



# The Purpose Movement's Blind Spot

Why aren't firms driven by social good making diversity and inclusion a top priority?

By Russell Pearlman

**W**ithin a few short years, the purpose movement has gone from a series of academic working papers to something even hard-driven investors are supporting. By the thousands, companies now run operations with everything from the environment to better work conditions in mind—while making a nice profit doing it. In the United States alone, there are nearly 3,000 Class B corporations now, firms that have committed to prioritizing social purpose over profitability.

Yet for all the commitment to social good, there's one area where the purpose movement lacks focus: diversity. According to purpose experts, few if any companies, public or private, have made being a diverse, inclusive organization their stated purpose. Plus, there's no evidence that purpose-driven companies are any better at creating diverse work environments than any other type of firm.

"There's been exponential growth in awareness, but it's an area that any company would

be cautious about putting themselves out there because we have so far to go," says Courtney Murphy, director of strategic partnerships for Chief Executives for Corporate Purpose, a group that help firms improve relations with all stakeholders.

Certainly, the need is there. Few companies have been able to reach equality of opportunity for all groups. Women make up nearly 45 percent of all employees at S&P 500 companies but hold only 12 percent of the senior leadership positions. Blacks make up 14 percent of the US population, but less than 10 percent of Fortune 500 senior operating executives, and only 4 percent of company CEOs, are black.

It's been a difficult path for the small percentage of women and people of color who have achieved leadership roles. Indeed, the women

**The Takeaway**  
Firms may be improving diversity, but most are still not making it their top priority.

who have become CEOs of major US corporations took, on average, four years longer than men did to reach the top job. At the same time, black leaders told Korn Ferry researchers that they had to take far bigger career risks to get promoted than white employees did. "These leaders felt like they had to prove themselves in ways that they perceived their colleagues didn't have to," says Michael Hyter, a managing partner at Korn Ferry and a project leader on the firm's report *The Black P&L Leader*.

Experts offer several theories as to why diversity is still not a top-line focus for companies. Race and gender are deeply emotional flashpoints, Murphy says. "For business leaders seeking to advance D&I, the result is an especially challenging, high-risk, and complex operating environment," she says.

Other factors that slow this change, while making some economic sense, are disturbing nonetheless. Despite studies that link having a diverse leadership team with improvements in both decision-making and profitability, experts say few if any for-profit companies believe that creating a diverse, inclusive organization is the ultimate goal. Many firms don't see having a diverse, inclusive leadership and workforce as being a unique competitive advantage, says Virginia Harper Ho, a law professor at the University of Kansas who has researched the purpose movement extensively. Company leaders often pick a purpose that not only is based on a deeply felt conviction but also makes them stand out. "If you pick a mission like diversity, you might think that well, every firm should be behind that," Harper Ho says.

To be sure, countless companies, purpose driven or otherwise, say that improving diversity is important, and many organizations have both hired and retained top talent. But at least for now, companies, even the ones whose top goal is social good, aren't making it their top priority. And that—just making it a priority—would be a good start, experts say. The effort needs to be part of the company's "deep-seated values," says Kate Shattuck, a Korn Ferry senior client partner who works with purpose-driven firms. "The kind of values that are nested not with just one hire but with the organization's strategic culture work across the enterprise." //

## Purposeful Gains for the Purpose Movement

**1977**

A German academic laments that "business has seldom enjoyed so much power with so little responsibility."



**1984**

R. Edward Freeman's book *Strategic Management: A Stakeholder Approach* describes management systems where more than just shareholders count.

**2006**

Rules are established for becoming a B Corp, a firm that is a force for good, not just profit.



**2018**

Investment giant BlackRock urges that firms be run with social good in mind.

**2019**

More than 180 CEOs agree their firms should exist for more than just making money.

