

Diversity

What Organizations Can Do to Retain Asian American Talent

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Summary. Companies don't always recognize the talents of Asian American employees. Here are five ways organizations can change this.

In 2007, Eric Yuan was the VP of engineering at WebEx. He realized his dream of coming to Silicon Valley from China. He was earning in the high six figures, but in his words, “Every day, when I woke up, I was not very happy. I even did not want to go to the office to work.”

He pitched WebEx the idea for a new category of digital video-conferencing that would work much better on smartphones. His WebEx bosses said no. Eric left to found Zoom, which now has twice the revenue of WebEx and a market cap of nearly \$100 billion, or about half that of Cisco, which owns WebEx.

Is this just another story of entrepreneur leaving a large company to pursue his dream?

Maybe. But in our view, it's more than that.

When Eric came to the U.S., his English was limited. He has an accent. Did that diminish his pitch? Could his background limit people's ability to see him as the potential CEO of a \$100 billion company?

We have no direct knowledge of Eric's situation. But the data shows a pattern. Asians make up 15 to 25% of the enrollment in elite MBA programs. Yet a 2017 study by McKinsey shows that while Asians make up 13% of the U.S. professional workforce, they are only 7% of leadership in the Fortune 100 and only 3% of CEOs of the Fortune 500.

If these well-credentialed Asian Americans are not making it to the top of the largest companies, where are they going? Some leave to become executives at smaller, high-growth companies. Eight of the Fortune 100 fastest growing company CEOs are Asian American — a proportion that's three times higher than the Fortune 500.

Some are choosing entrepreneurship, which has always been a potent alternative for people who want to bet on themselves when they feel others won't bet on them. In one five-year study, Asians were the second-most-backed group, accounting for 17.7% of venture-backed founders.

David Wu, a venture capitalist at Maveron, has some theories about these numbers. "Large companies have more people than work to do, whereas high-growth smaller companies have more work than people

to do it. To reach the highest level of management at a large company requires you to be a skilled politician, able to jockey to get the right work, claim the credit, and keep other teams out of your lane. Smaller companies have much more of a meritocracy mindset — they reward the speed and quality of the actual work. Asian immigrant culture's bias toward action shares a lot of common values with the DNA of the smaller company, and as a result, we see a lot more successful Asians gravitating toward leadership roles in the world of startups.”

Some Asian Americans have remained at large companies and made it to the top in a variety of ways. Mike Hsu is the CEO of Kimberly Clark — a position he attained after spending years as a consultant at Booz Allen Hamilton. Linda Lee is the chief marketing officer at Campbell's Soup, the culmination of a career built at Procter & Gamble, General Mills, and Mondelez. Daniel Jhung is the president of Nestle Beverages, a role he attained after working his way up through Nestle USA.

But we suspect many more Asian Americans are stuck in the middle. If large companies paid more attention to these employees, they may be sitting on a hidden treasure trove of potential value creation.

We see five ways organizations can better manage their Asian American talent and share in the upside:

Stop managing diversity as risk management vs. opportunity.

Too many companies think of diversity and inclusion as risk management. They do the bare minimum to avoid getting into trouble. Executives and leaders need to shift their mindset. Instead of worrying about being called out for not having enough Asian Americans in senior positions, they should focus on what might result if they spent more time listening to this group of innovators.

Switch from a binary to a spectrum mindset when it comes to bias.

Most people think of racism or sexism as binary — either I am a racist or I'm not. As NYU professor Dolly Chugh notes, being a good person (binary) is the main thing that prevents people from becoming better people (spectrum).

Reassess and recalibrate subjective leadership potential metrics.

A decade ago, one of us (Eddie, who is Asian American) gave a speech at the global leadership meeting of the top executives of a large company. Afterwards the global head of HR gave him a backhanded compliment: “Wow, I can’t believe how great of a speaker you are. When I saw you go up on stage, I thought you weren’t going to do well.” Eddie had spoken just after a tall, white executive — someone out of central casting. He regarded the HR chief’s remark as a subtle reminder that as an Asian American, Eddie doesn’t look like the average large company executive.

This kind of slight is common. Virtually every Asian American executive we’ve spoken to has said their performance reviews have contained some version of “Does not have ‘leadership presence,’” which too often is based on appearance or accent versus aptitude or achievement. Subjective metrics create a big back door for bias to leak in. Measuring leadership potential is very difficult. The ability to accurately measure talent should itself be measured, calibrated, and compensated against.

Colleges and MBA programs must better address bias.

MBA programs and colleges preparing students for business need to do a better job of teaching on race and bias, which right now is mostly taught in humanities and history departments. This education would be more impactful if the past was blended with the practical and taught in the context of business classes, far beyond just managerial or human resource classes. When rooting out bias and racism are seen as an area of business opportunity, then it matters to every class

— from investing and innovation, entrepreneurship and executive management, strategy and supply chain, customer and investor management.

Higher education also needs to help minority students to be more self-aware before they get out into the real world. “I was raised to put my head down, work hard, be humble, respect and never challenge your boss,” Daniel Jhung, the Nestle president, says. “Don’t outwardly take credit for your accomplishments because that’s being arrogant. My first review in corporate America was not great. It took me 15 years to understand that elements of my Asian-American upbringing were and were not helpful in today’s corporate work environment.”

Daniel is a graduate of Stanford and Harvard. For whatever reason, this was not part of his formal education and he had to learn it in the real world in real time.

Asian Americans need to confront their own biases.

Few cultures worship higher education more than Asian Americans. But the most successful folks in business come from all types of educational backgrounds. Asian Americans need to realize education is great at opening the first door— but it doesn’t necessarily open the last one.

We also need to reduce the pressure to conform. Many Asian immigrant parents felt excluded and were forced to take risks as entrepreneurs to survive. In reaction, many Asian parents pushed their kids to conform and seek surer paths to success like being a prestigious professional. The next generation needs to see that conformity and risk aversion provide comfort but create inherent limits to their upside. Choosing a different path — one that may appear less prestigious — may actually open up new opportunities with far greater upside

Finally, Asian Americans need to broaden their definition of community. Asian American executives who have “made it” need to throw down a rope to others. For example, “kye” is the Korean word

for a rotating credit association for recent Korean immigrants. Everyone contributes a fixed amount on a regular basis, and each member is allowed to draw down against it to buy a home until everyone gets to share. Many other immigrant cultures have something similar. Asian Americans at the top and who know personally what it is like to be an outsider need to extend “credit” (be it capital, contacts or expertise) to a wider array of people under-represented beyond just their own ethnicity.

Successful Asian Americans need to set aside a healthy chunk of their wealth, wisdom, and time to help not only other Asian Americans, but other minorities.

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