

MIT SLOAN SCHOOL OF MANAGEMENT
MBA Convocation Speech
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First, a big congratulation to the Sloan MBA Class of 2015! I know what it takes to sit where you are sitting. I sat there 34 years ago. I don't remember much about my graduation day – it was a blur of camera flashes and hugs – with an incredible feeling of accomplishment. But, I did have one of my most memorable experiences two days before my Sloan graduation.

It is ironic that the great blues singer, B.B. King, died just a few weeks ago. Two days before my MIT graduation, I went to Logan Airport to pick up my sister, Linda. We both immediately noticed this very elegant, well-dressed man, standing by himself, and said, "That's B.B. King!" My sister walked over to him and started a conversation. She told him that I was graduating from MIT. Mr. King then invited us to his sold out concert that night and visited with us backstage. At the end of that evening, he gave me a big hug and said, "Daryl, congratulations on your achievement! Education – once you got it, they can't take it away from you!"

So, here you sit, just as I did 34 years ago. No one can take your MIT degree away from you – so the next big question is, "What are you going to do with it?"

You may be wondering what I did with it. I am the CEO of a company that owns and manages apartments serving low- and moderate-income families.

Ironically, B.B. King traveled the same path as my parents, all originally from Mississippi, during the time that there were few opportunities for African Americans in the segregated South.

Many ambitious young African Americans, like B.B. King, and my parents, Nolan and Flossie Carter, moved northward in the 1940s and 1950s – to cities such as Memphis, Chicago and Detroit.

Nolan and Flossie moved to Detroit, Michigan, to pursue the economic dream tied to the automobile industry. This was the start of my journey, on Detroit's West Side, in a working class, African American neighborhood. While not picture perfect, my neighborhood provided a stable setting for my family to pursue the "American Dream" – to own a house and motivate two kids to attend college and collectively receive five degrees. Unfortunately, today, that neighborhood is plagued by drugs, violence, and poverty.

In many respects, my journey has become a full circle – my company owns and manages apartments that serve low- and moderate-income residents in places like my old neighborhood in Detroit. We own 35 affordable apartment properties that comprise 7,000 units which are home to over 25,000 residents.

So, what are the lessons learned in this full circle journey – from the West Side of Detroit to the owner/manager of apartment communities in cities like Detroit and Oakland?

Lesson Number 1 – Maintain the Highest Standards: This, of course, is a bit redundant to all of you. Graduating from MIT is indicative that all of you have the highest standards. This was instilled in me at an early age by my parents. Growing up in Detroit, many of our reference points were about cars. My dad would say, "Be the Cadillac." I grew to love cars and the associated slogans. My favorites are:

- Cadillac – "The Standard of Excellence"
- Porsche – "Porsche, there is no substitute"

Yes, these are a bit over the top – but you have to have some "attitude" if you want to be the best!

In our efforts to transform affordable housing in the U.S., we apply a "Standard of Excellence" to the sector. Our communities are clean, safe, and well maintained. We like to think that we are the best in our industry at delivering quality to the affordable rental sector.

The name of my company, Avanath, is named after my two children, Ava and Nathan. I have great pride in my children and that name – I want our investors, employees, and residents to associate excellence with Avanath. Unfortunately, Ava, Nathan, and my wife Renee couldn't be here today – it is Ava's graduation from the St. Margaret's Episcopal Lower School.

Lesson Number 2 – Embrace Failure: Unfortunately, I learned this lesson rather late in my career, courtesy of the 2008 – 2009 financial crash. After launching Avanath in 2008, we came across a significant portfolio acquisition of over 200 apartment properties. A group of investors and I put up \$40 million in equity to acquire this portfolio and obtained a one-year, bridge loan to finance this acquisition. It was our plan to raise equity in the public or private market to repay the bridge loan. No such luck! Unfortunate timing! We ended up in a work-out with the bank, eventually losing the portfolio – and \$40 million of equity – half of which was my family's nest egg! A major failure is humbling and depressing.

Failure became a motivator for me. Failure gives you the ultimate reality check as you are forced to reassess and take inventory. Failures can be transformed to successes. I failed the first exam that I took at Sloan – first-year Economics – which made me work harder and become a better student. Embrace your failures and weaknesses. I recall the words of my first basketball coach, "Son, you have two problems with your game. First, you have only one go-to move. Second, it's not very good!" Those words, albeit harsh, were definitely a reality check – and they helped make me a better basketball player.

Our failure in 2009 provided me and my team with a clean canvas to re-think everything about affordable rental housing. We certainly could not achieve our current successes without experiencing our failure.

Lesson Number 3 – There Is No Such Thing As Too Much Analysis:

When you are creating new markets or transforming existing markets, you are up against a status quo of truths, norms, and biases. You have to counter these barriers with rigorous analysis and compelling data. For example, we learned that the median income of a renter in the U.S. is

\$35,000 per year. Our research shows that this renter wants to live within 30 minutes of his or her job or very close to mass transit. To be affordable, this renter should pay less than \$1,200 in rent per month. Our analysis showed that if we could deliver quality housing at that rent level, we would have strong occupancies. We now own apartment communities near major employment centers – Disney World in Orlando, University of Michigan in Ann Arbor, DFW Airport in Dallas. Our portfolio occupancy is in excess of 98%, with many of our properties having waiting lists.

Our use of analytics also supports the business case we make to investors – specifically that they can achieve attractive, risk-adjusted returns by investing in our apartment communities. We have attracted some of the biggest names among institutional investors to invest with us.

Lesson Number 4 – Embrace Diversity: I cannot think of a business or industry that can operate today without a sensitivity to the vast diversity of cultures, ethnicities, and generations within our world. Most of our properties are highly diverse. Our property in Long Beach, CA, is located in a community that is 25 percent African American, 25 percent Latino, 20 percent white, 15 percent Asian, and 15 percent Pacific Islander. Part of our strategy to serve this diverse community is to have property level and executive staff that is also diverse. But ultimately, our guiding principle is that there are far more similarities than differences, and that EVERYONE wants to live in a safe, clean, and attractive environment.

As a baby boomer CEO, my greatest diversity challenge is staying abreast of all the latest technologies that you 20- and 30-somethings use to navigate the world. I certainly rely on your peers within my company to enlighten me. And, when I need more technical training, I turn to the experts in my house – my 12 year old son, Nathan, or 11 year old daughter, Ava. I then learn the nuances of Instagram or the songs of Iggy Azalea!

One final point on diversity. While many of you might consider us baby boomers to be dinosaurs, please be mindful that baby boomers comprise

40 percent of the consumer demand and 70 percent of the household wealth. So, you kind of have to deal with us! But consider that there are lots of talented baby boomers that are retiring, some that would be great executive hires for your exciting new technology start-up.

As you move on to new endeavors, please consider that Google is a success because it serves the masses. Henry Ford did not invent the automobile – he made it affordable. Winning enterprises are built around solutions to problems that can impact the greatest number of people.

In conclusion, I am sure that all your heads are filled with freshly learned business jargon. So, I will leave you with some jargon from my old neighborhood in Detroit – a saying that you will hear in many urban areas or on hip hop songs.

The saying is, “Don’t hate the player, hate the game!” Of course, this means, don’t blame me, this is how the system works! The corollary that I like to live by is, “Don’t hate the game, change the game!” There are many challenges in the world that will create fantastic opportunities, if you have an attitude to change the game.

Sloan MBA Class of 2015, you have learned many things about management at Sloan. You have learned great things from your families as well as from your communities.

I wish all of you many successes in changing the game and making an impact on our world!

Thank you very much.