

Diversity: Beyond Compliance
*Creating Organizations that
Value, Leverage and Profit from Diversity*



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By Gregg Ward, C.M.C.

Summary. The American workplace and marketplace have changed rapidly and significantly in terms of the diversity of employees and customers in the past forty years. Companies which ignore these dramatic changes do so at their own peril. Creating an organizational culture which values, leverages and profits from diversity has become a business imperative for most firms. However, creating such a culture is complicated and challenging, even for the most sophisticated enterprises. This white paper outlines a comprehensive strategy for successfully creating an “inclusive” organizational culture wherein diversity – as it is most broadly defined - is valued, leveraged and profitable.

Background. Sooner or later, every organization awakens to the fact that the world has changed significantly since the 1960’s, when women, ethnic and racial minorities and other non-whites first started making major inroads into the workplace and marketplace. Prior to and during that politically and economically tumultuous period, the American workforce was almost entirely comprised of white, heterosexual males of Western European descent. Women and minorities - including African Americans, Asian Americans, Hispanics, native Americans and foreign-born nationals – comprised less than 15% of the American workforce (source: US Department of Labor) serving almost exclusively in line employee or lower level supervisory jobs.

Then, as a result of many influencers including state and federal employment compliance legislation mandating affirmative action, self-imposed quotas, hiring preferences, revamped career tracking processes, corporate changes in hiring philosophy and recruiting practices, women and minorities began making slow but significant progress in filling out the employee ranks within corporations and government agencies to the point where today they comprise a majority of employees in many of today's biggest and most successful companies.

However, it is interesting to note that the increase in participation by women and ethnic and racial minorities at the highest organizational levels, such as C-class officers and on the Board of Directors, is negligible by comparison to lower levels. The latest data indicates that they hold only 15% of these senior positions within S&P 500 companies (source: Institutional Shareholders Services).

During the same forty years, the American marketplace for goods and services also changed just as dramatically. For example, during the 1960's, African American and Latino/a (preferred to "Hispanic") annual consumer buying power was only a small fraction in comparison to whites. Today, together these "emerging markets" comprise approximately 30% of all consumer spending and each community boasts over \$800 billion in annual consumer spending (source: US Census).

Many American corporations have recognized that targeting these and other emerging consumer markets - such as Asian American, baby-boomers and retirees, gay and lesbian, organic and health conscious, environmental, and socially progressive consumers - with goods and services specific to their needs, helps build market share and increase overall revenues and profits. For example, the cellular phone industry was one of the first to aggressively target such emerging market consumers with demonstrable and lasting success. Clearly, many companies in many industries are doing a relatively good job with targeting and profiting from their efforts at serving "external diversity" (customers, clients).

This is not to say it has been easy for them. There are many industries, such as insurance, that find they are at a disadvantage in some emerging markets. For example, during the 1960's and 1970's there were a number of high profile scandals involving life insurance companies selling nearly worthless policies with extortionate premiums to African Americans. These scandals became legendary within that community. And as a result, African Americans as a group tend to be very wary about buying insurance. (To counteract this, a number of insurance

companies – AllState being the most obvious by contracting well-known African American actor Dennis Haysbert as a TV commercial spokesman – inaugurated marketing campaigns targeted directly at African Americans, and they have had some success.)

At the same time however, for many reasons including an intractable leadership determined to hold onto power and control; competitive organizational cultures which favored straight, white, males for succession to leadership positions; the failure to develop equitable promotional processes which enabled women and minorities to move higher in the ranks, and generalized though maddeningly subtle racism, sexism and bigotry, many companies find that they have had much less success with “internal diversity” (employees, partners, vendors.)

As a result, many companies continue to report higher turnover rates, transfer “churn,” complaints about discrimination and lower morale among women and minorities compared to the overall employee population. These powerful influencers have an undoubtedly negative effect on productivity, expenses and revenues, especially if the firm has been successfully sued for discriminatory practices and has had to pay compensatory and/or punitive damages, and/or been mandated to change hiring, promotion and training protocols.

And finally, despite successful efforts in targeting external diversity/emerging markets, and strongly worded corporate statements and marketing campaigns in public and diversity trade media about valuing and respecting diversity, many organizations are unable, or possibly unwilling, to create an organizational culture wherein internal diversity is truly valued and leveraged to the point where it has a significant, measurable impact on the bottom line.

Conclusion. An “inclusive” corporate culture with measurable results can be created if the organization is willing to commit to and focus on a comprehensive diversity strategy.

Results. The effective execution of such a comprehensive diversity strategy will without question result in increased productivity, employee loyalty, retention, morale, business opportunities, revenues, and profits *and* it will result in reduced complaints, turnover, investigations, mistakes, missed opportunities and lawsuits. Surely, these are results which leadership and shareholders demand.

Strategy Overview.* An effective strategy rolls out over the course of seven distinct yet overlapping phases:

1. **Benchmarking, Surveying and Organizational Culture Analysis**
2. **Developing & Communicating a compelling Internal/External “Diversity Business Case”**
3. **Developing Internal/External Diversity Marketing/PR Campaigns**
4. **Diversity Education, Training, Coaching**
5. **Recruiting, Promotion, Succession Process Improvement**
6. **Installing & Supporting Inclusive Organizational Structures**
7. **Re-Benchmarking, Re-Surveying and Analysis**

* Given the all-encompassing nature of the above strategy, it should be understood that this strategy will impact the entire organization and thus qualifies as a “major change initiative” comparable to the processes outlined by John Kotter in his seminal book *Leading Change* (1996, Harvard Business School Press)

Strategy Breakdown.

- 1. Benchmarking, Surveying and Organizational Culture Analysis.** In this preliminary phase, the organization researches and benchmarks itself against other similar organizations in its industry and in terms of its size, geographical location, worker availability and other diversity factors. It also conducts an internal, diversity attitude or “pulse check” survey targeting all employees. To ensure the highest possible response rate and candid responses, the survey should be anonymous and short: perhaps no more than twenty multiple choice or “rater” questions. Simultaneously, confidential “focus groups” and “one-on-one” interviews with approximately 10-20% of the employee population will provide a much more complete picture and compliment the survey data. To protect confidentiality and to gather useful information, the survey, focus groups and interviews must be administered by outside, objective diversity consultants.

At the same time, the organization should charge its marketing group with conducting an analysis of potential emerging markets for its products and services. Also simultaneously, the operations group should conduct a review of all of its vendors and suppliers with an eye toward identifying “supplier diversity.”

The overall intention of this phase is to gauge where the organization sits on the “Diversity Continuum” (see figure 1a., page 7) which is a measure of its diversity maturity. Is the organization *Unconscious*, or *Conscious Inactive*, or *Conscious Active* or *Fully Engaged*?

Suffice it to say that in our experience working with hundreds of major companies during the past 15 years we are convinced that most American corporations are – despite what they may claim in their press releases and on their web sites - either *Unconscious* or *Conscious Inactive*; while a handful – perhaps 50 to 100 - are *Conscious Active*, and one or two can be defined as *Fully Engaged*.

Figure 1a. – *The Diversity Continuum* by Orlando-Ward & Associates, Inc.

	← Inactive	Active →	
	Level 0 – Unconscious	1-Conscious Inactive	2-Conscious Active
			3-Fully Engaged
a. Culture	Exclusive Employees express general frustration Higher turnover of women, minorities High level of complaints, investigations	Exclusive Employees mention diversity regularly Higher turnover of women, minorities High level of complaints, investigations	Inclusive in some areas Diversity events, fairs, brown bags Reducing turnover of women, minorities Reducing levels of complaints, investigations
b. Leadership	Unaware culture is exclusive Dismisses employees' frustrations 0% women, minorities Inappropriate remarks/behaviors	Aware culture is exclusive Unwilling to consider change 0% women, minorities Inappropriate remarks/behaviors	Admitting culture is exclusive Making "safe" changes in selected areas 0-5% women, minorities Inappropriate remarks/behaviors punished
c. Diversity Personnel	HR untrained on diversity HR focuses on compliance	HR has some diversity training HR looks beyond compliance	1 employee with "Diversity" title Diversity Council, resource groups, coaching
d. Policies & Practices	EEO and Anti-Discrimination Policies Compliant with legal mandates Suppliers/Vendors not diverse	"We value diversity" statement exists Dialogue about diversity in recruiting Suppliers/Vendors not diverse	Diversity business case exists Recruiting, promotion processes upgraded Some Suppliers/Vendors diverse
e. Initiatives/Rewards	None related to diversity	None related to diversity	"Trial" initiative in an emerging market One diversity award/celebration
f. Training	None related to diversity	HR personnel trained on diversity All employee awareness training	Leadership diversity awareness training Manager skills training
g. Marketing/PR	None on diversity or emerging markets	None on diversity or emerging mrkts. Press Releases in diversity media	Some on diversity and emerging markets "low hanging fruit" emerging markets targeted Internal diversity PR campaign Community fairs/support
	← Inactive	Active →	

2. **Developing & Communicating a compelling internal/external “Diversity Business Case.”** A Diversity Business Case is simply a clear, logical and compelling argument for why valuing and leveraging diversity and creating an “inclusive” organization is good for a particular company’s business.

For example, during the 1980’s and early 1990’s as the Latino population in the US began to grow exponentially, Verizon determined that this emerging market would be highly profitable for its cell phone business. Over the course of a decade it spent significant resources targeting this market and now controls nearly 35% of it nationwide. And, given its recruiting history when it was formerly NYNEX and prior to that New York Telephone, Verizon was well positioned to call upon the many New York City based Latino employees already employed there to serve this fast growing customer base. In short, Verizon’s “diversity business case” was simple – leverage the diversity of its Latino employees in order to dominate the fast growing Latino marketplace for wireless services. Verizon consistently ranks in the top ten of DiversityInc.com’s top 50 companies for diversity each year.

Every company can develop a compelling diversity business case if it so chooses. But, once that business case has been developed, it must be communicated throughout the organization, starting first with the leadership and then rolled out throughout the organization using multiple media.

3. **Developing External and Internal Diversity Marketing/PR Campaigns.** Once emerging markets have been identified, as it would with any good marketing campaign, the organization must put its best efforts and resources into going after “low hanging fruit” first, in order to declare some “short term wins” and gain overall momentum which will drive future success. Training sales associates and marketing personnel in “appropriate” methods for winning in these new markets are essential. For example, it does not suffice to hire an African American sales associate and assume he will be successful selling to African Americans. Consumers are simply too savvy for such a simplistic approach. And traditional sales training and incentives may not be enough to shift existing sales teams in their processes and thinking to target new markets.

At the same time as it is going after new and emerging markets, the organization must conduct an internal marketing campaign on diversity – essentially informing all its employees that the culture is undergoing a transformation. The “diversity business case” should be folded into this campaign which can also occur simultaneously as...

- 4. Diversity Education, Training & Coaching.** Company wide diversity training is often loathed by employees for many reasons – usually because it is considered to be too “touchy feely” or a “sop” to minorities or a chance to beat up on whites. Good and effective diversity training does none of these things. Instead, the best diversity training is highly engaging, informative, unthreatening and sparks a powerful dialogue within the organization about the broad definition of diversity, its value in decision-making and teamwork, and its direct link to the bottom line. It also provides managers and supervisors with tools and techniques for leveraging diversity, managing diverse teams and de-escalating diversity conflicts. Additionally, the best diversity training engages the audience “where they live,” in other words, such training speaks to the facts as to how well their company is walking its talk on diversity, where the gaps are and how to close those gaps.

We have found that the most effective – in terms of retention of complex concepts – efficient, compelling and engaging diversity training involves the use of live, professional theater, interactive facilitation and experiential learning. This is why our firm, Orlando-Ward & Associates, Inc. specializes in the use of these techniques and is considered the national experts in the field.

After managers and supervisors have been trained, it is imperative that they receive diversity coaching for a minimum of three to six months by an executive coach who specializes in diversity. This will enable trainees to put old habits behind them and put their new skills into everyday use. Research demonstrates that training with a follow-on coaching component is the most effective methodology for driving behavior modification, and is far more effective than training alone.

5. **Recruiting, Promotion, Succession Process Improvement.** “Like hires like” is a behavioral concept which very few managers understand and yet most engage in constantly. Recruiting research consistently tells us that if all other attributes of two candidates – such as education, experience and skills – are relatively equal, a manager will almost always hire or promote the candidate who is more “like” them in ethnicity and gender, thus making it more difficult for people who are visibly diverse – such as women and people of color - to make inroads into the organization. Any successful diversity change process will include a careful examination of recruiting, promotion and succession processes to ensure that diverse candidates are being appropriately and fairly considered.

6. **Installing & Supporting Inclusive Organizational Structures.** Due to the way most businesses are structured – with power and decision-making usually held tightly by a very few at the very top, it stands to reason that every organization has formal and informal structures which inhibit valuing and leveraging diversity. The very essence of valuing and leveraging diversity means being open to the ideas, thoughts, behaviors and attitudes of others who are “different” than ourselves. Therefore, any successful diversity cultural change initiative will look closely at the organization and attempt to “open it up,” make it more “transparent” and “fair.”

Establishment of a Diversity Council and Diversity Affinity/Resource groups with real authority and budgets; town hall meetings where employees are encouraged to speak their minds freely without fear of retribution; publishing and taking concrete positive and public actions on the results of employee diversity surveys; talking about and celebrating diversity over and over; disciplining employees or managers who engage in inappropriate, offensive, discriminatory behavior; promoting qualified diverse candidates into leadership positions; holding “brain-storming sessions” during team meetings; rewarding sales teams instead of individuals; publicly and genuinely apologizing when one steps in the “diversity poop,” are all examples of best practices which demonstrate that the organization values and leverages diversity.

These, and many other practices, are part of the process of installing inclusive organizational structures. Over time, if these behaviors are consistently and broadly practiced by most people in the company, the organization will experience positive and measurable results in almost every aspect of its business.

- 7. Re-Benchmarking, Re-Surveying and Analysis.** Like any successful organizational change initiative, it is vital that the leadership conduct periodic re-benchmarking, re-surveying and analysis of all its diversity efforts in order to support the wholesale change it is attempting to drive. Without such checkups and course corrections, like an overweight person trying to diet and keep the weight off, the organization will fall back into old habits and the entire effort will be wasted.

In Closing. Diversity is a wholly “loaded” subject and arguably the most emotionally complex topic any manager will ever address in their career. As a result, the general tendency for most leadership is to have diversity “handled” by the human resources department. Although usually better educated on diversity, human resources personnel and managers tend to have very little “clout” in most organizations. The HR department is considered a cost center by most other departments and is thus disempowered. If diversity is handled entirely by HR, then more than likely it will then be treated solely as a compliance issue by the rest of the firm – something that has to be “gotten through” rather than something which can make the organization more money and a better place to work for everyone.

If your desire is to create an organization that values and leverages and profits from diversity, then you must start at the very top – with the leadership of your organization. If you get them to wholly buy into your company’s business case for diversity, without feeling threatened, then it is entirely likely they will drive the diversity change initiative very, very effectively by themselves.

About the Author. Gregg Ward is President and Co-Founder of Orlando-Ward & Associates, and a Certified Consultant to Management by the Institute of Management Consulting, USA. He is an expert on diversity and the use of live, professional theater, interactive facilitation and experiential learning as diversity training tools in major organizations. Ward is the author of the best-selling business book: *Bad Behavior, People Problems & Sticky Situations: a toolbook for managers and team leaders* as well as numerous articles in trade and national media. Ward’s clients include AXA Financial Services, Allied Insurance, Bristol-Myers Squibb, Ford Motor Company, Harley-Davidson Motor Company, IHOP, Kaiser Permanente, L-3 Communications, Lockheed Martin, NASA, Qualcomm, the US Navy, Warner Bros, Wescom Credit Union, and many more.