KORN FERRY
Institute

Thought Leadership

Building Inclusive Organizations

Moving from aspiration to investment.

Right now, many companies are recruiting diverse talent and spending money on their professional development. But more often than not, that talent ramps up and moves on to other firms.

This is because not only do their organizations lack diversity across many demographics, but also because of a dearth of opportunity for career progression.

After all, research shows as job levels go up, diversity goes down. Just consider this: even though Black professionals represent roughly 10% of the most senior profit-and-loss leaders in the Fortune 500, less than 1% are in the CEO role, according to Korn Ferry's seminal report, *The Black P&L Leader*. Additionally, Korn Ferry's survey of global financial services firms found that although the overall workforce is a near-even split among women and men, the gap widens significantly as they move higher in the ranks, with women making up just 30% of middle managers and only 17% of upper-level leaders.

But the current confluence of crises has spurred many organizations into action. They now recognize that hiring diverse talent at the top—and hoping inclusion will follow—is not an effective strategy to building a truly inclusive organization. In an effort to turn the tide, companies have started to talk about targets in terms of leadership numbers, from front-line managers to top executives. They are applying firm metrics on representation, measuring how they progress underrepresented talent through their careers and ensuring that progression is thoughtful and intentional.

No longer is diversity and inclusion a generic conversation—an aspirational item regulated to the bottom of the board agenda. Instead, business leaders are now asserting that ensuring diversity is not only the right thing to do, but it's also a business imperative. There is no doubt that moving forward, diversity and inclusion are part of doing the work.

Commonly, in the past, organizations would push out public personas committed to equality, but would fail to truly live those values through realized equity. In fact, new research from the Korn Ferry Institute has found that, despite the buzz around diversity and inclusion, both managers and employees rate valuing differences as less important than other leadership competencies. But today's climate has been a wake-up call: purpose-washing will no longer fly. The next generation of

talent has a much stronger expectation of the link between a company's values and its actions. And this means that the decisions being made today will impact an organization's near-term success—and long-term future.

As D&I comes more to the forefront, companies are becoming more transparent about their objectives. Where business leaders once hesitated to share details of their diversity efforts, they have now become more willing to make public commitments. And when organizations talk openly about progress, the visibility and dialogue create the ability to internalize accountability, which in turn feeds success.

Indeed, ongoing research from the Korn Ferry Institute has found a strong tie between corporate effectiveness and certain organizational values—chief among them, diversity and inclusion. In a study of over 600 companies, the Institute discovered that valuing D&I shows positive correlations with social responsibility, employee engagement and development, innovation, and overall organizational effectiveness in the Drucker Institute's Management Top 250, published each year in the *Wall Street Journal*. Specifically, companies in the top quartile for Drucker's overall corporate effectiveness ranking had an explicit value for Diversity and Inclusion listed on their website nearly twice as often as companies in the bottom quartile, according to the Korn Ferry Institute's research.

The Takeaway: *In a competitive labor market, measuring D&I objectives and being public about their progress can differentiate an organization—and help retain its high-potential talent.*

Building legacy

Before, CDOs would build D&I programs to address bias, recruit diverse talent, and develop those high potentials identified within their workforce. But those programs often failed to institute lasting, sustainable change within an organization because CDOs wouldn't see the advancement or financial commitment they needed from their leaders.

Given today's landscape, this issue has risen to the top. CEOs and their boards are no longer sitting on the periphery of the D&I conversation. Instead, they have become active participants, asking what their organizations are doing about advancement—and taking the steps necessary to fill those gaps. Some companies, for example, are now putting their boards and whole executive committee through inclusion training in order to achieve their objectives. Others are offering D&I unconscious bias workshops to staff across the entire organization, from line workers all the way to the board level, creating mechanisms for advocacy and allyship. And then there are firms making very public and entirely unprecedented investments into their communities, committing millions of dollars towards anti-racism initiatives.

Another critical move: creating direct lines between the CDO and the CEO. Organizations are reforming their reporting structures so that the chief diversity role is no longer just a function of the human resources department but positioned alongside it. When organizations have their chief diversity officers report directly to the top, that elevates their commitment to diversity and inclusion, making it a true value driver of the organization.

After all, in order to set the groundwork, CDOs would have to start pulling in high-potential, underrepresented talent early in their careers, both to establish a baseline and to progress them through to top leadership. But building this legacy can only happen if organizations put real, substantial weight behind their D&I strategy, from where their CDO sits to how much they invest.

Ultimately, inclusion is about advancement. To be a truly inclusive organization, leaders have to socialize their D&I vision throughout the company and embed it in how the company is run. They need to make sure there is a common awareness, align around their objectives, build the commitment, and then sustain it.

Because, in the end, inclusion translates to success. It leads to be better decision-making, better customer centricity, and more consistent execution of the company's purpose. People become more committed to the organization, more productive, and more engaged in their work. The truth is, recent studies have shown that diverse organizations are 70% more likely to capture new markets, and those companies with ethnically diverse teams are 33% more likely to see better profitability than their less diverse competitors.

Or put more succinctly: inclusion drives results.

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About Korn Ferry

Korn Ferry is a global organizational consulting firm. We work with organizations to design their organizational structures, roles, and responsibilities. We help them hire the right people and advise them on how to reward, develop, and motivate their workforce. And, we help professionals navigate and advance their careers.

About the Korn Ferry Institute

The Korn Ferry Institute, our research and analytics arm, was established to share intelligence and expert points of view on talent and leadership. Through studies, books, and a quarterly magazine, *Briefings*, we aim to increase understanding of how strategic talent decisions contribute to competitive advantage, growth, and success.