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Which Organizations are Best in Class in Managing Diversity and Inclusion, and What Does their Path of Success Look Like?

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Abstract

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Comments

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Executive Summary

Question

Which organizations are best in class in managing diversity and inclusion, and what does their path of success look like? What are the criteria to measure 'best in class'?

Introduction:

Many companies are or were used to be listed as best companies in diversity management by rankings published by various agencies. Some arise in recent years with aggressive diversity approaches; some remained on the lists over time, regardless of competition and social/economic changes. The following are the identified a few that received extensive recognition in diversity management, followed by a comprehensive analysis of criteria that measure the best.

Best US-Based Companies

PepsiCo[1]**:** PepsiCo is recognized as among the first companies that realized the importance of people of color in workforce. The company started equal opportunity initiatives in1940s, followed by diversity initiatives lead by CEOs to address workplace diversity. More significant improvements were achieved under CEO Steve Reinemund's leadership in the 2000s:

- **Phase 1: Measuring diversity (2000-2003)**
  By building up a business cases for diversity, setting a scorecard to track diversity performance, and by overcoming resistance, PepsiCo's diversity strategy gained success in both increasing revenue and enabling managements' a mindset of diversity.
- **Phase 2: Changing the culture (2003-2006)**
  Efforts were made to change the company's culture to be inviting and engaging for every employee. Every executive was assigned as sponsor for a minority group. Performance metrics were further revised which weighed "business results" and "people results" equally.

IBM[2]**:** To meet talent management challenges and business need, IBM implemented task force strategy:

- **Step 1:** 8 executive-level task forces were created to represent constituencies of IBM employees (Asian, Black, Gay and Lesbian, etc.) Each was assigned an executive sponsor and two or more executive co-chairs.
- **Step 2:** Task forces worked independently to identify diversity issues for their workforce as well as possible solutions. Communication efforts were made to involve every employee.
- **Step 3:** Task forces reported findings and recommendations. Changes were made to address identified issues.
- **Step 4:** Diversity initiatives were connected with business operation (marketing, business partnership, building competitiveness, ect.). Positive business results were achieved through identifying and winning new markets.

Deloitte & Touche[3, 4]**:** Deloitte has been recognized as the pioneer in addressing **gender diversity** since 1990s. It used **task force strategy** to indentify gender gaps, utilizing executive sponsorship to ensure involvement top-down. It then implemented various initiatives to increase women representation in leadership rank. The company went a long way to achieve its current status, and gained wide

reorganization as one of the best employers for women.

Best Europe-Based Companies

Royal Dutch Shell[5]:

- **1996:** Shell's first diversity initiative was implemented in to comply with legal requirements.
- **2001:** The first Global Diversity and Inclusion standard was set up (in response to other companies' similar policies and Shell's previous positive result).
- **2005:** Three global D&I targets (gender, nationally and inclusion) were set up. Communication of D&I were enabled via various channels. Training was provided corporate-wide.
- **2006:** Global Diversity and Inclusion standard was embedded into Shell's HR guideline "Shell People Standard".
- **2009:** A team of dedicated D&I professionals was created to support Shell's D&I activities. Implementation of D&I was adapted to local requirements.

Sodexo Inc. [6]:

- **2001:** Sodexo's efforts into diversity were firstly triggered by a lawsuit involving discrimination in. It then started developing diversity capacity in various HR management aspects, including training, staffing, talent management. It also emphasized leadership engagement in this phase.
- **2005:** the company decided to make diversity a global initiative, and adopted a country-by-country strategy to customize the US model to local needs.
- **2007-2011:** The company had developed diversity priorities focused on five different dimensions of difference from a global perspective: gender, race/ethnicity, sexual orientation, disabilities, and age.

Measures for Diversity & Inclusion

- **Background:** In terms of measuring the effectiveness of diversity and inclusion, there exists two types of metrics: 1) external benchmarks defined by D&I awards & ranking publications and
  2) firms' internal metrics to measure the success of their own D&I initiatives.

- **Criteria for External Evaluation:**
    - In order to be recognized as 'best in class' company in diversity management, the external evaluation criteria are important because a reputable diversity ranking system provides credibility based on accumulated historical data and objective peer group comparison. More importantly, external recognition contributes to the companies' effort in building strong employer brand for talent market and favorable image to other stakeholders such as investors and customers.

    - Calvert Investments[7], a mutual fund firm that invests in companies that engage in sustainable and responsible practices, use 10 criteria to evaluate companies' diversity effectiveness including Equal Employment Opportunity (EEO) policy, diversity of the highest-paid executives, overall corporate commitment and etc. DiversityInc[8], which has published 'Top 50 companies for diversity' over a decade, use four criteria: CEO Commitment, Human Capital, Supplier Diversity and Communications. Finally, Catalyst Award[9], every year, implements research on companies' D&I initiatives, especially for women and select champion companies with vigorous recruitment, development, and advancement of women. They focus on 7 criteria including Strategy & Rationale, Senior Leadership Activities and Measurable Results. (Detailed evaluation criteria are described in Appendix)

    - However, some publications adopt very general survey for its readers to select best companies for diversity. For example, Equal Opportunity Magazine's Top 50 companies[10] where many Fortune 500 companies such as GE and IBM appear in the list, ask its readers a simple question: "list the top three companies or government agencies where you would most like to work or that you believe would

provide a positive working environment for members of minority groups." This implies that managing overall jobseekers' perception and image toward companies' D&I effort is as critical as managing specific D&I metrics.

- **Criteria for Internal Analysis:** On the other hand, different companies use a variety of metrics for diversity according to their business strategy, diversity goals and geographic/demographic/legal environment. Some illustrations are as follows. Shell[11], which has operation presence worldwide, closely monitors proportion of local nationals in senior leadership positions. The Coca-Cola,[12] who has received 100% score of the Human Rights Campaign's Corporate Equality Index for the last 7 consecutive years, has been tracking certified LGBT-owned vendors since 2011. Finally, Unilever[13] focuses on gender diversity because women accounts for 75% of the consumer base. Therefore, the company emphasizes metrics such as proportion of female employees/senior leaders, promotion and retention rate so that the company could effectively address the needs of female consumers.

Conclusion

Different companies have adopted different paths and approaches in diversity management based on their business objectives, demographic and geographic contexts. While some companies maintain and manage global diversity initiatives, some companies give local subsidiaries large room for customization to meet their specific diversity goals. Also, those best-in-class companies have succeeded in meeting various evaluation criteria of diversity awards or ranking system. However, companies alsoe monitor and manage their own diversity metrics aligned with their business objectives.

REFERENCES

1. Thomas, D. A., & Creary, S. J. (2009). Meeting the diversity challenge at PepsiCo: The steve reinemund era. Harvard Business School (Hrsg.)

Abstract: This case profiles PepsiCo's diversity journey under the leadership of former chairman and CEO Steve Reinemund who instituted diversity as one of the company's strategic imperatives. It demonstrates the ways in which Reinemund partnered with his leadership team and employees throughout the organization to make diversity a key factor in PepsiCo's culture and performance. [ABSTRACT FROM AUTHOR]

2. Kanji, A., & Thomas, D. A. (2004). IBM's diversity strategy: Bridging the workplace and the marketplace. Harvard Business School (Hrsg.)

Abstract: Explores how IBM incorporated diversity into its business strategy, making the case that workforce diversity is critical to marketing its products and services to its customers. It demonstrates how a company can implement an effective diversity strategy and integrates it into its overall business strategy. [ABSTRACT FROM AUTHOR]

3. Roessner, J. (1999). Deloitte & touche (A): A hole in the pipeline. Harvard Business School (Hrsg.): Case Study, (300-012)

Abstract: Deloitte & Touche was losing talented women, and CEO Mike Cook wanted to stop the loss, especially as the accounting and consulting fields became more competitive. The firm

commissioned an analysis of the situation; now it had to consider the results and develop a plan change. [ABSTRACT FROM AUTHOR]

4. Kanter, R. M., & Roessner, J. (2003). Deloitte & touche (B): Changing the workplace. Harvard Business School (Hrsg.)

Abstract: Deloitte & Touche women's initiative changed the workplace culture at the firm, solved retention problems, and brought external benefits. Now a new CEO must decide how to take this a step further as competition for talent was even stronger, young people had different needs and aspirations, and the firm's global offices had not yet embraced this U.S. initiative. [ABSTRACT FROM AUTHOR]

5. Sucher, S., & Beyersdorfer, D. (2011). Global diversity and inclusion at Royal Dutch shell (A): The impact of restructuring. Harvard Business School General Management Unit Case, (611-051)

Abstract: Royal Dutch Shell has been among the early players to implement diversity and inclusion policies in the 1990s, first in the U.S. and then globally. In May 2009, Peter Voser, CFO and soon-to-be CEO, wants to adjust the company's business, headcount and cost levels to adapt to changing economic conditions after one of the worst economic downturns in decades. His all-male Executive Committee has raised eyebrows since it is a step back from that of his predecessor, and he must decide whether to continue to promote the firm's emphasis on global diversity and inclusion while it restructures its business and reduces its managerial workforce. [ABSTRACT FROM AUTHOR]

6. Thomas, D. A., & Creary, S. J. (2011). Shifting the diversity climate: The sodexo solution. Harvard Business School (Hrsg.).

Abstract: This case profiles the evolution of Sodexo's diversity initiatives. It illustrates different stages Sodex went through to achieve its global diversity success.

7. Calvert Investments. (2013). Examining the cracks in the ceiling: A Survey of Corporate Diversity Practices of the S&P 100.

Abstract: Calvert Investments generated company scores based on publicly available information from company websites and sustainability reports, SEC filings, and outside publications such as Diversity Inc., Working Mother magazine, and the Human Rights Campaign Corporate Equality Index. As part of the research process, Calvert also contacted all S&P 100 companies to confirm and/or adjust the data that it collected. The report contains the logic and diversity criteria how the company evaluated and scored the S&P 100 companies.

8. DiversityInc. (~2013). DiversityInc Top 50 Survey FAQs. (http://www.diversityinc.com/diversityinc-top-50-survey-faqs/)

Abstract: This FAQ page explains about how the ranking survey operates including the 4 key criteria the company use to evaluate diversity efforts of the survey participants.

9. Catalyst. (2013). 2014 Catalyst Award Application
(http://www.catalyst.org/uploads/2014_awardapplication.pdf)

Abstract: The Catalyst.org holds annual Catalyst Award and publishes the result. The 2014 Catalyst Award Application form provides information on previous award winners, how to apply, award evaluation process and contact information of the association.

10. Equal Opportunity. (2013). Readers Choice-A Top 50 Employer. Equal Opportunity Magazine

Abstract: Equal Opportunity Magazine, launched in 1968, is a career-guidance and recruitment magazine offered at no charge to qualified African American, Hispanic, Native-American, and Asian-American college students and professionals in all career disciplines. Readers of Equal Opportunity were asked to name the employers, both in the private and public sectors, for whom they would most like to work or that they believe would provide a positive working environment for members of minority groups. The employers of choice are listed according to the frequency they were cited by respondents.

11. Shell. (2011). Social Data. Company Sustainability Report 2011.

(http://reports.shell.com/sustainability-report/2011/ourperformance/socialdata.html?cat=m)

Abstract: Shell's recent sustainability report (2011) discloses what kinds of diversity metrics the company monitors and tries to improve. It also shows the company's overall diversity initiatives.

12. Chad Griffin, Chairperson. (2013). Corporate Equality Index 2013 Report. Human Rights Campaign.

Abstract: Human Rights Campaign Foundation's 2013 Corporate Equality Index is the national benchmarking tool on corporate policies and practices related to LGBT employees. The CEI report, released each fall, provides an in-depth analysis and rating of large U.S. employers and their policies and practices pertinent to lesbian, gay, bisexual and transgender employees.

13. Unilever. (2013). Promoting Diversity. (http://www.unilever.com/sustainable-living/ourpeople/diversity/)

Abstract: Unilever's website explains its diversity strategy-focus on gender diversity- and company's recent achievement and external recognition.

APPENDIX

1. Calvert Investments (Source: March 2013, Calvert Investments, Examining the cracks in the ceiling: A Survey of Corporate Diversity Practices of the S&P 100)

Criteria	Remarks
Equal Employment Opportunity (EEO) Policy	Equal Employment Opportunity (EEO) Policy measures the extent to which a company institutionalizes equal opportunity for its LGBT workforce. While companies are legally mandated to protect employees on the basis of characteristics such as gender and race, they are not federally required to do so for sexual orientation and gender identity.
Internal Diversity Initiatives	Internal Diversity Initiatives measures the extent to which companies offer programs that target and develop women and minority employees and encourage their growth up the corporate ladder. The particular elements include: mandatory diversity training, leadership development, mentoring, and employee resource groups (ERGs).
External Diversity Initiatives	External Diversity Initiatives assesses what types of corporate strategies are offered to recruit from diverse groups and form mutually beneficial relationships with women and minority entrepreneurs.
Scope of Diversity Initiatives	Scope of Diversity Initiatives measures the breadth of internal and external corporate diversity strategies. The specific types of groups include: LGBT, disabled, ethnicity, and gender.
Family Friendly Benefits	Family Friendly Benefits measures the number of programs offered that accommodate working families and adapt to the changing structures of contemporary households. This indicator measures flex work, adoption assistance, dependent care, and domestic partner benefits.
EEO-1 Disclosure	EEO-1 Disclosure examines the availability of data detailing employee demographics.
Highest-Paid Executives	Highest-Paid Executives evaluates the diversity of a company's five highest-paid executive officers and measures both women and minorities in this group of senior executives.
Board Representation	Board Representation assesses the diversity of a company's board of directors. This indicator accounts for both women and minority representation in the boardroom.
Director Selection Criteria	Director Selection Criteria evaluates the specific language in company director nominating guidelines that discloses whether women and minorities are routinely sought as candidates for the board.
Overall Corporate Commitment	Overall Corporate Commitment examines structures that govern inclusion strategies across all company operations. In evaluating this indicator, we look for board oversight of diversity programs, an established diversity council, CEO and/or Chair involvement in inclusion initiatives, and compensation plans that specifically involve meeting diversity objectives.

2. DiversityInc Top 50
   (Source: About The DiversityInc Top 50 http://www.diversityinc.com/about-the-diversityinc-top-50)

Criteria	Remarks
CEO Commitment to Diversity Management	Accountability, personal communications, visibility
Workforce Diversity & Human Capital	Five levels of management, promotions in and into management
Corporate/Organizational Communications	Mentoring, resource groups, philanthropy, consistency/effectiveness of diversity-management initiatives
Supplier Diversity	Spend with M/WBE companies, including companies owned by LGBTs, people with disabilities, veterans

3. Catalyst Awards
   (Source: 2014 Catalyst Award http://www.catalyst.org/uploads/2014_awardapplication.pdf)

Criteria	Remarks
Strategy and Rationale	• Provide your organization's overall business strategy. How is the initiative integrated with the strategy? Do you have specific diversity and inclusion goals, and how, if at all, have these evolved over time? • What is the business rationale for the initiative? How does the initiative support business goals? • How was it developed, and who was involved? • Does your diversity and inclusion work encompass community and/or corporate social responsibility activities? • How are diversity and inclusion efforts integrated into core talent processes?
Senior Leadership Activities	• Who are the leaders of the initiative, and what are their roles in the organization as well as in relation to the initiative? • Be specific about how they visibly support the initiative (e.g., sponsoring initiative components, attending training/development courses). • What is the role of the CEO or Managing Partner/Director? • What is the role of the Board of Directors and/or any external advisory groups? • What evidence can you provide to show that senior leadership commitment will be sustained over time? • What leadership behaviors and activities support their commitment?
Accountability and Transparency	• Who is held accountable for the success of the initiative, and how? • Please describe in detail what groups and/or councils oversee initiative progress as well as how accountability varies by level. • What specific mechanisms or tools are used to ensure accountability and/or to measure progress (e.g., links to compensation/bonus, ties to promotion/advancement opportunities)? • What specific communication efforts help employees understand accountability systems? • How do these mechanisms ensure the success of the initiative?

Communication	• How do managers and employees learn about the business rationale for the initiative and its components? What kinds of communication mechanisms are utilized, and about what efforts? • How does the organization's leadership communicate its commitment to the initiative? • How transparent are the initiative components and how broadly are they communicated? What are the communication mechanisms (e.g., organization's intranet, public website, town-hall meetings, newsletters, or other electronic/printed media) and frequency with which they are disseminated organization-wide? Is two-way communication and participation encouraged? Provide specific examples.
Employee Engagement	• What levels of employees are involved in the leadership of the initiative? How are employees prepared and empowered to be leaders? • How are employees included in strategy and implementation? • What evidence is there of support for the initiative throughout the organization and in what ways? How is your company leveraging champions to promote change? Provide stories. What evidence do you have that employee attitudes have changed as a result of the initiative (e.g., employee survey data showing change over time)? • Are employees at different job levels held responsible for specific components of the initiative? How so?
Innovation	• Please describe in detail the ways in which aspect(s) of this initiative are innovative. For example, how does your initiative demonstrate new and different approaches, particularly in to the context of your industry and/or culture? • How does this initiative provide new knowledge to the business community and to other companies that wish to implement diversity programs?
Measurable Results	<u>a. Change Outcomes Data</u> • Attrition data, Retention data, Employee survey results, Recruitment data, Succession-planning pools, Promotion data • Other specialized data related to the change effort, programs, and/or policies of the initiative <u>b. Workforce Representation Data</u> • Table for data is provided in the application form

Additional Reading

Age diversity in employment: Guidance and case studies (1999). DfEE Publications, Annesley,

    Nottingham, England.

Abstract: Provides guidance and case studies for the Code of Practice on Age Diversity in Employment
       introduced in the United Kingdom. Reviews specific practices and provides examples of best
       practices in regard to recruitment (including advertisements, application forms, and recruitment
       agencies), selection (including interviews and references), promotion, training and development
       (including review of training needs, providing opportunities, and reviewing staff development),
       redundancy (including the avoidance or minimization of compulsory redundancies), and
       retirement (including pensions, preretirement support, early retirement, and flexible retirement).
       A listing of contact information for related organizations is included. [ABSTRACT FROM
       SOURCE]

Global Diversity and Inclusion: Perceptions, Practices and Attitudes (2009). SHRM: survey publications.

Abstract: In today's increasingly globalized marketplace, a "one size fits all" model for Diversity
       Management is dangerously outdated. How does the meaning of "Diversity & Inclusion" change
       from region to region? How do multinational corporations successfully manage their Diversity &
       Inclusion efforts around the globe? Which underrepresented groups are a global priority in these
       efforts? This study captures the thinking of Diversity executives and practitioners from around
       the globe around these and other pressing questions. [ABSTRACT FROM SOURCE]

Taylor, P. (2006). *Employment initiatives for an ageing workforce in the EU15*. European Foundation for
the Improvement of Living and Working Conditions.

Abstract: Effective action to improve the employment conditions of older workers involves government
       policies at different levels, the social partners and social dialogue, organisations and companies
       and, of course, older workers themselves. Within companies in the EU15, policies and practices
       designed to improve opportunities for older workers and to extend working life have developed
       significantly over the last decade. This report examines the experience of companies that have
       been long-standing examples of good practice in age management and analyses the drivers and
       outcomes of workplace developments over the last decade. [ABSTRACT FROM SOURCE]