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Carla Ann Harris at Morgan Stanley

In August 2007, Carla Ann Harris, HBS '87, was on her way back from work deep in thought. She was a highly reputed banker with 20 years of experience at Morgan Stanley, a noted gospel singer, happily married and an inspiring mentor and public speaker. Harris was at an inflexion point in her career and had an important decision to make: should she stay in her current position in Capital Markets and stay on her current career trajectory, or start an Emerging Manager Program (EMP) at Morgan Stanley? The EMP would identify and provide capital, strategic advice and infrastructure solutions, to female and minority asset managers. Like all entrepreneurial ventures, however, it would not be easy to raise the required capital and support.

Early Years

Born in Port Arthur, TX, Harris grew up in a tight-knit, African-American family in Jacksonville, FL. Her family instilled a passion for hard work and excellence in her from a very young age. Her mother's philosophy was, "If you really want to get the 'A', go for the 'A+', so that if you get 'shaved' in this world, you still have the 'A'. Go above and beyond, so that you get your due." Similarly, Harris' grandmother told her, "Girl, whatever you are going to be, be good at it. So, if you're going to be a garbage man, be the *best* garbage man, swinging on the back of that truck." Her parents also taught her that excellence was something to be expected. For instance, when Harris came home from school and remarked, "So-and-so's momma gave her a quarter for her 'A's, where's my money?" her father responded, "You're supposed to get 'A's, why should I give you money for that?"

Watching her mother and grandmother balance career and family, Harris grew up believing that she could "have it all" if she worked hard enough. Her mother had started her career as a physical education teacher. She later returned to school to get a Master's degree and then became an assistant principal at a middle school. Harris recalled seeing her mother in her work clothes, looking "smart" and "professional," and wanting to be in her shoes one day. She also admired her grandmother who ran a very successful tavern. Harris admired her grandmother's boldness: "My grandmother always called the shots . . . no one told Miss Emma what to do."

Several experiences in junior high and high school also taught Harris the necessity of surmounting obstacles. Harris started singing informally when she was 9, but in eighth grade, a friend of hers suggested she come join the junior choir in the local Baptist church. Harris was born and raised

Professor Lakshmi Ramarajan and Alex Radu (MBA 2012) prepared this case. It was reviewed and approved before publication by a company designate. Funding for the development of this case was provided by Harvard Business School and not by the company. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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Catholic, but loved to sing, so she agreed. It was her introduction to gospel music and she loved it. Eventually, Harris was attending two church services every Sunday, one Catholic and one Baptist, and sang in both. When someone told the minister that Harris wasn't a member of the Baptist church, he asked to meet with her. She recalled the interview:

He said, "Ms. Harris, you sing pretty good. I've heard you a couple of times in those solos. But it's also come to my attention that you're not a member of my church. And you know you have to be a member of the church in order to sing in the choir. So, are you planning on joining the church?" And I said, "No, Reverend Taylor, I'm not, I'm baptized Catholic, and I am not going to change my affiliation. I'm sorry." And he said, "Well, what am I supposed to tell people when they ask me whether or not you're a member of the church?" I said, "I don't know, Reverend Taylor." And he looked down, he looked around, he looked at me, really studied me, and then he said, "Well, I know what. When they ask me, I'm going to tell them you try to enjoy Jesus any way you can."

Another critical experience occurred in the US Naval Junior Reserve Officers' Training Corps (NJROTC). After three years of participating, Harris was looking forward to becoming the commander her senior year of high school. She was the highest-ranking junior and this was the naturally expected progression. However, the commander chose a sophomore under Harris for the position. When Harris asked the commander about the reason for his choice, she did not get a direct answer. While this left Harris, her peers, and her family wondering whether she was passed over because of her race, they urged her not to quit if JROTC was important to her. Harris revealed: "My parents wanted me to learn to function in an environment that may not always be fair for somebody who looked like me, but to never use that as an excuse for giving up or walking away."

Her senior year brought more surprises. Harris observed that several of her classmates were applying to Ivy League colleges; however, her high school guidance counselor told her that if she applied she would only be disappointed. Harris ignored the advice and was accepted to all of the Ivy League colleges to which she had applied, including Harvard College. She gave up full scholarships to other institutions to attend Harvard, even though she knew that she would have to work several part-time jobs to cover the associated costs.

Exploring New Opportunities: Harvard College and HBS

Harvard challenged Harris' ideas of what she could do professionally and personally. After her introductory economics course, Harris decided to major in Economics, despite counsel by some that it would be challenging. Harris ultimately wrote a senior thesis that was recommended for High Honors by the Economics Department, and graduated *magna cum laude*.

While at Harvard, Harris joined the Radcliffe Choral Society, a classical music group. Harris noticed that there were very few African-Americans in the group and wondered why that was the case. She traveled with the group multiple times, including a trip to Leipzig, Germany in 1983, where she performed "Ain't Got Time to Die" in front of a large, non-English speaking audience. Harris recalled noticing that people in the audience cried at the same emotional cues that she'd thought only English speakers would have been able to pick up on. "That's when I discovered that music was indeed universal—that it was a vehicle to unite all of us that transcended all cultural and ethnic barriers and differences."

At Harvard, Harris considered various career options:

In the black community in the 1970s, there were three things that people pushed you to do. One was medicine, one was law, and one was teaching. Those were the three that people pushed you toward, because that's what they could see, that's where there were some examples in the community of people of color doing well. . . .

However, Harris was intrigued by what she was learning about investment banking. It would enable her to use her economics background and sharpen her analytical and quantitative skills. She managed to "test" investment banking through Sponsors for Educational Opportunity (SEO), a program established to offer summer internships in finance to minority candidates who otherwise might not consider this profession. Harris remembered her SEO internship:

That was the summer that changed the trajectory of my life. Because if I had not been exposed to investment banking then, I think I very easily could have been a lawyer. All of a sudden, I got to this thing called Wall Street, and I realized that it's the business people who call the shots, it's not the lawyers. The lawyers help you do it within the context of the law, but the business people make the decisions. And I wanted to be a decision maker. I also didn't see a lot of people who looked like me, so that attracted me to it as well. I thought, "People who look like me should be here, too."

Harris graduated from Harvard with offers from Yale and Harvard Law Schools, Harvard Business School (HBS), among other business schools, and seven investment banking analyst positions. She deferred her admission to HBS for a year and joined the consulting firm, BoozAllen, as they were flexible regarding a one-year position.

Harris found the transition from being a student to a 22-year-old professional at BoozAllen difficult. Harris assumed that her ability to balance numerous activities in college -- four or five classes a semester, three jobs, singing, and extra-curricular activities -- meant that she would be even more successful as a young professional if she could focus solely on her work. But she soon realized that if she focused on just her work, she was "not very effective" and her life was "not very fulfilling."

When she entered HBS, Harris decided to pursue her passions. She joined the Women's Student Association, the African American Student Union, signed up to be an undergraduate tutor, and found a band to sing with.

At the time Harris entered HBS, 25% of the nearly 800 students were women and 9% were minorities. A senior faculty member described HBS at the time she attended as a place where "coarse language, sexual innuendo, and a clubbiness excluded those that weren't male, white and athletic." And indeed students from her class did recall tensions over diversity, including prejudiced remarks by classmates¹. Harris was not naïve, but nonetheless, she did not recall personally negative experiences in relation to her race or her gender:

The person I ended up sitting next to seemed like she had not had a lot of exposure to people who look like me. But I never felt like people didn't respect me because of who I was or where I came from.

Yet, Harris felt the age differences between her and her peers keenly:

I had only worked a year. I was one of the youngest people in my class because I was accepted straight in from undergrad and then took that year off, so I was actually

coming in at 23 years old when the average age of my class was probably 27 to 28. It was clear that they had significantly more work experience from which to pull their in-class comments from and they had a more mature lens when looking at business issues.

Harris excelled in her classes and with her mother, father and her paternal grandmother proudly in attendance, she graduated with second-year honors in 1987.

Morgan Stanley

Overcoming Challenges in the Early Years

In the months leading up to graduation, Harris received offers from a number of Wall Street banks. After careful consideration Harris selected Morgan Stanley. A critical determinant of her decision was how comfortable she felt after her Morgan Stanley interviews. At the peer firms, she felt “pressure to not be herself:”

I never felt that pressure when I was with people from Morgan Stanley. When I went out to dinner with Morgan Stanley bankers, I never once had that uncomfortable “Oh, what am I going to say now, I’ve got to be impressive, how can I keep the conversation going, we can’t have this pregnant pause” feeling. We talked about everything from what the Fed was going to do with interest rates to teenage pregnancy and AIDS.

Harris observed that it was important junior members demonstrate that they could work long hours. Many junior members grumbled that face time was valued. As a result, at first, Harris did not tell anyone at Morgan Stanley about her passion for singing. She would just quietly leave the office for two to three hours on Wednesday nights to attend the Amateur Night at the Apollo Theater. The Apollo Theater was an important cultural institution in the black community and in American music culture as a whole—Ella Fitzgerald, Stevie Wonder, and James Brown had all had their start at Amateur Night.

In contrast, Harris openly explained to her colleagues that she was happy to work on Sundays but that her morning break for mass was non-negotiable. Some of her peers respected her commitment to her faith and even asked her to pray for them about their personal concerns and crises.

Through conversations Harris also began to sense that it was important for senior partners to perceive young Associates not simply as analytical and quantitative, but also as tough enough to work with them. One senior member of Morgan Stanley at the time described the environment as being “very Darwinian.” Harris recalled her first year:

I would ask this one particular person how to do something, and the person would say, “Ugh, you don’t know how to do that? Oh, boy. They didn’t teach you that HBS? Wow. Why don’t you go down the hall and ask so and so?” I never realized that the reason this person was telling me to go ask other people is that he didn’t know the answer himself. And so, there I would go, down the hall, to ask these other people how to do such and such, feeling completely mortified. Not everyone was like this person, but if you found yourself working with one of these kinds of people, it could be really tough.

Harris remembered three critical learning moments in those early years. The first was when a senior managing director approached her and observed, “You know you are smart, you work hard, but I don’t think that you are tough enough for this business.”

I thought to myself, what is he talking about? Is this guy pulling my leg? If I am nothing else, I am tough, but somehow THAT Carla was not showing up everyday. Somehow the authentic Carla had become muted. So I decided that I would reinforce who I really was, so for 90 days, I walked tough, talked tough, ate tough, drank tough, and used the word “tough” over and over in my language in the office. Sure enough, it wasn’t very long before people starting saying, “if you are going to meet with Carla Harris, be ready because she is tough or if you are interviewing with her, prepare yourself because she is the toughest interviewer at the firm.”

The second was when she was working for someone she found extremely challenging:

I assumed that since I kept getting assigned to this person that I was doing a great job and that they were requesting me. One of the experiences was so tough, that I finally went to the assignment associate and said, “I can’t take it anymore, I have got to work with someone else.” That’s when I learned that the reason that I kept getting assigned to that person is that all of my peers were refusing to work with the person. They were aggressively getting themselves assigned to other people, and I hadn’t even realized that I had the power to say no.

Her third lesson came the year that she did not get promoted on time. She recalled walking into her then boss’s office and hearing him ask:

“I was wondering when you were going to come in to speak to me. Don’t you know your colleagues have been here all year telling me how important it was that they get promoted? And I could not promote everyone. I had to make a decision. Somebody had to get cut.” Harris recalled, “I couldn’t even get angry because he just told me the truth. I got the lesson down: I was responsible for my career, and if I didn’t ask, I wouldn’t get.”

With a track record and political skill in hand, by the following year Harris was promoted.

Harris had thought that Wall Street was a meritocracy.

I thought the key to success was being smart and working hard and I knew I was at the top of the list on both of those. I didn’t realize, however, that there are a lot of intangible things that really influence your success equation, nor did I recognize that I had the power to influence these things and that frankly they were just as important as the hard analytical and quantitative skills.

She continued, “One of the most important reasons that I did not give up was my faith. I have a very strong faith and I would turn to it often to get pumped up and persevere. Despite the long hours in the early years, I never compromised on my church time on Sunday mornings.”

At the end of this early period Harris felt she had learned a few battle-tested pearls of wisdom, which she wrote down: 1) Perception is the co-pilot to reality; how people perceive you will impact how they deal with you 2) You are responsible for managing your own career and if you don’t ask, you won’t get 3) Being your authentic self will allow you to create a competitive advantage, because no one can be you the way you can be you.

The Capital Markets Group

After four years of working in Mergers and Acquisitions, Harris decided to transfer to the Capital Markets group, as Capital Markets was growing quickly. As a Capital Markets professional, Harris

priced IPOs, prepared management teams to talk to investors, and communicated investor feedback back to clients. Harris enjoyed the diversity of the deals she worked on, ranging from healthcare and transportation to technology. She also loved the challenge and creativity involved in positioning a company in the market, and the significance of building close, trusting relationships with clients.

Harris noted, "Often, the management teams have a negative perception of people who work on Wall Street and so they approach Wall Street bankers with a bit of skepticism, so I really loved the challenge of winning them over and making them feel like they could really trust our advice."

She continued:

As a syndicate person, I would not often see the client between when we were pitching for the business and when we would actually execute the business, I would often only have 2-3 weeks to meet them, establish credibility and build their trust. My first point of contact would often be in preparing the roadshow. I would listen to the presentation and give the CEO, CFO and other presenters critical feedback on the presentation. Often my banking colleagues would be more timid about giving the client direct feedback, as they were concerned about ruffling the client feathers. My approach would be to say to the client, "I am going to give it to you straight, no chaser, as my job is to make sure that you have a very successful deal and get the best outcome that the market has to offer and that begins with this presentation." And then I would proceed to tear apart the presentation. I would never just say this doesn't work, or this is terrible, I would always say why I thought it was ineffective, out of order in the argument, or irrelevant, and I would always offer a solution, a different way of saying it, placing it at a different point in the presentation. I would also allocate time in those sessions to prepare them on the kinds of questions that they were likely to get from investors. This tactic furthered my credibility, because as they received those questions during the roadshow, they would remember that I prepped them with those questions and feel good about how we had prepared them for success.

Harris' approach won her clients' trust. "I remember a very high profile client whom everyone was handling with kid gloves. My colleagues were hinting to me, really warning me, that I might not want to 'be so direct.'" Harris reflected:

I feel strongly that if you deal with people directly and authentically, they will trust you and they appreciate it. As we listened to the presentation, I thought that it was really bad and did not sell the story at all. I sat there struggling. I thought, "Wow, if I do what is being suggested, then we might never get to a great roadshow story and presentation and the deal's success might be compromised on the road and we will have a really big problem at pricing. But if I speak freely and the client doesn't like it, I could displease them, create problems in their relationship with the firm and perhaps get kicked off of the deal."

When it was my turn to speak, I just had to tell them how I really felt. But I also provided suggestions on how I would position the story, and what I thought would be attractive to a prospective buyer. The room was very quiet. I could tell that my banking colleagues were not pleased with me because of what they thought would happen next. The client got up out of his seat, moved to a seat next to me at the conference table and said, "I want to be closer to this lady to hear her ideas. She is getting us on the right course." And after that, every day on the roadshow, the client demanded that I be on the calls to give them feedback and coaching on how to improve on their presentation, until

we got to pricing. At pricing, we were highly oversubscribed and the team thought that the client would push us to be really aggressive on the pricing. As we presented the proposal and the alternatives, the client said, "We have a lot of demand, it seems like we could price higher, but Carla what would you do?" I reiterated our recommendation and how I thought the market would receive it. The client accepted our recommendation. I would like to think that they trusted the relationship that we had built and therefore the firm's intentions and integrity around their execution.

Indeed, one of her clients at this time was David Kenny HBS '86, then Chairman and CEO of Digitas. He recollected:

During the IPO, I remember that Carla had a lot of integrity. In February and March 2000, the markets had insane valuations for Internet companies. The NASDAQ was at 5000 the day we went public. But Carla wanted to make sure we did not let these valuations go to our heads. She looked at the fundamentals of the business, and made sure we were not being over-hyped by the Morgan Stanley salesforce. Her integrity served us well a few weeks later when the market crashed. I also remember that she was thorough in treating us as a client. Many companies were all going public at the same time, but she made sure we had enough focus and attention, as if we were her only client at the time. I never felt she was selling us anything we did not need -- she truly seemed to have a strong service ethic.

By 1999, Harris felt that she was "firing on all cylinders." She was recording her first album, even as she worked on five groundbreaking deals, including Digitas, Immunex, the largest common-stock transaction at the time, and UPS, a record-setting IPO. She felt it was time for her promotion to Managing Director.

Managing Director

Managing Director (MD) was a highly coveted and prestigious position in the firm; less than 20-25% of an incoming Analyst class was likely to be promoted to MD. Like everyone else in her position, she knew the stated requirements for promotion:

To be promoted to MD, candidates had to demonstrate the highest levels of technical expertise, show significant experience in resolving complicated unprecedented problems, command respect for their knowledge and insight among a vast array of people inside and outside the firm, show highly developed planning and organization skills, demonstrate the ability to persuade and influence others at the highest levels (CEOs and Presidents) and gain the complete confidence of clients, be well known within the industry or sphere of expertise, display leadership by clearly, credibly and consistently articulating departmental vision and strategy and leading by example².

This time, Harris decided to be more proactive. She scheduled a meeting with a senior partner and explained that she needed his help to be promoted:

I'd been working with this person for a long time, but I had never anointed him as a sponsor. Now it was time for me to be real clear on what this relationship was all about, and how I needed him. If he had said no, he was going to have to explain why!

He ultimately said yes. Carla was promoted to Managing Director that year. She reflected:

Nirvana is when somebody takes you under their wing very early on, when you come into an organization. But that doesn't often happen to everybody. And it doesn't often happen to women, and it doesn't often happen to people of color. So, for a long time, you've got to kind of make your own way, and pull sponsors opportunistically, when you need them.

A senior member of Morgan Stanley's management committee noted, "It took her longer than her peers. She wasn't given the platform to create the book of business she needed to. I was surprised at her endurance—how driven she was."

The following year, Harris released "Carla's First Christmas," the album she had been recording. In 2001, she married Victor Franklin, her high school sweetheart. Less than a year later she had the poignant experience of singing at Morgan Stanley's memorial service at St. Patrick's Cathedral, honoring employees who had died during the 9/11 attacks.

Developing Others

As Managing Director, Harris took on a key role in recruiting and mentoring several generations of new Morgan Stanley Analysts. Many of her mentees experienced her as strict but supportive. Brooke Reid, now a Managing Director, recalled a difficult interaction with a partner at a critical turning point in her career: "It was a tense situation because material for a meeting was not prepared. In my view, the reprimand was unprofessional and I was not allowed to give an explanation." Upset about it, Reid went to Harris expecting empathy but received "tough love" instead. Reid recollected:

Carla said, "Focus on your agenda and focus on what is constructive. This person is important. You have to find a way to acknowledge it and move forward. There was some truth to what the partner said, so own it and recognize this person's view, and then move past it and transform the relationship."

While Reid struggled to accept Harris' advice, she eventually followed it, and flourished.

Alice Vilma, (HBS 2007), now an Executive Director and a mentee of Harris', recalled hearing about Harris when she first joined the firm: "Carla had a huge reputation at the firm. She also had John Mack, then CFO, and others supporting her." Vilma recalled Harris quizzing her on her commitment and competence to be a banker. However, Vilma soon realized that once Harris determined Vilma would be committed and competent, Harris was an extremely supportive mentor.

Harris also began playing a role in developing talent outside Morgan Stanley. Some of her clients were asking her to come speak in their organizations to emerging leaders, men and women of all backgrounds. At one talk an audience member had asked her, "Did you know your voice would be so important?" Harris replied: "If you had asked me that question 15 or 20 years ago, I would have said, "Oh, my singing voice." I would not have forecast that it would have been my perspective and my speaking that would have had the multiplier effect that it has had."

In 2005, Harris released her second album "Joy is Waiting" and held a solo benefit concert at Carnegie Hall. Proceeds from ticket and CD sales went directly to organizations involved in increasing educational opportunities for students of color, such as the St. Charles Borromeo Catholic School in Harlem, NY and her alma mater, Bishop Kenney High School in Jacksonville, FL. In 2007, Harris' mother died. Along with her grief, Harris took on more family responsibilities, as she was now the sole caretaker for her father and grandmother who were 900 miles away. Her mother's death spurred her to crystallize her personal mission and purpose.

Next Steps: The Emerging Manager Program (EMP)?

Harris began to consider what she wanted to do next. Harris related:

I have always enjoyed being a banker, and I wanted to continue to do it in a way that was meaningful. However, as Carla the speaker, I had access to a whole set of existing relationships and unique entry points to new relationships that my banker colleagues did not. So I asked myself, how could I connect the dots as a banker, speaker, mentor and relationship-builder?

By 2007, the US share of global IPO volume had started to decline³ and opportunities for growth within Capital Markets were becoming more limited. Though business was slowing, it would eventually recover. So one obvious option was to stay within Capital Markets. She had good client relationships and could continue to build her franchise serving as a role model and mentor for young people within and outside the firm.

Another option was to start an Emerging Manager Program (EMP). Harris had begun searching for novel, entrepreneurial opportunities within the firm and had become increasingly interested in a potentially profitable area that the firm had neglected: women- and minority-owned asset managers. The global asset management industry had been steadily growing; the global value of total assets under management had risen from \$ 32.6 trillion in 2002 to \$ 57.2 trillion in 2007⁴.

Harris knew that large institutional investors such as public pension plans were seeking more diversity in their portfolio of managers. However, relatively few of these emerging asset managers had significant track records and access to funds. Harris' research suggested that providing emerging asset managers with funding and support could create a model for other investment banks on Wall Street to follow suit. In addition, it could create tremendous value for women and minority-owned asset managers. The EMP would be a platform that pulled together her professional expertise with her desire to help others.

However, there were also significant risks. Emerging manager funds of this nature could be viewed as niche and, thus, of limited importance to Morgan Stanley's core businesses. In addition, institutional investors were often conservative, so raising the necessary capital could be challenging. Finally, of course, selecting the right managers was always both a science and an art. But her research revealed a set of women and minority-owned hedge funds that appeared nimble and innovative. Who could be in a better position, given her relationships and experience, to bring together emerging managers and institutional investors?

Over the years, Harris had advised others to take risks to seize or create the right opportunity. Was this the right opportunity to take some risks of her own?

Exhibit 1 Carla Ann Harris Timeline

1962–1976	Born in Port Arthur, TX Raised in Jacksonville, FL. St. Pius V School, Elementary and Jr. High School
1976–1980	Bishop Kenney High School, <i>Summa Cum Laude</i>
1980–1984	Harvard University, <i>Artium Baccalaureus (AB)</i> in Economics, <i>Magna Cum Laude</i> Sings in Radcliffe Choral Society
1984–1985	Booz Allen
1987	Harvard Business School, MBA, <i>2nd Year Honors</i>
1987	Morgan Stanley, Mergers & Acquisitions Attends St. Charles Borromeo Church
1991	Morgan Stanley, Equity Capital Markets
1992–1999	Morgan Stanley, Sr. Member of the Equity Syndicate desk: UPS, Martha Stewart Living Omnimedia, Ariba, Redback, GM sub-IPO of Delphia Automotive, Immunex Corporation, etc.
1999	Morgan Stanley, Managing Director, ECM Records Carla's First Christmas"
2001	Marriage to Victor Franklin
2005	First solo concert at Carnegie Hall, "Joy is Waiting" album release
2007	Mother passes away

Source: Casewriter.

Endnotes

¹ Groysberg, B., K. Herman, and A. Lobb, "Women MBAs at Harvard Business School: 1962-2012," HBS No. 413-013. Boston: Harvard Business School Publishing, 2014.

² Excerpted from Burton, M. D., "Rob Parson at Morgan Stanley," HBS No. 498-054. Boston: Harvard Business School Publishing, 1998.

³ Jeremy Grant, Francesco Guerrera, and Krishna Guha, "The Cost Of Compliance: As Listings Go Elsewhere, U.S. Regulators Take A Fresh Look," *Financial Times*, November 20, 2006, p. 11; "What's Wrong With Wall Street," *The Economist*, November 25, 2006, p. 11.

⁴ Shub, Gary, et al., (July 2013), "Global Asset Management 2013 – Capitalizing On The Recovery," Boston Consulting Group.