Workforce MANAGEMENT

Feature: Diversity of a Different Color

Diversity of a Different Color

Initiatives have shifted from their roots in equal opportunity for workers toward a focus on marketing goals and accessing diverse markets. But this new model may not survive stepped-up government enforcement and budget cuts threatening programs with unproven results.

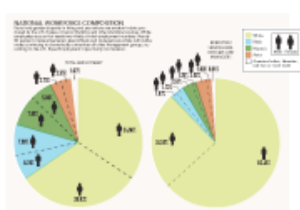
By Fay Hansen

Bank of America's award-winning diversity program includes executive and regional inclusion councils, affinity groups and diversity networks. In February 2010, the bank was slapped with a $60 million racial discrimination lawsuit. The complaint alleges that the bank's "apartheid system of business allocation" systematically segregates black employees into jobs that keep them away from wealthy white clients and creates vast inequalities in pay and career opportunities for black employees.

After two decades of corporate diversity programs, rampant racial discrimination in hiring, promotions and wages is still evident in comprehensive data produced by the U.S. Bureau of Labor Statistics and other statistical sources. The number of racial harassment charges reported to the U.S. Equal Employment Opportunity Commission has doubled over the same period.

Since their inception in an era of lax federal enforcement, diversity programs have steadily abandoned the hard world of racial discrimination and slipped into the softer realm of "inclusion" initiatives aimed at boosting engagement and productivity across the entire employee population. Program objectives have shifted away from their equal opportunity origins and toward marketing goals. In the context of this shift, the short-lived quest for better diversity metrics and return-on-investment calculations has largely disintegrated into a collection of surveys about employee engagement and customer satisfaction.

(To enlarge the view, click on the image below. *Adobe Acrobat Reader is required.)*



"The most modern model for diversity programs is to move away from a focus on workforce composition and toward a focus on diverse markets," notes Valerie Hoffman, who leads Seyfarth Shaw's affirmative action and diversity consulting practice group. "Metrics are used to measure increased sales numbers."

The current model lifts diversity programs out of human resources and puts them in the corporate social responsibility function. It severs any ties to the legal department and promotes networks and cultural awareness training, both of which have been discredited as techniques to improve minority representation.

Another part of the model—appointing a chief diversity officer who reports to the CEO—may improve accountability or simply isolate the executive from major corporate functions.

Under the current model, diversity has "progressed" beyond the issue of racial discrimination. The question is whether the model can survive in an era when federal agencies are stepping up anti-discrimination enforcement and corporate budget cuts are targeting programs with undocumented results.

Weak budgets and metrics

A 2009 report by the Institute for Corporate Productivity documents the predominance of diversity programs with minuscule budgets, little accountability and poor metrics. Only 25 percent of the companies surveyed rate their diversity program as highly effective; 57 percent have no mechanism for holding leaders accountable for results. Only 4.9 percent of the organizations calculate a return on their diversity investment. Even among organizations with 10,000 or more employees, only 7.9 percent calculate ROI.

Half of the companies report that they use diversity metrics, but the three most common metrics measure the impact of diversity initiatives on retention, engagement and employee attitudes. Only 11.4 percent evaluate results based on representation of the community and only 9.5 percent measure results against available skills in the market.

Only 38.8 percent of the organizations specifically budget for their diversity initiatives, and of these, 40.8 percent budget less than $100,000 per year. Among midsize companies with 1,000 to 9,999 employees, 60 percent report diversity budgets of less than $100,000. Even among organizations with 10,000 or more employees, only 15.8 percent budget $1 million or more per year.

At most firms, weak budgets and metrics, a lack of accountability and little interest in workforce composition may seem to explain the disconnect between diversity programs and any improvement in minority representation, but large firms with extensive diversity programs also report mixed results.

New York-based accounting giant KPMG employs more than 23,000 people in the U.S. and runs a complex diversity program that includes every bell and whistle: a diversity advisory board, diversity networks, diversity recruiting, accountability mechanisms, scorecards, mandatory training and a diversity officer. Kathy Hannan, national managing partner for diversity and corporate social responsibility, reports directly to the CEO.

The diversity program has been rolled into KPMG's corporate social responsibility function, along with its community involvement and philanthropy programs. Hannan will not reveal the budget for diversity. "It's not about program dollars," she says.

Hannan uses metrics for campus hires, promotions and retention, plus a pipeline scorecard for advancement into partnerships. Some of the metrics reveal impressive results. Minorities account for 28 percent of all campus hires and 27 percent of promotions into the manager ranks.

But it appears that's where it stops. At the partnership level, KPMG remains a largely white firm. Of 1,882 U.S. partners, 93 percent are white.

At Burger King, the fast-food giant based in Miami, a majority of the 27,000 employees are members of minority groups, in keeping with the industry as a whole. The diversity program is not tied to human resources but is part of the corporate social responsibility program, which also includes food quality, environmental issues and corporate governance. Robert Perkins, vice president of inclusion and talent management, leads a diversity staff of four and reports to the CEO. Perkins will not reveal his budget.

The company will not release statistics on workforce composition, and Perkins prefers "qualitative" measures to evaluate the results of the company's diversity program. But he reports that at the restaurant level, 90 percent of employees are minorities. Above the restaurant level, the portion drops to 50 percent.

Burger King's diversity program is detached from compliance concerns. "Our legal department is not involved with diversity," Perkins says. "We don't approach it from a compliance standpoint. We spend time educating people." Every employee above the restaurant level participates in a one-day inclusion training program. "The results are evaluated qualitatively," he says.

Consultants aggressively push the continued emphasis on training, which generates substantial revenues for the diversity industry. But extensive empirical evidence, including a series of studies by Harvard's Frank Dobbin, demonstrates that training actually leads to a drop in minority representation in management. Dobbin's research, which draws from 30 years of data from more than 800 companies, also found that networking and affinity groups are ineffective and may simply resegregate the workplace. For all types of diversity programs, white women benefit the most, followed by black women, with black men benefiting the least.

Marketing materials

With diversity programs now freed from compliance and composition issues and more closely tied to marketing, brand-conscious companies invest heavily in entering their diversity programs in dozens of contests to beef up their marketing materials. One of the big prizes is a spot on DiversityInc's "Top 50 Companies for Diversity" list, which overlaps significantly with the top companies for total U.S. advertising spending.

The list also includes a number of companies that have experienced multiple racial discrimination and other employment-related lawsuits. The competition is based entirely on information supplied by the companies that choose to participate.

Although many of the same companies appear on the top 50 list year after year, they jump about dramatically in the rankings. Bank of America ranked 25th in 2006 but raced up the rankings to ninth in 2010. KPMG, one of the DiversityInc site sponsors, jumped from 49th on the list in 2008 to 15th in 2010. "We expanded programs, expanded our scorecards and expanded to the LGBT population," says Hannan, referring to outreaches to the lesbian, gay, bisexual and transgender community.

Pitney Bowes, the Stamford, Connecticut-based mail services company, held the top spot on the DiversityInc list in 2004 but no longer participates in the contest. "We've evolved past participating in the list," says T. Hudson Jordan, director of global diversity and talent strategies. "Our focus is on internal strategies that have a direct impact on employees. It's not about recognition, but about internal benchmarking and leveraging results. It's not about checking a box."

At Pitney Bowes, which has 33,000 employees, government contracts represent a meaningful portion of the company's $5.6 billion in annual revenue. Minorities make up 43 percent of the workforce and 15 percent of senior managers. Hudson Jordan has a staff of three and an annual budget of $700,000. She reports to the vice president for strategic talent management.

The diversity program is separate from the EEO legal team, which monitors compliance and communicates labor pool numbers to Hudson Jordan on a quarterly basis. Hudson Jordan is now constructing a dashboard of key diversity indicators, including minority representation by level.

A deep schism now exists between companies that hold government contracts with the attending nondiscrimination regulations, and noncontractor companies with diversity programs that have abandoned compliance and composition issues. "In noncontractor companies, compliance plays only a reactive role in defending discrimination cases," Seyfarth Shaw's Hoffman says.

At the Office of Federal Contract Compliance Programs, the Obama administration is ratcheting up regulatory requirements and enforcement. "A strong diversity program that ignores compliance is not acceptable to the OFCCP," Hoffman says. "The agency is busy asserting violations even when employees have not complained."

Hoffman cautions all employers, however, to monitor minority representation. "With the EEOC and the

OFCCP, it's important to continue to be interested in composition, so those considerations should not be dispensed with," she notes.

"Both the EEOC and the OFCCP are clearly staffed up and becoming more expert in their investigations. What is remarkable at both agencies is that the individuals now in leadership understand how private-sector employers work. This sophistication and increased staffing marks a new era for enforcement."

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