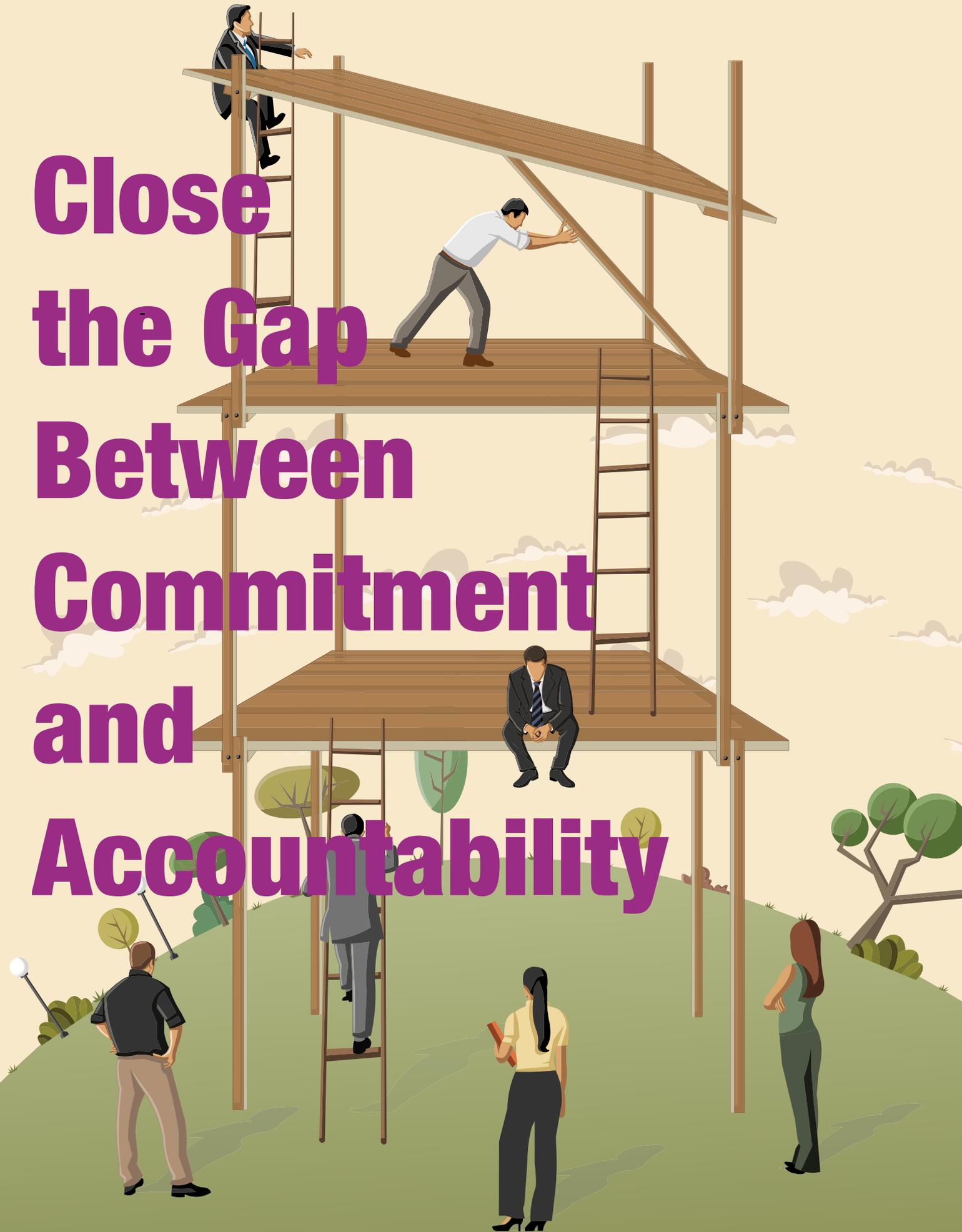# Close the Gap Between Commitment and Accountability

Close the Gap Between Commitment and Accountability

Corporate executives recognize the importance of having a diverse and inclusive workforce, but organizations aren't doing enough to capitalize on associated benefits. *By Oris Stuart*

A diverse and inclusive workforce leads to improved business results. Not many would argue with that statement, one confirmed by 96 percent of respondents in an August 2013 Korn Ferry Institute survey. (Editor's note: The author works for Korn Ferry). Further, 72 percent of the more than 400 respondents indicated their organizations have a strategy to address diversity and inclusion. Business leaders and other stakeholders can celebrate these findings as the welcome outcome of more than 50 years of attention, focus and investment.

But where there is light, there is also shadow. However encouraging, only 52 percent of these same respondents stated their management performance appraisals included a component for managing diversity. Further, only 23 percent noted that executive compensation is tied to diversity and inclusion objectives.

This lack of executive accountability plays out in how employees perceive their organization's diversity and inclusion progress. A 2012 CEB study that evaluated global employee and leadership perceptions related to diversity and inclusion found 77 percent of respondents strongly support such initiatives, yet fewer than 50 percent believe their organizations are truly effective at diversity and inclusion. Closing the gap between awareness and performance will require organizations to pay more attention to leadership accountability, measurement, and strategic integration of diversity and inclusion efforts with critical business initiatives.

Executive Perceptions

The Korn Ferry Institute study posed a series of questions to global executives regarding their diversity and inclusion perceptions and practices in four areas: business impact, strategy, management accountability and leadership diversity.

The absence of accountability and compensation incentives was the most glaring gap. It suggests these two key management levers that commonly signal mission-critical areas of focus for leaders are not being used frequently enough, or in the right mix, to drive behavior change and organizational progress. Ultimately, this may indicate a lack of executive support, priority or integration of the diversity and inclusion strategy throughout the organization.

This lack of accountability has contributed to a disheartening lack of progress in underrepresented talent in leadership positions as well as such talent being fully included and treated equitably. Further, many commonly reported metrics such as gender pay inequity and the small number of women and minorities on boards and in executive leadership positions reveal more evidence of a process not delivering on its promise.

Fifty-six companies within the S&P 500 have no women or people of color among their highest-paid executives.

For example, a May 2013 study by Calvert Investments found 56 companies within the S&P 500 have no women or people of color among their highest-paid executives. Seventy-five percent have no minority directors. And while women are gaining ground in senior management, they have still not cracked the boardroom in great numbers. At *Fortune* 500 companies, female board membership has remained flat at about 17 percent during the past eight years.

50 Years of Effort

When evaluating a path forward, it's useful to look at diversity and inclusion's 50-plus year history: from affirmative action-related efforts in the 1960s — including passage of the Civil Rights Act in 1964 — to the increased power of the U.S. Equal Employment Opportunity Commission in the 1970s, to development of enhanced diversity training

programs in the 1980s and 1990s, to the more strategic and business-focused efforts since. As a result, attitudes, actions and outcomes related to diversity and inclusion have progressed significantly.

The concept, with its legal, compliance and equal access roots, has evolved to a new inflection point around how it can create significant business value. But to do so, diversity executives must close the gap between diversity and inclusion awareness and performance by requiring that organizations pay more attention to leadership accountability and measurement.

But shifting a company's culture and making diversity and inclusion central to the organizational ethos is not easy. Conversations with the corporate executives who participated in the Korn Ferry Institute study reveal some of the headwinds. A common statement was: "I understand why D&I is important, and I know it's important to our board and CEO, but we have too many initiatives already underway and we can't add anything else to our list of priorities."

96%
of executives polled believe diversity and inclusion can boost the bottom line

and **72%**
of organizations surveyed have diversity and inclusion programs in place
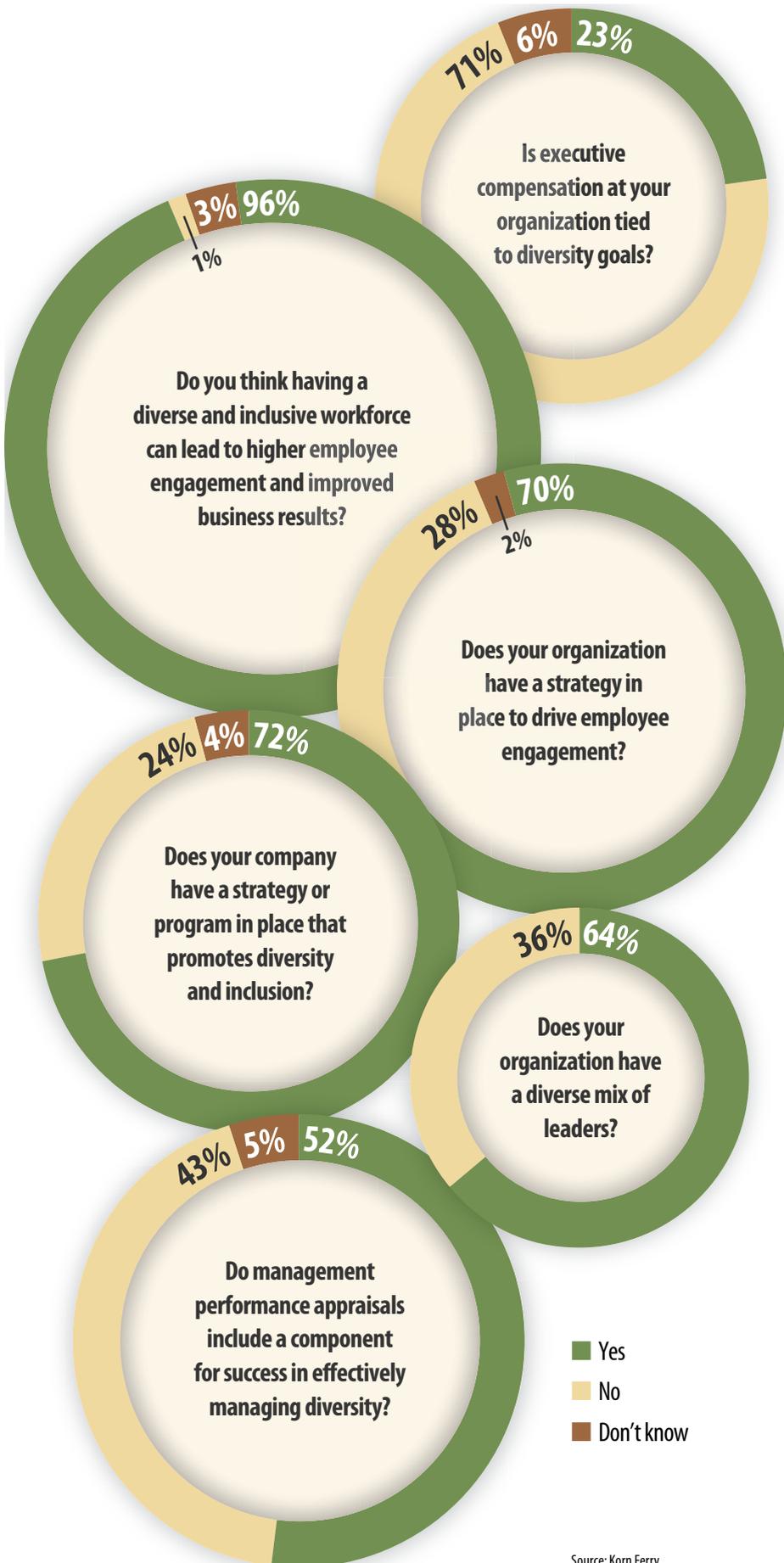
but just over **20%**
of firms provide incentives for the C-suite to promote diversity and inclusion

Source: Korn Ferry

This concern is often raised by executives who see diversity and inclusion as separate from the rest of the business strategy. Promoting a diverse and inclusive workforce and leadership team takes time and can be complex. Executives who focused on near-term results may find diversity initiatives too much of a risk without a guaranteed near-term impact.

The key is to create accountabilities that are measurable, and more importantly, relevant to business leaders who must pick how many metrics they will chase. To do this, diversity executives must integrate diversity and inclusion accountabilities into ongoing business practice accountabilities such as:
• Increasing employee engagement.

• Operating effectively and efficiently in a global marketplace.
• Enhancing customer and client intimacy.
• Practicing effective corporate social responsibility.
• Driving innovation.
• Penetrating diverse marketplace segments.

By embedding diversity metrics and accountabilities into these broader-based priorities, diversity efforts will be sustainable because they will drive business results and move the needle on representation and inclusion metrics. This is what it means to shift from building awareness to supporting a comprehensive and enterprise-level cultural transformation process that is fully integrated with an organization's business strategy. With this as the platform, leaders can be held accountable for group and individual performance, using compensation strategies where appropriate.

Models of Success

A compelling and explicit business case, executive sponsorship and leadership, and a comprehensive and integrated approach for diversity and inclusion for which leaders are held accountable can, over time, create success across a range of process, behavioral, outcome and perception metrics.

Steve Pemberton, chief diversity officer at Walgreen Co., said part of the pause regarding executive engagement on this issue is not that people aren't convinced that diversity and inclusion are important. "These are smart men and women leading these organizations," he said. "They're very aware. The resistance shows up when the focus is on not getting sued or getting on a top companies list. It's the absence or lack of awareness of operational models for D&I that deliver results. That's why they're not on board."

Pemberton considers Walgreens effective at diversity and inclusion and acknowledges it's an ongoing topic that is front and center for the organization. "We've progressed over time with our efforts. Our success is built on a number of pillars, including an unambiguous business case related to our diverse customers and employees, strong commitment from our CEO and a diverse executive team. When you have leaders who come from these experiences and have built them into their business operating models by business unit, it changes your conversation," he said. "It's not as much about awareness. It's not 'What should we be doing?' and 'How should we be doing it?'"

Bobby Rodriguez, vice president and chief diversity officer at Blue Cross & Blue Shield of Rhode Island, said there is a clear business rationale for advancing diversity and inclusion through an organization. Namely, it affects culture change and senior executive team and leadership commitment when supported by specific performance goals and compensation implications.

"We are successful because we have a CEO who believes in its importance and evaluates our organizational senior team performance on D&I on a regular basis," he said. "In addi-

Is executive compensation at your organization tied to diversity goals?

71% · 6% · 23%

Do you think having a diverse and inclusive workforce can lead to higher employee engagement and improved business results?

3% · 96% · 1%

Does your organization have a strategy in place to drive employee engagement?

28% · 70% · 2%

Does your company have a strategy or program in place that promotes diversity and inclusion?

24% · 4% · 72%

Does your organization have a diverse mix of leaders?

36% · 64%

Do management performance appraisals include a component for success in effectively managing diversity?

43% · 5% · 52%

■ Yes
■ No
■ Don't know

Source: Korn Ferry

tion, our CFO believes in the explicit ROI of our efforts. In our organization, 10 percent of incentive compensation for each division is based on that area's D&I performance. How we look at D&I is very strategic. We integrate D&I into every organizational process where it makes sense."

It's not about counting people, he said. It's about improving organizational culture and positioning employees to perform better. "I am a true believer that as we continue to change the culture and increasingly become an inclusive organization, people will succeed here, and that attraction of diverse talent, employee engagement and our business performance will take care of itself."

Embedding Diversity Into the Business

As these two examples demonstrate, organizations can achieve success in diversity and inclusion by increasing focus on accountability and by treating the process as an enterprise change initiative linked to other critical business priorities.

This means embedding diversity into talent acquisition, succession planning and talent development. It also means engaging the entire workforce for the benefit of the enterprise and ensuring the leadership team and board are diverse and representative of the customer base.

Ultimately, an organization's diversity and inclusion strategy should be a critical but non-distinct component of the organization's talent strategy. A successful one must be championed by an organization's executive team and implemented at all levels of the company with consistent measurement and accountability.

When positioned successfully, diversity and inclusion will become core to the organizational DNA and a way to get things done. It will not be just another thing to do. «

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