



American College of  
Healthcare Executives  
*for leaders who care*

## What CEOs Can Do to Improve Their Organization's Race/Ethnic Diversity

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CEO Circle White Paper  
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Healthcare Executives**  
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Suite 1700  
One North Franklin Street  
Chicago, Illinois 60606-3491  
(312) 424-2800 Phone  
(312) 424-0023 Fax  
[www.ache.org](http://www.ache.org)

# Introduction

In 1992, ACHE and the National Association for Health Services Executives (NAHSE) conducted the first comparison of career attainments of blacks and whites in healthcare management. The findings showed that blacks were less likely to hold senior-level positions, earned correspondingly lower salaries, and experienced less job satisfaction when compared with whites with similar education and experience. In response to the findings, the study's sponsors issued recommendations to assist CEOs, the national associations, and black healthcare executives to address the disparity.

A second study was conducted in 1997 that broadened the respondent group to include Asians and Hispanics. Two additional collaborating organizations—the Association of Hispanic Healthcare Executives and the Institute for Diversity in Health Management assisted ACHE and NAHSE. Despite the recommendations of the 1992 study, when the career attainments of white and minority healthcare executives were compared, minorities continued to hold fewer top management positions, earned less, and expressed less satisfaction with their jobs.

Despite the efforts made to level the playing field over the past six years, it is evident quite a bit of work remains to be done.

Disagreement remains, however, on which approach to take. Some recommend that minorities should “pull themselves up by their bootstraps” by obtaining advanced degrees, joining national professional organizations, and participating in other profession-enhancing activities. But others think that significant improvements in minorities’ career attainments can only really occur through a “top-down” approach—having organizational leaders espouse goals that articulate their commitment to minority advancement and implementing programs that advance those goals.

In this white paper, we consider the “top-down” approach to see if goals and programs initiated by organizational leaders can have a positive effect on minority healthcare managers’ attitudes and expectations. Using the data collected in 1997, we consider three issues. First, how can CEOs improve minority managers’ general satisfaction with their organizations’ racial climate? Second, how can CEOs increase minority managers’ sense of personal satisfaction and commitment to their organizations? Third, what are the correlates of minority managers’ expectations about being promoted and plans to remain in the organization? As we will see, many of the programs and processes that contribute to improving one issue area also affect other areas as well.

## Data

This paper draws on the data collected from a national survey of 1,664 Asian, Black, and Hispanic healthcare executives in the United States and Canada between April and June 1997. Responses were received from 735 (44 percent) of which 725 were useable in the analyses reported here. The overall findings of the study that compared these groups' careers to whites appeared in the March/April 1998 issue of *Healthcare Executive* magazine.

### **Issue 1: What can CEOs do to improve minority managers' general satisfaction with their organizations' racial climate?**

We measured general satisfaction with the organization's racial climate in two ways. First, respondents indicated agreement/dis-agreement to the statement, "Race relations within my organization are good." Second, agreement/disagreement was voiced to the statement, "Minority managers usually have to be more qualified than others to get ahead in my organization."

#### **Correlates of Reported Good Race Relations**

In a nutshell, CEOs can do four things to improve their organizations' overall racial/ethnic climate:

1. Encourage senior executives in their organizations to mentor minorities.
2. Tie diversity goals to business objectives. For example, capitalize on unique race/ethnicity or gender attributes of managers in crafting and executing your organization's strategies and operating procedures.
3. Fill vacancies for healthcare management

positions from within the organization when qualified minority candidates exist.

4. Reward fluency in Spanish when relevant.

Exhibit 1 shows that in organizations where these four features are present, minority managers were significantly more positive about their organizations' racial climate. Specifically, more than half of the minority healthcare managers said that race relations in their organizations are good when such organizations encourage their senior executives to mentor minorities—a gain of 16 points when compared with respondents in organizations that do not encourage mentoring.

Likewise, 58 percent of minority managers in organizations rated their race relations positively if diversity goals were tied to business objectives. No doubt, such organizations recognize that promoting diversity makes good business sense for at least three commonly espoused arguments: (1) the need to mirror diverse workforces and communities in strategic decision making, (2) the need to increase productivity through improved idea generation and organizational innovation, and (3) the need to avoid litigation.

Similar results held if the minorities feel the organization fills healthcare management positions by promoting those within the organization. This perception of a promote-from-within philosophy probably does much to enhance morale and motivate dedicated effort for the organization. Finally, if organizations reward fluency in Spanish (i.e., provide additional pay, provide greater visibility or by offering more promotional opportunities), minorities rate their organization's race relations more positively.

## **Correlates of Equity in Minority Career Advancement**

In places where senior executives are encouraged to mentor minorities, significantly fewer minority executives felt “minorities usually have to be more qualified than others to get ahead in my organization.” Similar findings held for organizations that, as appropriate, promote from within and reward fluency in Spanish. There was no significant relationship between perceived greater qualifications required of minorities and the presence of diversity goals tied to business objectives.

### **Issue 2: What can CEOs do to increase minority managers’ sense of personal satisfaction and commitment to their organizations?**

The answer to this question turns out to be: do many of the same things suggested above, namely, encourage senior executives to mentor minority managers, tie diversity goals to business objectives, fill management positions from within the organization, and reward fluency in Spanish.

Our measures of personal satisfaction and commitment are taken from the responses to the questionnaire we distributed. Specifically, we employ three measures: fairness of the organization in career development, satisfaction with pay and fringe benefits, and commitment to the organization.

### **Fairness of the Organization in Career Development**

To measure perceived fairness of the organization in career development, we asked minorities if they thought their organization was fair in (1) promoting individuals to higher positions, (2) providing tuition/support for continuing education, and (3) paying profes-

sional membership dues. These measures were combined into a fairness index.

The index showed that four actions would significantly influence minority managers’ sense of their organizations’ fairness: (1) mentoring by senior executives, (2) tying diversity goals to business objectives, (3) filling management positions by promoting from within, and (4) holding recruiting events targeted to minorities. (See Exhibit 2.)

### **Satisfaction with Pay and Fringe Benefits**

Satisfaction with pay and fringe benefits was taken from a specific item on the questionnaire. As shown in Exhibit 2, more than half of minority managers were satisfied with their pay and fringe benefits if senior executives were encouraged to mentor minority managers and if the organization tied diversity goals to business objectives. In addition, nearly two-thirds of minority managers were satisfied with their pay and fringe benefits if their organizations required a minority candidate to be on the short list for senior-level executive positions. Where such a mandate did not exist, fewer than half of the minority managers were satisfied with their pay and fringe benefits.

### **Commitment to the Organization**

A number of the same strategies discussed thus far also were correlated with minority managers’ personal commitment to their current employers. Using a previously validated eight-item index, we found that high commitment was related to senior executive mentoring, tying diversity to business objectives, promoting from within the organization, rewarding fluency in Spanish, holding recruiting events targeting minorities, setting targets for minority hiring, and providing job rotations for minority managers. One additional feature was uniquely

related to commitment—having a minority supervisor. (See Exhibit 2.)

### **Issue 3: What can CEOs do to improve minority managers' personal expectations with regard to advancement in the organization and how can they retain minority managers?**

We measured these expectations with two questions: “How likely is it that you will be promoted in the next year?” and “How likely is it that you will leave your employer in the next year?”

#### **Expectations to be Promoted**

Again, the same processes discussed above were related to achieving each of these objectives. Exhibit 3 shows that in organizations where senior executives are encouraged to mentor minorities, 27 percent of minority managers expect they will be promoted within the next year. In organizations where senior executives are not encouraged to mentor minority managers, 17 percent of minority managers expect to be promoted.

When management ties diversity goals to business objectives, nearly a third of minority managers expect they will be promoted within a year—roughly twice that expected by minority managers in organizations that do not establish this linkage.

Similar results pertain to the other processes. For example, as shown in Exhibit 3, about twice as many minority managers expect to be promoted in the year ahead in organizations that establish targets for promoting minorities and in organizations where minorities are required to be on the short list for senior executive positions.

#### **Expectations to Leave the Organization**

Conversely, when asked if they would likely leave their employer in the next year, 29 percent of those in organizations where senior executives are not encouraged to mentor minority managers said yes compared with 11 percent planning to leave where such mentoring is encouraged. In addition, tying diversity goals to business objectives, promoting from within, and rewarding fluency in Spanish also appear to have a positive impact on minorities' intentions to remain with their current employers.

Likewise, various activities designed to attract, promote, and encourage minority managers affect their plans to stay. These include targeting recruiting events toward minorities, setting hiring and promotion targets for minorities, and providing them with job rotations.

## Conclusion

The evaluation of the impact of the “top-down” approach to achieving improved career outcomes for minorities in health-care management has shown that CEOs can do much to improve the racial/ethnic climate of their organizations. Of the three issues examined, the single diversity initiative that related to improving every measure was encouraging senior executives to mentor minorities. Such personal investment in racial/ethnic minorities appears to hold the highest payoff in terms of contributing to a general positive feeling of good race relations as well as promotion of a feeling by minority managers that their organizations are fair and places where they will thrive.

Articulating specific goals—such as tying diversity initiatives to business objectives—are also significantly and positively related to improving minority managers’ overall perception of the state of race relations. Such goals serve to increase personal satisfaction, commitment to the organization,

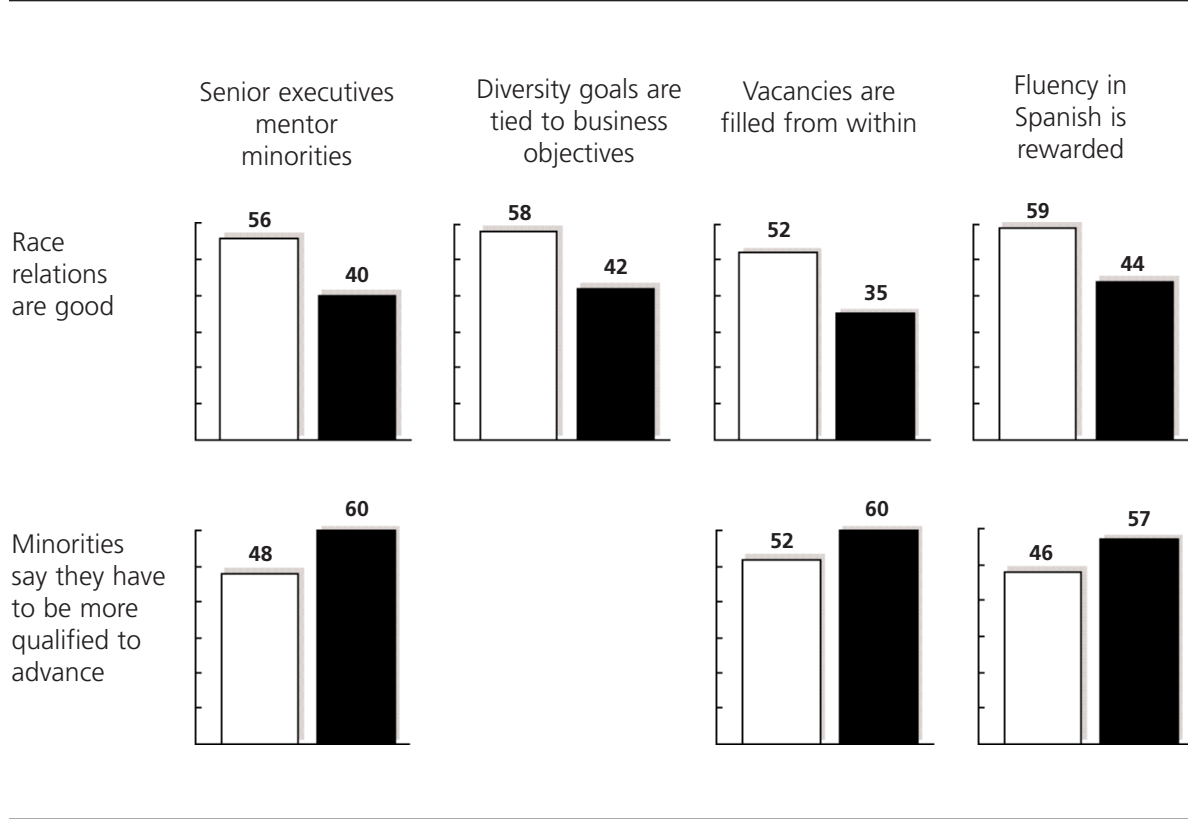
and effect positive expectations of what the organization will bring them in the future.

Likewise, implementing specific processes—like holding recruiting events targeted to minorities, setting targets for hiring and promotions, and providing job rotations can also contribute to improving the diversity outcomes in organizations where minority managers are currently employed.

These attitudinal outcomes are but one part of the effort CEOs can make to level the playing field between minorities and whites in healthcare management. Needed as well, are concrete, objective career outcomes that narrow the current gap in senior executive positions attained and salaries earned. To suggest what can be done, we have reprinted the recommendations offered by the four study sponsors at the conclusion of the report. (See Exhibit 4.) As the old adage goes, “Where there is a will, there is a way.”

# Exhibit 1

## Improving Minority Managers' General Satisfaction with their Organizations' Racial Climate



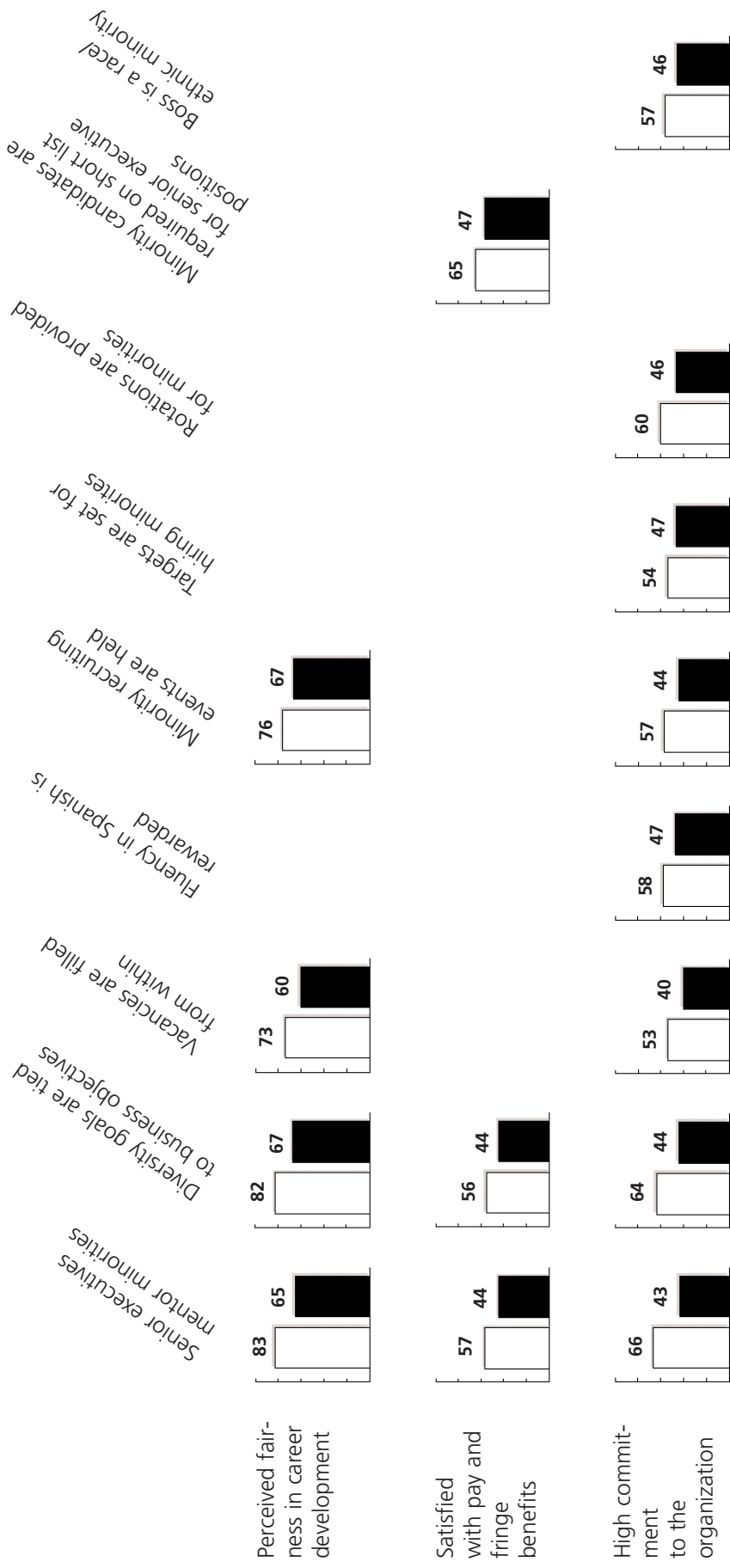
All comparisons in this figure were analyzed using the Chi Square test. All are significant  $p \leq .05$ .

Graphs were omitted where no significant relationship was found between the measures using the Chi Square test ( $p > .05$ ).



# Exhibit 2

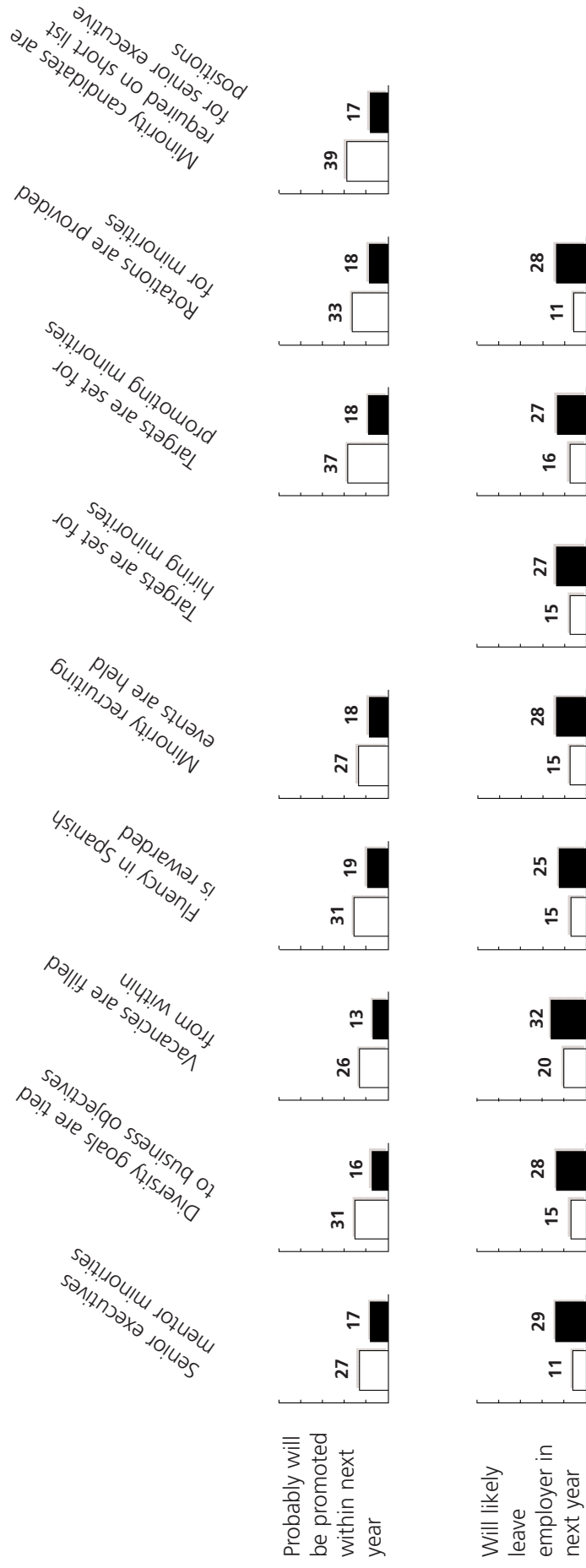
## Increasing Minority Managers' Sense of Personal Satisfaction and Commitment to their Organizations Exhibit 3



All comparisons in this figure were analyzed using the Chi Square test. All are significant  $p \leq .05$ .  
 Graphs were omitted where no significant relationship was found between the measures using the Chi Square test ( $p > .05$ ).

Percent Yes  
 Percent No

## Improving Minority Managers' Personal Expectations in and Remaining With Their Organizations



All comparisons in this figure were analyzed using the Chi Square test. All are significant  $p \leq .05$ .

Graphs were omitted where no significant relationship was found between the measures using the Chi Square test ( $p > .05$ ).

## Exhibit 4

### A Race/Ethnic Comparison of Career Attainment in Healthcare Management

#### Joint Recommendations of the Study Sponsors

##### A. Actions for the Professional Societies:

1. ACHE should reissue and re-emphasize its *Public Policy Statement* “Enhancing Minority Opportunities in Healthcare Management.”
2. NAHSE should publicize the availability of its job bank.
3. All four groups, ACHE, AHHE, IDHM, and NAHSE should meet annually to discuss progress and issues related to diversity in healthcare management.
4. Conduct a follow-up survey in five years.

##### B. Actions for Executive Recruiters

1. Urge clients to consider minority executives for senior-level positions.
2. Use the resume banks of NAHSE and the ACHE when conducting senior level searches.

##### C. Actions for Minority Healthcare Executives

1. Obtain a graduate degree.
2. Pursue postgraduate fellowships.
3. Approach practicing healthcare executives to serve as mentors and counselors.

##### D. Actions for Practicing Healthcare Executives

1. Publicize career advancement opportunities such as continuing education, networking events, and job vacancies inside the organization and elsewhere.
2. Consider developing and disseminating specific criteria for advancement in management that can be helpful in identifying and promoting qualified minorities. Such criteria could be useful to minorities who wish to prepare themselves for senior level positions.
3. Conduct regular reviews of senior management salaries to ensure salaries are equitable and non-discriminatory.