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Room at the Top?

By RON STODGHILL

CORRECTION APPENDED

The executives are a study in contrasts. One is a brash risk-taker who bootstrapped his way from an Alabama cotton farm to one of Wall Street's largest brokerage firms. The other made his mark as a consensus builder who leveraged ties to one of America's most powerful families to eventually lead the world's largest media company.

E. Stanley O'Neal, 56, at Merrill Lynch and Richard D. Parsons, 59, at Time Warner, have nevertheless inhabited the public imagination as two executives who helped rewrite history by breaking down cultural barriers and rising to lead Fortune 500 companies.

But Mr. O'Neal retired under pressure this week after an unauthorized merger approach to a rival bank and an \$8.4 billion write-down that resulted in an overall loss of \$2.3 billion for the quarter. And Mr. Parsons has announced that he planned to retire by March at the latest. He has been under pressure to turn the reins over to Time Warner's president, Jeffrey L. Bewkes, whom analysts say is likely to accelerate a shake-up by spinning off business units like AOL and Time Warner Cable.

Along with ruminations on their legacies, their situations have led to a debate over whether their accomplishments have helped break down barriers facing a younger generation of black executives angling for the corner office. Industry observers and civil rights leaders say Mr. O'Neal's ouster has shed much-needed light on the dearth of African-Americans in so-called C-level positions in corporations, while underscoring the extent to which executive suites and boardrooms remain white male bastions.

The subject of race has proven to be delicate for African-American executives, many of whom prefer to view themselves as -- at least publicly -- an "an executive who happens to be black." They have earned the right through hard work, they say, to be judged on their merits.

"We have demonstrated that we can not only run companies and in many cases, run them quite well," says Marc Morial, president of the National Urban League, a nonprofit civil rights organization. "There is an abundance of African-American talent out there. My hope is that they will get their chance to rise up and pick up the mantle."

The chief executive of StarCom, Renatta McCann, said, "The victories of leaders like Stanley O'Neal and Richard Parsons are both symbolic and transformational."

That said, she added. "we have yet to reach a tipping point where the pipeline organically regenerates. We have to achieve momentum and velocity, and it has to achieve scale to make it sustainable."

To be sure, African-American chief executives preside over several large companies, including American Express (Kenneth I. Chenault), Aetna (Ronald A. Williams), Darden Restaurants (Clarence Otis Jr.), Sears (Aylwin B. Lewis) and Symantec (John W. Thompson). Several African-Americans also run or hold senior roles in major subsidiaries of Fortune 500 companies like General Electric (Lloyd G. Trotter), McDonald's (Don Thompson), the Boeing Company (James A. Bell) and Xerox (Ursula Burns).

While some critics this week raised questions of race in Mr. O'Neal's ouster, analysts and those with knowledge of Merrill's actions, say that was not the case.

Mr. O'Neal was judged, they said, by the same standards of others in his position -- the company's performance and his relationship to the board.

Mr. O'Neal could not be reached for comment.

A spokesman for Merrill, Jason H. Wright, said: "During the years Stan was here, as an organization we very much embraced a meritocracy and inclusiveness that has translated into a more diverse work force that we're proud of. The board has been very engaged in those initiatives and has no intention of changing, regardless of who is C.E.O."

Alfred Edmond Jr., editor in chief of Black Enterprise magazine, said, "One of the biggest lessons is that being C.E.O. doesn't make you bulletproof."

"First we had to learn what it takes to get into that top spot," Mr. Edmond said, "and now we're learning what it's like to live in it."

As evidence, he pointed to Franklin D. Raines, who led Fannie Mae, the mortgage buyer, for six years before stepping down in December 2004 amid an accounting scandal, and Ann M. Fudge, who resigned in 2005 for personal reasons as chief executive of Young and Rubicam Advertising after the agency failed to keep several key accounts.

"Corporate performance will be the sword that you live and die by," Mr. Edmond says.

"I know who I am when I go to bed, and who I am when I wake up," Mr. Thompson of McDonald's said. "I've never run away from a conversation when somebody asks what it's like to be an African-American executive."

But he added that he expects to be judged by his performance.

Beyond such visible exceptions as Mr. O'Neal and Mr. Parsons, some corporate diversity specialists say that in recent years, African-Americans have gradually lost ground to other minorities.

"When Carleton Fiorina left H. P., people said it was a rough time for women in the executive suite, but women in corporate America seem to be doing a lot better these days than African-Americans," said Frank Dobbin, a professor of sociology at Harvard who studies corporate diversity. "Forty years after the Civil Rights Acts were passed, we're much further behind than we should be."

Martin Davidson, a professor at the Darden Graduate School of Business at the University of Virginia, put it another way: "An individual can rise to the top for many reasons, and their rise does not mean that a real shift in the system has occurred. It could be many years before we see another African-American C.E.O. of a major corporation."

At Sears, Mr. Lewis said, "we are building a culture where every associate has an opportunity to excel, if they're willing to put in the work. We judge people by what they accomplish, not by who they are, what they believe or where they came from."

According to Management Leadership for Tomorrow, a nonprofit corporate diversity consulting firm, the pipeline of African-Americans accounted for less than 5 percent of top entry-level positions, and less than 3 percent of senior management jobs last year.

While 15 percent of college graduates are African-American and Hispanic, John Rice, president of M.L.T., said, they only represent 8 percent of M.B.A. students at the top 25 business schools, only 3 percent of senior management positions and 1.6 percent of Fortune 1000 chief executives.

The irony, Mr. Rice said, is that companies have become more aggressive in their diversity efforts. Among the catalysts have been payments in racial bias lawsuits. In 1997, Texaco settled a class-action suit for \$176 million. In 2000, Coca-Cola paid \$192.5 million to about 2,000 employees.

"Still, the number of blacks in those stepping-stone positions is very small," Mr. Rice said. "The reason there is no critical mass is that most companies focus only on short-term outcomes."

In fact, says Professor Dobbin of Harvard, some diversity programs have actually proved counterproductive. According to Professor Dobbin's 2006 review of diversity programs data filed by companies to the Equal Employment Opportunity Commission, initiatives aimed at reducing bias at the top resulted in a 6 percent decline in the proportion of black women in management.

In an effort to raise the ranks of black senior-level executives, the Executive Leadership Council, a nonprofit organization in Alexandria, Va., held a seminar in April called "Strengthening the Pipeline." The group's membership has grown to more than 400 from less than 100 in 1989.

The director of the organization, Carl Brooks, said some African-Americans have chosen a different route.

"The way my generation was educated was that we saw only one route to success, and that was to get hired by a company and go to work in a suit and tie and carry a briefcase," Mr. Brooks said. "But the days of corporate America having a monopoly on talent is over. African-Americans are looking at the work place in ways that are far more expansive than we did."

According to the most recent Census Bureau estimates, the number of black-owned businesses increased 45 percent to 1.2 million from 1997 to 2002, and combined revenue rose 25 percent to nearly \$89 billion.

Over the last quarter century, the 37 percent growth in self-employment among blacks has outpaced that of whites (10 percent) and Hispanics (15 percent).

But last week, Denise Kaigler, head of global corporate communications for Reebok International was scouting for an African-American executive to speak at the annual leadership day.

After more than an hour talking with three executives of the Boston Club, the region's largest organization of senior executives and professional women, only a handful of potential candidates emerged. "It's really sad," Ms. Kaigler said. "We shouldn't have to think so hard."

PHOTOS: Kenneth I. Chenault Chief executive, American Express(PHOTOGRAPH BY CHESTER HIGGINS Jr./THE NEW YORK TIMES); Don Thompson President, McDonald's USA(PHOTOGRAPH BY McDONALD'S, VIA ASSOCIATED PRESS); Ronald A. Williams Chief executive, Aetna(PHOTOGRAPH BY CHARLES DHARAPAK/ASSOCIATED PRESS); James A. Bell Chief financial officer, Boeing(PHOTOGRAPH BY BOEING, VIA EUROPEAN PRESSPHOTO AGENCY); Aylwin B. Lewis Chief executive, Sears; Ursula Burns President, Xerox(PHOTOGRAPH BY NIK ROCKLIN/XEROX, VIA BLOOMBERG NEWS); John Thompson Chief executive, Symantec(PHOTOGRAPH BY NOAH BERGER/BLOOMBERG NEWS); Lloyd G. Trotter President, GE Industrial Systems; Clarence Otis Jr. Chief executive, Darden(PHOTOGRAPH BY JOHN GRESS/REUTERS)(pg. C1); Richard D. Parsons, chairman and chief executive at Time Warner, is under pressure to step down and will leave by March. (PHOTOGRAPH BY CHIP EAST/REUTERS); E. Stanley O'Neal announced he would retire as chief of Merrill Lynch after an \$8.4 billion write-down in the third quarter.(PHOTOGRAPH BY MIKE MERGEN/BLOOMBERG NEWS)(pg. C11)