This You? Diversity Matters, Part III: Five Reasons Your Diversity Efforts Aren't Working

By Sarah E. Fortt

I wrote the first part of this series nearly two years ago in the months following the murder of George Floyd when many public companies were making statements and commitments regarding racial justice. At the time, global protests and demands for police accountability drew a bright line for many companies – commit to the pursuit of racial justice and the

protection of the Black community or run the significant, albeit perhaps temporary, reputational risk of falling behind the times.

Despite the good intentions of many, the reality remains that truly moving the needle is difficult, requiring long-term commitments, broad consensus and effectively-designed, and - assigned, accountability. Even companies that have identified what success means for their diversity, equity and inclusion (DEI) efforts do not always have a path clearly articulated for reaching their lofty goals. And the challenge of turning DEI intentions into DEI results is made particularly complex by a messy tangle of historical and cultural considerations, labor and employment laws, political sensitivities, reputational and branding concerns, and geographic and industry nuances. Part of DEI is doing the right thing, but the other part is doing a hard thing the right way.

In my work, I often help corporate leaders think through how they can implement and oversee strategies, including ESG and DEI strategies, more effectively. Below, I identify five common reasons why companies' DEI efforts may fall short, and what companies can do to overcome these challenges.

1. ***You are focused on activities rather than behavior***. Companies' DEI efforts often include activities that are ancillary to the organization's day-to-day operations. These activities – including affinity group meetings, antiracism/anti-bias trainings, diversity-related conferences, mentorship programs, and diversity-specific recruitment pushes – are useful aspects of a company's overall DEI strategy, however, without the addition of initiatives more closely tied to the company's daily operations, these activities alone are unlikely to result in meaningful, sustainable change. This is because activities often treat diversity as a single task to be completed – a training to be given, a meeting to be conducted, a box to be checked – rather than as a strategy for long-term value creation. To align an organization's DEI strategy to the organization's overall strategy, the DEI efforts must be integrated into how the organization measures, rewards and corrects behavior, meaning that the thoughtful integration of DEI metrics into performance, promotion and incentive structures must be considered carefully. What the right DEI metrics are and how they are best integrated into the organization will always need to be company, and often business unit, -specific questions, but there is no need for companies to go at it alone. Companies can utilize DEI specialists and consultants to help them craft the right mix of metrics and a plan for implementation, although they should do their due diligence since the DEI space is rapidly expanding. Answering the hard questions regarding how DEI should be integrated into the company's overall strategy can be an appropriate task for newly appointed chief diversity officers, or members of management with similar responsibilities (each a CDO), provided the CDO has the opportunity to appropriately

engage with members of the c-suite and the board.[1] In addition, increasingly I find that companies' other advisors, including compensation consultants, accountants and lawyers, are up-to-speed on trends in this space, and prepared to ask their clients the right questions.

2. ***You are prioritizing recruitment over retention***. We are all familiar with the saying a bird in the hand is worth two in the bush, but when it comes to DEI efforts, often it is the bushes that receive the greatest amount of attention. It is possible that retention is less psychologically satisfying than the thrill of acquiring new talent, but I think there's also another factor at play: Investigating any issues with retaining underrepresented talent, and specifically, whether, and if so, why underrepresented talent has higher external attrition rates, is just a rock some companies may not want to look under. It is possible that the Great Resignation, which can have significant implications for companies' DEI efforts, has brought these issues even more to the forefront. Some companies may be in the position of watching in frustration as a significant number of underrepresented talent leaves for other opportunities. This is one of the ways in which doing DEI effectively is doing a hard thing the right way – it is true that companies should be careful about how they identify and approach any issues they are having with retaining underrepresented talent, however, staying ignorant of any issues can be even more risky. Instead, companies should consider using counsel to help establish a strategy for identifying issues, as well as a path for addressing them. Ultimately, successfully retaining underrepresented talent will not only provide the immediate benefit of helping to create more diverse teams, but will also create the additional benefit of bolstering the organization's diversity-related recruitment efforts.

3. ***You have yet to clearly identify what is achievable and how***. It should go without saying that not all diversity is the same, however, increasingly, investors and other stakeholders have DEI expectations that include diversity-related targets. While companies may view diversity-related targets as proxies for progress, they will always be imperfect proxies when we are looking at a specific organization, and may create their own significant legal risks if they are not very carefully administered. Organizations seeking to address stakeholders' expectations need to dig deeper into the "why" behind their specific picture of diversity. What industry and geographical considerations have an impact on this picture? A company that successfully ties its diversity story to the narrative of its overall strategy will be more likely to have a story that is both unique to the company and sustainable over the long run. And diversity goals rooted in a company-specific narrative are also more likely to be deliverable.

It has been said that diversity is not rocket science; it's harder. For any individual organization, its diversity dream list may not be achievable in the short term, and being honest about that internally is an important step in achieving internal consensus and buy-in. Unrealistic goals are likely to go unrealized while simultaneously burning out employees, often underrepresented employees who may shoulder a disproportionate amount of the DEI burden

(more on that next). And while no single organization can address all of the systemic issues underlying its DEI challenges, companies that work DEI considerations into their broader stakeholder engagement efforts, including their community and political involvements, are more likely to have a consistent, effective DEI narrative and deliverable DEI goals.

4. ***Your DEI efforts are mostly D with little E and no meaningful I***. In many organizations, the "D" in DEI does the heavy lifting. Diversity has been a major focus of investors and other stakeholders over the past few years, and public companies in particular have responded with new chief diversity officer roles, new director appointments, board oversight of diversity-related matters, and new diversity-related disclosures. But even without this stakeholder focus, leaning into diversity often seems to be the most direct means for organizations to achieve their DEI goals. However, without meaningful equity and inclusion efforts, including equity and inclusion-related metrics aligned to the company's performance, promotion and incentive structures, organizations are likely to see their diversity efforts fail to gain traction. This is because equity and inclusion are necessary for diversity to flourish over the long run; they are necessary to create the corporate cultural changes that lead to belonging. In addition, diversity initiatives often heavily rely on underrepresented talent's investment of their time and energy, and a lopsided DEI strategy that focuses on diversity without investing in equity and inclusion is more likely to result in underrepresented talent burnout, exacerbating any underrepresented talent retention issues. It is also worth noting that investors and other stakeholders are increasingly interested in companies' equity and inclusion efforts, and this interest is likely to grow as the companies with more balanced DEI strategies distinguish themselves.

5. ***The people defining your corporate culture are the people it is working for***. A company's DEI efforts are integrally tied to its corporate culture, and while many companies define and discuss their corporate culture, a smaller percentage actually do the hard work of assessing and measuring it. Companies often rely on key members of leadership to define the corporate culture, with little or no assessment or audit of key cultural indicators. While leadership's view of the company culture can provide meaningful insights, often these individuals have been rewarded by the same corporate culture they are assessing. Having been rewarded by the status quo, leadership is more likely to view the corporate culture in positive terms than individuals who, for example, have left the organization. Acquiring a more balanced view of the organization's culture is integral to effectively assessing the effectiveness of its DEI efforts. Increasingly, there are consulting firms that are refining the art of measuring corporate cultures. Companies that are serious about their DEI efforts should consider undertaking meaningful assessments of their corporate cultures in order to inform those efforts.

Effective DEI requires a consistent commitment to both the science and the art of navigating human engagement. This commitment requires proactively building internal consensus, which

can be a delicate and uncomfortable process – part of the process of doing a hard thing the right way. Acknowledging that DEI is not an easy or natural process is often the first important step in actually making meaningful progress.

[1] As I have discussed previously, it is critical to the success of the CDO role that the highest levels of the organization (1) understand the scope of the CDO's role (and make sure that the scope is reasonable); (2) support the CDO's efforts in real and measurable ways; and (3) provide the CDO with the opportunity to report directly to senior management and the board on the company's DEI efforts.