



The Changing Face of Diversity:

An In-Depth Look at Today's Corporate Diversity Challenges and Best Practices

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Overview

According to the U.S. Bureau of Labor Statistics, by 2008, women and minorities are expected to make up 70 percent of new entrants to the workforce. Nearly one-fifth of the U.S. workforce will be 55 or older by 2012. Approximately 40 percent of all American consumers are non-White. Spending among African Americans, Asian Americans and Hispanic Americans is estimated to exceed \$650 billion annually.¹

These statistics highlight the fact that the U.S. population is becoming more diverse by the day and that to remain competitive in today's world companies need to embrace diversity as a strategic initiative. To many organizations, corporate diversity is a given; yet there are still those that strive to understand the importance of diversity or that grapple with how to tie diversity to corporate profits.

This report aims to help all organizations gain a better understanding of diversity by focusing on four key areas:

- 1.) Defining diversity in today's terms
- 2.) The costs of not embracing diversity
- 3.) Common diversity pitfalls
- 4.) Diversity best practices and future trends

Throughout the report, we summarize the benefits of a diverse organization. Specifically, this report:

- Helps you better understand diversity in a changing world,
- Shows you ways to enhance your current diversity initiatives,
- Provides guidance on how to attract diverse candidates; and
- Illustrates the dos and don'ts of diversity programs.

Before delving deeper into diversity practices, it is important to look at how diversity evolved and how it is defined today.

Defining Diversity

Diversity first became prevalent in the 1970's and 1980's as an increasing number of women entered the workforce. The concept was viewed as more or less, "The right thing to do." In the 1990's diversity took on greater importance as new EEOC reporting requirements emerged. During that same timeframe, however, the consumer landscape began to change and U.S. companies began to face more intense global competition.

Organizations soon realized that diversity was more about maintaining a competitive advantage versus fulfilling a legal quota. Companies began to look at diversity as a means to expanding markets. Diverse employees were matched to niche markets, leaving them to feel exploited and excluded from other organizational opportunities.

Today, diversity expands beyond women and minorities in the workplace to include suppliers. Today, companies face issues such as an aging workforce, even more minorities entering the workforce and a continually expanding global marketplace. Today, diversity is all about acquiring the right diverse talent, nurturing that diverse talent and creating a culture of equality.

After more than a quarter of a century, diversity has evolved into a tightly integrated strategic organizational objective; however, the term now means different things to different organizations. Depending on an organization's size and business objectives the programs can range from a small, local effort to a company-wide strategic initiative led by a Chief Diversity Officer. When it comes to modern-day diversity there is no right or wrong definition.

¹ U.S. Bureau of Labor Statistics, www.bls.gov, August 29, 2005.

Quite often, diversity is used interchangeably with Affirmative Action and EEO. Although this is partly true from a government reporting perspective, diversity is a much broader term bound only by the confines of an organization. More important than how an organization defines diversity is how diversity programs are implemented. Corporations that fully embrace diversity can reap great rewards while those that follow earlier approaches or none at all risk facing dire consequences.

Costs of Not Embracing Diversity

March 2004 – “Sega, Spherion Settle Suit Alleging Bias Against Filipinos, Retaliation”

July 2004 – “EEOC and Morgan Stanley Announce Settlement of Sex Discrimination Lawsuit”

August 2005 – “Tyson Foods Sued for Race Bias and Retaliation Against Blacks...”

The above titles were headlines to recent press releases issued by the EEOC. At the same time many companies are being praised for embracing and embedding diversity and inclusion programs throughout their organization, others are paying hefty fines. This certainly is not the norm as companies such as Albertson’s, Wal-Mart, AFLAC, Motorola, Hyatt, Marriott, Citigroup, Abbott Laboratories, Deloitte, and many others are paving the way to become some of the most highly regarded diverse companies.

Penalties and fines, not to mention bad publicity, are just some of the consequences of not fully embracing diversity. Internally, however, companies pay a much higher price. The most important being the inability to effectively compete in today’s diverse market. Following are three examples of companies that adopted different approaches.

<u>COMPANY A</u>	<u>COMPANY B</u>	<u>COMPANY C</u>
<p>Company A has very little visible diversity. It has an Affirmative Action program and is an equal opportunity employer. Company A decides these are enough.</p>	<p>Company B has recognized the increased buying power of the Hispanic market. To expand into this niche, Company B begins hiring Hispanic workers to market to this segment.</p>	<p>Company C has made it part of their business practice to hire, develop and promote diverse individuals. The company has tied its diversity activities directly to its business objectives. It favors inclusion through training, open discussion and promoting an environment of equality.</p>

There is nothing wrong with any of the above three approaches; however, companies A and B may be at a disadvantage over the long-term. First, companies A and B may be experiencing a high degree of turnover among its diverse employees because they do not feel as if they are accepted, respected and valued. In fact, at Company B, employees may feel exploited. As the labor pool becomes increasingly diverse, these companies will be unable to attract and retain quality diverse candidates.

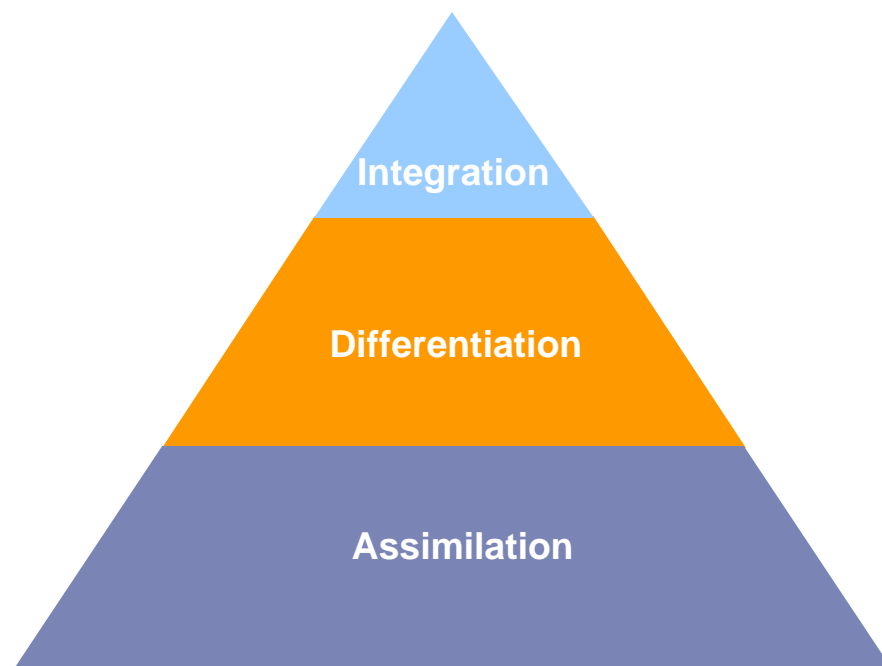
Second, not tapping into the potential diverse employees bring to the table companies A and B may experience low levels of productivity, low morale and be unable to effectively compete in today’s highly competitive, global market. Not recognizing the unique perspective of all employees could be detrimental. If Company A or B was up against Company C in a multi-million dollar business deal with a multinational organization, chances are Company C would win the deal.

Third, companies which focus on hiring and promoting diverse employees such as Companies A and B, risk losing top non-minority employees or experience low morale and increased tension in the workplace. Sending a strong message of inclusion can make a world of difference.

Last, companies A and B may find it difficult to attract diverse suppliers and customers. A company that doesn't position or brand itself as a diverse company is putting itself at a disadvantage. Diversity will always be considered secondary if it is not fully embedded within an organization.

The above examples also correlate to how diversity has evolved over the years. In a quarter of a century, companies have moved from equality to differences to acceptance. Two professors from Harvard Business School and Columbia University, respectively, refer to this evolution as the Assimilation, Differentiation and Integration paradigms.²

Today, most organizations still fall under the example of Company A (equality/Assimilation) or Company B (differences/Differentiation). Very few have taken diversity to its highest level (Integration). What's standing in their way?



Common Diversity Pitfalls

Last year, Enterprise Rent-a-Car backed a U.S. study by the National Urban League. Out of the 5,500 individuals surveyed, which included staff, managers and CEOs, only 32 percent of employees felt that their companies did a decent job of hiring and promoting people other than white males. Even more startling was that less than half of the executives surveyed felt that their own diversity efforts were working mainly citing their lack of involvement.³

² David A. Thomas and Robin J. Ely, "Making Differences Matter: A New Paradigm for Managing Diversity", *HBR OnPoint* (1996, revisited in 2002).

³ Anne Fisher, "How You Can Do Better on Diversity", *Fortune 150*, no. 10 (2004), p. 60.

There are four common areas where diversity programs tend to fall short:

- 1.) Clearly outlined goals
- 2.) Lack of support and/or buy-in
- 3.) Lack of inclusion
- 4.) Lack of training and organizational development

Clearly Outlined Goals

Many organizations understand the overall concept of diversity, but fail to understand how diversity fits within their own organization. Having a diverse workforce to satisfy the basic belief that differences are good or to gain access to minority markets and new clients are valid goals; however, the end result is almost guaranteed to be negative. Minorities are distanced from the organization's objectives and left to feel used, exploited and excluded from the big picture. Oftentimes this results in high turnover and high employee dissatisfaction.

Understanding that diversity goes beyond legal compliance and tying diversity and inclusion programs to strategic business plans and objectives is the best way to ensure diversity is embedded within the organization. Anything less and companies are most likely wasting time and dollars. Without a correlation between diversity and business objectives, diversity will be seen as a secondary program.

Lack of Support/Buy-In

One of the main reasons diversity is misunderstood in organizations is because the initiative is not being supported from the top. In some cases, this is simply due to upper management being unaware of its shortcomings when it comes to hiring and promoting women and minorities. In other cases there is little visible diversity within the organization. As a result, those looking to implement diversity and inclusion programs within their organizations get pushback regarding why a diversity program is necessary.

To overcome this hurdle, organizations need to clearly articulate why resources need to be committed to the effort and quantitatively and qualitatively demonstrate why diversity is relevant. For example, as the labor pool becomes more diverse, non-diverse companies could be missing out on attracting and retaining top diverse candidates. Having support from the top will also give diversity programs the credibility they need to be accepted by others inside and outside of the organization.

Lack of Inclusion

Prior to the late 1990's, diversity was looked upon as a means of assimilating women and minorities into the workforce. Today, a company that focuses a majority of its efforts on hiring and advancing women and minorities risks backlash from non-minority employees. The focus should be on inclusion – having everyone in your organization understand and embrace diversity.

Lack of Training and Organizational Development

Organizations can be stellar performers when it comes to attracting and hiring diverse candidates; but when it comes to advancing and promoting diverse employees many find that they are falling short. Diversity training for the organization as a whole may also be lacking. Lack of advancement or understanding will often lead to low employee morale, low productivity and high turnover.

Having a well-defined training and professional development program as part of an organization's diversity initiative can go a long way toward creating an environment of equality. For example, leading-insurance provider, AFLAC, one of FORTUNE's "50 Best Companies for Minorities" offers different classes on diversity awareness and why it is so important to the company. Additionally, the company offers other classes that focus on employees' special needs such as its English as a Second Language course.⁴

⁴ "Diversity Hiring in 2005: Are You in the Minority?", *FORTUNE* (2005).

AFLAC provides both diversity training and a clear development/succession plan to assist in the development of women and minorities in the workforce. Companies that tie their diversity programs to career planning and identify how diverse employees will move through the organization are better able to meet their program objectives while positively impacting their bottom line.

Diversity Best Practices

In today's world, it is no surprise that there are many benefits of a diversity-focused organization – higher workforce morale, organizational flexibility, improved productivity and quality, increased sales and profits, lower costs and turnover, etc. Some organizations have achieved it all, embedding diversity into their organizational culture. Others are on their way as they learn from today's shining stars. From publications such as FORTUNE magazine to DiversityInc, companies are learning from those paving the way and setting new precedents for others to follow.

AFLAC and the Five R's of Business Success

AFLAC is a company that has embraced diversity since its inception in 1955. When AFLAC first evaluated how diverse its organization was, it found that it already mirrored national demographics. The company then became focused on taking diversity to the next level. A volunteer Diversity Council meets regularly to discuss new ways to promote and enhance diversity within the company. In 2002, AFLAC held its first Diversity Day celebration, which is now an annual event.⁵

To drive diversity throughout the organization, AFLAC applies diversity to its Five R's of Business Success – Recruitment, Retention, Relationships, Rewards, and Reinforcement. The company uses a variety of tools to recruit new diverse talent but has found online recruitment to be an increasingly important resource for quickly and cost-effectively locating diverse workers. The company also regularly conducts surveys and hosts focus groups with its employees as a means of measuring how employees perceive diversity at the company. Follow up on all topics is mandatory. By focusing on its people, AFLAC is focusing on its business.⁶

The company also promotes an open-door policy where employees are able to voice their opinions on how to help serve customers and one another. It recognizes and rewards those within the organization that promote diversity. Externally, the company builds strong ties to the communities it services, donating more than \$10 million to support community efforts.⁷

Wal-Mart's Top-Down Approach

From the highest levels within the organization to its sales associates, at Wal-Mart, the diversity message is one of inclusion. That tone is set from the top and trickles down through and outside the organization to its suppliers and communities Wal-Mart serves. Wal-Mart's 13-member board consists of two women, two Hispanic Americans and two African Americans.⁸

Wal-Mart's senior vice president and chief diversity officer, Charlyn Jarrells Porter, described Wal-Mart's efforts to embed diversity throughout its organization as such:

“As one of the fastest growing employers in the world, we have unprecedented opportunities to create careers for a very large number of people. As our business becomes more complex, the diversity of talent we need rises as well...This excites me, because we are providing opportunities for people at all levels of our organization around the world. To attract and retain the talent we must be viewed as an employer of choice; as a company that fosters a diverse and inclusive work environment where people feel they are valued and add value.”⁹

⁵ Id.

⁶ Id.

⁷ Id.

⁸ Charlyn Jarrells Porter, senior vice president and chief diversity officer, “personal interview,” August 5, 2005.

⁹ Id.

Wal-Mart actively recruits talent from colleges and universities with significant populations of diverse students, including women's colleges, historically black colleges and universities and colleges with a high Hispanic representation. It works to build and strengthen relationships with these institutions through recruiting campaigns, local management involvement in the schools and company involvement on university boards.¹⁰

Wal-Mart also focuses on moving diverse employees up into higher-level positions. Its "Women in Leadership" and "Minorities in Leadership" programs are good examples. Each program consists of a one-day seminar where the company focuses on skills such as communication, networking, work/life balance and mentoring. As a result, Wal-Mart's retention rate for women and minority participants is more than 96 percent.¹¹

Through educating and developing its entire workforce on diversity issues, Wal-Mart ensures that as employees move up through the ranks, newer employees are mentored and coached by leaders who have embraced diversity and inclusion as integral parts of the Wal-Mart culture.

Altria Group Takes its Diversity Commitment Outside

In a recent article on DiversityInc.com, "How do the Top 5 Companies for Diversity Score on Their Web Sites?" Altria Group was at the top of the list.¹² One of the most powerful communication tools a company has to demonstrate its commitment to diversity is through its own website. Just type in the word diversity on Altria's website and the site brings up nearly 130 mostly relevant pages on the topic.

In the DiversityInc article, Altria's diversity and inclusion manager, Diarra Booker, said, "We support and encourage everyone to bring diverse thoughts and perspectives to the table...We leverage our Web site as a way to communicate that commitment." In addition to being number one on The DiversityInc 2005 Top 50 Companies List, Altria appeared in the Top 10 Companies for Recruitment & Retention as well as four other Top 10 lists for women and minorities.¹³

Other companies given high scores for their websites included Citigroup and Abbott Laboratories; two companies on this year's FORTUNE Top 50 Employers for Minorities.¹⁴

IBM Ties Diversity to Strategy

In September 2004, the Harvard Business Review published an article on IBM's diversity initiatives titled, "Diversity as a Strategy." When Lou Gerstner became CEO of IBM in 1993, he took a hard look at IBM's workforce. At the executive level, Gerstner found that his team did not reflect the marketplace, IBM's customers or its employees.¹⁵

IBM immediately formed eight task forces focused on different diverse groups. The objective of the task forces was to identify and better understand the difference among these groups and find ways to bring them together. As a result, the number of female executives increased 370 percent between 1995 and 2004, the number of U.S. born minority executives increased 233 percent and 52 percent of IBM's Worldwide Management Council is composed of women, minorities and non-U.S. citizens.¹⁶

By creating a more diverse leadership group, IBM expanded its talent pool, which allowed the organization to better understand its market and ultimately tie its diversity initiatives to its market strategies. The change did not occur overnight, but IBM avoided all of the pitfalls along the way:

¹⁰ Id.

¹¹ Id.

¹² T.J. DeGroat, "How Do the Top 5 Companies for Diversity Score on Their Web Sites?", *DiversityInc* (June 2005)

¹³ Id.

¹⁴ Id.

¹⁵ David A. Thomas, "Diversity as a Strategy", *Harvard Business Review*, (September 2004).

¹⁶ Id.

- The organization developed clear diversity goals tied to its business goals
- The initiative was supported from the highest level within the organization
- Task forces and diversity councils were created to allow for open discussion where employees' feedback was taken seriously and acted upon
- Mentoring programs and job shadowing programs were created to develop women and minorities throughout the organization

Aligning its diversity initiatives with IBM's business goals has paid off ten-fold. In one business segment, revenues went from \$10 million to in the hundreds of millions within a period of five years. IBM has also been able to form strategic supplier relationships.¹⁷

Diversity Trends

Unlike other business buzzwords and fads that come and go, diversity and inclusion will continue to grow and evolve as the employee population shifts and business conditions and markets change. Following are just some of the key trends noted by diversity experts and business journals:

Recruitment

With baby boomers beginning to exit the workforce, companies will soon find that their talent pool is drying up. This is even more alarming to industries with current staffing shortages or difficult-to-fill positions. To continue to attract diverse candidates to open positions, organizations are "thinking outside the box" when it comes to recruiting.

To make open positions known to diverse audiences, companies need to look for publications and sites where diverse candidates are more likely to read and visit. For example, BET and Univision, two sites where CareerBuilder.com is responsible for powering their career centers, are leading Internet portals for African Americans and Hispanics, respectively. This is also a good example where partnering with an online job board with diverse partners can work to your advantage.

Posting jobs or accessing resumes online continues to deliver solid results, depending on the quality of the source; however, with eight out of every ten people going online today, companies are taking advantage of this opportunity to stand out among other employers and reach diverse candidates via other media vehicles. Banner advertising, once looked upon as a way to promote a company's products or services, is quickly becoming a popular tool to promote a company as a diversity-conscious employer and stand out among potential job seekers.

Companies can also participate in conferences and job fairs that represent minority interests or host their own diversity career fairs. Companies such as Equal Opportunity Publications, Inc., a publisher of career-guidance and recruitment magazines for women, members of minority groups, and people with disabilities hosts a series of year-round diversity career fairs. CareerBuilder.com also hosts diversity-specific career fairs throughout the year. Associations such as the NAACP host their own career fairs as well.

Developing a comprehensive recruiting strategy and adding branding and career fairs to the mix is proving to be very successful for many organizations.

Career Development and Training

In an article that appeared in the winter 2004 issue of the *Journal for Quality & Participation*, the author, a leading expert of diversity among FORTUNE 1000 companies, predicted that diversity training would grow by 10 percent in 2005.¹⁸ Some of the reasons cited for increased diversity training included:

¹⁷ Id.

¹⁸ Maureen Giovannini, "What Gets Measured Gets Done: Achieving Results Through Diversity and Inclusion", *Journal for Quality & Participation*, 27 no. 4 (Winter 2004).

- Development of ALL employees
- Growing age bias
- Career development for women
- Accelerated globalization

For organizations to be able to move toward a diverse environment that promotes inclusion, training all employees in diversity will become imperative.

To Have or Not to Have a Chief Diversity Officer

More frequently, within larger organizations, the role of Chief Diversity Officer is being created. The decision to have a Chief Diversity Officer, however, is dependant on the size of the organization and the scope of its diversity initiatives. Within organizations that do have a Chief Diversity Officer the role is moving out of Human Resources and into the Board Room as diversity takes on a more strategic role.

Organizations are also finding that having a Chief Diversity Officer allows them to have a consistent diversity message. For example, at Wal-Mart having a Chief Diversity Officer allows it to, "Establish a focal point and gain synergies...one specific department focused and driving diversity throughout the company."¹⁹

Measurement and Tracking

For a long time there was a view that diversity was simply "the right thing to do" and a corporate PR tool. Sure there are Applicant Tracking systems and other software tools to assist organizations in complying with EEOC regulations; but as shown earlier diversity is much more than legal compliance or a means to recruit diverse candidates. Today, CEOs are asking tougher questions such as, "Are the dollars I'm investing giving me a good return? Is diversity a good investment for this company?" Although many organizations believe diversity is helping them, being able to assign dollars or offer quantifiable results directly correlated to diversity and inclusion initiatives is much harder to do.

Following are quantitative and qualitative measurements organizations are using today:

- Tying diversity to bonuses or other incentives
- Feedback tools
- Employee surveys
- Number of employees trained
- Number of diverse promotions

As an example, Wal-Mart ties its diversity goals to officer incentive bonuses. Senior vice president and chief diversity officer, Charlyn Jarrells Porter, stated, "Officers are accountable for hiring and placing at the rate at which the qualified and interested applicant pool is for females as well as African Americans, Asians, Hispanics, Native Americans. For example, if we determine that 40 percent of the qualified applicants for assistant manager positions are females, then our officers must hire 40 percent females into that particular position. In addition, officers must participate in mentoring and be involved in diversity programs or organizations such as the NAACP or National Council of LaRaza. If they do not achieve their diversity goals, their incentive bonus may be reduced up to 15 percent."²⁰

Other companies use training as a starting ground for rolling out diversity or inclusion programs and use 180-degree, 360-degree and other feedback instruments to measure changes in behavior. Once changes in behavior are tracked, companies can then take measurement a step further to see if there is a correlation between the survey results and business indicators such as sales, productivity, turnover, etc.

¹⁹ Id.

²⁰ Id.

Generational Diversity

According to the EEOC, four different generations participate in the American labor force today. Studies show that each generation has very different views about work and their careers. Until recently, this aspect of diversity was overlooked; however, understanding generational differences can enhance overall organizational performance.²¹

There are currently a number of books on the market on the topic of generational diversity. In addition to the EEOC offering training and assistance on age discrimination, many diversity consultants and trainers have begun including this subject as part of their programs.²²

Diversity as a Way of Life

Throughout this report, we have shown that diversity has evolved significantly over the past 25 years. While some organizations have fully ingrained diversity as a “way of life” within their organizations, others are looking for ways to enhance or improve their diversity programs. Regardless of the type of diversity initiative, it is important to understand that diversity is not a one-size-fits-all approach, but a strategic fit based on the desired outcomes of the organization.

The diversity movement began at a slow pace but within the last two to three years has gained tremendous momentum. As customer demographics and the workforce continue to shift, competition increases and organizations adapt, diversity in the workplace will continue to evolve as well.

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²¹ Cari Dominguez, “Generational Diversity”, *Minority Corporate Counsel Association*, www.mcca.com, Views from the EEOC, August 31, 2005.

²² Id.