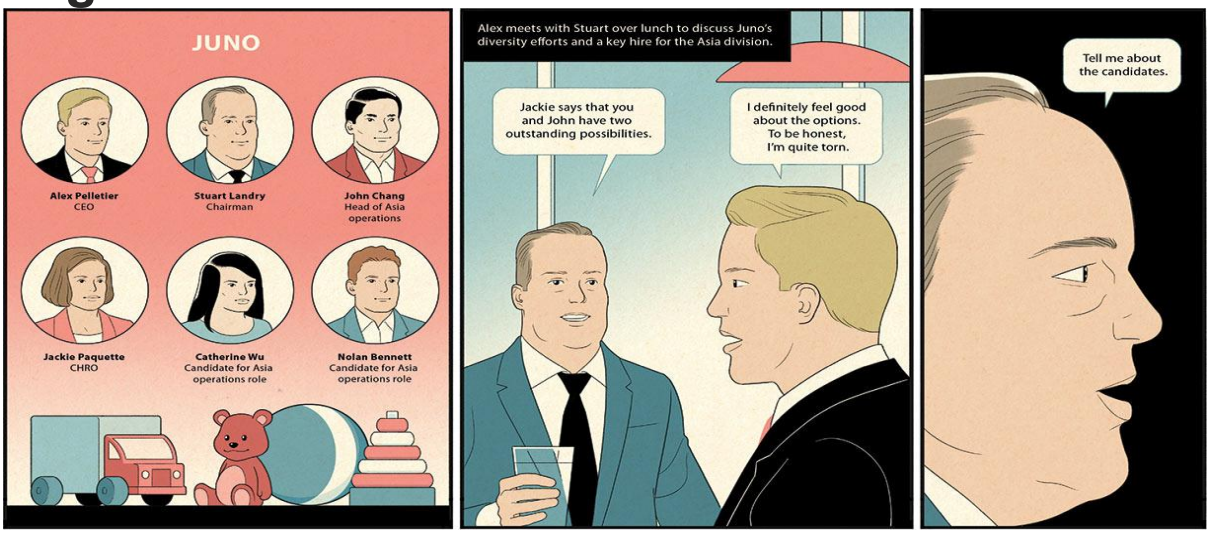
Case Study: What Does Diversity Mean in a Global Organization?



"We have a diversity problem."

Alex Pelletier, the CEO of Juno, a Toronto-based toy company, nodded his acknowledgment. He knew that Stuart Landry, his chairman, wasn't berating him for a problem they were already working to fix—Stuart just wanted to discuss it over lunch before the board met the following week.

One big agenda item would be Alex's decision on a key hire for Juno's Asia operations. The person would be the second-in-command, reporting to the head of the unit, John Chang, and would help oversee Juno's mainland-China manufacturing along with sales to Asian distributors, which had risen in recent years to meet the demand for Western entertainment. It was a critical role, and the plan was to find someone with experience in the region and the potential to grow the business who could eventually succeed John and take his board seat. Ideally the person would also diversify Juno's leadership ranks—which, to Alex's chagrin, were still mostly white and male.

Like many other CEOs, Alex had in recent years committed publicly to supporting diversity, equity, and inclusion initiatives internally and racial justice efforts externally. He'd spent much of 2020 both dealing with pandemic-related supply-chain delays and store closures and hammering out the company's diversity policies and plans. He and Jackie Paquette, Juno's CHRO, had launched programs focused on hiring, training, community support, and organizational culture, and by altering their promotion criteria and broadening their recruitment outreach, they'd increased diversity at headquarters. But that had yet to trickle up to the leadership team or the board.[1] John Chang was the only board member of color. And although the Asia team, based in Hong Kong, all came from the region, they skewed heavily male.

"So let's talk about the Asia role," Stuart continued. "Jackie says that you and John have two outstanding candidates."

"I definitely feel good about the options," Alex said. "We've met with both of them several times over the past three months, and to be honest, I'm quite torn."

In fact, the choice had been keeping him up at night. From its start as a small Canadian toy maker 10 years earlier, Juno had become a multinational leader in its sector, with Asia driving its future in terms of both production and sales.[2] This hire would assume most of the operational responsibilities so that John could focus on spearheading growth, but the newcomer would be another public face for Juno in the region and, as John's likely successor, would be scrutinized—certainly by the company's directors and employees, and potentially by DEI watchdogs, investors, and consumers. The problem was that Alex couldn't quite figure out what qualified as diversity for Juno in Asia.

Clearly eager to help, Stuart said, “Tell me about them.”

Catherine Wu

Ethnically Chinese, Catherine was born and raised in the United States by her parents, who had immigrated to New Jersey from Shenzhen as graduate students. After earning a degree in economics from Princeton, she joined a prestigious consulting firm, where one of her most successful engagements was with a global toy company. She soon developed a reputation as an expert in toy manufacturing and distribution. Catherine had been pursued by several of Juno’s competitors but hadn’t yet been persuaded to go in-house anywhere. Alex was honored that she was considering this role, and he thought that getting her would be a big win.[3]

Catherine hadn’t lived in China or elsewhere in Asia for an extended period. But she’d visited family in mainland China and Hong Kong during school breaks, and after she’d started working, she’d taken business trips to the region every quarter or so. Through her consulting work she’d developed a network in Asia, primarily in Hong Kong, where her firm had an office.

She told Alex that she’d been watching Juno’s performance before and after its IPO, in 2019, which had been small but established the company as an important industry player. He was impressed with her knowledge of their peer companies and her experience supporting one of them in the kind of expansion he wanted to see over the next five years. She’d led many of her firm’s larger projects and according to her references was adept at managing teams of people from different parts of the world.

Alex had few concerns about Catherine’s suitability for the job; his one hesitation involved her language skills.[4] She spoke Mandarin with her family but not consistently in a business context, and she couldn’t read or write Mandarin fluently. John had pointed out that she’d have a team of Chinese nationals who could translate when necessary. But he acknowledged that it would highlight her Americanness, which might hinder her.

Nolan Bennett

Nolan, a white man, was also American, having grown up in Texas. But he had spent almost as much time in Asia as in the United States. After high school he’d lived in Beijing for two years as part of a volunteer program. He’d told Alex that those two years were both exhilarating and transformative for him, changing the course of his life and career. Nolan learned to speak, read, and write Mandarin fluently and immersed himself in the culture. He returned home to study at the University of Texas at Austin and decided to double-major in Chinese and business administration with a view to eventually returning to the country that had captured his imagination. Right after college he accepted a job at a global toy company and within three years seized an opportunity to relocate to Hong Kong, where he split his time between the city and facilities in mainland China.[5] That was 15 years ago, and he’d become a huge asset to his employer. He was one of the few foreigners in the manufacturing space who was fluent in Mandarin. Nolan had also built relationships. Factory managers and other stakeholders appreciated his language capability, cultural understanding, and trustworthiness. Over time he’d amassed a good amount of social capital—what the Chinese refer to as *guanxi*—which was important for getting things done. He and his partner, a Hong Kong native, considered the city home and were raising two daughters there.[6]

Nolan loved his current job, but he was excited about Juno’s growth potential. Alex wondered, though, whether he could take the Asia business to the next level, since his references considered him more of an “operations guy” than a visionary leader.

Context Matters

“What did Stuart think?” Jackie asked Alex the day after his lunch with the chairman. They were in her office at Juno headquarters.

“He asked a lot of questions but didn’t really show his cards,” Alex said. “I think he gets how tough a call this is going to be. He said the board will take my recommendation—but they’re expecting me to prioritize diversity.”

“Of course they are!” Jackie said. “That’s a huge priority for all of us. But what does it mean in the context of this decision?”

They’d been going back and forth about this for a while now and kept flip-flopping. John, however, had declared a preference. He conceded that both candidates were well qualified but liked that Nolan would bring diversity to his all-Asian team.

“Right,” said Alex. “That’s what John keeps driving home. If we looked at our company as a whole, we’d hire Catherine—a woman of color—for noticeable diversity that would show up in our metrics and in the executive photos on our website.” They had talked before about the difficulty of accurately measuring diversity: For example, only some observers considered sexual orientation as well as race and gender identity, so Alex’s being gay often didn’t count.[7]

“Exactly,” Jackie said. “Plus it would signal to our employees that DEI is a priority. And we know representation matters. If Catherine did end up succeeding John, she’d increase diversity on our board. But, to John’s point, this hire will be working in *China,* not Canada. Nolan may not be a member of an underrepresented group here at headquarters, but he is in Asia. He says he’s often the only non-Chinese person in meetings and at factories.”[8]

Alex nodded. “And Nolan’s work experience and perspective are different from mine or yours or John’s or anyone else’s on the executive team. Catherine seems more aligned in her thinking with the rest of us.”

“But we can’t forget that Catherine would bring an American perspective to an Asian team,” Jackie replied. “And being a woman also brings a different viewpoint.” They’d discussed this point many times, especially regarding the Asia division, which was 70% male. They both knew that in executive ranks it was all too common for the only woman to be, like Jackie, in a support role such as HR.

“Women are the ones buying our toys for their children,” Alex mused. “Of course, Nolan is the one with kids…” He stood and started pacing. “I’m reminding myself that this is a good problem to have. We’ve got two extremely strong candidates, and either one can help us meet our goals.” Juno had just logged the best quarter in its history, and he wanted that success to continue.[9]

Case Study Classroom Notes

What role might affinity bias—the tendency of people to like others who are similar to them—have played in the lack of …

“They bring diversity in different ways,” Jackie said, pointing to the DEI statement pinned to her wall. Alex glanced at it, remembering the hours they’d spent poring over the wording. They’d outlined important and lofty goals, but it was challenging to convert them into concrete guidance, especially for decisions like this one.

“As two Canadians,” Jackie said, “I worry that we’re seeing this through a specific lens. How would you feel about appointing another white man to such a senior role?”

Getting It Right

The following week, on the way to dinner with the board, Alex looked out his taxi window at the Toronto skyline and thought about his dilemma. He felt a deep sense of responsibility—to Juno’s employees, shareholders, and customers—to get it right. Jackie’s question rang in his ear. If he chose Nolan, he might seem to be going back on his DEI promises. At HQ, Nolan did not represent diversity. Catherine would be a woman of color in Juno’s leadership pipeline and presumably on the board. But a directorship was at least five years off and depended on her being an

able successor to John. Alex would have to make his recommendation first thing at the quarterly board meeting the next morning. Which candidate was the right person for the job at this moment?

The Experts Respond: Whom should Alex recommend that Juno hire?

Daisy Auger-Dominguez, the chief people officer for VICE Media, is the author of *Inclusion Revolution.*

If Alex and his board want to meet their goals for diversity now and in the future, they should hire Catherine. She is a proven leader who understands the Asian market and has a connection to the region.

I get the concern about her limited language skills, but given that most international business is conducted in English, I suspect that it wouldn't be all that much of an issue. And Catherine's Chinese-American heritage is a huge asset, because existing employees, customers, and other stakeholders who share her background—not to mention future hires—would be able to see themselves reflected in the leadership ranks. Although Nolan might provide diversity in that specific location, he would still be another white man at the senior level. Catherine, by contrast, would be a visible break from precedent, someone who could eventually bring much-needed gender and ethnic diversity to the board. And gender is one lens that applies everywhere—from Canada to China. Increasing the representation of women in the leadership ranks should be a clear priority for Juno.

We know John's view, but I'd suggest that Alex and Jackie arrange for a few other regional leaders to meet with both candidates. I took that approach when recently hiring team members in Asia-Pacific and the Middle East. Local employees described how disconnected they'd felt from decisions made at headquarters, so it was important to get their buy-in before making the final call. I believe that we earned their trust and loyalty as a result. Another way to decide between two equally qualified candidates is to go back to the criteria you established for the role and hold yourself accountable to them. Ideally, Juno has a structured hiring process in place, and my informed guess is that Catherine has more of the attributes necessary for success in the role than Nolan does. Adhering to the criteria will prevent Alex, Jackie, John, and the board from letting bias creep in and falling back on what they know.

Finally, if Catherine is hired, Alex, Jackie, and the board need to commit to doing what it takes to set her up for success. That includes having candid conversations about what it means for a Chinese-American woman to fill this role and what it will take for the organization to accept and embrace her as a leader. The interview process will have given them ideas about areas in which she can and should grow, including language skills and cultural understanding. What will they do to ensure that she is welcomed, supported, and respected as a new leader?

Equity is not just about hiring people from underrepresented groups. It's also about creating a sense of inclusion and belonging for them and reducing barriers so that they thrive in the jobs you've put them in. That's how Catherine—and future Catherines—will make a difference at Juno.

Yuting Wang is the head of people and culture for Hong Kong and Macau at Roche.

If Juno's goal is to win in Asia—or, more precisely, in mainland China—my advice is to hire Nolan. I understand why Alex is reluctant to appoint another white man, given the difficulty Juno has with diversity. But in my personal view, Nolan is the better choice.

This dilemma will most likely feel familiar to anyone who is currently working in human resources in the Asia-Pacific region. Whereas multinational companies used to fill their high-level positions in China with expatriates who had expertise in product and branding but didn't speak the language or understand the culture and had no experience in the market, times have most certainly changed. Now it's generally understood that local knowledge is crucial to effectively managing Chinese employees and attracting Chinese consumers.

Recently, at a global company where a friend of mine works, an ethnically Chinese woman who was born in America and had never lived in China was hired to lead its business in that country. The decision was tough and came after the company had passed over several local candidates. But the woman departed within two years. She had been hampered by her inability to speak proper Mandarin or to relate to her team and external partners. The company ended up replacing her with someone internal.

That is the risk I see with choosing Catherine. I believe that she's talented and smart enough to recognize the importance of embracing the Chinese culture and immersing herself in it, but the initial disconnect will be hard for her to overcome. Nolan, on the other hand, *gets* China. He has put tremendous effort into learning the language and has spent a total of 17 years with feet on the ground in the region. It's obvious to me that he would have a better chance of success in the role.

That is no doubt part of the reason why John is in favor of hiring Nolan, though adding diversity to his Asia team is his main consideration. Alex and Jackie should pay attention to his opinion. They should also remember that diversity involves much more than visible differences such as gender and race. Educational background, professional knowledge, personality type, thinking style, and life experience are factors as well, and Nolan's profile suggests that he would be able to serve as a bridge between the Chinese team and headquarters, helping to translate issues for both sides.

That said, Juno's leaders still need to address the lack of diversity at the company as a whole, especially as it relates to gender—an issue that cuts across regions. Given the underrepresentation of women at senior levels, they should take immediate and concrete action, such as inviting some women of color to become independent board directors. They should also work on improving their systems and processes so that they have a sustainable plan for hiring and promoting more women. Alex is lucky to have a choice between two great candidates. From my perspective, Nolan would be best suited to the Asia role, and Alex can easily make that case to the board and the rest of the organization. Perhaps, as the company seeks to become more diverse, there will be another, better, spot for Catherine.

HBR's fictionalized case studies present problems faced by leaders in real companies and offer solutions from experts. This one is based on the HBS Case Study "Diversity in a Global Context: Making the Right Hire to Lead Asia" (case no. HK1301-PDF-ENG), by David S. Lee.