Asian-Americans more likely to be hired to lead troubled companies

September 24 2018

Credit: CC0 Public Domain

Asian-Americans are more than twice as likely to be hired as CEOs when a company is struggling, possibly setting them up for failure, according to new research published by the American Psychological

Association.

Researchers analyzed data for almost 5,000 CEOs from publicly traded companies across every major industry in North America over five decades and found Asian-Americans were appointed two-and-a-half times as often during a company's decline than when a company was successful. The study also found that stereotypes of Asian-Americans as self-sacrificing may play a role since CEOs may be expected to work long hours or give up bonuses if a company is struggling. The research was published online in the *Journal of Applied Psychology*.

"It's important to understand that some seemingly positive stereotypes about minorities may appear to be silver linings on the surface, but they often obscure underlying challenges that perpetuate discrimination," said lead researcher Seval Gündemir, Ph.D., an assistant professor of psychology at the University of Amsterdam. "It is our hope that this research can serve as a key first step to combat bias and inequality that affects Asian-Americans."

Despite high levels of education and income, Asian-Americans are underrepresented in company leadership positions. Researchers collected the names of 4,951 CEOs from North American databases dating to 1967 and found only 41 Asian-American CEOs, representing less than 1 percent of the group. Asian-Americans have been the fastest-growing minority group over the past decade and represent 6 percent of the U.S. population, according to census data.

Researchers used public databases, biographical information, news accounts and photos to identify Asian-American CEOs, who were defined as people of East Asian descent, including individuals from China, South Korea, Japan, Vietnam and neighboring countries. The study then used public documents to analyze the financial success of the publicly traded companies. The vast majority of the companies included

in the study were located in the United States (96 percent), with smaller numbers in Canada and Mexico.

The study found that whites, Hispanics and African-Americans were not more likely to be hired during a company's downturn, unlike Asian-Americans, who were more than twice as likely to be hired during those periods. However, Asian-Americans didn't serve longer terms as CEOs than whites during a company's struggles, and their tenure (2.8 years) was less than half as long as white CEOs (6 years) during successful periods.

Since Asian-Americans are hired more often to lead struggling companies, they could face more stress and blame for the company's failure, Gündemir said. Only 12 percent of the companies included in the study were struggling, further limiting the opportunities for Asian-Americans to lead companies.

"A fairer representation of minority groups in positions of power can not only contribute to organizational productivity and innovation but also provide role models to minority employees," Gündemir said.

The researchers also conducted three online experiments about the self-sacrificing stereotype for Asian-Americans. In an experiment with 227 U.S. residents, half of the group read a newspaper article about a fictional successful company while the other half read about a struggling company. The participants then rated the importance of self-sacrificing behaviors by a leader, such as giving up a bonus or working on the weekends. Then they were told to imagine they were on a CEO hiring committee and were given information about an Asian-American candidate ("Alex Wong") and a white candidate ("Anthony Smith"). Participants who read about the struggling company were significantly more likely to choose the Asian-American candidate than participants who read about the successful company.

In a second experiment with 101 U.S. residents, participants were given information about the same two fictitious CEO candidates. Participants rated the Asian-American candidate as more likely to engage in self-sacrificing behaviors than the white candidate. In a final experiment with 199 U.S. residents, participants were more likely to say an Asian-American candidate was a better fit as CEO when a company was struggling.

Company managers and committees need to be aware of stereotypes that may affect their hiring decisions, Gündemir said. Diversity initiatives (e.g., mentoring or additional training) also should recognize the stereotypes and challenges faced by Asian-Americans, she said.

More information: "The Impact of Organizational Performance on the Emergence of Asian American Leaders," *Journal of Applied Psychology*, 2018.

Provided by American Psychological Association