

Online Supplement

List of Asian American CEOs in Study 1

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Table S1**List of Asian American CEOs in Study 1**

| Surname | Given Name | Company |
|----------------|-------------------|------------------------------------|
| Berrie | Angelica | Kid Brands Inc. |
| Chen | C. | Diodes Incorporated |
| Chen | John | Sybase |
| C.S. Yin | Phillip | Axt Inc. |
| Fu | Cary | Benchmark Electronics, Inc. |
| Fukai | Roger | Cap Art Inc. |
| Furukawa | Yasushi | TSCI Corporation |
| Hsiao | Charles | Impax Laboratories Inc. |
| Hu | Jean | Qlogic |
| Huang | Robert | Synnex |
| Inouye | Wayne | Gateway, Inc. |
| Jung | Andrea | Avon Products, Inc. |
| Kao | Min-Hwan | Garmin Ltd. |
| Kim | Young | Astec Industries, Inc. |
| Kouzuma | Makoto | Sfam |
| Kuriyama | Stanley | Matson Inc |
| Li | David | Cabot Microelectronics Corporation |
| Liu | Joseph | Opko Health Inc. |
| Lu | Ying | UTStarcom Holdings Corp |
| Lu | Keh-Shew | Diodes Incorporated |
| Mao | Yu-Lang | 3com Corporation |
| Matsuyama | W. | <u>Canopy Growth Corporation</u> |
| Michigami | Michael | Digital Microwave Corporation |
| Murai | Kevin | Synnex Corporation |
| Nakasone | Robert | 1231b |
| Nguyen | Neil | Sizmek Inc. |
| Nishimura | Koichi | Silver Lake Resources Limited |
| Park | C. | Mx Oil Plc |
| Pien | Howard | Chiron |
| Sen | Laura | Bjs Wholesale Club Stock Price |
| Sheh | Robert | International Technology Corp. |
| Su | Lisa | Advanced Micro Devices, Inc. |
| Sunu | Paul | Frp Holdings Inc. |
| Takata | Richard | Platinum Eagle Acquisition Corp |
| Tan | Lip-Bu | Cadence Design Systems Inc |
| Tan | Hock | Integrated Circuit Systems Inc |
| Tan | Thian | <u>Komag Inc.</u> |

| | | |
|-------|-----------|-------------------------|
| Wu | Ying | UTStarcom Holdings Corp |
| Yang | Chih-Yuan | Yahoo! |
| Yau | Sam | Nec Corp |
| Young | Morris | Axt Inc. |

Supporting Evidence for Measure of Performance Decline in Study 1

In matters involving proprietary information and strategic decision making, there is often a tradeoff between the quality of a source's first-hand knowledge and his or her interest in providing accurate information to outsiders. On the one hand, insiders (people who work inside the firm) have the best insight into the impression that other insiders have of their firm's performance. On the other hand, industry analysts have the greatest incentive to provide an accurate view of both perceived and actual organizational performance because their audience is typically composed of investors who demand accuracy for the purpose of forecasting. In most cases, there were no reports from people inside the company. As a result, for our validation data we largely relied on reports from analysts.

Because it was unmanageable to gather this additional information for the entire sample, we culled these data from every organization that our statistical formula coded as "in decline" that subsequently hired an Asian American CEO, since these were the most critical data points in this analysis. Research assistants, who were blind to firm performance, collected the data. We examined the top 500 most circulated news sources as well as specialized sources, including magazines that featured trade analysis for specific sectors of the economy. We collected segments of text that featured peoples' perceptions of organizational performance prior to when the CEO was hired, beginning with the month just prior to the appointment and then, according to the availability of quotes, stretching back month-by-month. We considered quotes that were retrospective (e.g., an insider looking back to events that transpired prior to when the CEO was hired) only when decision makers discussed what they were saying or thinking prior to when the CEO was appointed and only when multiple quotes corroborated the same perception. In one case, this determination was made from a graph provided in the source document.

We randomly chose three quotes for each firm, unless three were not available. As shown in Table S2, without exception the media reports indicated that every organization that was coded as “in decline” suffered what was perceived to be serious performance decline. We provide at least one representative quote for each firm in this subsample in the table below. Among firms that our statistical formula designated as “not in decline”, we searched for media reports in which analysts or employees commented on (1) the organization’s performance and/or (2) the reasons for the CEO’s departure. This information could be used to help verify that organizations were indeed not in decline. Whereas we were able to find media reports for all instances of organizations that were in decline prior to hiring an Asian CEO (see Table S2), we found media reports for 22 of the 31 firms that the formula designated as not in decline. It is possible that this information is incomplete because positive outcomes do not attract as much media attention as negative outcomes (Baumeister, Bratslavsky, Finkenauer, & Vohs, 2002). Of the 22 cases of non-decline, in one-third of the cases the media report indicated that the firm was performing well in terms of net income or other relevant financial metrics, but there was no reason given for the CEO’s departure. Of the remaining firms, the media reports indicated that the firms were performing well yet there was a vacancy in the CEO office that needed to be filled because the previous CEO: retired (12.5% of the cases); died (4.2%); wanted to pursue a different professional challenge (16.7%); came out of retirement to act on an interim basis as the organization searched for a full-time CEO (4.2%); had a personality clash with other leaders at the firm (4.2%); or shifted to a new role because of a merger or acquisition, such as a CEO who switched to become the COO when his/her successful company was acquired by another company (16.7%).

Table S2
Validation Data: Media Reports Verifying Firms that Statistical Formula Coded as “In Decline”

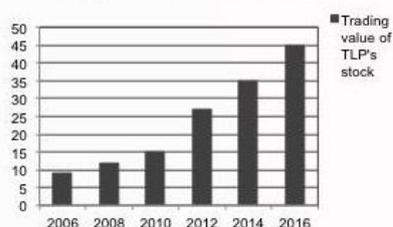
| Company | Date of CEO succession | Sample of Media Report Verifying Performance Decline |
|--------------------------------|------------------------|--|
| Advanced Micro Devices Inc. | 8/10/2014 | <p>“AMD had a terrible year in 2014. Share prices plunged 32% lower, mostly in a difficult span from September through October. The microchip designer missed Wall Street earnings targets in each of its two latest quarters, and analysts expect more pain ahead.”</p> <p>(“3 Turnaround Stories We’re Watching in 2015”, Retrieved from https://www.fool.com/investing/general/2015/01/24/3-turnaround-stories-were-watching-in-2015.aspx)</p> |
| Gateway, Inc. | 3/11/2004 | <p>“The deal, which comes one day after Gateway posted its 12th loss in 13 quarters, is the latest effort by the troubled company to stanch its losses and capture a bigger share of the market for low-end personal computers.”</p> <p>(“Gateway Makes Deal To Acquire Emachines”, Retrieved from http://www.nytimes.com/2004/01/31/business/gateway-makes-deal-to-acquire-emachines.html)</p> |
| TCSI Corporation | 8/7/2000 | <p>TCSI’s stock price was the same as the NASDAQ average in 1997 and then dropped 95% two years later, at which point they filed for bankruptcy (Security and Exchange Commission Form SC 14d-9, filing date 11-19-2002, page B-14).</p> |
| International Technology Corp. | 7/29/1992 | <p>“But Sheh has his work cut out for him. IT has seen work slowdowns and earnings declines in its core engineering, remediation and analytical services businesses, and it is plagued with some critical financial exposures.”</p> <p>(“Top Parsons exec to head IT Corp”, Retrieved from <i>Academic LexisNexis</i> [Engineering News-Record, Vol. 229, No 6, published on August 10, 1992])</p> |
| Sybase | 11/1/1998 | <p>“Once a competitor to tech giants like Oracle, Sybase fell hard in the late ‘90s. As Bloomberg Businessweek reported last year, Sybase’s fortunes were so bad that one research firm had pegged it with a 70 percent chance of failure when Chen stepped on board in 1998...By the end of 1998, Sybase’s stock had fallen below \$5 a share, having lost 91% of its value over the previous four years.... It was in a ‘death spiral’”</p> <p>(“Who is John Chen, BlackBerry’s new CEO?”, Retrieved from https://www.theverge.com/mobile/2013/11/4/5065280/blackberry-interim-ceo-john-chen-profile)</p> |

| | | |
|-------------------------------|-----------|--|
| UTStarcom Holdings Corp. | 1/1/2007 | <p>“Trouble began brewing for UTStarcom in February. At that time, the company revealed auditors were investigating how it booked revenue from a 2002 deal in India. That deal, with an unnamed customer, was worth around \$22 million with a total gross margin of less than \$1 million.”...“the Nasdaq stock exchange threatened to delist the company.”</p> <p>(“<i>UTStarcom’s CEO bows out amidst accounting mess</i>”, Retrieved from https://www.infoworld.com/article/2658179/networking/utstarcom-s-ceo-bows-out-amidst-accounting-mess.html)</p> <p>“UTStarcom, a wireless network equipment and phone maker, disclosed a regulatory investigation and warned of a quarterly revenue shortfall, setting off a 26 percent decline in its share price yesterday”</p> <p>(“<i>Business briefs</i>”, Retrieved from https://www.nytimes.com/2005/10/08/business/business-briefs.html)</p> |
| Digital Microwave Corporation | 5/1/1992 | <p>“[...]the company reported a loss of \$9 million, compared to a loss of \$3.1 million for the year-ago period. Sales were \$52.2 million, compared to sales of \$44.4 million.”</p> <p>(“<i>Digital Microwave lays off 61 workers</i>”, Retrieved from https://www.upi.com/Archives/1992/11/17/Digital-Microwave-lays-off-61-workers/1667721976400/)</p> |
| UTStarcom Holdings Corp. | 2/1/2010 | <p>“The next quarter, UTStarcom’s results shocked the market with revenues significantly below expectations.”</p> <p>(“<i>CIA workers trained Wall Street firms to detect lies</i>”, Retrieved from https://www.theguardian.com/world/2010/feb/02/cia-investment-financial-eamon-javers)</p> |
| 3COM | 4/29/2008 | <p>“[...] the company’s cash position is significantly impaired and the company has been hurt by Cisco’s recent focus on the market.”</p> <p>(“<i>Too Much Risk with 3Com Shares</i>”, Retrieved from https://www.zacks.com/stock/news/11572/too-much-risk-with-3com-shares)</p> <p>“[f]rom 2004 to the beginning of the recession in December 2007, 3COM fairly consistently operated in the red” (“<i>3Com Corporation: Poised to Profitably Emerge From Downturn</i>”, Retrieved from http://thevalueatrisk.blogspot.com/)</p> |
| Komag, Inc. | 8/1/1999 | <p>“The company's robust growth since 2004 is all the more impressive when you consider it was in a tailspin when Mr. Tan took the helm in 1999” ... “Komag's annual revenue has more than doubled to \$686 million since those dark days”... “demand for hard drives was hit by a powerful slowdown in PC sales. Before it was delisted from Nasdaq during its troubles, Komag shares were trading at 16 cents”</p> <p>(“<i>Ready to move on after rebuilding Komag</i>”, Retrieved from https://www.bizjournals.com/sanjose/stories/2006/06/26/smallb1.html)</p> |

Organization Performance Description

From Strength to Strength: TLP's Outstanding Stock Performance

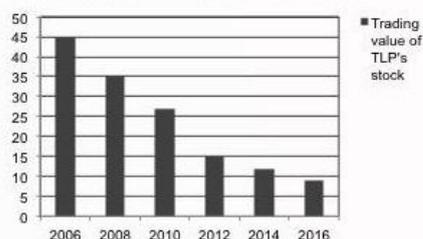
Trading value of TLP's stock



Last Thursday, TLP – a large international stationary company- published its financial performance report for 2016. TLP's financial performance increase continues. 10 years in a row, TLP had continued recording financial gains. Relatedly, there is a dramatic increase in the trading value of of the company's stock over the last decade

Going Down: TLP's Disastrous Stock Performance

Trading value of TLP's stock



Last Thursday, TLP – a large international stationary company- published its financial performance report for 2016. TLP's financial performance decrease continues. 10 years in a row, TLP had continued recording financial losses. Relatedly, there is a dramatic decrease in the trading value of of the company's stock over the last decade

Candidate Descriptions in Study 2

[Name candidate] a 49-year-old Caucasian/Asian American male, graduated in 1991 from the University of Arizona as a Finance major. Mr. [name] has been employed at different companies. For the last five years he worked in the same U.S.-based organization as the director of finance. Mr. [name]'s responsibilities included reviewing and overseeing the preparation of monthly and annual budgets, as well as forecasts for operating divisions, ensuring departmental practices are compliant with company policies and legal requirements and reviewing and analyzing the capital expenditure budget.

[Name candidate] a 48-year-old Caucasian /Asian American male, graduated in 1992 from the University of Texas as an Accounting major. Mr. [name] has been employed at various firms. For the last six years he worked in the same U.S.-based company as the director of accounting. Mr. [name]'s responsibilities included overseeing the preparation of monthly, quarterly, and year-end close processes, as well as developing and maintaining a system of controls and processes that ensure company assets are protected and that all financial reporting is prepared in compliance with organizational policy and overseeing accurate expense allocations.

Candidate Descriptions in Study 3

[Name] is a 49-year-old Caucasian American / Asian American male, graduated in 1991 from the University of Arizona as a Finance major. [Name] has been employed at different companies. For the last five years he worked in the same U.S.-based organization as the director of finance.

[Name] is a 48-year-old Caucasian American / Asian American male, graduated in 1992 from the University of Texas as an Accounting major. [Name] has been employed at various firms. For the last six years he worked in the same U.S.-based company as the director of accounting.

Candidate Description in Study 4

"The candidate is an *Asian American/African American/Caucasian American* man who graduated in 1992 from University of Arizona as a Finance major. He has been employed at different companies. For the last five years he worked in the same U.S.-based organization as a financial planning manager. His responsibilities included reviewing and overseeing the preparation of monthly / annual budgets, as well as forecasts for operating divisions, ensuring departmental practices are compliant with company policies and legal requirements and reviewing and analyzing the capital expenditure budget. While he sometimes has problems with certain co-workers, he/she is generally good tempered."

Additional Analyses for Study 4

Our dependent measure in Study 4 – leadership evaluations – consisted initially of three components: (1) A two-item prototypicality measure adapted from Cronshaw and Lord (1987). The items were ‘How typical of a leader do you think the candidate to be?’ and ‘To what degree does the candidate to fit the image of a leader?’ (1= not at all, 7 = completely, $r = .71$, $p < .001$). (2) A three-item anticipated effectiveness measure adapted from Giessner and Van Knippenberg (2008). The items were: ‘The candidate will be a good leader.’, ‘The candidate will be very effective if he were to become the new senior financial director.’, and ‘The candidate will be successful as the new senior financial director' (= completely disagree, 7 = completely agree; $\alpha = .92$). (3) A single item perceived suitability measure, asking the participants their level of agreement with the statement “The candidate is suitable for this position.” (1 = completely disagree, 7 = completely agree).

In the main text, we present the results for a composite score given the strong intercorrelations between the initially separate measures (correlations range between .75 and .83) and the exploratory factor analysis identifying a single underlying factor with an eigenvalue above 1 (*eigenvalue* = 4.66). Below, we present the findings when we separately analyze these components. Means and standard deviations can be found in Table S3.

When we conduct ANOVAs with candidates’ race, organizational performance and their interaction as independent variables and leadership evaluation measures as dependent variables, we find similar patterns as with the composite score. All the main effects were non-significant ($F_s < 2.25$, $p_s > .11$). There were (marginally) significant two-way interactions between candidates’ race and organizational performance on leadership evaluations.

Organizational performance context moderated the relationship between candidate race and leader prototypicality, $F(2, 193) = 2.56$, $p = .080$, anticipated effectiveness, $F(2, 193) = 3.44$,

$p = .034$, and suitability, $F(2, 193) = 2.69$, $p = .071$. We employed planned simple contrast analyses to compare candidates' evaluations for the decline and success conditions. When organizations went through decline, participants perceived an Asian American candidate as a more prototypical leader than when organizational performance was strong, $F(1, 193) = 4.55$, $p = .034$, whereas performance context did not affect their prototypicality perceptions of an African-American candidate ($p = .593$) or a White candidate ($p = .471$). When organizations went through decline, participants expected an Asian American candidate to be a more effective leader than when organizations performed well, $F(1, 193) = 3.81$, $p = .052$, whereas anticipated effectiveness of an African-American ($p = .196$) or a White ($p = .219$) candidate did not differ when organizations were experiencing decline or success. Finally, when organizations went through decline, participants expected an Asian American candidate to be a somewhat more suitable leader than when organizations were successful, $F(1, 193) = 3.30$, $p = .071$, while perceived suitability of an African-American ($p = .244$) or a White ($p = .397$) did not differ as a function of organizational performance.

In addition to leadership evaluations, we also measured how the participants evaluated the candidates on the two basic dimensions of interpersonal perceptions: competence and likability. Our analyses on these measures yielded comparable patterns as the leadership evaluations measures. That is, in times of decline perceivers attributed higher competence and likability to Asian American leaders. These attributions were in turn related with more positive leadership evaluations. These analyses provide insights into potential additional mediating mechanisms, suggesting that an enhanced fit between Asian Americans and effective leaders in times of decline can positively influence interpersonal perceptions, which in turn can evoke more favorable leadership evaluations.

Table S3.
Means and Standard Deviations per Condition in Study 4

| Measures | Condition | |
|----------------------------------|-------------|-------------|
| | Decline | Success |
| <u>Prototypicality</u> | | |
| Asian American | 5.42 (0.95) | 4.76 (1.44) |
| White | 4.72 (1.31) | 4.94 (1.07) |
| African American | 4.99 (1.34) | 5.15 (1.05) |
| <u>Anticipated Effectiveness</u> | | |
| Asian American | 5.31 (1.06) | 4.68 (1.42) |
| White | 4.42 (1.28) | 4.81 (1.29) |
| African American | 4.84 (1.40) | 5.27 (1.10) |
| <u>Suitability</u> | | |
| Asian American | 5.65 (1.26) | 5.00 (1.59) |
| White | 4.85 (1.44) | 5.14 (1.40) |
| African American | 5.31 (1.51) | 5.73 (1.22) |