How Commonwealth Compact Signers Promote Diversity

We asked filers to provide the top five ways in which their organizations promote diversity, inclusion, and racial, ethnic, and gender equality. Over half the filers answered this question. Much of what these organizations do to promote diversity and inclusion include not only their employees but also the members of their communities. Here are some of their own "best practices":

- Establish a diversity committee within the organization and/or hire a diversity consultant. One of these consultants has done an assessment of the entire organization.
- Engage the community around diversity issues/efforts. Examples include: sponsoring community events such as conferences, fairs, cultural events, a public speaker series and events to raise awareness of disparities.
- Work with a community liaison to educate members of the community.
- Make sure their workforce and leadership team reflect the people and communities they serve, especially when working with underserved populations.
- Advertise in ethnic media when recruiting employees — important to be able to attract a variety of potential employees.
- Hire from within their community; local job fairs can help with this.
- Foster a work environment that promotes inclusion by providing training opportunities and staff education. (Examples include: diversity retreats for staff, receptions for staff to discuss issues and ideas surrounding promoting equality among people of color and women.)
- Include assessments of diversity and inclusiveness as core competencies in all employee evaluations.
- Engage suppliers and vendors in diversity promotions. (Examples include: using minority/woman-owned suppliers/vendors/contractors and conducting diversity training for suppliers.)

Conclusions and Best Practices

Because we saw some dramatic declines in diversity efforts as reported by the filers, both in terms of board/governance as well as CEO efforts, it seems particularly important to move forward with an examination of "best practices" and to reaffirm many of the recommendations made last year.

In order to achieve the goals stated in the recommendations below, organizations can look toward best practices already being used to increase diversity. Best practice organizations were identified as those that value people and cultivate an environment where cultural awareness, sensitivity, fairness and integrity prosper (Reichenberg, 2001).

Our recommendations this year focus on the five essential components of an effective diversity strategy. Adapted from the book, *Diversity at work: The business case for equity*, the five essential components of an effective diversity strategy are: management commitment, employee awareness and understanding, employee involvement, effective measurement, and alignment to business strategy (Wilson, 1997). With these components in mind, our second wave of data analysis, and our previous list of recommendations, we suggest corporations, organizations, and institutions consider the following actions:

■ Develop a needs-analysis and preliminary work plan

Because the signers are in different sectors and have varying levels of diversity, it is imperative that each organization is able to compare themselves to others in their sector/industry. From there, they can develop realistic goals and policies based on their individual strengths and weaknesses. This step will provide organizations an accurate assessment of where they are and where they want to be. It will also allow organizations an opportunity to identify all of the necessary components of a diversity initiative and determine timelines and allocation of resources. This will lead to an improved assessment of available resources, approaches to take and what can be utilized to develop and implement their organization's own diversity strategy (e.g., hire a consulting firm, form a diversity committee, hire a diversity expert, etc.)

■ Align diversity strategy to business strategy

Increasing diversity must be linked to the organization's business strategy because it essentially adds economic value to the organization. "The concept of human capital is that people have skills, experience, and knowledge that provide economic value to firms" (Richard, 2000). By increasing diversity within the workforce, organizations are investing in their human capital. Barney and Wright (as cited in Richard, 2000) noted that when human capital is difficult to imitate, appears rare, and creates value, it is able to contribute to the firm's sustainable competitive advantage. "Cultural diversity in human capital serves as a source of sustained competitive advantage because it creates value that is both difficult to imitate and rare" (Barney & Wright 1998, as cited in Richard, 2000). In addition, Wilson (1996) reasoned that increasing workforce diversity creates an equitable employment system which in turn ends in higher profits. He argued that "...equity in the workplace raises employee satisfaction and employee commitment, which in turn are associated with less turnover and absenteeism... motivated and loyal employees enhance customer value, increase customer satisfaction, customer loyalty and ultimately corporate revenues and profits" (as cited in Bates & Este, 2000, p. 15).

Thus, diversity is essentially a business imperative. Not only is it about capitalizing on the organization's human capital, but it is also about reflecting the market that these organizations serve. With the changing demography of Massachusetts, organizations, corporations, and institutions must be as equally diverse as the communities they serve in order to adequately provide services for them. Aligning the diversity strategy to the organization's business strategy involves integrating diversity goals into the strategic planning process of the organization and surveying the customer base and the population of the communities in which they are located.

Wilson (1997) suggested three steps to linking the diversity strategy to the business strategy:

1. Establish the key business objectives
2. Identify the relevant diversity issues in the key business objectives
3. Create the link between business objectives and relevant diversity issues

Determine the level of diversity and perceived equity within the company/organization

In order to develop and implement a diversity strategy that fits the organization well, the organization's current level of diversity and the perceived equity within the organization need to be measured. The organization's current level of diversity may have been identified when the needs analysis and preliminary work plan was developed. Measuring the perceived equity within the organization, on the other hand, can be obtained through structured interviews, focus groups, non-normed climate surveys, normed opinion surveys, and even through town hall meetings.

Build and increase management commitment

"Equity initiatives have to move beyond the human resources department, becoming an integral part of all corporate activity, if they are to have a significant impact" (Bates & Este, 2000, p. 4). In order to effectively increase diversity, responsibility and accountability must be concrete and visible. With managers assuming roles of responsibility and accountability, building and increasing their commitment to the organization's diversity strategy ensures successful implementation. There are specifically four focus areas where management commitment is essential (Kalev, 2006):

- Organizational structure: assigning responsibility
- Behavioral change: reducing bias through education and feedback
- Treating social isolation: networking and mentoring
- Addressing adverse effects of diversity practices

Research assessing the efficacy of corporate affirmative action and diversity practices revealed that "...the most effective practices are those that establish organizational responsibility: affirmative action plans, diversity staff, and diversity task forces" (Kalev, 2006). While all four focus areas are essential, creating and assigning the right team to oversee the organization's diversity efforts is the most fundamental.

It is as equally important that diversity managers receive adequate support and training in implementing the organization's diversity strategy. This training and support can be provided by increasing Chief Executive Officer (CEO) commitment to this strategy.

Build on the examples of CEO commitment to diversity provided by Compact co-signers

The CEO of an organization has a tremendous impact on the diversity of employees. The first annual report on Commonwealth Compact data, *Stepping Up: Managing Diversity in Challenging Times* included seven examples from signers that demonstrated CEO commitment to diversity efforts. These examples included:

- Allocating explicit budgetary resources
- Creating and overseeing a Diversity Fellowship Program
- Pushing mangers to advertise positions widely in communities of color (e.g., through community newspapers)
- Establishing and chairing a Diversity Recruitment and Retention committee that holds the organization accountable
- Creating an internal anti-racism committee whose charge is to review internal policies, practices, and structures and make recommendations to the senior leadership team
- Using performance reviews to recognize and reward diversity efforts by senior level administration to include areas as support for diversity
- Promoting initiatives that search for diverse talent, leadership development, coaching, and community/regional work that values diversity

As the highest-level individual in an organization, the CEO establishes the legitimacy of the organization's diversity effort. We can assume that increasing CEO commitment to diversity will in turn increase the CEO's visibility and communication in regard to the different strategies being undertaken to increase diversity within (as well as from outside) the organization. Increased legitimacy of the organization's diversity effort increases employee compliance and commitment to the firm's diversity policies and goals.

Engage in a dialogue, communicate and define diversity for the organization

The terms "diversity" and "equity" raise questions that need to be addressed by the leaders of the organization during, and preferably before, implementing the diversity strategy. Engaging in a dialogue and defining diversity help decrease both confusion and employee suspicion. Ideally, the CEO should communicate to all of its employees why increasing workforce diversity is an important undertaking for the organization – to create equitable employment systems and to maintain the organization's competitive advantage. The key message is that increasing diversity is a business imperative.

"Diversity is the recognition and acknowledgment of individual differences. In a diverse workforce, such as we have today, treating people equally may mean ignoring individual differences. This can lead to inequitable treatment. An organization practicing diversity seeks to provide equitable treatments for all employees. The organization does this by moving past equal treatment, where differences are ignored, to equitable treatment, where differences are recognized, acknowledged, and eventually valued" (Wilson, 1996).

Increase employee awareness & understanding

Company leaders and managers should seek to understand the organization's attitude towards workforce diversity. This is the first step in fostering a culture that is receptive to increasing diversity in the company (U.S. Department of Commerce, 1999). Not only do employees need to be aware of the diversity efforts that the firm is undertaking, they also need to understand the reasons behind it. Creating an existing workforce that is receptive to increasing diversity within the organization will likely improve and ease the execution of the organization's diversity efforts. This can be accomplished specifically through two efforts:

- **Establish and foster employee groups that allow for employees to "weigh in" on workforce climate in regard to diversity**

- **Increase employee involvement by allowing employees to partake in diversity initiatives**

"The way to overcome the resistance (to diversity and equity initiatives) is to take the inclusive approach...and link it to the bottom line" (Wilson, 1997). Increasing employee involvement distributes the responsibility and accountability of the organization's diversity efforts to include all of its employees. This increases not just awareness, but also participation in the process. Involving employees will likely reduce the resistance against these efforts, bring more diversity strategies on the table, and obtain a more accurate picture of the diversity culture/climate within the firm by receiving more direct feedback from all employees.

- **Gather data on promotion and retention rates of employees of color and women**

- **Collect and track data on outreach mechanisms for identifying and contracting/purchasing from minority and woman-owned suppliers and vendors**

- **Develop effective measurement: Measure accountability to determine how well diversity is being managed & determine employee satisfaction**

In order to have an effective diversity strategy, it must be effectively measured. A United Nations *Best Practices in Diversity Management* report showed that accountability is an attribute of best practice organizations (Reichenberg, 2001). Accountability, determined through the use of surveys, metrics, focus groups, & management and employee evaluations, is a measurable criterion in evaluating the success of managing diversity. On the other hand, determining employee satisfaction will assess the extent to which diversity initiatives are able to create equitable employment systems that will increase employee commitment that will in turn increase customer satisfaction and loyalty, and ultimately increase revenue and profit.

- **Use formal and informal channels to gain feedback from employees regarding the organization's diversity efforts**

- **Conduct scientifically rigorous employee satisfaction surveys that are confidential and can be analyzed by race, ethnicity, and gender of employees**

These types of assessment mechanisms will serve as "cultural diversity audits." Such an approach will "...take the pulse of the workforce and provide candid assessments of the work climate" (U.S. Department of Commerce, 1999, p. 11). An informal channel can include an employee feedback hotline and/or an internal website where employees can express their opinion and engage in open dialogue.

- **Establish a review committee that is responsible for establishing policies, providing technical assistance, reviewing/approving plans, and monitoring progress toward the achievement of goals**

This was cited as a characteristic of best practice organizations by the U. N *Best Practices in Diversity Management* report. The review committee should serve as the formal board in assessing the effectiveness of the organization's diversity efforts. The review committee will also add structure and legitimacy to the firm's diversity initiatives as well as streamline the process and implementation of the diversity strategy. This will thereby increase efficiency and reduce costs.

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Notes

1 This may create a problem of comparability in that it is not possible to determine how colleges and universities who completed their templates in 2008 recorded the numbers of faculty. We assume that in Year 1 they recorded them, for the most part, in the "professional" category, but in Year 2 in the separate section provided for faculty in the new template (see Table III in Benchmark Template-Year 2, Appendix B), the numbers of "professionals" will be reduced. Furthermore, it is not possible to compare these because only three occupational categories were offered in Benchmark Template-Year 1 (Officers and Managers; Professional and Sales workers; and Clerical, Craft workers, Operatives and Laborers). In Year 2, there were eight: Executive, Senior Level Officials and Managers; First/Mid-Level Officials and Managers; Professionals; Technicians; Sales Workers; Administrative Support Workers; Craft Workers, Operatives, Laborers and Helpers; and Service Workers.

2 These were mutually exclusive categories; see Table III in the Benchmark Template-Year 1, Appendix B.

3 Without additional data collection, we have no way of accounting for this decline among CEOs and managers. Due to the relatively small number of respondents (N=66 repeat "filers"), the differences discussed here are not statistically significant. Still, the apparent theme of diminished CEO efforts is important to consider and analyze.