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Making Diversity Work

Changing times, mindsets and strategies in the technology and professional services industries

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Diversity matters, and in a much more significant way than simply providing opportunity to a wider range of talent. It is a given that it drives large scale social and economic equality, but real data proves that it matters in terms of productivity and, most importantly, profitability. Companies that make diversity a priority, and genuinely embrace it, are statistically more likely to enjoy higher returns than competitors who do not.

Professional services and technology companies provide interesting contrasts when it comes to diversity. They both publicly recognize its importance and have made it a real component of their brands, but progress in the sectors differ. The whys and hows of that situation have been heavily reported and analyzed, and whatever the conclusions drawn there is agreement across the board: diversity must be developed to the point that it becomes a non-issue. Its value is such a given that, eventually, it should not even be a matter for discussion.

But how to get there?

Many companies actively recruit and hire with diversity in mind, and have internal programs in place to promote sensitivity and provide support. The effectiveness of those programs, though, can vary widely. Hiring diverse leaders has its own set of challenges. Not only is there a smaller pool of candidates, but attracting and assimilating them into the organization can be difficult. In our experience, successful companies have mapped the market for talent, maintain an always-on approach to hiring and are more flexible in structuring roles and compensation.

A search committee needs to be driven by more than awareness of diversity and its value. They need to be led by experts that fully understand the intricacies of authentic approaches to diversity and recruiting.

Companies can achieve that desired outcome by understanding the full scope of diversity and how to address it, celebrate it, and profit by it.

Diversity Pays. Neglecting it Costs.

In 2015 McKinsey and Company researched more than 350 large public companies in North America, Latin America and the United Kingdom. They found that those in the top quintile for ethnic diversity were 35% more likely to have financial returns above the national mean within their industries. Those in the top quintile for gender diversity were 15% more likely.

Diversity's dividend

What's the likelihood that companies in the top quartile for diversity financially outperform those in the bottom quartile?[1]

15% more likely to outperform

Gender-diverse companies

35% more likely to outperform

Ethnically diverse companies
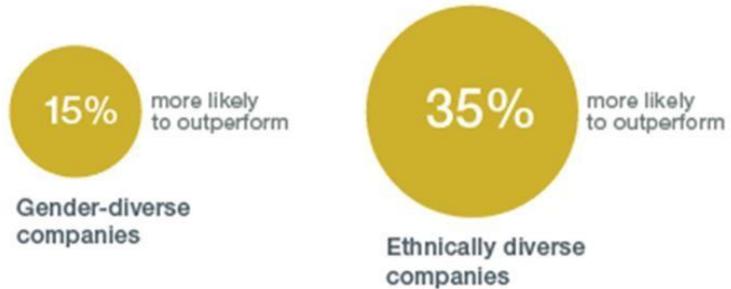
[1] Results show likelihood of financial performance above the national industry median. Analysis is based on composite data for all countries in the data set. Results vary by individual country.
Source: McKinsey analysis

The same study found that every 10% improvement in gender diversity corresponded with an increase in profits of up to 4%. Diversity as represented by age and sexual orientation are positive attributes to recent college graduates, younger recruits, current and potential customers. The head of Talent Acquisition, Inclusion & Social Responsibility for a Denver-based financial services firm, says, "We were starting to have clients ask us about our employee makeup. We provide a range of retirement plans for companies, as well as insurance products and annuities, and so we serve a diverse population. Companies were wanting to know if we reflected their own employees in terms of diversity."

While greater diversity within a company does not automatically translate into more profit, the documented correlation supports the notion that companies committed to diversity are more successful. Not only that, they acquire top talent and enjoy other benefits, such as overall employee and customer satisfaction.

The case for greater diversity is compelling and there is still much to be done. Software has been designed to provide diversity training and bias awareness, assist in recruiting and hiring women, new graduates, and other demographics. It's self-administered and relatively low-priced, but however sophisticated, there's only so much that technology can do.

In June 2017, Tim Ryan, the US Chairman of PwC, organized 150 executives from Procter & Gamble, New York Life, Accenture, Deloitte US, the Boston Consulting Group, and others, to form CEO Action for Diversity and Inclusion. His stated goal is to advance those issues in the workplace and promote best practices.

Here is a look at how two industries have approached diversity.

Diversity in Professional Services

Professional services have been ahead of the game in diversity for some time. They figured out early that diversification and fostering inclusion effectively promotes cooperation and more salient leaders and teams. There are characteristics particular to professional service companies that possibly make them more open to diversity. They are often complex, with a myriad of practice areas and global offices. Directors, partners and managers are more likely to consult reliably across a staggeringly wide range of assignments when solutions are developed by a team with diverse experiences and world views.

Perhaps because of their role in conducting studies and releasing reports, the push was generally internally driven, rather than by competitors or pressure from the press or public. Internal focus and accountability for diversification and inclusion proves to the groups in question that they are genuinely valued, improving both performance and product.

Some notable initiatives, some long established and some more recent, by professional service firms include:

Accenture

- In 2016 Accenture became the first professional services firm to publish the demographics of their US workforce, and committed to publishing that information annually. 2017 showed modest increases in diversity, including gender, ethnicity, veterans and persons with disabilities, and Accenture committed to increasing the number of female employees in the US by 40%.

Deloitte

- A task force was created to use social accountability to increase the retention rate of women. Each office monitored the progress of women in their area and set their own, specific goals. With support from the CEO and managing partners, the effort resulted in more women receiving better client assignments and mentoring. The turnover rate of women became equal to the rate of men. By 2015, 21% of global partners were women, and Cathy Engelbert was appointed as CEO, the first woman to head a major accountancy.

McKinsey and Company

- The McKinsey Black Network was the company's first affinity group in 1991, followed by an LGBTQ group in 1996, and now boasts networks for women, Asians, Hispanics, veterans, parents of special needs children, and colleagues with disabilities. McKinsey committed to recruitment, education, community building and retention in all of their diversity areas, across diverse profiles, schools, industries and backgrounds.

PwC

- A seminar on implicit bias by Dr. Mahzarin Banaji, the co-author of Blind Spot: The Hidden Biases of Good People was well received, and an online video series was created. To date, more than 30,000 PwC employees have viewed the series and the initiative, Blind Spots, now includes additional videos, quizzes and discussion guides and is accessible by the public.

- The LGBT Partner Advisory Board was established to showcase role models and increase visibility. The Board facilitates networking and career development, and hosts the Out Professional Employee Networks (OPEN) board meetings in PwC offices across the country. PwC supports national and regional LGBT organizations, 90% of LGBT employees say they were proud to work there, and the firm has received a 100% rating on the Human Rights Campaign Foundations Corporate Equality Index every year since 2006.

Diversity in Technology

Diversity in the tech sector is a hot topic, with extensive media coverage. Very public strides have been made lately to let the general public, the technology and traditional business communities and, implicitly, potential new hires, know that change is underway. A ride sharing service recently appointed an African American woman as their new Chief Brand Officer. An indicator of how even the media has failed to quite "get it," though, is that a profile of the executive ran in the Style section of the New York Times, rather than in Business, which drew largely unfavorable comment.

Technology companies were slow to release diversity data about themselves, but when Google revealed its own low numbers, and publicly pledged to improve them, the release of data from Facebook, Yahoo, Twitter and Apple followed. They revealed a disproportionately low number of women, especially in technical or leadership roles.

Because of its density and high profile, Silicon Valley is frequently singled out by the press. However, most tech hubs are actually quite diverse. According to the US Census Bureau, while Silicon Valley's workforce is a little under 5% African-American and Hispanic that figure rises regionally, up to almost 50% in Miami and Los Angeles.

Whatever the statistics and the state of affairs that they revealed, this new willingness to share was an admirable first step in changing them. And change is underway. In August 2017 Katherine Zaleski, president of PowerToFly, wrote in the New York Times, "I'm often asked which companies are getting diversity and inclusion right in Silicon Valley and across the country. Most aren't. But some are seeing small successes."

In 2016, she worked with a tech company whose stated goal was to have women comprise 50% of the engineers on one of its teams. Female employees lead a webinar in which 100 female candidates asked how the company was becoming more inclusive, and recruiters followed up with even more detailed answers. Realizing that they needed to take more time to convince women that they were indeed valued, the effort paid off. Over a year later the women hired through that effort are still with the company. "When the next round of candidates show up for interviews, this is one place in tech that will have a story about an inclusive culture that it's proud to tell," says Zaleski.

Initiatives are underway at other tech companies, including:

Cisco

- The Diverse Interview Panel ensures that diversity is represented during the interview process for every function in every region. Cisco has seen a 14% increase in the number of female candidates interviewed globally, and believes that the likelihood of hiring African-American candidates will increase by as much as 70%, and Hispanics and women by 50%.

HP

- The separation of Hewlett-Packard into HP Inc. and Hewlett-Packard Enterprises presented an opportunity to create two new Boards of Directors. HP set a goal of creating the most diverse board in technology, with commitments from both CEOs and existing board members. In partnership with affinity groups they reached a diverse pool of candidates, and now HP has the most diverse Board of Directors of any US technology company, with 42% women and 25% underrepresented minorities.

CA Technologies

- The Boys & Girls Clubs of America and CA Technologies launched Tech Girls Rock. Employees volunteer at workshops across the country, serving as moderators, panelists and group leaders in activities that include coding and DIY STEM projects. On average, 84% of participants say they would consider a technology related education, and 69% say they are interested in a tech career.

Palo Alto Networks

- 11 senior female leaders across the organization guide the Palo Alto Networks Women's Networking Community (WNC) to foster the growth and impact of women in the organization. The WNC is particularly unique in that, while the focus is on women, all employees are welcome to join and participate. It is promoted heavily in their onboarding process for new hires and in internal communications.

Improving the odds

Diversity in management has a particularly positive affect, especially at companies with multiple product lines and industry segments, and the larger the company, the larger the impact. Building a management team that represents a range of backgrounds, life experiences and worldviews is no longer desirable from merely a societal standpoint, but from a business one, as well.

However, the power of diversity cannot be harnessed unless it is prioritized. That is demonstrated through investment in recruiting and hiring. Human resources can play a key role in these efforts, but the research shows that diversity-focused searches are more likely to be successful when accountability is structured into the effort.

Companies can provide that accountability, prove that their dedication to diversity is sincere and their actions proactive, by establishing a dedicated position, such as Chief Diversity Officer. Likewise, the creation of a diversity council that includes upper management supports top-to-bottom responsibility for creating, maintaining and growing diversity and inclusion. When validity is established, the likelihood of success of D&I initiatives increases.

Professional Services firms have established precedents in attracting, hiring and retaining talented and diverse professionals across functions, geography and leadership roles. Technology can follow their lead. As they progress in their efforts to achieve parity with professional services, they must believe that a search team's effectiveness will only be improved by engaging experts versed in the unique approaches that lead to successful hiring and, with it, utilization of the true power of diversity.

Certain strategies will be more effective in these searches. Engagement with Employee Resource Groups (ERGs) will not only garner valid input, but the connections that they provide, both outside of their own ERGs and their companies, to eligible candidates is a rich resource that cannot be neglected.

While an "always-on" approach to finding talent is advisable for any company, it is especially important in creating diverse management teams and employee populations. The competition is such that companies should constantly be on the lookout for promising individuals. As these potential leaders are discovered, they should be engaged and a relationship established immediately. Perhaps this can be seen as de facto recruiting.

Ultimately, effective recruiting must go beyond mere awareness of the benefits of diversity. Recruiting must be dynamic and ongoing. Attracting best-in-class new hires provides opportunities to build teams that improve productivity, profits and public image.

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