



POINT *of* VIEW

Making Progress on DE&I

What Leaders Can Learn
from Their Digital
Transformation Journey

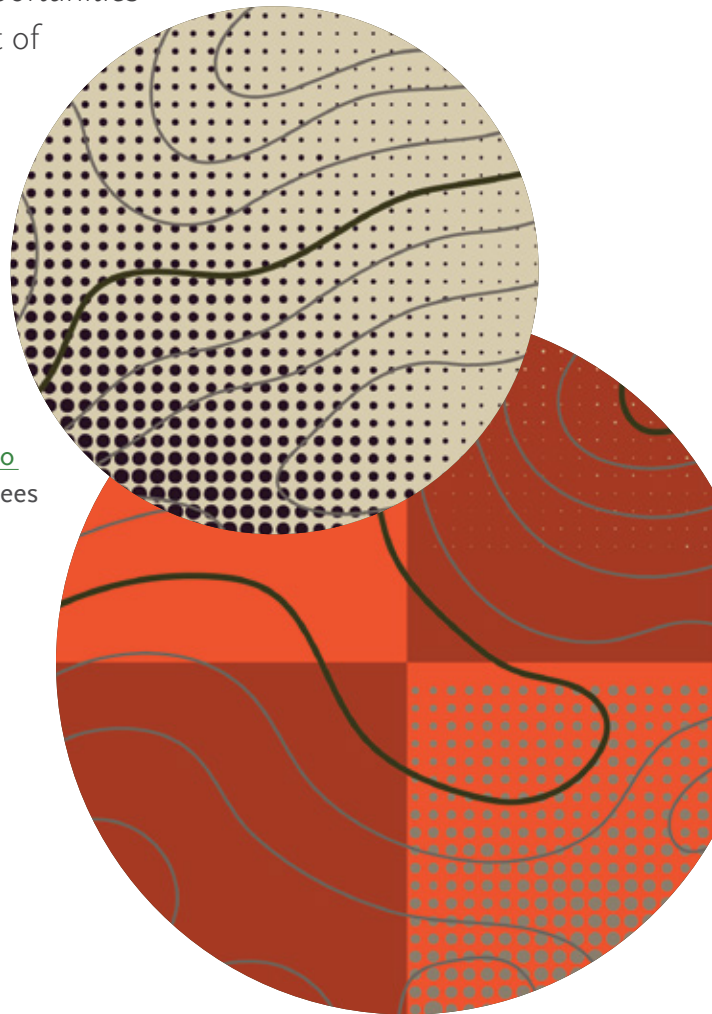


The social unrest regarding race and injustice became a crucible moment for leaders and organizations. It illuminated how slow progress has been despite years of investment in diversity initiatives and spurred momentum for change. A consensus emerged that “this time feels different,” with investors, employees and other stakeholders demanding progress on DE&I with increased urgency and 96 percent of CEOs saying DE&I is a strategic priority.

Despite the growing calls for progress in recent years and widespread recognition that diverse organizations are more likely to financially outperform their peers and excel in areas ranging from innovation to employee retention, the makeup of corporate leadership teams and succession pipelines is little changed. A 2020 Stanford University study of Fortune 100 companies¹ found that women held 25 percent of C-suite roles, but only 13 percent of the positions with a high potential for promotion to CEO and external board opportunities (CEO, CFO and P&L leadership roles). Only 16 percent of C-suite roles — and 13 percent of positions more likely to lead to CEO and board roles — were held by leaders from historically underrepresented racial and ethnic groups.

More than three-quarters of job seekers and employees say diversity is an important consideration for them when weighing job offers, and nearly one-third (32 percent) said they would not apply for a job at a company that lacked diversity. Most employees believe their companies should be doing more to increase diversity. Black, Hispanic/Latino/a and LGBTQ+ employees and job seekers are even more likely to hold these views.

Why do many organizations continue to struggle to make meaningful progress on diversity and inclusion, despite years of investment in unconscious bias training, mentorship programs, employee resource groups and other DE&I initiatives? A look at companies' experience with digital suggests an answer: piecemeal, incremental approaches are not enough to drive change when systemic change is needed.



¹ Larcker, D.F. and Tayan, B. April 2020. Diversity in the C-Suite: The dismal state of diversity among Fortune 100 senior executives. Stanford Closer Look Series.

As digital emerged as a major business threat and opportunity, leaders had to determine how it fit into their business model and the right way to organize to leverage the possibilities. All too often, the initial response was to hire a chief digital officer to evangelize for change, recruit a digitally savvy director to advise on strategy, or create stand-alone digital teams or localized pilot programs to jumpstart initiatives. The limits of these piecemeal approaches soon became apparent: progress on digital stalled in the face of challenges such as lack of alignment among the top team around a clear vision, resistance to data-driven decision-making, lack of collaboration across teams, an entrenched culture and inability to attract and retain the right talent. Real progress on digital transformation required a holistic, systemic approach addressing leadership, strategy, talent, culture and processes, leaders soon recognized.

Making progress on DE&I also requires a holistic response. Only an integrated leadership approach that is centered around strategy, engages the broader organization through purpose and culture, and embeds diversity and inclusion in the everyday business and talent processes and goals will drive real, sustainable change.

Taking the lead: leaders create the conditions for change

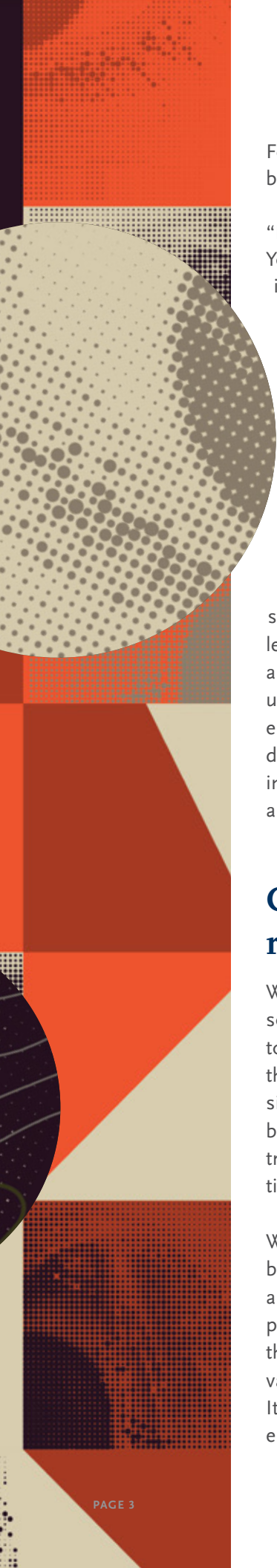


My message to leadership teams is you have to be visible and vulnerable. You have to go first. Human nature is such that if you don't do it, they're watching you and they're not going to do it either.

TIM VIGUE
VICE PRESIDENT OF DIVERSITY,
EQUITY AND INCLUSION,
LIBERTY MUTUAL INSURANCE

Only leaders can activate holistic change in an organization, whether that is to drive digital transformation or build diverse, inclusive and equitable workplaces. The CEO and leadership team drive change on multiple levels: by articulating and aligning behind a clear and compelling vision tied to business strategy; ensuring the organization's resources, goals and objectives, and processes support change; and modeling the behaviors they want to see in the organization.

CEOs who "got digital" paid attention to digital trends. They were curious and empathetic, understanding that change is hard on an organization. They had the ability to bring the organization along on the transformational journey by engaging people at all levels on the need for change. They served as a role model for data-driven decision-making, experimentation and appropriate risk-taking. As one leader explained, "The CEO needs to be the chief digital officer of the company. You can't outsource it. It's not like a channel or another line of business. It's like water; it permeates the organization everywhere."



For all the same reasons, the CEO and leadership team must own responsibility for DE&I.

“My message to leadership teams is you have to be visible and vulnerable. You have to go first,” says Tim Vigue, vice president of diversity, equity and inclusion at Liberty Mutual Insurance and former director of inclusion strategies at Pixar. “Human nature is such that if you don’t do it, they’re watching you and they’re not going to do it either.”

For many executives, the first step is to reflect on how they show up as leaders and how others experience the current culture. “They have to open up individually, but also collectively, to unpack their own biases and develop a clear perspective on what it means to create an inclusive environment for everybody in their organization,” says Denise Peart, chief talent, diversity & inclusion officer at Sky.

At some organizations, top leaders are encouraged to serve as executive sponsors for employee resource groups. Not only does this demonstrate the leadership team’s unified and visible support for the groups, the experience also provides leaders with the opportunity to go deep in the company to understand what diversity looks like and the issues facing people in the different segments. As one leader says about his company’s program, “It provided diversity and inclusion experiences that resonated with senior leaders, helping them understand the impact they could have on team members, guests and customers.”

Centered on strategy: a compelling, relevant vision

Without a coherent digital strategy, organizations found that technology solutions tended to be hammers in search of nails, with leaders gravitating toward the next “shiny new thing.” When leaders invested the time to identify the digital forces impacting the company, they could develop a comprehensive digital vision and strategy to support the core strategic drivers of the business. A bold, well-articulated strategy put the organization on notice that transformation was coming and enabled individuals throughout the organization to identify and prioritize new business opportunities.

When it comes to diversity, it’s tempting to argue that the business case has been made. Countless studies have demonstrated the value of diverse teams and organizational diversity on business performance, innovation and other positive outcomes. Yet, like with digital transformation, a compelling vision that links the benefits of diversity and inclusion to the business strategy and values has the power to engage and energize the organization to change. It sets a direction, helps individuals see the connection to their work and encourages action.

“If you cannot articulate to your company the value to the organization of diversity, equity and inclusion, how are you going to think about long-term outcomes, measure progress and have accountability?” argues one DE&I leader.

Storytelling can be a valuable tool for illustrating the benefits of change and helping people connect with the vision. For example, encouraging a greater sense of belonging can spur more people to speak up and share ideas, which can lead to more innovation. A greater awareness of people’s different experiences can help the organization respond to the needs of a changing customer base.

“What people get wrong sometimes is just saying ‘diversity’ over and over again. It sounds like ‘eat your vegetables’ to people,” says Vigue. “A better approach is more like, ‘Hey folks, this is our future, and this is part of our process for becoming the place we want to be.’”

Rigor and metrics

Another area where organizations fail is basic strategic planning. As one CDO observes, “We have a strategic plan for marketing, for IT, for fiscal spending, and then often we get to diversity, equity and inclusion, we’re like, ‘What should we do? What’s the next step?’”

To really gain traction, leading-edge companies will tackle diversity and inclusion like they do any other business issue — with planning, metrics and accountability. Data — workforce demographics, the promotion pipeline, attrition, promotion rates, employee resource groups — can help leaders understand where the organization is today, the strengths and weaknesses of the pipeline, the root causes of the lack of diversity, and the opportunities for improvement. Data informs planning and enables accountability.

Leaders and organizations already have built muscle around using data and analytics in decision-making as their businesses have become more digital. Companies built analytics capabilities and adopted data-driven approaches to solving business problems, including a greater cultural willingness to experiment and challenge long-held assumptions. They can now apply these tools and approaches to advancing DE&I.

In addition to looking at hard data, it’s useful to look at attitudinal data that gets at the sense of inclusion in the organization. “Do I feel included? Is my opinion valued? Do I feel like I belong? Can I be myself at work? Am I taken seriously?” Organizations are starting to look at employee attitudes in these areas, analyzing the data to determine whether people across segments feel the same way. For example, are people who participate in employee resource groups more bought in than other people?



Broad engagement to support culture change

Just like organizations attempting digital transformation had to shift their cultures to be more flexible, collaborative and open to change, evolving the culture and prevailing mindsets is critical to becoming a more inclusive organization. Leaders can do this by connecting employees to a shared sense of purpose. “You can have your processes all set, but unless everybody in the organization sees that inclusion, diversity and equity is of value to them, and that they’ve got a role and that, collectively, we can challenge the norms that may not serve us well, then you can’t succeed,” says Diana Cruz Solash, vice president of inclusion, diversity & equity and early career talent at Vertex Pharmaceuticals.

Diversity and inclusion won’t be sustainable without culture change — and an acknowledgement that diversity and inclusion is everybody’s job. “My one wish is to engage everyone,” says KPMG’s chief diversity & inclusion officer, Elena Richards. “That this isn’t people feeling like an us-versus-them situation. When we talk about diversity and inclusion, people see themselves as part of the equation. We all are responsible for the culture, the teams that we work on, the environments that we create for each other.”



You can have your processes all set, but unless everybody in the organization sees that inclusion, diversity and equity is of value to them, and that they’ve got a role and that, collectively, we can challenge the norms that may not serve us well, then you can’t succeed.

DIANA CRUZ SOLASH
VICE PRESIDENT OF INCLUSION, DIVERSITY
& EQUITY AND EARLY CAREER TALENT,
VERTEX PHARMACEUTICALS

Embedded in talent management processes

Leaders understood that building more digital-savvy organizations depended on having the right talent and skills throughout the organization. This required talent management processes able to attract and retain specialized digital and data talent and build capabilities across the organization in digital fluency, data literacy, analytics and problem-solving.

Similarly, the organizations that will make real progress will embed inclusion, equity and diversity in all of their talent processes, equipping managers as they make decisions every day about who to promote, who to develop, and how to provide feedback and support.

“A lot of companies focus on hiring. Certainly, that is one key lever, but a mistake that companies can make is to just stop there. Then what happens, of course, is it’s like a colander where you’ve got talent flowing out as fast as it’s flowing in, which further erodes trust in the organization’s commitment,” Solash says.

Companies that make progress will have discipline around basic talent management practices. They will understand which roles and levels feed into the most senior roles, who is the talent in those feeder roles, and the moves those individuals will need to make to get from point A to point B. “It’s really being playful, just like you would when planning to enter a new market,” says Solash. “What are the steps? Who is responsible? And then there needs to be discipline in checking in on their progress: Did we make those moves happen for this person?”

As they make these moves, organizations also should consider how to support individual leaders’ success. When hiring digital executives, for example, organizations recognized that, to be effective, these leaders needed to have a seat at the table with the leadership team and the support to be innovative, disruptive and creative even when they challenged the traditional ways of doing things.

The traditional lack of access may create some experience gaps in women and people from other underrepresented groups that can be addressed through development, coaching or other kinds of opportunity or support. “Give them a leadership role but make sure they have the right support — whether that be your checking in with the person or surrounding them with the right team — to make sure that they’re successful. Because the worst thing in the world is you put someone in that role and they’re not supported and then they fail. Their failure is, ultimately, our failure,” says Richards. Adds Aimée Meher-Homji, vice president, global talent acquisition at Adidas: “Creating sponsorship cohorts or opportunities is where companies can fulfill their commitments to diversity, because it’s not enough just to hire people — granted that’s a big lever — but companies need to create a sense of belonging for people so they can experience rich and fulfilling career journeys.”

Vigue agrees: “What we say to people is, ‘Do not talk about it as taking a chance or taking a risk.’ Instead say, ‘What scaffolding or other kinds of training, opportunities, support or coaching do we want to provide to ensure they’ll be successful?’ If you think there’s something missing, that’s fine, we hire people all the time who we think are missing something, but we then shore them up with some complementary components.”

Lessons from digital transformation that can help drive DE&I progress

Like digital transformation, organizations must address DE&I holistically and strategically to drive real change.

Visible ownership by the top team

The CEO and leadership team drive change on multiple levels by:

- » Articulating and aligning behind a clear and compelling vision tied to strategy
- » Ensuring the organization's resources, goals and objectives, and processes support change
- » Modeling behaviors they want to see in the organization and culture-setting
- » Reflecting on how they show up as leaders and how others experience the current culture

A compelling, relevant vision

Engage and energize the organization to change by linking the DE&I vision and benefits to company strategy and values by:

- » Helping individuals connect DE&I to their work
- » Enabling the organization to tie DE&I objectives to outcomes

Rigor and metrics

To gain traction, leading-edge companies will tackle diversity and inclusion like they do any other business issue — with planning, metrics and accountability:

- » Using quantitative and qualitative data to understand the current state and track progress on DE&I objectives

- » Evaluating talent systems, processes and HR policies to ensure fairness and equity
- » Hosting listening sessions and reviewing engagement data to understand gaps in perception among demographic groups, and between employees and leaders

Culture change

To be sustainable, diversity and inclusion must be ingrained in the company's culture by:

- » Connecting DE&I to a shared sense of purpose
- » Understanding how the current culture reinforces conformity
- » Articulating inclusivity as a company value and defining the behaviors that are expected of everyone
- » Including desired behaviors in performance management processes

Embedded in talent management processes

Organizations that will make real progress will embed DE&I into talent processes by:

- » Thinking beyond hiring to retention and development
- » Ensuring there is a diverse pipeline for the roles and levels that feed into the most senior positions
- » Removing conscious and unconscious bias throughout the talent development and selection processes
- » Supporting individual leaders' success



Sustainable progress on DE&I, like digital transformation, requires a holistic, systemic approach that is centered around strategy, engages the broader organization through purpose and culture, and embeds diversity and inclusion in the everyday business and talent processes and goals.





Authors

Janine Ames is a Spencer Stuart consultant specializing in executive assessment and development and CEO and CXO succession planning.

Anuradha Hebbar is the global leader of the Diversity, Equity & Inclusion Practice of Kincentric, a Spencer Stuart company.

Nathan Wiita is a Spencer Stuart consultant specializing in executive assessment and development, senior team effectiveness and organizational culture assessment.

Special thanks to **Sharon Hall**, formerly of Spencer Stuart.

About Spencer Stuart

At Spencer Stuart, we know how much leadership matters. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to nonprofit institutions.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning more than 70 offices, over 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment, employee engagement and many other facets of culture and organizational effectiveness. For more information on Spencer Stuart, please visit spencerstuart.com.

About Kincentric

Kincentric, a Spencer Stuart company, approaches human capital differently — we help you identify what drives your people, so they can drive your business. Our decades of expertise in culture and engagement, leadership assessment and development, and HR and talent advisory services enable us to help organizations change from the inside. Our global network, proven insights and intuitive technologies give us new ways to help organizations unlock the power of people and teams. For more information, visit kincentric.com.

The Future of Leadership

Our Future of Leadership series looks at the highly complex and dynamic world organizations are operating in today and highlights the attributes and ways of working that enable individuals, teams and organizations to respond faster and more effectively to this challenging and fast-paced environment.

Social Media @ Spencer Stuart

Stay up to date on the trends and topics that are relevant to your business and career.



@Spencer Stuart