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# SOCIAL INNOVATION

*review*

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by Clara Miller

## Reimagining Microfinance

*Microfinance institutions can have their impact and profit, too.*

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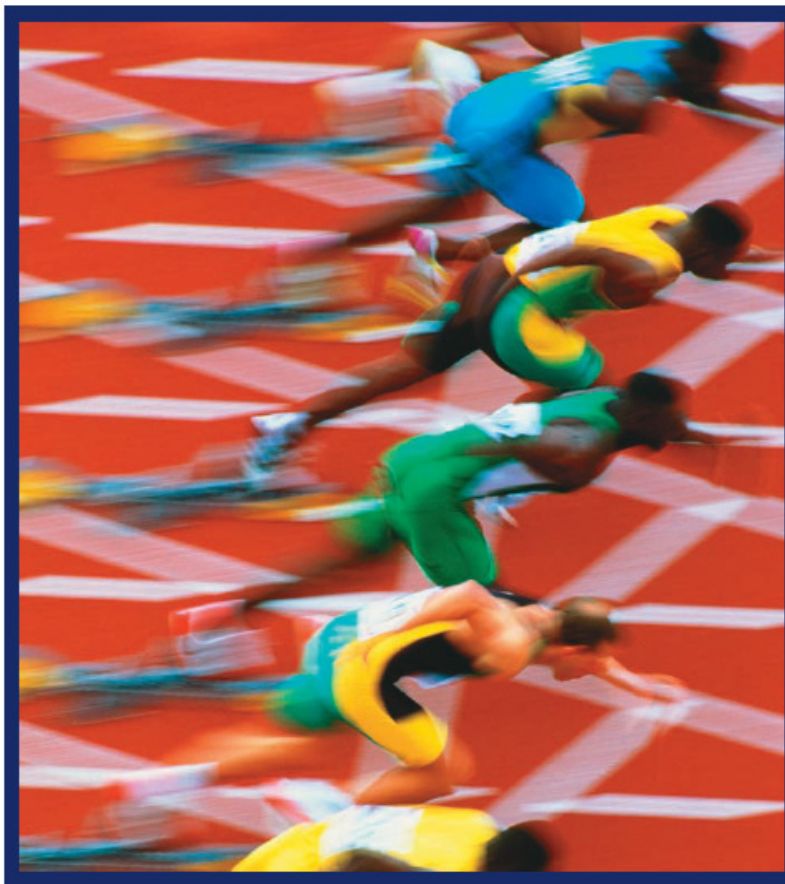
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# C-Level Diversity

*How to get more racial minorities into corner offices* by John Rice

Last September, on the 50th anniversary of the landmark desegregation of Little Rock Central High School, Americans acknowledged how the Little Rock Nine (as the first group of black students came to be called) prompted dramatic changes that would create new opportunities for minorities in the coming decades.

Indeed, the face of America has changed dramatically in the last 50 years. Consider the demographics of Houston, for instance, our nation's fourth largest metropolitan area. Although 55 percent of Houstonians age 50 and older are white, 77 percent of young adults ages 18 to 30 are minority. And demographics are shifting similarly across the United States—except in corporate America's executive offices, that is.

Despite composing 28 percent of the overall U.S. population, African Americans, Hispanics, and Native Americans represent only 14 percent of graduates from leading undergraduate colleges and universities. What's more, these minorities fill only 6 percent to 7 percent of the fast-track entry-level jobs post-college, 8 percent of the major MBA programs, and 3 percent of senior executive positions at major corporations.

## Why the Problem Exists

Students of color have always prioritized going to college, despite the

many obstacles along their path. Still, only 45 percent of minority college students graduate within six years, whereas 63 percent of their white peers graduate within that same time frame. One in two minorities won't graduate at all—and therefore won't stand much of a chance of securing a top-notch job.

Even if minority college students excel in their coursework, they still won't be taught critical ingredients for realizing their career potential: a preparatory road map—a prescriptive approach to building relationships, experience, and critical skills—including coaching and mentoring from professionals who have “been there, done that”; hard and soft skills, including analytical problem solving, leadership, and oral and written communication skills; relevant work experience; door-opening relationships; and high-performing peer networks.

This is not to say that all white students have access to these ingredients. But minority college students tend to struggle more with the transition from graduation to a career, because they haven't been exposed to them. Consider the following scenario, variations of which I've seen frequently in

Silicon Valley.

José, a Hispanic Stanford University student on scholarship, excels in math and wants to be an entrepreneur. His parents, who did not attend college, encourage him to study engineering. In his senior year, José gets a job offer from a Fortune 50 defense contractor near his hometown of Los Angeles. He also learns that a rapidly growing, early-stage tech company in Silicon Valley is hiring engineers. José has no mentor in the high-tech world who could help him assess these two opportunities as they relate to his long-term goals. Meanwhile, his parents encourage him to accept the job at the defense company, because it employs people they know.

José takes the defense company job, intending to transition to more entrepreneurial opportunities after he gains some solid experience. He pursues opportunities at smaller tech firms a few years later, but he has few relationships in the tech sector and decides to stay put.

Meanwhile, his white engineering classmate at Stanford, whose uncle enjoyed a successful career in the technology sector, now works at his second start-up company, which is getting acquired. Drawing from the industry relationships he has built since college, he is also working on his own start-up.

Why don't we teach critical ingredients instead of leaving young people such as José to discover them



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alone? Would we ever allow the Stanford football team's quarterback to put together his own playbook on game day and have no access to coaching during practice?

Other roadblocks to getting diverse candidates into corner offices: At major private equity firms—which each year hire about two MBA-level associates out of a pool of 50—a desirable candidate should have two to three years' experience in investment banking or management consulting, another two years at a smaller private equity firm or in leveraged finance at an investment bank, and an MBA from a top business school.

But minority candidates are less likely to have had all this experience, given that they probably weren't exposed to private equity in college, and they never had access to a preparatory road map. White hiring partners and minority candidates also probably have fewer personal experiences in common, so they aren't as likely to connect personally during an interview. Yet organizations rate "fit with the firm's culture" as a highly important hiring criterion.

Minorities aren't the only ones who suffer in such scenarios. With the aforementioned demographic shifts occurring across the country, the pool of white males qualified to fill central roles will dry up, and recruiters will be left scrambling.

### How We Solve This

We must formalize and institutionalize the ingredients referenced earlier. Corporations must focus on fostering solutions and abandon one-off transactional initiatives that won't have any meaningful impact. Our nation's most well-respected companies create innovative strategies for bringing products to market and for measuring results. If

these companies applied the same level of innovation and discipline to their strategies for attracting and developing minority talent, their portfolio of initiatives would look much different, and the diversity problem would largely disappear within 10 years.

Consider, for instance, how corporations structure their "diversity departments." These departments develop strategies for minority recruitment and retention, and largely consist of minority staffers whom management considers more credible on the issues than their white counterparts. But an inherent conflict exists: Minorities leading diversity departments are themselves navigating the tricky waters within their firms and may consider it potentially detrimental to their career to tell senior management, "What we have been investing in for the last several years will never deliver game-changing results." At best, most diversity department managers will recommend incremental changes. Faced with the same challenge, however, a line executive would likely invest in high-potential but unproven approaches, as he or she has built a reputation elsewhere in the firm and can afford to take the risk.

We must also inform corporations, educational institutions, and philanthropists that if we ever hope to tackle broad societal issues such as K-12 education, poverty, health care, and crime, we must develop minority talent. Until we see a critical mass of minorities in senior leadership positions, our nation will struggle to solve the socioeconomic issues that plague our underserved communities. A powerful network of leaders can change the economic face of a community by funding big ideas, mentoring future leaders, giving rise to committed philanthropists, and expanding

access to job opportunities.

I founded Management Leadership for Tomorrow (MLT) to institutionalize a talent development system that would accelerate minorities from the classroom to the corporate executive suites, entrepreneurial ventures, and nonprofit organizations that drive our economy and fuel our communities. MLT built this system around improving achievement levels at the four critical transition points on the path to senior leadership: high school to college, college to early career, early career to graduate business school, and ultimately, mid-career to senior management. At each transition point, and in close partnership with leading institutions that set the bar for excellence—Citigroup, Goldman Sachs, Google, McKinsey & Company, PepsiCo, Pfizer, and the nation's top business schools—we equip talented minorities with the ingredients for high achievement. In just five years, MLT has become the No. 1 source of minorities at the top 10 business schools. In addition, more than 90 percent of our undergraduate fellows secure fast-track jobs after graduating from college.

We hope that through MLT's efforts and those of many other organizations, we will significantly level the playing field for minorities in senior leadership. Think of a highly successful Silicon Valley start-up, and imagine what would be different today if just one of its founders had been African American or Hispanic. How many careers would have been accelerated, how many minority-run start-ups would have been funded, and how many more philanthropists would now be focusing on the struggling communities from which they came? I look forward to the day when we no longer have to speculate. □