which—together with variability in measurements, research designs, and sample sizes—challenges the external validity of performance effects of TMT cultural diversity (Sommer, 2009; Umans, 2009).

Faced with the equivocal evidence, the search for performance effects has gradually moved away from the dichotomous view of TMT cultural diversity as either a benefit or a cost towards probing when and how it might affect firm performance. One line of research has theorized and studied the existence of non-linear relationships: Roberson and Park (2007) as well as Richard et al. (2004) theorized and found evidence of a U-shaped relationship where either low or high levels of racial diversity were expected to enhance financial performance among U.S. firms, while Schmid and Dauth (2014) conversely hypothesized an inverted U-shaped relationship between TMT internationalization (where national diversity was one of the four dimensions) and firm stock price in large German corporations, finding support for higher performance at the medium level of national diversity. It is worth noting that these results may not necessarily be contradictory, as race and nationality represent distinct dimensions of TMT cultural diversity.

Another line of research has attended to the underlying theoretical mechanisms through which cultural diversity influences various financial performance outcomes, problematizing the “black box” of organizational demography in terms of simple input-output relationships (Lawrence, 1997). Some of this research attends to the role of team processes, suggesting that culturally diverse TMTs may function differently from homogeneous ones. The presence of salient differences among TMT members may lead to social categorization into ingroup and outgroup members, creating negative stereotypes that impede cooperation and cohesion, ultimately exacerbating interpersonal conflict (Bengtsson, Raza-Ullah, & Srivastava, 2020; Julian, Wachter, & Mueller, 2009; Umans, 2008; 2013). Effective team processes are thus fundamental to overcome the challenges of culturally diverse teams and minimize the barriers to performance benefits that stem from diversity (Thomas, Bellin, Jules, & Lynton, 2012; Umans, 2009). Indeed, several studies in our review indicate that the negative performance effects of TMT cultural diversity are lower in more behaviorally integrated teams—that is, teams that are more cohesive, socialized, and able to engage in collective action (Jarzabkowski & Searle, 2004; Lo, Wang, & Zhan, 2019; Nielsen & Nielsen, 2013) Li and Jones (2019), however, indicate that processes such as collective competitive action in ethnically diverse TMTs might enable short-term firm performance but impair long-term performance, by widening the faultlines within the team. This suggests a need for a more nuanced understanding of the role of team processes in shaping the short- and long-term performance effects of TMT cultural diversity.

In addition to the increasing focus on behavioral processes in TMTs, a string of recent studies has also sought to shift focus to the effects of TMT cultural diversity on intermediary outcomes that may subsequently affect firm performance. In a study of Chinese listed corporations, Wu, Richard, Zhang, and Macaulay (2019) found that more nationally
diverse TMTs initiate such change more often, which subsequently increases firm performance. Further exploring the frequency of strategic change, Kalasin’s (2020) study of TMTs in nine emerging markets shows that firm size and uncertainty avoidance at national level decrease the otherwise positive relationship between foreign TMT members and the frequency of change in the firm. Relatedly, Dahms, Kingkaew, and Ng (2021) explore the influence of TMT national diversity on strategic CSR focus and its implications for subsidiary performance. Their results show that TMT national diversity is an important determinant of strategic CSR focus, yet it is not sufficient in itself to achieve high performance. The authors present several configurations where TMT national diversity is one of the components associated with superior financial performance. The line of inquiry studying more proximate outcomes of TMT cultural diversity appears to follow the suggestions of Stahl et al. (2010), who urged researchers to consider intermediary team and firm outcomes that lead to superior firm performance in the study of culturally diverse teams in organizations.

Other studies examine the boundary conditions of the relationship between TMT cultural diversity and firm financial performance, in order to demonstrate its embeddedness in specific organizational and environmental contexts. Building on similarity-attraction theory, Umans and Smith (2013) find evidence for the positive impact of TMT diversity on firm outcomes in the presence of a nationally diverse board of directors. Richard et al. (2004) study racial differences in U.S. TMTs further illustrates the increased costs of TMT cultural diversity in projects that have high transaction costs, large investments, and increased uncertainty, requiring increased coordination and trust within the TMT. Nathan (2016) highlights the importance of the firm’s access to resources for its ability to benefit from TMT ethnic diversity by showing that knowledge-intensive firms derive a greater positive performance effect from TMT ethnic diversity when they are located in a major city.

4.2.2. Non-Financial outcomes of TMT cultural diversity

Going beyond the financial performance outcomes of TMT cultural diversity, a string of studies in our review examines its effects on firms’ internationalization strategy (Caligiuri, Lazarova, & Zebetbauer, 2004; Lee & Park, 2008; Nielsen & Nielsen, 2011; Sommer, 2009). Studies building on the resource-based view argue that TMT cultural diversity constitutes a valuable resource in the pursuit of international expansion by providing firms with broader information resources, enhancing teams’ international attention and trust, and representing a wider set of skills, which are assumed to be translated into enhanced decision-making in firms’ internationalization process (Dauth, Pronobis, & Schmid, 2017; Drechsler, Bachmann, & Engelen, 2019; Lee & Park, 2008; Pisanski, Muller, & Bogatyan, 2018) and ultimately result in greater firm internationalization (Dauth & Tomeczak, 2016; Weusthoff, Grieser, & Meckl, 2014). Relatedly, studies focusing on subsidiary-headquarters relationships have argued that including host-country executives on the TMTs of foreign subsidiaries reduces the costs associated with expatriate TMT members, such as the costs of reallocation, salary differences, and the “liability of foreignness,” as well as alleviating legitimacy concerns, enhancing the firm’s raison d’être (Decker, 2018; Kumar & Puranam, 2011). The upper-echelons perspective complements this view, arguing that top executives’ cognitive frameworks are subject to bounded rationality, which lays the foundation for firms’ strategic choices. Drawing on this perspective, studies show that more nationally diverse TMTs are more likely to initiate internationalization strategies (Nielsen, 2018b) and are also more prone to opt for shared-control modes of entry (Nielsen & Nielsen, 2011).

In contrast to the resource-based view and the upper-echelons perspective, research rooted in agency theory argues that appointing foreign executives to subsidiary TMTs increases information asymmetry between subsidiary and headquarters, increasing the agency costs of host-country managerial opportunism and the need for monitoring (Gong, 2003b; Sekiguchi, Bebenroth, & Li, 2011). Thus, the benefits associated with TMT internationalization may also come at the cost of increased cultural friction, curbing the success of international strategy (Gomes, Cohen, & Mellahi, 2011; Li, Xin, Tsui, & Hambrick, 1999; Singh, Pattanaik, Lee, & Gaur, 2019).

The debate over the costs and benefits of TMT cultural diversity for firms’ success in internationalization or enhanced performance has been moderated by research highlighting the importance of contingencies at the institutional, firm, and TMT levels of analysis, shaping how TMT cultural diversity will play out (cf. Nielsen & Nielsen, 2013.; Tacheva & Nielsen, 2020). For example, the negative effects of TMT cultural diversity stemming from social categorization have been argued to decrease over time, since team members working together tend to develop a common identity while the company develops its internationalization capabilities (Li, Xin, & Pillutla, 2002). Culturally diverse TMTs have also been shown to function better in more international firms, when tasks are innovative and coordinative rather than operational (Hyun, Oh, & Paik, 2015), when cultural distance is less salient (Gong, 2003b), or when a firm exhibits a strong commitment to internationalization (Kaczmarek & Ruigrok, 2013), as well as when the firm operates in a munificent environment and has access to other valuable assets such as competence and networks (Agnihotri & Bhattacharya, 2019; Chhabra & Popli, 2019; Dahms & Kingkaew, 2019).

Several studies in our review examine the link between TMT cultural diversity and firm innovation performance. Innovation and creativity are generally highlighted as theoretically salient outcomes of TMT cultural diversity, yet the empirical evidence is mixed: While some scholars show positive effects of TMT cultural diversity on innovation performance (Nathan & Lee, 2013; Wang, Ma, & Wang, 2015), others find negative (Chuang, Nakatani, & Zhou, 2009) or null effects (Belderbos, Lokshin, Boone, & Jacob, 2020). Notably, the conceptualizations and measures of firm innovation performance vary considerably among studies. Addressing these mixed findings, recent studies have focused on the role of the contextual determinants of the relationship between TMT cultural diversity and firm innovation performance. For example, Boone et al. (2019) argue that whereas more nationally diverse TMTs engage more in corporate entrepreneurship, which, in turn, enhances firm innovation performance, firms may find it challenging to reap the benefits of internationally diverse TMTs in the presence of power inequality, which amplifies the salience of minority group identities and increases interpersonal conflict, miscommunication, and biases in the team. Other scholars highlight temporal aspects in the link between TMT cultural diversity and firm innovation performance. In a longitudinal study of U.S. printing and publishing firms, Narayan, Sidhu, and Volberda (2020) show that the negative implications of TMT national diversity for innovation tend to decrease over time as team members establish communication norms, exchange knowledge, and ultimately become more behaviorally integrated. In line with this, Wrede and Dauth (2020) draw attention to temporal dynamics at CEO level, arguing that CEO age attenuates the positive effect of TMT internationalization (where national diversity is part of the internationalization index) on firm innovativeness. Zhang, Sharma, Xu, and Zhan (2021), further argue that TMT cultural diversity should be considered in conjunction with other diversity elements when examining its effects on firm innovation performance. Their longitudinal study of foreign technocrats in Chinese stock-listed firms indicates that executives’ “minority-in-minority” status (i.e., belonging to two TMT minority sub-groups, which can potentially result in a competitive advantage), leads to a double social barrier due to outgroup bias, impairing firm innovation. Yet, the presence of a CEO with foreign experience and technological expertise attenuates the negative effect of “minority-in-minority” status, serving as a lever between minority and majority groups’ power balance.

TMT cultural diversity has also been examined in relation to access to external financing. Cook and Glass (2009) report negative stock-market reactions to the appointment of ethnic/racial minority executives based on a sample of mainly U.S. corporations—patterns that were especially pronounced in larger and better-performing firms. The authors argue that negative stereotyping by investors could be reduced by...
the presence of corporate diversity initiatives. In contrast, two studies examining access to external financing among young UK firms find no differences between culturally homogeneous and heterogeneous TMTs (Cumming, Meoli, and Vismara 2021; Mole, Hart, Roper, & Saal, 2008), suggesting that the racial/ethnic prejudice in capital markets may be less pronounced for young firms, and/or differ across countries. Further highlighting the importance of the context in determining the effects of TMT cultural diversity on organizational outcomes, empirical studies find some support for positive effects of TMT cultural diversity on nonfinancial performance outcomes in public sector (Fincher & Katsi- nas 2006; Rutherford 2016) and nonprofit organizations Fulton (2021).

In summary, key insights from this stream of research are that TMT cultural diversity has important implications for a variety of firm-, individual-, and team-level outcomes, and can be both an asset and a liability for an organization. Moving beyond the debate about whether TMT cultural diversity is helpful or harmful, studies have increasingly turned to probing underlying theoretical mechanisms and boundary conditions explaining how diversity will play out. Overall, TMT cultural diversity is more likely to enhance firm outcomes in contexts where 1) the negative effects of such diversity can be effectively reduced and 2) TMT diversity constitutes a valuable resource for the firm.

4.3. TMT cultural diversity as a contingency

While most studies have sought to theorize a direct or mediated influence of TMT cultural diversity on a number of financial and nonfinancial outcomes (see Section 4.2), a nascent but growing area of research considers TMT cultural diversity as a contingency factor that serves to moderate the relationship between various individual-, team-, and firm-level factors and outcomes (see Fig. 2 for details).

One question posed by authors is how the cultural homogeneity or heterogeneity of the TMT indirectly shapes the performance effects of firm strategy (Hutzschenreuter & Horstkotte, 2013; Ruigrok, Georgakakis, & Greve, 2013; Song & Lee, 2020). While studies drawing upon the upper-echelons perspective (Song & Lee, 2020) argue that cultural diversity brings socio-cognitive benefits to TMT decision-making, reflected in the superior financial performance of the firm’s internationalization strategy, they also caution that these empirical findings are contingent upon the performance measures adopted. Building on the faultline literature Hutzschenreuter and Horstkotte (2013) argue that cultural diversity may lead to the formation of faultlines within a TMT, which activate negative stereotypes and biases that, in turn, reduce the performance effects of a diversification strategy Ruigrok et al. (2013). provide an alternative explanation, highlighting the importance of fit between TMT cultural diversity makeup (global vs. local orientation) and firm internationalization strategy (global vs. regional), providing further support for the strategic fit perspective.

The moderating role of TMT cultural diversity has also shown to influence the effect of CEO characteristics on organizational outcomes. This stream of research attends to whether the power imbalance between the CEO and the rest of the team is amplified or reduced by cultural differences or similarities between the two. Studying whether internally or externally recruited CEOs are differentially related to subsequent firm financial performance, Georgakakis and Ruigrok (2017) show that CEO-TMT demographic similarity, including national similarity, increases the likelihood that firms with externally recruited CEOs will deliver higher financial performance. A study focusing on CEOs’ personality traits indicates that while CEO openness to change and self-transcendence have a positive relationship with openness and flexibility in strategy-making, TMTs’ diversity in terms of geographic background may impede this relationship (Hoffmann & Meusburger, 2018). Finally, a study on the interaction between CEOs’ ‘racial status’ and TMTs’ racial diversity finds that the presence of racially diverse teams induces CEOs with high racial status to engage in collective action with their TMT (Iyer & Achia 2021).

Only two studies focusing on contingencies have explored the interaction between TMT behavioral processes and TMT cultural diversity. Departing from the traditional model of TMT processes as a reflection of demographic diversity, Mitchell, Boyle, Nicholas, Maitland, and Zhao (2016) show that TMT national diversity weakens the positive relationship between TMT decision comprehensiveness and self-reported financial performance, while Keeves, Westphal, and McDonald (2017) indicate that TMT members’ ingratiation behavior may trigger CEO resentment—and more profoundly so when TMT members are racially different from the CEO.

Two studies focus on between-firm differences in mergers and acquisitions and compensation structures in leadership teams, with TMT cultural diversity representing one core element. Observing firm characteristics as a cultural distance between the acquiring and acquired firms, Piaskowska and Trojanowski (2014) show that a greater cultural distance between host and home cultures is negatively related to ownership stakes taken in acquisition, but less so in acquiring firms with more national diversity in the TMT Zalewska (2014). draws on social-fairness theory to examine how pay disparity in TMTs may affect firm financial performance in a sample of UK firms, finding that pay dispersion is negatively related to performance but that the presence of overseas TMT members could alleviate this relationship.

To summarize, differentially from the dominant approach that models TMT diversity as a determinant of TMT processes (Lawrence, 1997), this stream of research conceptualizes TMT cultural diversity as a contingency factor, moderating TMT processes’ effect on team and organizational outcomes. Findings suggest that TMT cultural diversity alone or in combination with other organizational factors may serve as an enabler or disabler of the relationships between organizational strategy, CEO characteristics, TMT structure and behavioral processes, for organizational and team-level outcomes.

4.4. An integrated framework of TMT cultural diversity

Based on our comprehensive survey of the literature, we develop an integrated framework of the field (Fig. 3) that synthesizes the current knowledge about theoretical mechanisms linking antecedents, outcomes and contextual influence of TMT cultural diversity. The integrated framework reveals that the notion of TMT cultural diversity based on nationality and racial/ethnicity can manifest itself through different yet overlapping facets. In regards to the antecedents of TMT cultural diversity, we distinguish two main categories: (boundedly) rational drivers denoting the tradeoffs between expected costs and benefits of TMT cultural diversity and socio-cognitive drivers denoting perceptions and attitudes towards diversity. These two drivers are not independent, instead the assessment of the tradeoffs may depend on the context and individual cognition, and thus is boundedly rational. Furthermore, the influence of TMT cultural diversity on firm financial and nonfinancial performance outcomes is mediated through the interaction of organizational capabilities, strategic choices and team processes. Namely, the presence of TMT cultural diversity or homogeneity may lead to different intermediary outcomes — team processes as well as organizational capabilities and strategic choices —, which jointly reflect in different organizational outcomes. The influence of TMT cultural diversity on intermediary outcomes is a subject of a variety of contextual factors at individual, team, firm, and environmental levels. Finally, our integrated framework reveals that the relationship between TMT cultural diversity and firm outcomes may not be unidirectional but rather cyclical, i.e. the occurrence of TMT cultural diversity may change the context the firm is operating in, eventually facilitating or inhibiting TMT diversity to occur in the future.

5. Research gaps and suggestions for future research

Based on our comprehensive review of the field of TMT cultural diversity, we argue for theoretical development and further studies in the following three areas which we highlight in red in Fig. 3: (1) more
unambiguous definition of TMT cultural diversity and its facets; (2) theoretical and methodological extensions of our knowledge about the antecedents and influences of TMT cultural diversity; and (3) examining cross-national differences in the definition, presence, and influence of TMT cultural diversity.

5.1. Clearer definition of the basis for TMT cultural diversity and its boundaries

The emphasis of our literature review is on two broad aspects of cultural diversity: nationality and racioethnicity. Our survey uncovers a variety of cultural identities within and at the intersection of these two broad aspects pertaining to differences among TMT members in terms of culture, ethnicity, racioethnicity, language, nationality, citizenship, race, regional background, caste, country of birth, geographic background, and cultural cluster (see Fig. 3). Yet, extant research is surprisingly vague about how TMT cultural diversity and its facets are defined, and the exact differences between the terms used. Only 9 studies (8%) in our review focus on more than one basis/facet of TMT cultural diversity, while the majority implicitly assume that the concept is unidimensional.

The distinct concepts that form part of the larger construct of TMT cultural diversity may not be identical, but instead vary in their influence on TMT behaviors and processes, ultimately affecting organizational outcomes. Some studies in our review show opposing findings when focusing on different dimensions of TMT cultural diversity. For example, Roberson and Park (2007) and Richard et al. (2004) focus on TMT racial diversity, finding a U-shaped relationship with performance in a U.S. sample, while Schmid and Dauth (2014) find an inverted U-shaped relationship focusing on nationality in an European sample. These contradictory findings raise two important questions that have not been addressed in extant research. First, what are the differences in influence of the various dimensions of TMT cultural diversity? And second, how do such differences relate to the context where a particular dimension of cultural diversity has been studied? If conceptual differences in definitions of TMT cultural diversity are not acknowledged and problematized, knowledge accumulation becomes problematic, as it is hard to assess the generalizability of results obtained without testing and retesting comparable research models across distinct aspects of TMT cultural diversity. Further, approaching TMT cultural diversity as a unidimensional concept may also omit vital nuances regarding the theoretical mechanisms behind the antecedents and influences of TMT cultural diversity. Future studies should thus be more explicit in defining and delineating the aspects of TMT cultural diversity. Conceptualizing it as a composite rather than a unidimensional concept and striving for more consistent definitions would help scholars to tap into causal linkages and theoretical mechanisms that are specific to different dimensions of cultural diversity.

Given the multifaceted nature of TMT cultural diversity, future studies could also explore its other aspects, taking into consideration TMT members’ sense of identity with their national culture, citizenship, or birthplace. The assumption that citizenship or place of birth constitutes a core cultural environment of individuals may be increasingly tenuous in today’s global society where biculturalism or multiculturalism is becoming more common (Lakshman, Bacouel-Jentjens, & Kraak, 2021; Zander, Mockaitis, & Butler, 2012), especially among high-ranking business professionals—for example, in the form of multiple ancestries, growing up in multicultural environments, and holding multiple citizenships (Balachandran, Wennberg, & Uman, 2019). Future research on TMT cultural diversity may thus consider alternative dimensions of cultural diversity more closely tied to an executive’s personal identity, such as mother tongue or language (Alesina & La Ferrara, 2005; Harzing & Pudelko, 2013; Tenzer, Pudelko, & Zellmer-Bruhn, 2021). Research could also compare perceptual measures of culture and diversity (“How different do I feel from the majority group?”) with secondary or self-reported cultural categories based on national background (Shenla, Meyer, Greer, & Jehn, 2016).

Another way to clarify construct definition and boundaries of TMT cultural diversity is by studying how it differs from other types of TMT demographic diversity such as gender, age, and education. Whereas extant research treats TMT cultural diversity as a distinct type of TMT demographic diversity, it remains unclear how it differs from other types of diversity. A more nuanced sense of the differences among multiple elements of TMT demographic diversity and their impact on
organizations could help us understand the distinct nature of the phenomenon and allow us to define it more precisely.

In sum, we encourage future research to define the basis of TMT cultural diversity and its boundaries more clearly, and to be sensitive to potential differences among the various conceptualizations of cultural diversity when formulating theoretical models and designing empirical studies. We also stress the need for comparative research exploring the differences and similarities among different conceptualizations and definitions of TMT cultural diversity.

5.2. Theoretical and methodological extensions of TMT cultural diversity

While the literature has generated rich insights about TMT cultural diversity and its influence on a variety of outcomes at the individual, team, and firm levels, we still know relatively little about why firms hire culturally diverse executives and how those appointments influence firm outcomes. To gain a more complete understanding of the antecedents and outcomes of TMT cultural diversity, future research could focus on (1) the cross-fertilization between two broad theoretical logics applied in the field—rational and cognitive; (2) more explicitly theorizing and empirically testing causal linkages between the variables identified in our synthesized framework (Fig. 3); and (3) exploring intermediary outcomes of TMT cultural diversity, instead of more “distal” firm performance outcomes. Below we explain each of the three suggested paths in detail.

The theories applied in the literature on TMT cultural diversity could be grouped into two broad sets of logics: rational and cognitive. According to the rational logic emphasized by agency theory, the resource-based view, internationalization theory, and partly the upper-echelons perspective, the recruitment of culturally diverse TMT members depends on the tradeoffs between the benefits from enhanced information-processing capacity, legitimacy, and resources brought by culturally diverse team members and the transaction costs stemming from the presence of uncertainty as well as the risk of opportunism. The cognitive logic emphasized in social-identity theory and the similarity-attraction paradigm complements the understanding of the slow progress towards the internationalization of TMTs, highlighting the importance of socio-cognitive processes such as biases, team processes and power dynamics that may further impede the recruitment of culturally diverse executives. The notion of cognitive logic is relevant to the understanding of outcomes of TMT cultural diversity, as the TMT’s ability to derive efficiency benefits from diversity largely depends on effective team processes and the overall diversity climate within the team and organization (Klein & Harrison, 2007). To date, the two broad streams of research (rational and cognitive approaches to antecedents of TMT cultural diversity) have been developing largely independently, with the majority of studies applying one or other of the lenses (see Appendix D for theories applied in sample articles). Yet, rather than being independent, the two logics are likely to be considered simultaneously when undertaking decisions, and thus are interrelated. By combining and contrasting multiple theoretical lenses, researchers could seek to probe the validity of multiple theories explaining the same phenomenon. Creating predictions informed by both rational and cognitive logics could be a way forward to achieve a more nuanced understanding of TMT cultural diversity and its effects. Potential research questions in this vein could be to address how TMT diversity climate influences the perceived costs and benefits of TMT cultural diversity.

Second, a theoretically salient topic with little empirical research concerns the potential of symmetric causation in the links between TMT cultural diversity and its outcomes. Our synthesis of studies in Fig. 3 indicates potentially bidirectional links between TMT cultural diversity and various outcomes, where some of the outcomes may in turn increase or decrease the presence of culturally diverse executives on TMTs. For example, firm performance has been theorized and empirically examined as both a predictor and an outcome of TMT cultural diversity. The same logic applies to the relationship between team processes and TMT cultural diversity. While some studies acknowledged this possibility and employed longitudinal designs to partly examine these patterns, our review highlights that research to date has made no attempt to jointly theorize such simultaneous causality, and largely relies on cross-sectional or short panel data samples (Appendix C). Yet, this approach does not fully capture the reciprocal and dynamic nature of teams (Mathieu, Kuklenberger, D’Innocenzo, & Reilly, 2015). Exploring the potentially recursive nature of effects of TMT cultural diversity on both firm- and team-level outcomes can provide a more complete understanding of its effects on organizations, and thus represents an attractive opportunity for further advancement of the field. To this purpose, future studies could theorize and empirically investigate the temporal dynamics of this relationship (e.g. Marques-Quinteiro, Rico, Passos, & Currall, 2019), relying more on longitudinal, experimental, quasi-experimental, or qualitative process-tracing approaches to assess the causal paths by which cultural diversity affects communication, decision-making, and strategic goal-setting within TMTs, as well as organizational outcomes such as financial performance, internationalization, and innovation. Finally, in order to gain further insights into how culturally diverse TMTs function and evolve over time researchers could revisit ethnographic type of inquiry (e.g. Hertz & Imber, 1993; Thomas, 1993), that might uncover additional insights about TMT cultural diversity as a phenomenon (cf Priem, Lyon, & Dess, 1990).

Third, most studies in the field still focus on the implications of TMT cultural diversity for firm performance. While an increasing number of studies have begun to draw attention to intermediary outcomes shaping the performance effects of culturally diverse TMTs (Boone et al., 2019; Tasheva & Nielsen, 2020; Umanz, 2013), such research remains relatively scarce. The understanding of intermediary outcomes holds promise to strengthen extant theoretical models of the performance impact of TMT cultural diversity, as it may reveal the theoretical mechanisms through which culturally diverse TMTs shape performance outcomes. We thus encourage future studies to explore the decision-making consequences of TMT cultural diversity in terms of strategic choices, actions, and capabilities, shifting the focus away from financial performance to more mid-range outcomes. This research gap motivates new research questions such as how the presence of culturally diverse TMT influences the formulation of specific international human resource management policies related to attracting, retaining, developing, and positioning international recruits at entry-level, mid-ranking, and executive positions in multinational and culturally heterogeneous organizations. Another area of questioning concerns the extent to which cultural heterogeneity may substitute for other diversity attributes, at either the TMT or the organizational level of analysis.

Fourth, our review highlights that organizations need specific strategies, practices, and policies to maximize the potential benefits of TMT cultural diversity while minimizing its potential costs as they shape team processes such as behavioral integration pertaining to communication, cohesion, interpersonal conflict, and social categorization (Chanland & Murphy, 2018; Thomas et al., 2012). In addition, given the importance of team processes for outcomes of TMT cultural diversity (Gong, 2003a; Jarzabkowski & Sarie, 2004), further examination of the causal mechanisms underlying such processes, and the interdependencies between them, is vital for the development of the field and a fuller understanding of the phenomenon. To date, most literature on the topic has assumed, rather than inductively explored, the presence of specific processes in culturally diverse TMTs, and further assumed that these processes occur in silos. Yet, recent studies indicate that there is an interdependence of team processes in culturally diverse teams, and previous assumptions on what happens in the black box of these team processes might be oversimplified (Stahl & Maznevski, 2021). We thus encourage future studies to account for these potential interrelationships, viewing team processes as bundles rather than isolated phenomena—and, in doing so, attain a more complete understanding of the link between TMT cultural diversity and its outcomes.
5.3. From a western to a global focus

Our review highlights the importance of institutional context in shaping the trade-offs between the costs and benefits of TMT cultural diversity (Fig. 3). While most empirical studies on the subject have been conducted in a single-country context—mainly advanced Western economies such as the U.S. or Western European countries, with some evidence from emerging markets in Asia, Africa, and India (see Appendix C for data distribution by countries)—we still know little about the systematic differences across countries. Ethnic, religious, and linguistic diversity in TMTs might be more common in historically multi-ethnic societies with high levels of ethnic, linguistic, and religious fractionalization (Alesina & Ferrara, 2005). Yet, few of the countries occupying the top positions in ethnic (e.g., Uganda, Liberia, Madagascar), linguistic (e.g., Tanzania, South Africa, India) and religious (e.g., the U.S., Australia, Lebanon) fractionalization scales are represented in our sample. Given the rapid globalization in Eastern Europe, Latin America, Africa, the Middle East, and the rest of Asia too, a broader empirical focus is warranted.

The way culture is manifested in (business) interactions is socially constructed (Bird & Mendenhall, 2016), and thus may vary considerably in its conceptualization, presence, and influence across institutional contexts. For example, while national diversity has been the predominant way of examining cultural diversity in Western European contexts, North American studies often focus on racial differences within a broader concept of cultural diversity. These dimensions may be less relevant in emerging markets or other contexts where nationality or birthplace may not be the salient indicators of culture. Such contexts may necessitate conceptualizations of intra-national diversity (Sasaki & Yoshikawa, 2014), such as caste, regional family background, or religion, to name a few. These variations in the conceptualization of TMT cultural diversity highlight the importance of congruence between the conceptualization of TMT cultural identity and the institutional, historical, and political context of specific countries (Decker, 2018; Gomes et al., 2011). Applying more interpretivist and constructivist perspectives to TMT cultural diversity could help us to delineate the links between how cultural diversity is perceived and manifested in different institutional contexts, resulting in a more nuanced understanding of what TMT cultural diversity is and how it influences organizations.

The focus on cross-country differences as roots of cultural diversity may become less salient in today’s increasingly diverse nations and in cities that act as global hubs for international firms. In cosmopolitan context of global cities characterized by the presence of “transnational elites” (Chakravarty, Goerzen, Musteen, & Ahsan, 2021), the cultural composition of TMTs in firms or subsidiaries may warrant alternative ways of looking at culture and cultural differences that account for the “super-diversity” of the geographic and economic context (Vertovec, 2007). Future research should also account for the presence of ethnic or racial minorities in TMTs—hitherto a focus of research only in some Western European and North American contexts. As labor markets in those contexts are significantly more diverse than they were even a few decades ago, it becomes paramount to account for the influence of ethnic minorities that are now increasingly present in the upper echelons.

Relatively, research may also consider how institutional context influences conceptualizations of TMTs. While the uniformity of identifying who belongs to a TMT is the strength of the field, a closer look at the literature reveals that what constitutes “influential executives” might differ from context to context, and these executives might have different assignments and be embedded in different governance structures (U. Terjesen, & Umans, 2020). For example, TMT members in the U.S. context often hold a seat on the board of directors, and thus have influence on strategy formulation, while in the Scandinavian context, TMTs and boards of directors are more separated, with TMT members being primarily responsible for strategy implementation and emergent strategy formulation. Hence, while TMTs in both contexts comprise influential executives, they might have influence on different business domains, which stresses the need for future studies to consider institutional variations in governance systems when examining TMT cultural diversity in cross-national samples (Spraggon & Bodolica, 2011). Moreover, whether the TMT is positioned at the subsidiary level, in small and medium enterprises, or in privately held corporations might affect the discretionary power of managers (i.e., the degree of overall influence it might possess, or be assigned), which opens up avenues for further research on TMT cultural diversity considering governance and ownership dynamics (Ponomareva, Shen, & Umans, 2019). Overall, this points to several avenues for future research to examine the contextual determinants of TMT discretion and differences in corporate governance systems, as well as differences across levels of analysis—whether in the subsidiaries or headquarters of international organizations, state-owned enterprises, or privately-held corporations (Dupuis, Bodolica, & Spraggon, 2021).

6. Conclusion

Our review of 106 published studies on cultural diversity in TMTs reveals the importance of TMT cultural diversity for a variety of organizational, team, and individual-level outcomes. Despite the increasing attention being paid to the phenomenon, current research examining the antecedents, outcomes, and contextual determinants of TMT cultural diversity remains fragmented, with inconclusive findings primarily emanating from Western contexts. Our analysis reveals three broad areas that warrant scholarly attention, pertaining to the need for (1) a clearer definition of TMT cultural diversity; (2) a more nuanced understanding of theoretical mechanisms explaining the occurrence and organizational implications of TMT cultural diversity; and finally (3) a deeper understanding of how cross-national differences shape the conceptualization, occurrence, and impact of TMT cultural diversity. A more complete understanding of these three emerging areas within the field of research on TMT cultural diversity becomes especially relevant in today’s context of rapid globalization of the workforce and more culturally varying staff in firms across the globe. The extent to which TMTs can keep growing more culturally diverse, the best way to manage that diversity, and with what results all represent important questions for both research and managerial practice. We hope that this review will spawn a new wave of future studies on TMT cultural diversity, so that we can further nuance and develop our understanding of the individuals at the apex of today’s organizations.

Supplementary materials

Supplementary material associated with this article can be found, in the online version, at doi:10.1016/j.jwb.2022.101328.

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Journal of World Business 57 (2022) 101328


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