Executive EDGE

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TAKING TIME TO DIVERSIFY

More and more U.S. companies are recruiting minority directors these days—and finding the task surprisingly difficult. Many potential candidates who are wooed by big businesses already serve on multiple boards and turn down proposals to take on more directorship duties.

The drive for diversity at the top levels of corporate America has been slow. In 1996 members of racial minorities occupied just 4 percent of all board seats at the 878 biggest public corporations. About 15 of the nation's largest 100 companies—including Boeing, Exxon, Compaq Computer, and Sprint—lack any minority directors. But pressure on boards to rectify this situation is intensifying, particularly in the wake of Texaco's recent settlement of a race-bias suit.

Civil rights activists, too, are clamoring for change. In January 1996 the Rev. Jesse Jackson launched an effort that will rank 100 U.S. businesses on their commitment to racial and sexual equality; board diversity will be a factor in a company's rating.

But corporate directors, answerable to shareholders, look for high-profile senior business executives with extensive experience, and few minorities have reached the upper echelons of big business. Those who have are so courted that they find themselves having to just say no.

Chris McAllister

Former congressman William Gray, president and CEO of the United Negro College Fund, is a member of six corporate boards. Claiming he is "overboarded," Gray says he will not take any more seats.

Gray suggests that the challenge now is to look for the less visible candidates. They can be drawn from the ranks of experienced entrepreneurs and government officials, assert some African Americans and other minorities, who feel that minorities in these fields have been overlooked. In recent decades, scores of black Americans have created businesses; the 100 largest black-owned companies each realize annual revenue of between $18.3 million and $2.1 billion, according to *Black Enterprise* magazine.

Vernon Jordan, a senior partner at a Washington, DC, law firm and a director of nine concerns, agrees that companies need to expand their searches. "Companies have to work harder. That takes time and . . . a willingness to do it."

From Joann S. Lublin, "Competition for Minority Directors Heats Up," Wall Street Journal, *February 18, 1997, p. B1.*

WILL A SCORECARD HELP MOVE YOU OUT IN FRONT?

A current front-runner in the never-ending race to find winning management tools is the corporate scorecard, a sophisticated business model that has been touted everywhere from consultants' offices to the *Harvard Business Review*. Basically a performance measurement system, a scorecard can be tailored to track exactly what a company deems to be important to its success and make that information easily accessible to all company managers. The idea is so popular that 64 percent of U.S. companies are experimenting with a scorecard model, according to a recent study by the Institute of Management Accountants.

But controversy has accompanied the popularity of the scorecard concept. What should a company track? To advocates of the numbers-based approach, a scorecard should use only financial data, such as revenue growth and return on investment. Activities must be measured in terms of value to the organization. But to supporters of a "balanced" scorecard, financial data should be used in combination with softer measurements, such as employee and customer satisfaction, or product development cycle times.

Both approaches have proved successful. At Shell, which has used a numbers-based approach, net income, cash flow, and revenue have all improved over several years. But for Analog Devices, a semiconductor maker, numbers do not tell the whole story. Its balanced scorecard model has enabled managers to spot potential problems that financial information alone would not have revealed. This approach has paid off for Analog—since 1991 its revenues have doubled and its operating profits have steadily increased.

Any company developing a scorecard model, whether balanced or numbers-based, must examine its assumptions about what drives its success. This kind of focus can help any company improve its bottom line.

From Joel Kurtzman, "Is Your Company Off Course? Now You Can Find Out Why," Fortune, *February 17, 1997, pp. 128-130.*