Chicago United

INSIDE **INCLUSION**

Featuring the Corporate Diversity Profile

THE MOST COMPLETE REVIEW OF THE STATUS OF DIVERSITY AND INCLUSION PROGRESS IN CHICAGO'S TOP CORPORATIONS

INCLUSION

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INSIDE INCLUSION presents the current state of diversity in the executive ranks of Chicago corporations and provides insights from leaders on the front lines. Gain knowledge from:

- **CEOs who share success stories;**
- **Corporate diversity officers who identify challenges and leading inclusion practices; and**
- **An assessment scorecard to track progress and identify steps forward.**

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LETTER FROM THE PRESIDENT AND CEO

Expanding diversity and inclusion requires commitment and intentional action emanating from the most senior officers. There is good reason for this focused commitment. Groundbreaking research in the 2015 Diversity Matters report conducted by McKinsey & Company presented an analysis of 366 companies in the UK, Canada, Latin American and the US, which revealed a statistically significant correlation between diversity in leadership and bottom line results. The report indicated, "In the U.S. there continues to be a linear relationship between ethnic/racial diversity and better financial performance." This research has substantiated long time assertions that adding racial and ethnic diversity on boards and in executive ranks supports better results when addressing complex issues and many senior business leaders have embraced the upward potential for their firms.

It is with great pleasure that I present Chicago United's *2016 Inside Inclusion Featuring the Corporate Diversity Profile* which evaluates the top-level findings on gains and losses in diverse representation in leadership in the top 50 publically held corporations in Chicago. The results uncovered by Ernst & Young show that there have been incremental gains in minority representation on boards. The data also indicates stagnant diversity in the C-suite and a decline in diverse representation in the executive ranks.

It is clear that intentional action is needed now, more than ever, to implement leading inclusive business practices. To assist companies as they take deliberate actions towards change, this resource publication provides relevant research, tools, and leadership insights germane to advancing diversity and inclusion (D&I) within Chicago corporations.

We are grateful for the support of all who collaborated to bring this paramount advocacy work to light. I would like to thank John W. Rogers, Jr., chairman, CEO & chief investment officer of Ariel Investments; Charles P. Garcia, CEO of ALPFA (Association of Latino Professionals for America); and Andrew J. McKenna, chairman emeritus of McDonald's Corporation and Schwartz Supply Source, for sharing their compelling stories about how, as board members, they have been able to stimulate new thinking about D&I within the companies on whose boards they serve.

I would also like to express my sincerest gratitude to Warren M. Smith, Americas career management leader at Ernst & Young LLP, for leading the EY research team that provided the study of diversity in leadership of Chicago's top 50 corporations. As chairman of the Inside Inclusion Task Force, Warren led our prestigious team of diversity and human resources professionals to discover the most relevant inclusion challenges which, in turn, reaped an extraordinary resource we are confident our members will reference regularly.

Through the generous contributions of The Federal Reserve Bank and Maude Toussaint-Comeau, senior business economist, we are able to present the Chicago business community with factual data and projections that uncover significant disparity in the lifetime earnings of people of color. We are thankful to the Inside Inclusion Task Force for identifying first-hand accounts of business challenges and successes. We are extremely fortunate and grateful to have the valuable contributions of Charmon Parker Williams, principal consultant/president of Parker Williams Consulting, who served as the primary author; conducted qualitative research and executive interviews; and provided the framework for the leadership cross-cultural competency model and executive scorecard.

I call upon publicly and privately held corporations of our region to lead sustainable change through outstanding talent management and inclusive diversity practices. Through these initiatives, we can enhance the long-term viability of Chicago-based corporations and secure growth opportunities.

It is our intention that this report will serve as a resource to assist corporations on their diversity and inclusion journeys as we transform Chicago into one of the most inclusive business ecosystems in the nation.

Respectfully,

Gloria Castillo

Gloria Castillo
Chicago United

Navigating the 2016 Publication

The Data

The name of our publication has changed, to reflect the relevant research, tools, and leadership insights that are germane to advancing diversity and inclusion within Chicago corporations. *Inside Inclusion* starts with a look at the landscape to understand the status of diversity at the highest levels in Chicago's corporations. In this issue, we will look across the last three *Corporate Diversity Profiles* to highlight any noticeable changes or trends in the racial composition of boards of directors and senior leadership positions. We again focus on the top 50 public companies in Chicago, ranked by revenue in *Crain's Chicago Business Book of Lists*, and compare local and national statistics.

The data and statistics come to life as we explore the consequences of disparity, both in organizational and individual terms. The cost of turnover is examined in the context of organizational impact. Furthermore, in collaboration with the Federal Reserve Bank of Chicago, we offer a look at the projected disparity in income that could occur over one's lifetime given the differing trending rates for different racial/ethnic and gender groups.

Moving Beyond the Data - Success Stories

The Landscape provides an indication of how the needle has moved. While this is a key indicator of progress made, the data only paint a partial picture. Anecdotal stories give a much more in-depth view into the success that has been experienced by Chicago corporations in the diversity and inclusion (D&I) arena. This section of *Inside Inclusion* captures corporate accomplishments, under several thematic categories. Throughout this issue of *Inside Inclusion*, we also include three compelling stories about how board members have been able to stimulate new thinking about D&I within the companies on whose boards they serve. Insights are provided by John W. Rogers, Jr., chairman, CEO & chief investment officer of Ariel Investments; Charles P. Garcia, CEO of ALPFA (Association of Latino Professionals for America); and Andrew J. McKenna, chairman emeritus of McDonald's Corporation and Schwartz Supply Source.

John W. Rogers, Jr.
Chairman, CEO &
Chief Investment Officer
Ariel Investments

Charles P. Garcia
CEO
ALPFA (Association of Latino
Professionals for America)
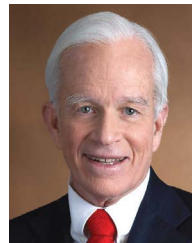
Andrew J. McKenna
Chairman Emeritus
McDonald's Corporation and
Schwartz Supply Source

Pathways to the Next Frontier

This section of *Inside Inclusion* builds on the success companies are observing and addresses what several D&I practitioners view as the next horizon. What is crucial to making additional progress in the area of D&I? Cross-cultural competency, client focus, courageous conversations, and cross disciplinary collaborations are among those factors highly endorsed by our member companies.

Measuring Success

Benchmarking and tracking progress in D&I is critical. The Toolkit offers a framework to do so and is a continued feature of this publication as a ready reference guide. The Toolkit enables an organization to measure its status and progress in seven talent management domains including:

- Talent Acquisition
- Retention
- Performance Management
- Succession Management
- Recognition and Rewards
- Leadership Development
- Transforming to a Culture of Inclusion

Additionally, we have developed a companion scorecard for leaders that maps with our Toolkit as well as aligns with the leadership competency model that is introduced in this issue. This leader scorecard is designed as a self- assessment tool to provoke thought and reflection on how leaders are personally demonstrating accountability in the seven areas of the toolkit, and enables them to chart their progress. Chicago United member corporations have a link to the online version of the Toolkit as well.

2016 Inside Inclusion Acknowledgements

Chicago United would like to thank the following individuals and organizations for their invaluable support and commitment to the *2016 Inside Inclusion: Featuring the Corporate Diversity Profile.*

Ernst & Young LLP
Under the guidance of Warren M. Smith, Americas Career Management Leader, demographic, and statistical data were captured on the presence of racial diversity on the boards and in the executive ranks of the top 50 Chicago public companies. Smith also served as committee chair of the *Inside Inclusion* Task Force.

Federal Reserve Bank of Chicago
Dr. Maude Toussaint-Comeau, senior business economist and a researcher at the Community Development and Policy Studies Division of Economic Research, contributed significant research and meaningful insights on the projected disparity in income that could occur over an individual's lifetime, given the differing trending rates at which minorities and non-minorities with similar educational attainment are compensated in the work place.

Parker Williams Consulting
Dr. Charmon Parker Williams, principal consultant/president, was the primary author for the *2016 Inside Inclusion*, conducted qualitative research and executive interviews; and provided the framework for the leadership cross-cultural competency model and executive scorecard.

Inside Inclusion Task Force
Several individuals helped to shape the concepts and objectives of the *2016 Inside Inclusion,* providing exceptional guidance and feedback:

- Paula J. Brown, Manager, Diversity and Inclusion, Rush University Medical Center

- Melissa Donaldson, Chief Diversity Officer, Human Resources, Wintrust Financial Corporation

- Deidra Jenkins, Chief Diversity & Inclusion Officer for the Americas, Northern Trust

- Gregory Jones, Managing Director, Diversity & Inclusion, United Airlines

- Andrew Lee, PsyD, MHA, Vice President, Diversity and Inclusion and Chief Diversity Officer, Advocate Health Care

- Will Lewis, Diversity & Inclusion Executive, Bank of America

- Jessica Norten, Senior Director, Diversity and Integrated Talent Management, MillerCoors

- Charmon Parker Williams, Principal Consultant/ President, Parker Williams Consulting

- Perika J. Sampson, Vice President, Regional Diversity Officer, Morgan Stanley

- Warren M. Smith, Americas Career Management Leader, Ernst & Young LLP

- Tyronne Stoudemire, Vice President, Global Diversity & Inclusion, Hyatt Hotels Corporation

- Manika Turnbull, Vice President & Chief Diversity Officer, Blue Cross Blue Shield of Illinois

- Valerie J. Van Meter, Sr. Vice President; Central Bank Services, and System Leadership Initiative, Federal Reserve Bank of Chicago

- James S. Williams, Jr., Director, Diversity, Inclusion and Equity, The University of Chicago Medicine

- Terri Woods, Director of Human Resources, Greeley and Hansen

Chicago United Staff
Teresa Sarna, director of communications and managing editor, provided ongoing guidance for the report and was the primary editor.

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The Landscape

Overview

In this issue of *Inside Inclusion* and the last two issues of the *Corporate Diversity Profile* we have focused on the top 50 companies headquartered in Chicago as represented in *Crain's Book of Lists*. We will look across these three issues to highlight any noticeable changes or trends in the racial composition of boards of directors and senior leadership positions.

The Landscape section of this report continues to serve as a benchmark for Chicago corporations to measure their progress. The statistics are an important barometer of inclusive practices as they speak to an organization's capability to attract, engage, develop, and retain diverse talent. They also align with the degree to which other talent management practices, such as performance management and succession management, are effectively executed and connect to the organization's culture.

Methodology

Our local sample consisted of the top 50 Chicago-based public companies ranked by 2015 revenues as reported in the *Crain's Chicago Business Book of Lists*, December, 2015. We sought the answers to four basic questions:

- What is the racial composition of these companies' boards of directors?

- What is the racial composition within the executive ranks?
  We looked at representation at both the C-suite level and across senior leadership positions.

- Which companies are leading across both directors and executives, i.e., the top 5?

- How do Chicago statistics compare to national statistics?

The number of incumbents and ethnicity was determined by reviewing company proxy statements. If ethnicity could not be determined, we researched other publicly available information. Additionally, we contacted our member companies and other organizations to verify ethnicity for our sample. This presented some limitations in our research design and, consequently, resulted in a number of cases in which we categorized the incumbent under "Unable to Verify Ethnicity."

This undetermined category is more prominent within the C-suite and executive ranks than for directors. While our assumption is that a large proportion of the incumbents in the undetermined category are Caucasian, we did not impose that assumption in our analysis in order to maintain the integrity of the data. However, we are confident that the percentages captured in the ethnic minority categories are a practical and meaningful reflection of their representation.

Findings from the top 50 Chicago companies were compared to a national study completed under the commission of Senior United States Senator, from the State of New Jersey, Robert Menendez, published in 2014 – *The 2014 Corporate Diversity Survey*. This was the third and most recent national study conducted in this manner with two prior studies being completed in 2010 and 2011. The 2014 survey focused exclusively on Fortune 100 companies, was voluntary and self-administered, and included a total of 69 Fortune 100 responding companies. The sample size provides a comparable base for comparison to the Chicago top 50 companies examined in this publication.

Board Diversity

As illustrated in the following charts, there have been incremental gains in minority representation on boards. A 2% increase occurred (from 12% to 14%) between 2014 and 2016. African Americans maintain the largest percentage of representation at 8%, and are the only group showing an upward increase in the last two years. Hispanics and Asians maintain similar levels of representation on boards as they did in 2014, at 3% each.

2012 Minority vs. Non-Minority
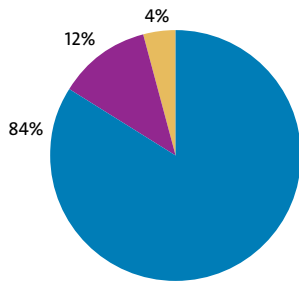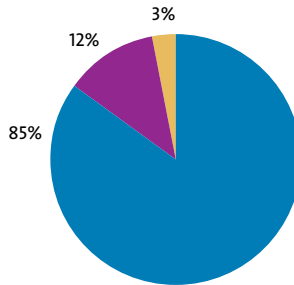
4%
12%
84%

- Caucasian
- Minority
- Unable to verify ethnicity

2014 Minority vs. Non-Minority

3%
12%
85%

2016 Minority vs. Non-Minority

3%
14%
83%

2012 Ethnicity

2% 4%
3%
7%
84%
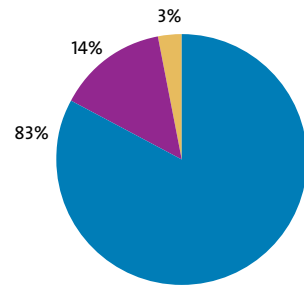
- Caucasian
- African American
- Hispanic
- Asian
- Unable to verify ethnicity

2014 Ethnicity
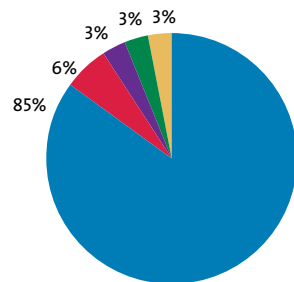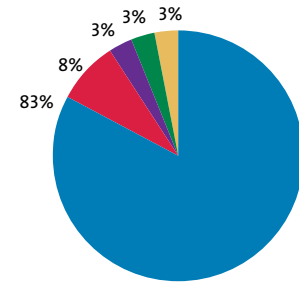
3% 3%
3%
6%
85%

2016 Ethnicity

3% 3%
3%
8%
83%

Note: Due to Excel rounding issues, percentages may be off by one and not total 100%.

The chart below shows the actual numbers contributing to these percentages.

Directors Ethnicity
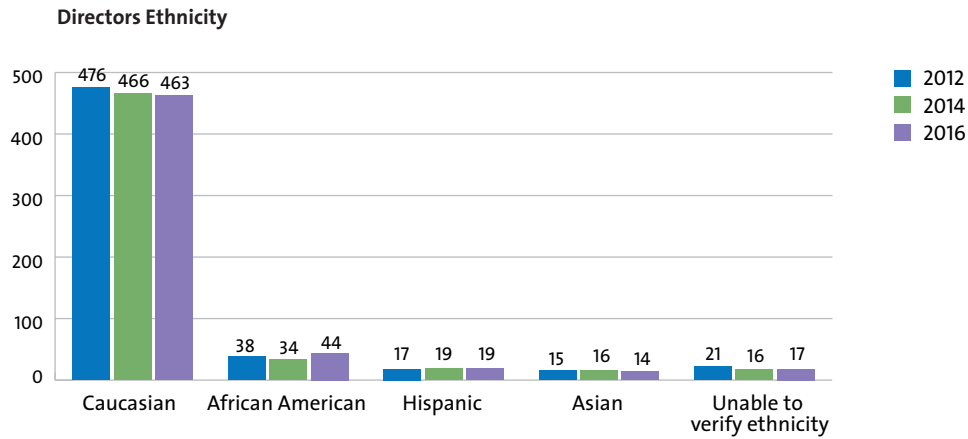
Representation trends across the top 50 Chicago-based companies show similar patterns from 2012 to 2016. Again there is a bi-modal distribution (or peaks at two different ranges) for 2016. The majority of companies had either 1 – 10% ethnic diversity or 11-25% ethnic diversity on their boards. On a positive note, the number of companies with more that 25% representation has more than doubled since 2012.

Distribution of Minority Board Members
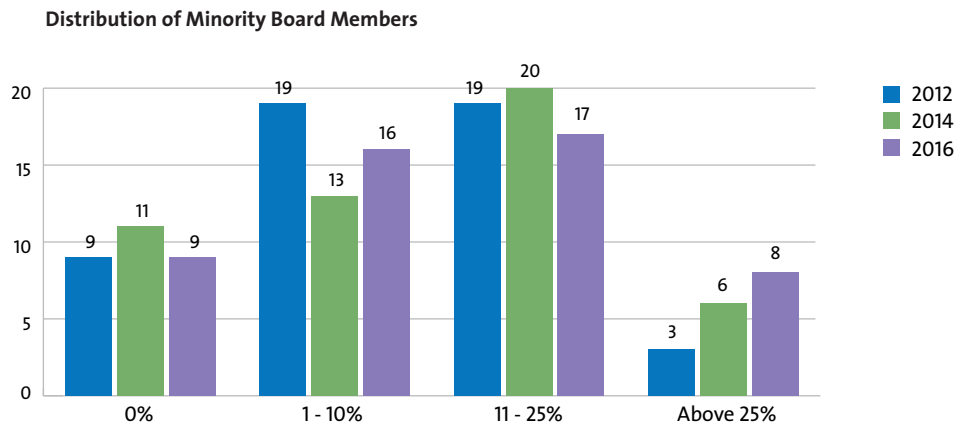
Comparison to National Statistics – Board Diversity

Compared to national statistics, board diversity within the Chicago top 50 (across all three benchmark years) lags somewhat behind national statistics. In the Menendez study, minorities comprised 18.3% of board positions in participating Fortune 100 companies as compared to 14%, at its highest, for Chicago top 50 Companies.

National – Minority vs. Non-Minority

National – Ethnicity
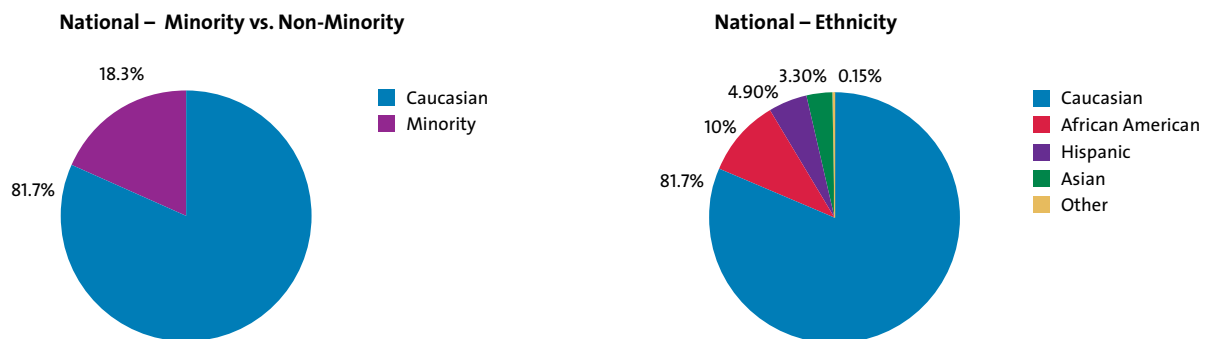
See details for national statistics below:

In the 2014 Menendez report, racial or ethnic minorities represented 18.3% of directors (an average of 2.2 people of color per board, or fewer than 1 in 5 board members). Of the participating Fortune 100 companies in the sample, the lowest percentage reported by any company was 0%; the highest was 41.7%. A total of 152 people of color served on the boards of participating Fortune 100 companies at the time of the survey

- African Americans represented 10% of directors (an average of 1.2 African American per board, or approximately 1 in 10 board members). The lowest percentage reported by any company was 0%; the highest was 27.3%. A total of 83 African Americans served on the boards of participating Fortune 100 companies.

- Latinos comprised 4.9% of directors (an average of 0.6 Latinos per board, or fewer than 1 in 16 board members). The lowest percentage reported by any company was 0%; the highest was 25%. A total of 41 Latinos serve on the boards of participating Fortune 100 companies.

- Asians represented 3.3% of directors (an average of 0.4 Asians per board, or fewer than 1 in 31 board members). The lowest percentage reported by any company was 0%; the highest is 18.2%. A total of 27 Asians serve on the boards of participating Fortune 100 companies.

- Other racial or ethnic minorities represented 0.15% of directors (an average of 0.01 per board).

C-Suite Diversity

Minority representation in the C-suite grew by one percentage point between 2012 and 2014 and has remained stagnant in 2016. African Americans, Asians, and Hispanics are separated by no more than a couple of percentage points, showing representation levels of 4%, 3%, and 2% respectively.

2012 Minority vs. Non-Minority
11%
7%
82%

2014 Minority vs. Non-Minority
10%
8%
82%

2016 Minority vs. Non-Minority
7%
8%
85%

■ Caucasian
■ Minority
■ Unable to verify ethnicity

2012 Ethnicity

11%
4%
1%
2%
82%

2014 Ethnicity

10%
3%
1%
4%
82%

2016 Ethnicity

6%
3%
2%
4%
85%

Legend:
- Caucasian
- African American
- Hispanic
- Asian
- Unable to verify ethnicity

All C-Suite Executives

Year	Value
2012	180
2014	201
2016	204

All Executives

A look at minority representation in the executive ranks in the top 50 Chicago-based companies shows a slight slippage between 2016 and 2014 (from 10% to 9%). Asians and Hispanics maintain constant levels of representation for the last 4 years (4% and 3% respectively). African American representation in executive ranks slipped 1% between 2014 and 2016, reverting back to 2012 levels.

2012 Minority vs. Non-Minority

17%
10%
73%

2014 Minority vs. Non-Minority

14%
10%
76%

2016 Minority vs. Non-Minority

11%
9%
80%

Legend:
- Caucasian
- Minority
- Unable to verify ethnicity

2012 Ethnicity

17%
3%
3%
4%
73%

2014 Ethnicity

14%
4%
3%
3%
76%

2016 Ethnicity

11%
4%
3%
2%
80%

- ■ Caucasian
- ■ African American
- ■ Hispanic
- ■ Asian
- ■ Unable to verify ethnicity

180   397
201   460
204   404

2012
C-Suite   Non C-Suite

2014
C-Suite   Non C-Suite

2016
C-Suite   Non C-Suite

Note: Due to Excel rounding issues, percentages may be off by one and not total 100%.

Distribution of Minority Executives

The distribution of minority executives across the top 50 public Chicago companies in 2016 was again a bi-modal one, similar to findings in the past two issues of the *Corporate Diversity Profile*. There continues to be a large percentage of companies that have no ethnic diversity within their executive ranks (19 out of 50 or 38%). In 44% (or 22) of the top 50 companies, 11 – 25% of their executive positions are filled by minorities.

■ 2012
■ 2014
■ 2016

	0%	1 - 10%	11 - 25%	Above 25%
2012	21	6	20	3
2014	17	12	19	2
2016	19	9	22	0
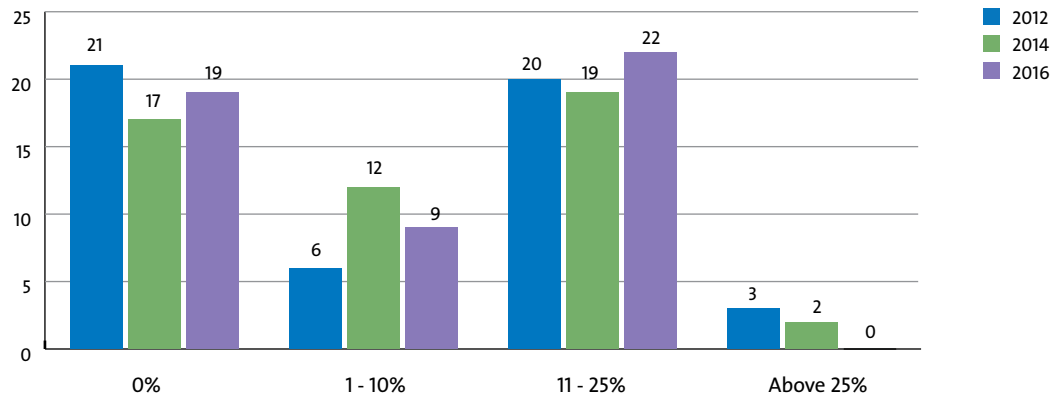
Comparison to National Statistics – Executives

In looking at the racial composition of executives, the *2014 Corporate Diversity Survey,* produced by Bob Menendez, United States Senator for New Jersey, intended to capture only U.S.-based C-suite executives (e.g., chief executive officer, chief financial officer, chief operating officer, and other high-level corporate executives), but it is possible that companies provided data for a broader definition of executive leadership than the survey intended. Consequently we will compare our top 50 Chicago statistics for both C-suite and All Executives to the "Executive" category from the Menendez survey.

Again the Chicago top 50 lag somewhat behind national statistics with the percentage of minority representation ranging between 7% and 10% between 2012 and 2016 in the "C-suite and "All Executives" category versus 13.1% at the n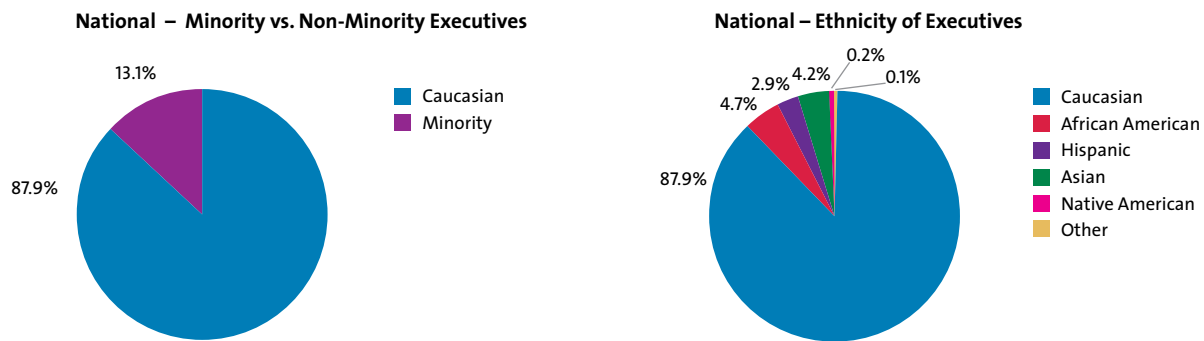ational level. These differences between Chicago and national statistics may be due, in part to the large percentage of cases in the "unable to verify ethnicity" category at the local level.

Fortune 100 Companies – 2014 Executive Team Diversity

See details for national statistics below:

In the Menendez report, racial or ethnic minorities represented 12.1% of executive team members (an average of 1.5 people of color per executive team, or approximately 1 in 9 senior executives). The lowest percentage reported by any company was 0%; the highest was 50%. A total of 101 people of color served on the executive teams of participating Fortune 100 companies.

- African Americans represented 4.7% of executive team members (an average of 0.6 African American per executive team, or fewer than 1 in 20 senior executives). The lowest percentage reported by any company is 0%; the highest is 28.6%. A total of 39 African Americans serve on the executive teams of participating Fortune 100 companies

- Hispanics/Latinos: Latinos represented only 2.9% of executive team members (an average of 0.4 Latinos per executive team, or fewer than 1 in 33 senior executives). The lowest percentage reported by any company was 0%; the highest was 16.7%. A total of 24 Latinos served on the executive teams of participating companies.

- Asians represented 4.2% of executive team members (an average of 0.5 Asians per executive team, or 1 in 25 senior executives). The lowest percentage reported by any company was 0%; the highest was 25%. A total of 35 Asians served on the executive teams of participating Fortune 100 companies.

- Native Americans: Native Americans represented 0.2% of executive team members. One company reported two Native Americans in senior leadership; no other companies had Native Americans on their executive teams.

- Other Racial or Ethnic Minorities: Other racial or ethnic minorities represented 0.1% of executive team members. One company had exactly one "other" racial or ethnic minority in senior leadership; no other companies reported "other" racial or ethnic minorities on their executive teams.

The Top Five Chicago Companies for Diverse Representation

Five companies stand out as leaders among the top 50 public Chicago companies with respect to ethnic diversity on both their boards and in their leadership ranks. Only companies that have diversity in both the director and executive categories were considered. The top 5 companies are presented in rank order according to this combined percentage. Their revenue rankings are also represented as reported by *Crain's Chicago Business*.

Comparing results from 2016 to prior years, the set of companies in the top five have been completely refreshed. Archer Daniel Midland takes the No. 1 spot with minorities holding 63% of the company's director and executive positions. The company moves up five positions from 2014 when it had only 39% minority representation. While companies like Exelon, McDonald's and Tenneco are not in the top five, they can be found when looking at the top 10 companies for diverse representation.

2016

Rank by Combined Percentage	Company	Total Directors	Minority Directors	Percentage Minority Directors	Total Executive Officers	Minority Executive Officers	Percentage Minority Executive Officers	Combined % for Top 10	Revenue Rank
1	Archer Daniels Midland Co.	12	5	42%	19	4	21%	63%	2
2	Baxter International Inc.	12	4	33%	12	2	17%	50%	16
3	AbbVie	9	2	22%	10	2	20%	42%	14
4	Northern Trust	12	5	42%	14	0	0%	42%	38
5	Deere & Co.	11	3	27%	24	2	8%	36%	6

2014

Rank by Combined Percentage	Company	Total Directors	Minority Directors	Percentage Minority Directors	Total Executive Officers	Minority Executive Officers	Percentage Minority Executive Officers	Combined % for Top 10	Revenue Rank
1	McDonald's Corporation	13	4	31%	18	5	28%	59%	11
2	Tenneco Inc.	8	2	25%	28	6	21%	46%	25
3	Walgreens	13	2	15%	11	3	27%	43%	3
4	Exelon Corporation	15	4	27%	19	3	16%	42%	12
5	Mondelez International Inc.	12	3	25%	13	2	15%	40%	9

2012

Rank by Combined Percentage	Company	Total Directors	Minority Directors	Percentage Minority Directors	Total Executive Officers	Minority Executive Officers	Percentage Minority Executive Officers	Combined % for Top 10	Revenue Rank
1	McDonald's Corporation	14	4	29%	12	4	33%	62%	10
2	Office Max Inc.	8	3	38%	8	1	13%	50%	24
3	Tenneco Inc.	8	3	38%	11	1	9%	47%	29
4	Exelon Corporation	18	4	22%	30	7	23%	46%	13
5	Molex Inc..	3	3	23%	9	2	22%	45%	44

Top 50 Chicago-based public companies by revenues as listed in *Crain's Chicago Business* report, December 2015

Rank	Company
13	Abbott Laboratories
14	AbbVie
7	Allstate Corporation
28	Anixter International Inc
2	Archer Daniels Midland Co
37	Arthur J. Gallagher & Co
16	Baxter International Inc.
1	Boeing
45	Brunswick Corp
4	Caterpillar Inc.
18	CDW Corp.
36	CF Industries Holdings Inc
51	CME Group Inc
22	CNA Financial Corp
6	Deere & Co
23	Discover Financial Services Inc.
25	Dover Corp
54	Equity Residential
34	Essendant (fka United Stationers Inc)
11	Exelon Corporation
43	Fortune Brands Home & Security Inc.
50	Groupon Inc.
48	Hub Group Inc
40	Hyatt Hotels Corporation
17	Illinois Tool Works Inc.

Rank	Company
29	Ingredion, Inc.
33	Jones Lang LaSalle Inc
26	LKQ Corp
10	McDonald's Corporation
41	Mead Johnson Nutrition Co
8	Mondelez International Inc.
30	Motorola Solutions Inc
20	Navistar International Corp
27	NiSource Inc.
38	Northern Trust
32	Old Republic International Corp
31	Packaging Corp. of America
19	R.R. Donnelley & Sons Co
47	Ryerson Holding Corp.
9	Sears Holdings Corp.
35	Telephone & Data Systems Inc
24	Tenneco Inc
53	Treehouse Foods Inc
44	U.S. Cellular
49	Ulta Salon Cosmetics & Fragrance Inc.
5	United Continental Holdings Inc.
46	USG Corporation
52	Ventas Inc.
21	W.W. Grainger Inc
3	Walgreens

Note: The rank numbers in this list range from 1-54, but reflect 50 companies. Four companies were excluded due to M&A, headquarter relocations, and other events during the analysis time frame. These companies included:

#12 Catamaran Corp. In 2015, Optum announced the completion of its combination with Catamaran Corporation. OptumRx and Optum are a part of UnitedHealth Group Incorporated (NYSE: UNH) with principal executive offices located at UnitedHealth Group Center in Minnesota.

#15 Kraft Foods Group, Inc. is part of The Kraft Heinz Company and headquartered in Pennsylvania.

#39 Hospira Inc was delisted. All the directors and execs from those companies have "departed."

#42 Integrys Energy Group was delisted. All the directors and execs from those companies have "departed."

Four additional companies were added to the list, as a result, including:
#51 CME Group Inc.
#52 Ventas Inc.
#53 TreeHouse Foods Inc.
#54 Equity Residential

Landscape – Key Findings

Changes from 2012 to 2016 have been minimal within the top 50 Chicago Companies:

- There have been modest gains in minority representation at the board level in the last four years
- Minority representation in the C-suite grew by one percentage point between 2012 and 2014 and has remained stagnant in 2016.
- Some slippage has occurred in minority representation when looking at all executive positions

Comparison of Local to National Statistics:

Representation of minorities in the Chicago top 50 companies is slightly less than representation of minorities in Fortune 100 companies at both the board level and and in the executive ranks.

Implications

What is the story behind these numbers? While there has been an uptick in some areas, why hasn't the needle moved more noticeably during the last decade? A May, 2016, *New York Times* article, titled "Barriers to Board Positions Persist for Minorities and Women," analyzes a report compiled by Heidrick and Struggles called "The Board Monitor." The project has tracked board placements since 2009. Some of the barriers to board placement for this group include:

- Lack of operating or financial experience
- Limited turnover of board seats
- Replacement with colleagues from networks with which there is a higher level of comfort
- Choosing/selecting from a non-diverse pool of sitting or retired chief executives

Comparison of Earning Potential Across Race/Ethnicity And Gender

Given the disproportion of minorities in senior leadership ranks and the minimal increases over the years, we decided to look at how this could potentially impact earning power over one's lifetime. These findings would have implications for sustainable wealth creation and economic power in various communities within our nation. In this section of *Inside Inclusion,* we look at the disparity in earning potential across ethnic and gender lines.

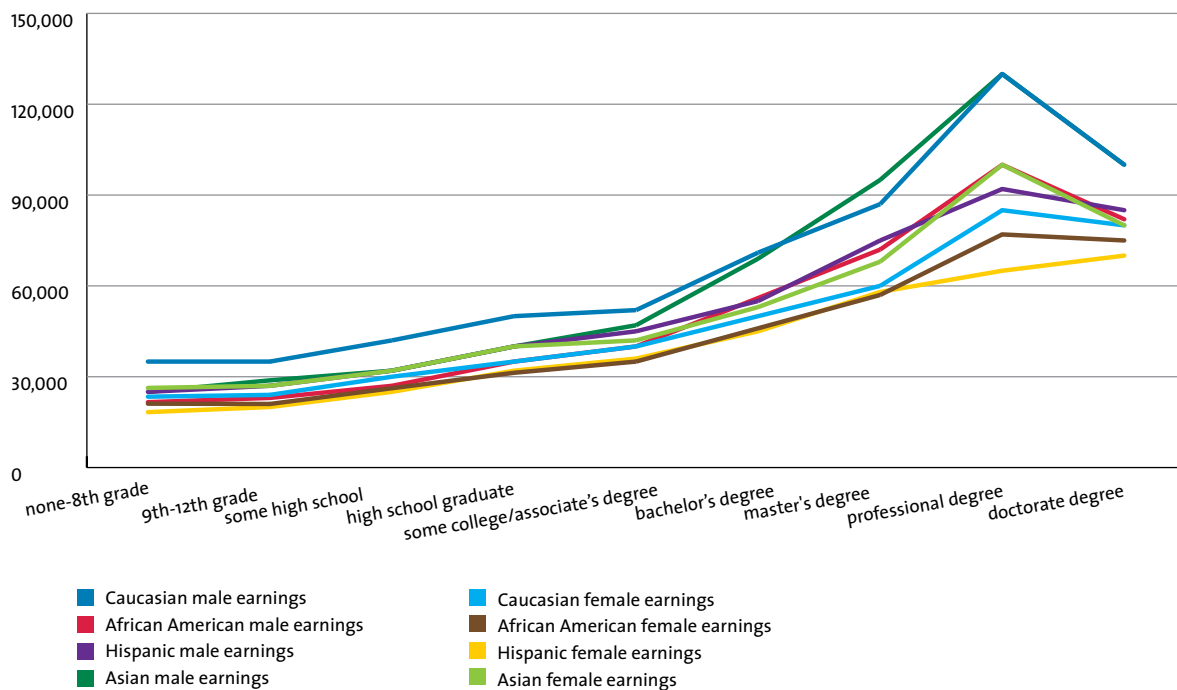**Earnings Disparity Across Racial/Ethnicity and Gender Lines Over One's Work-Life Cycle**

An analysis was conducted by Maude Toussaint-Comeau, senior business economist in the community development and policy studies division of the economic research department of the Federal Reserve Bank of Chicago, to help illustrate the earnings prospects of workers across stages of their career. The earnings trajectories over a 40-year career time frame were examined for individuals, by race/ethnicity, gender, and educational attainment using a large, nationally representative sample. In addition, total lifetime earnings potential was estimated based on recent cross-sectional earnings patterns.

Significant disparities in work-lifetime earnings were found by race/ethnicity and gender within and across various educational achievement levels. These disparities reflect both different starting salaries as well as race- and gender-based disadvantages in earnings trajectories – that is, the average or typical path of earnings and income growth one experiences over his/her work life cycle and career.

Role of Education

Education has long been recognized as an important factor in earnings. The chart below shows the median yearly earnings for nine distinct levels of education groupings. As is expected, earnings grow more rapidly with each successive degree obtained (with the exception of graduation from professional to doctorate level). For example average earnings for male, full-time workers ranged from less than $30,000 per year for those without a high school diploma to more than 100,000 for those with a professional degree. The general pattern that emerges however looking at the earnings-education nexus by race/gender makes it clear that strong differences exist, after controlling for education and professional degrees. At no point do Hispanic and African American men and women come close to earning what Caucasian or Asian men earn at the same education levels.

Figure 1. Median Yearly Earnings of Workers by Race/Ethnicity, Gender, and Education

Legend:
- Caucasian male earnings
- Caucasian female earnings
- African American male earnings
- African American female earnings
- Hispanic male earnings
- Hispanic female earnings
- Asian male earnings
- Asian female earnings

Work Experience

Work experience/longevity also plays a pivotal role. The longer one works, the more one can expect promotion opportunities, which should also entail wage mobility. Using age as a proxy for years of experience in the career life cycle, we further examine median earnings by the race/ethnicity and gender of workers across different age categories, spanning a 40-year work life span. The chart below shows those results. Earnings take different levels but also different shapes in its trajectory, depending on the race/ethnicity and gender of the workers. Bottom line - Hispanic and African American males and females earn less on average at any stage of their career path.

Figure 2. Earnings Trajectories of Full-Time Workers
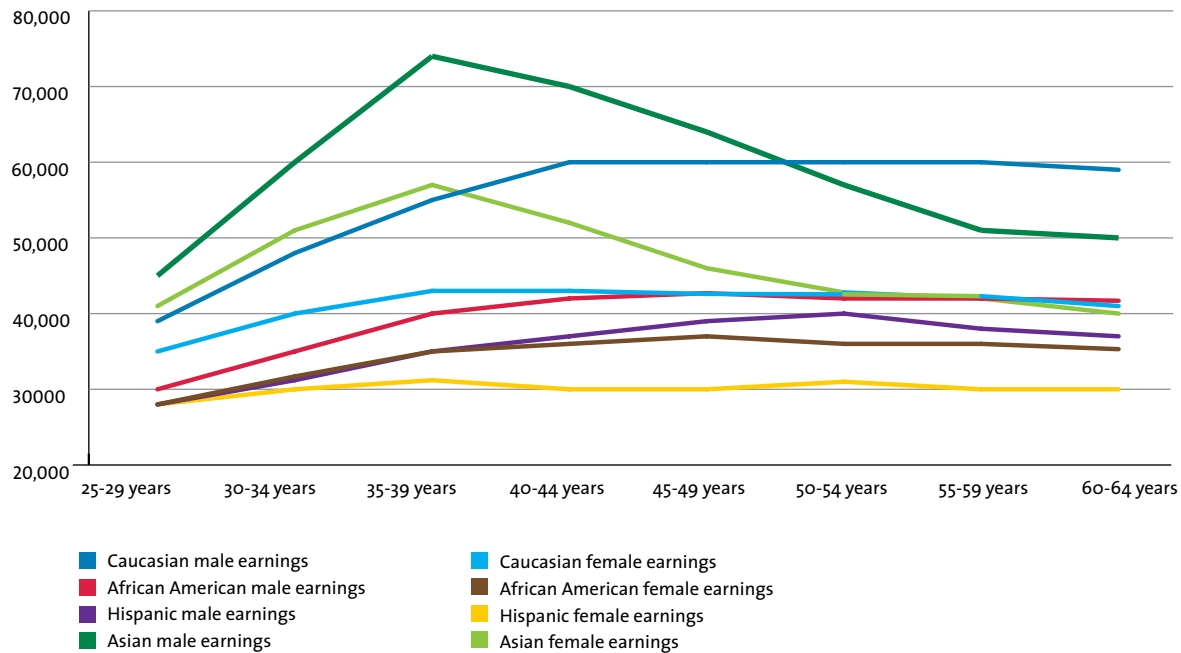
Source : Author's calculations based on American Community Survey (ACS) 2010-2014 5-year estimates. Population is defined here as individuals 25 years old and older, working full-time the whole year. Earnings estimates are tabulated using dollars adjusted to 2014. The left axis represent 2014 inflation adjusted (yearly median) earnings. These adjustments use the national Consumer Price Index (CPI-U-RS) annual average. The horizontal axis is age group stages across one's work life cycle.

The results above mask variations in earnings of these workers depending on their education. The charts on the next page, however, depict the earnings trajectories across the work life cycle, broken out by ethnicity/gender, as well as by education attainment. What is interesting is what these earnings paths convey in terms of wage-growth disparity (and possibly promotional opportunities) between workers with similar levels of education, years of experience, and stages of career, especially during the prime working age (25 to 49).

Figure 3. Earnings Trajectories across Work-Life Cycle of Full-Time Workers, by Race/Ethnicity, Gender, and Education
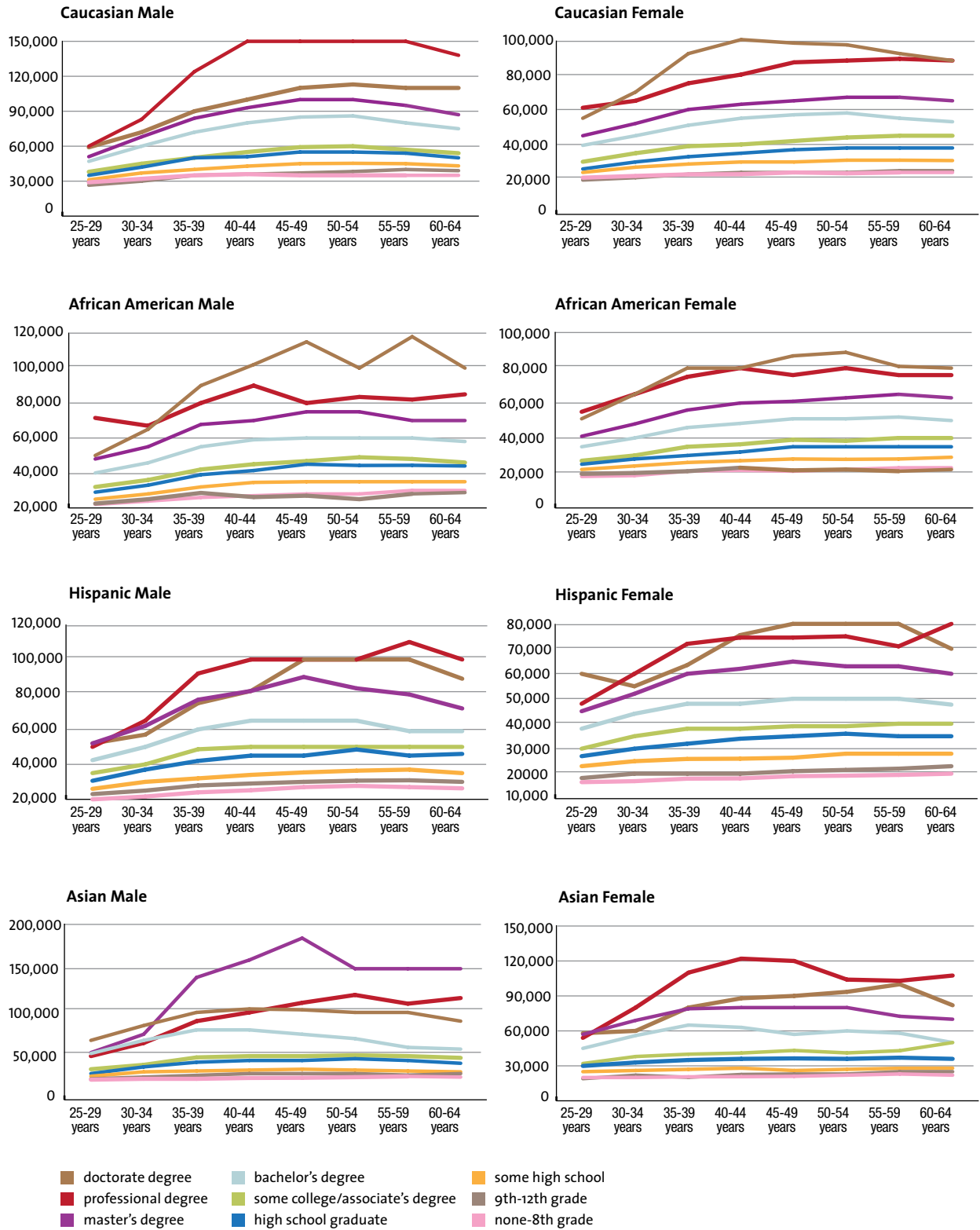
Source: Author's calculations based on ACS 2010-2014, 5-year estimates. Population is defined as individuals 25 years old and older, working full-time the whole year. The left axes represent 2014 inflation adjusted (annual median) dollars earned. The horizontal axes are age group stages across one's work life cycle.

As can be seen in the tables below, with the exception of Asian men with professional and doctorate degrees, all other workers' earnings growth for both males and females of any given racial/ethnic group and at any given level of degree obtained, whether annually or cumulatively over the prime stage of one's career, trails behind that of Caucasian male counterparts.

Table 1. Average Cumulative Wage Growth at 2 Stages of Career, by Race/Ethnicity, Gender, and Education

	Age	High School Graduate	Bachelor's Degree	Master's Degree	Professional Degree	Doctorate
MALE						
Caucasian	25-49	14%	20%	23%	36%	19%
	50-64	2.0%	0%	1.0%	0%	3.0%
African American	25-49	12%	11%	12%	24%	4.0%
	50-64	-1.0%	-1.0%	-2.0%	-3.0%	2.0%
Asian	25-49	11%	10%	11%	39%	23%
	50-64	-2.0%	-8.0%	-4.0%	-6.0%	2.0%
Hispanic	25-49	10%	12%	15%	20%	18%
	50-64	1.0%	-3.0%	-7.0%	0%	-4.0%
FEMALE						
Caucasian	25-49	6.0%	9.0%	10%	16%	9.0%
	50-64	1.0%	2.0%	-2.0%	-4.0%	0%
African American	25-49	6.0%	10%	10%	11%	15%
	50-64	1.0%	1.0%	-1.0%	1.0%	-3.0%
Asian	25-49	1.0%	8.0%	7.0%	9.0%	24.0%
	50-64	3.0%	5.0%	-4.0%	-4.0%	-3.0%
Hispanic	25-49	4.0%	7.0%	7.0%	10%	12%
	50-64	2.0%	1.0%	-2.0%	-3.0%	3.0%

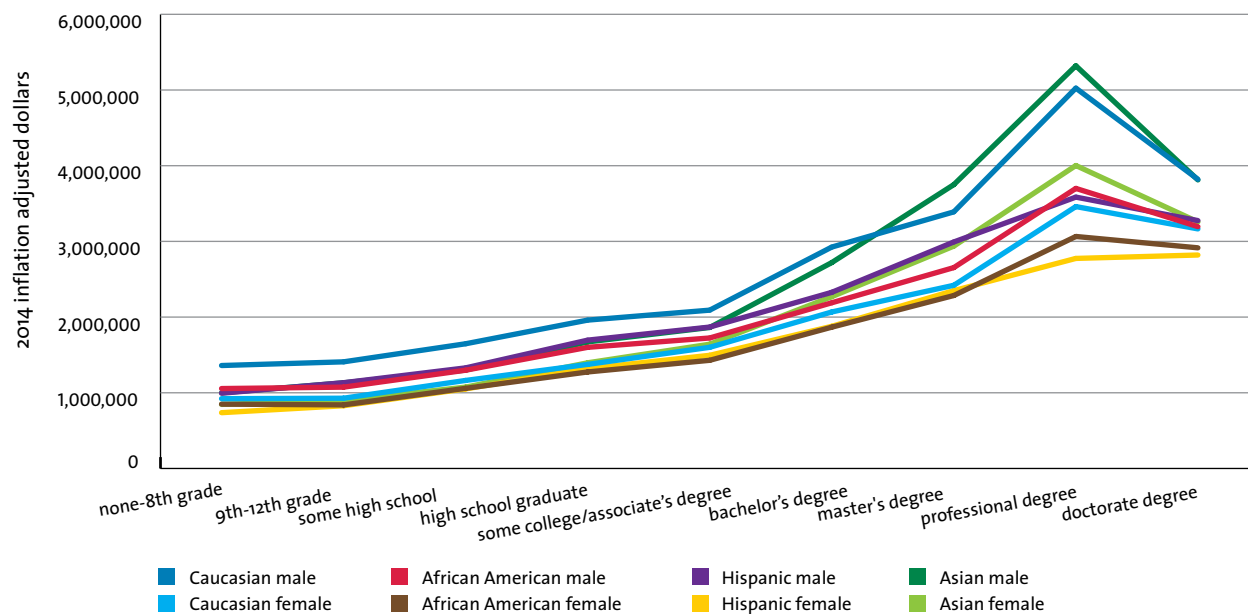**Average Raise per Year at 2 Stages of Career, by Race/Ethnicity, and Education**

	Age	High School Graduate	Bachelor's Degree	Master's Degree	Professional Degree	Doctorate
MALE						
Caucasian	25-49	1.3%	2.4%	2.7%	3.7%	2.5%
	50-64	-0.6%	-0.9%	-0.9%	-0.6%	-0.2%
African American	25-49	1.0%	1.6%	1.8%	3.4%	0.5%
	50-64	0.0%	-0.2%	-0.5%	0.0%	0.1%
Asian	25-49	0.9%	1.4%	1.7%	5.0%	3.2%
	50-64	-0.8%	-1.2%	-0.7%	0.0%	-0.2%
Hispanic	25-49	1.1%	1.7%	2.2%	2.8%	2.7%
	50-64	-0.4%	-0.6%	-1.0%	0.0%	-0.8%
FEMALE						
Caucasian	25-49	0.5%	1.3%	1.5%	1.5%	1.4%
	50-64	0.0%	0.1%	-0.6%	-0.2%	0.0%
African American	25-49	0.4%	1.5%	1.5%	1.6%	1.3%
	50-64	0.3%	0.3%	-0.1%	0.0%	-0.3%
Asian	25-49	0.2%	1.2%	1.0%	1.4%	1.8%
	50-64	0.2%	1.3%	-1.2%	-0.9%	-0.9%
Hispanic	25-49	0.5%	1.1%	1.1%	1.5%	1.2%
	50-64	0.0%	0.2%	-0.3%	-0.3%	-0.9%

Source : Author's calculations based on American Community Survey (ACS) 2010-2014 5-year estimates.

Based on these cross-sectional median age-earnings calculations for the full-time U.S. worker population, we compute "synthetic" work-life earnings estimates, for workers with varying levels of education. This provides an estimate of how much overall, one can expect to earn over their work life cycle, which in turn provides an estimate of the relative socioeconomic positioning and wealth accumulation potential of different groups of workers.

The results are shown in the chart below where we note that, starting with individuals with the lowest levels of education and moving up to those with the highest degrees, the estimated work-life earnings for women of any given racial/ethnic identity and for Hispanic and African American men are lower than for Caucasian and Asian men, irrespective of their educational attainment or degrees held.

Figure 4. "Synthetic" Work-Lifetime Earnings Estimates by Race/Ethnicity, Gender, and Education

Table 3 that follows reports the work-life earnings ratios, depicting more clearly those differences which stem from the disparity in the level of earnings and growth trajectories experienced over one's career. African American males working full-time over their whole life are expected to earn between 75% and 84% of that of their Caucasian male counterparts, depending on their degree. The work-life earnings of Asian males with a high school diploma and bachelor's degree are estimated to stand at 82% to 88% of that of Caucasian male counterparts, but are expected to be at parity with or higher than the earnings of Caucasian males counterparts. Hispanic males working full time are expected to earn between 71% and 88% of that of their Caucasian male counterparts, over their whole life, depending on their degree. The work-life earnings of African American and Hispanic females add up to 55% to 70% of that of Caucasian male counterparts, depending on the degree held, while Asian females' work-life earnings stand at 71% to 85% of that of Caucasian male counterparts, based on degree held.

Table 3. Ratio of Work-Life Earnings Estimates of Full Time Workers, Relative to Caucasian Male

	High School Graduate	Bachelor Degree	Master's Degree	Professional Degree	Doctorate
African American Male	0.82	0.75	0.78	0.74	0.84
Asian Male	0.85	0.93	1.11	1.06	1.00
Hispanic Male	0.87	0.80	0.88	0.71	0.86
African American Female	0.64	0.68	0.64	0.67	0.61
Asian Female	0.71	0.78	0.87	0.80	0.85
Hispanic Female	0.67	0.64	0.69	0.55	0.74

Source: Author's calculations based on American Community Survey (ACS) 2010-2014, 5-year estimates.

The gap in work-life earnings are reinforced in Table 4, which encompasses part-time employment, not being in the labor force, or experiencing periods of unemployment. In such instances, the work-life earnings for females of all races/ethnicities who are high school graduates are between 45% and 48% of earnings of their Caucasian male counterparts. African American male high school graduates earn just above 50% of that of their Caucasian male counterparts. Females of all race/ethnicity groups who are college graduates earn between 56% and 64% of their Caucasian male counterparts. The work-life earnings of African American males and Hispanic males who are college graduates are 64% and 75%, respectively of that of Caucasian males. For these groups differences again persist also for those with credentials beyond a bachelors' degree. African American, Asian, and Caucasian females with a professional degree, as a group, not restricting to full-time employment status, have work life earnings of just above 50% of that of their male counterparts; Hispanic females with professional degrees have earnings which add up to less than 40% over their work life span than their Caucasian male counterparts.

Table 4. Ratio of Life Earnings Estimate, All Persons Relative to Caucasian Male

	High School Graduate	Bachelor Degree	Master's Degree	Professional Degree	Doctorate
African American Male	0.52	0.66	0.75	0.66	0.75
Asian Male	0.82	0.88	1.13	1.02	1.01
Hispanic Male	0.82	0.86	0.64	0.82	0.82
African American Female	0.45	0.57	0.64	0.54	0.72
Asian Female	0.45	0.49	0.56	0.63	0.74
Hispanic Female	0.46	0.46	0.64	0.37	0.64
Caucasian Female	0.48	0.53	0.64	0.55	0.76

Source : Author's calculations based on American Community Survey (ACS) 2010-2014 5-year estimates. Population is defined here as individuals 25 years old and older, irrespective of work status. Hence these earnings encompass in addition to full time employment, also incidences of part time employment and unemployment spells as well. Earnings estimates are tabulated using dollars adjusted to 2014. These adjustments use the national Consumer Price Index (CPI-U-RS) annual average.

Significant disparities in work-lifetime earnings were found by race/ethnicity and gender within and across various educational achievement levels. While these findings are not surprising, they reinforce the need to apply early and consistent interventions at the academic, industry, and legislative levels to close the gap on earnings.

The Cost of Ignoring the Data

The Cost of Turnover

Research suggests that the extent to which emerging leaders see tangible career advancement possibilities within their companies aligns with their willingness to stay with the organization. For many, a common career advancement strategy involves moving out to move up. This strategy is used quite often by employees of color. Employees also leave their organizations for increases in pay that are not accompanied by title changes. This turnover can be quite costly for organizations, especially if a revolving door phenomenon is operating in parallel.

According to the Society for Human Resources Management (SHRM) the cost of turnover can be between six to nine months of an individual's salary. That means an employee making $100,000 annually, the cost to replace him/her could range from $50,000 to$75,000.

There is additional research that suggests that the costs are even higher, that they are not static and appear to vary by role and wage of the employee. For example:

Job Type	Cost to Replace
High turnover jobs under $30K	16%
Mid-range position $30 – 50K	20%
Highly educated executive positions	213%

In that case, the cost to replace a professional with a $100,000 salary would range from $150k to $213K.

In the Bersin Report published by Deloitte, several factors are said to contribute to the cost of turnover:

- Hiring: Advertising, screening, interviewing, hiring
- Onboarding: Training and Management
- Lost productivity
- Lost engagement
- Customer service and errors
- Training
- Cultural impact
- Severance/separation pay

Industries Where Turnover Has the Highest Impact

The ability and speed at which talent can be replaced will vary by compensation level as well as by job type. Results from a recent ManpowerGroup Talent Shortage survey suggests that management/executive roles and specialty roles in engineering and sales were among the top 10 most difficult roles to replace in 2015.

Top 10 Hardest Jobs to Fill in 2015

1. Skilled Trade Workers
2. Drivers
3. Teachers
4. Sales Representatives
5. Administrative Professionals
6. Management/Executives
7. Nurses
8. Technicians
9. Accounting & Finance Staff
10. Engineers

MOVING BEYOND THE DATA

The data presented in this issue of the *Inside Inclusion* might lead our readers to conclude that not much progress is occurring or will occur in the D&I arena. However the data only paint a partial picture. As one of the leaders on our Diversity Task Force articulated, "The data isn't any good without the accompanying stories of tears and laughter." This sentiment is shared by many of our corporate members who have shared compelling and inspiring success stories related to diversity and inclusion.

Success Stories

A task force of diversity and talent management practitioners from Chicago-based companies weighed in on what they were excited about and where they have observed progress on the D&I front. Numerous examples were provided, anchored around the following themes:

- Contribution to the Triple Bottom Line
- Integrated and Institutionalized Strategies
- Talent Attraction Capacity
- Leadership Awareness and Buy-in
- High Impact Business/Employee Resource Groups
- Enhanced and Expanded Company Brand
- Metrics and Accountability
- External Collaborations
- Individual Achievements

Contribution to the Triple Bottom Line (Financial, Social, Environmental)

Often when practitioners are trying to show the value or build the business case for diversity, they talk about direct and indirect ways in which diversity contributes to the bottom line of organizations. While the bottom line typically refers to revenues or increased business share, an expanded definition of it – the triple bottom line – includes the impact that is financial, social, and environmental and appears to have greater relevance across industry sectors. A couple of examples of how diversity and inclusion efforts contribute to the bottom line include:

- The organization's ability to attract more business from external, diverse groups (e.g., professional associations, fraternities, etc.) leading to increases in revenue generation
- Enhanced healthcare service delivery to diverse communities

Integrated and Institutionalized Strategies

A common sentiment shared by leaders when asked about D&I is that they look forward to the day when they no longer have to think about it and it would become interwoven into the fabric and a part of how their organizations operate. To make this a reality, it will take deliberate and strategic effort to ensure alignment between overarching company goals and strategies and D&I objectives. Examples of how this has taken place in some of our member companies include:

- Implementing an integrated D&I strategy across units, levels, and functional areas within the organization
- Taking content from training classes and creating sound bites that can be incorporated into daily practices (e.g., staff meetings)

Talent Attraction Capacity

The war for talent is still alive and well, less one think the fluctuating economic status in the U.S. put a halt on it. The labor market is better educated than it was ten years ago and job seekers are being courted by companies located around the globe. Recognizing this, companies know the benefits to be gained by being viewed as an employer of choice. Brand equity is a critical component in attracting top talent and more and more research suggests that job candidates, particularly Millennials, want to work for companies where diversity and inclusion are ingrained into the culture. Practitioners tell us that their organizations have been able to attract top, diverse talent because of positive perceptions of their multicultural, inclusive cultures.

Leadership Awareness and Buy-in

"Aha" has become a common mantra during leadership training on implicit bias. These light bulb moments experienced through candid discussions create awareness that institutional practices and individual behaviors are linked to beliefs and thoughts camping out below one's consciousness. Leaders recognize how powerful their unconscious bias is in shaping their interactions with others. For example, awareness of one's bias that women should not play a dominant role in society may shine light on the fact that selection and promotion of women into mission critical roles may only take place rhetorically. Experiencing these aha moments as a leadership team has led to better understanding of the systemic impact that unconscious biases have in the workplace and to more buy-in when D&I strategies are proposed that challenge the status quo.

High Impact Business/Employee Resource Groups

Many large corporations have observed the evolution of their employee network organizations. Once viewed as strictly grass roots affinity organizations whose purpose was to benefit their membership by providing a safe haven for networking, mentoring, and venting, these groups have expanded their scope and impact within organizations. Commonly referred to as business resource groups (BRGs), the role these groups play includes providing perspective on new product/service development and representing the organization in talent attraction efforts and business development efforts. Practitioners are boasting about the increasing number of executive sponsored BRGs within their organizations and the extent to which BRGs are visibly demonstrating value.

Enhanced and Expanded Company Brand

D&I activities often enable organizations to connect face to face with the community. Sponsorship of fundraising events within diverse communities, participation in conferences like National Society of Hispanic MBAs, National Black MBA Association and others provide external stakeholders a chance to experience and interact with these organizations. The dividend is expanded brand awareness for Chicago employers which translates into increased external interest, business, and capability to attract employees and business partners.

Metrics and Accountability

What gets measured gets done. While this might be viewed as a given for functional areas like sales, marketing, operations, and finance, it has been an uphill battle for D&I. Establishing metrics and tracking success has been given inconsistent or superficial attention in many organizations. Too often, leaders have viewed D&I as an expendable activity. However, leading practices in D&I confirm that what gets measured gets done in this area as well. This translates into managers needing to establish baseline metrics, conducting assessments, establishing D&I scorecards and dashboards, and incorporating D&I related goals into performance evaluation systems. The Toolkit, introduced in the *2012 Corporate Diversity Profile* is an example of a framework and scorecard that helps organizations track their current status and progress. Several of Chicago United's corporate members have contextualized The Toolkit and implemented it within their organizations. Diversity practitioners form these companies shared the successes they have experienced getting their senior leaders and managers to look at and track more data, and establish recruitment and retention goals. Practitioners also applauded their collaborations with

external organizations like Chicago United and others in building a repository of external intelligence, benchmarks, and other data driven tools and processes.

External Collaborations

Expanding the discussion on external collaborations, organizations within industries are benefiting from forming consortiums in which they are jointly addressing win-win versus zero sum strategies for attracting, engaging, developing and retaining diverse talent. Chicago's Financial Services Pipeline is an example of this.

Individual Achievements

Reaching new heights, one person at a time, is something that practitioners never tire of showcasing. It is often the individual achievements and recognition of Leaders of Color within their companies that is most inspirational to others and reinforces the value of investing in diverse talent.

Impact from the Board

Another impactful driver of progress and change that is part of the success storyline is the role that specific board members have played. Throughout this report we feature powerful examples of how board members have stimulated new thinking within the organizations they serve and how this has led to paradigm shifts and measurable progress on the D&I front.

One such story is reflected in an interview we conducted with John W. Rogers, Jr., CEO, chairman & chief investment officer of Ariel Investments, in which he relays how he has been able to change the way organizations look at and measure their spend with diverse suppliers.

A Conversation with John W. Rogers, Chairman, CEO & Chief Investment Officer, Ariel Investments

One of the things that I am trying hard to eliminate is the term *supplier diversity*. I think it is much out of date. At one point, wealth and jobs were created in the supply chain, but that has changed. In fact, President Obama is quoted in a June 2016 issue of *Bloomberg BusinessWeek* talking about the percentage of jobs created in financial services, professional services, and technology now being 40% of our economy. As this is the case, we need to make sure that African Americans and Latinos have the opportunity to fully participate in the parts of the economy where the wealth and jobs are created. Pigeon-holing African Americans and Latinos in supply chain management, construction, and commodities while Caucasian men are the heads of hedge funds, private equity, and investment banks is a modern day "Jim Crow." Well-meaning institutions are just not focused on this. They're used to the way diversity used to be talked about 40 years ago and haven't transitioned.

The examples that I give are coupled. When it comes to jobs created, it is my understanding that Blackstone, where Stephen Schwarzman is the CEO and makes over $600 million a year, has over 600,000 employees. KKR, where Henry Kravis is the CEO, has over 1 million employees. But we're hustling to get someone another supply chain job when these guys are becoming multi-billionaires and controlling nearly hundreds of boards, thousands of C-suite jobs, and a myriad of institutions.

The amount of money and wealth created in private equity aligns with the amount of power and influence one has. Our governor, as we all know, is a former private equity guy. Mitt Romney, who ran for president was a former private equity guy. We've just got to make sure that people of color are also included in the parts of the economy where the wealth and jobs are created. There's a famous quote from Dr. King that I've been using recently. It was in a recent *New York Times* article on school desegregation. In 1967, King said, "I cannot see how the Negro will be totally liberated from the crushing weight of poor education, squalled housing, and economic strangulation until he is integrated with power into every level of American life." And that is where we are failing with supplier diversity. We're not at every level. We're at the levels where the least wealth and power accumulate.

We've got to move beyond supplier diversity and get corporations to keep track of the spending they do by category. Our anchor institutions, whether it's Loyola, DePaul University, the Museum of Science and Industry, or Motorola, need to track all of their spending by category. They need to ask how much are we spending with minority professional services companies or minority financial services companies? How much are we spending with minority advertising agencies and public relations firms – places where influence and power are today?

You've probably heard about the billion dollar roundtable. Most companies look at total revenue being spent and how much goes to minority firms, but don't look at spend by category. The problem is one big supply chain contract can skew the results. For example, if you spent $50 million on your investment banking fees last year with zero dollars going to minorities, but you had a $500 million dollar contract where you bought computers from a minority-owned wholesaler who buys them from IBM and sells them to you at a small mark-up, you have a big number in revenue but very little in profit or where jobs are created. That is a huge mistake in how we keep track of spend. This needs to be transformed if we want to see wealth and jobs created in our community.

Very few companies track their spend by category and race. Exelon does an excellent job of it. They are the best in the country at tracking everything they spend by category and by race. University of Chicago has done an excellent of job of this and so has McDonald's Corporation.

I talk to university presidents about this, who typically boast about their use of minority firms for construction, catering, and janitorial work. And, I ask them, "But who are you trying to recruit to your Board of Trustees?" They want the venture capitalists, the hedge fund guys, the private equity guys, the investment bankers, and the heads of law firms. Why do they want that? Because that's where the wealth, power, and jobs are found. When you peel back the layers, you realize that where your black and brown vendors are is not the place to be. We allow this to happen to ourselves, because when we sit on these boards we do not actively challenge the status quo.

What I have found works in changing the mindset is to first articulate the case that my job as a board member is to help the institution live up to the values that it publicly declares. Almost every nonprofit board and most of the corporate boards in which I am involved have a very public commitment to diversity and inclusion. It's on their websites and annual reports. They talk about how important it is. My job as a fiduciary and a board member is to help make sure we do what we say we're going to do and that we live the values that we say we care about. I say that I am not doing my job if I don't remind you and nudge you toward living the values you say you care about. I find that argument to be pretty persuasive.

The second argument is to try to explain that if you are going to work on diversity and inclusion, you've got to include minorities in the parts of the spend where wealth and jobs are created. That seems to resonate. However, there are a lot of institutions that don't want to hear about it and just wish you would go away.

I have found a wonderful success story in University of Chicago where I've been able to work with both with the president, Bob Zimmer, and the head of diversity and Inclusion, Nadia Quarles. They are now doing business with roughly 60 minority professional services firms that they weren't when Bob Zimmer first became president of the University. It is such a remarkable success story. But, it illustrates that in order to make things happen, board members need to be able to work effectively with senior executives of the institution.

At Exelon one of the top officers of the institution, Bill Von Hoene, senior executive vice president and chief strategy officer, and I have been able to work very effectively along with his staff to help make things happen. At Exelon, we have this extraordinarily robust program for minority owned businesses, and we also encourage majority companies to have minority executives as partners.

To make these changes happen, it takes leaders who have the courage to have uncomfortable conversations and, fight for the right thing, and remind people they are accountable. Additionally, executives need to have the ear of the CEO. Too often, the supplier diversity person is buried in procurement, has no access to the CEO, and, consequently, can't effectuate the things they are trying to accomplish.

The other thing that I do to influence other board members and company leaders is show them how the status quo hasn't been working. I provide the data. For example, at the top 300 companies on Crain's list, I point out that there are no African Americans on the list of the top construction, law firms, accounting firms, banks, etc. There are no African Americans that have made the top 25 with very few exceptions; and when looking at Crain's top 50 publicly-traded firms in Chicago, there's not one African American CEO. There are still several private equity firms in Chicago that have never had an African American professional, let alone an African American partner.

Crain's had a cover story recently about the lack of women in private equity. We need a similar cover story about the lack of African Americans and Latinos in the private equity world. People can't argue with the facts, that what we've been doing for 40 years has not measurably changed things. In fact, things have actually gone backwards. People have sacrificed so much to make things better – King, Rosa Parks, bus boycotts, and sit-ins. It's interesting – the lights go on and we accept status quo. We need leaders who can shake things up!

So what is next for Chicago companies? Members of our Inside Inclusion Task Force were in agreement, across the board, about what would take their D&I strategies to the next level. The most consistently cited interventions included 1) a robust and implementable cross-cultural competency model for leaders; 2) client focus; 3) courageous conversations; and 4) cross-disciplinary collaboration. As these elements were discussed, it became apparent that cross-cultural competency defined "what will take us to the next level" and the latter three elements delved into "how we would get there."

A Cross-Cultural Competency Model for Leaders

The vast majority of Chicago-based corporations are multicultural at either the domestic level or international level. Consequently, it can be stated that leadership takes place within a multicultural context. Multicultural environments include employees that represent different ethnicities, geographies, generations, religions, genders, etc. There are varying degrees to which work teams and organizational units will reflect this spectrum of diversity. However, whether one leads a multicultural team directly or has ultimate accountability for a multicultural organization, understanding and effectively addressing issues and opportunities within this context is inextricably linked to leadership and organizational effectiveness.
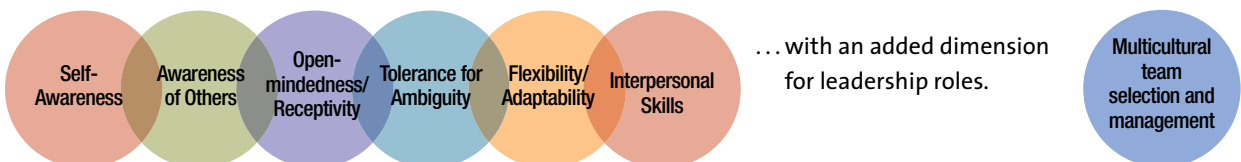
What Does Cross-Cultural Competence Mean?

There are numerous models and frameworks that have been developed to characterize cross-cultural competence. These frameworks have been developed, built upon, and repurposed by practitioners, academicians, and consultancies. In general, these models address either the developmental stages of competence, typically moving from limited competence to full competence, or the components of cross cultural competence, namely the knowledge, skills, abilities and other characteristics an individual should demonstrate. Additionally, there are the global leadership competency models which are often rooted in skills and attributes relevant to entering new markets and leading multiple cultures in dispersed geographies.

Some of the common threads in the stage or developmental models include:

Cultural Awareness → Cultural Knowledge → Cultural Sensitivity → Cultural Competence

Common threads in the component or characteristic models include:

Self-Awareness · Awareness of Others · Open-mindedness/Receptivity · Tolerance for Ambiguity · Flexibility/Adaptability · Interpersonal Skills

. . . with an added dimension for leadership roles.

Multicultural team selection and management

A popular global leadership framework created by Sharkey, Razi, Cooke & Barge, presented in their book *Winning with Transglobal Leadership: How to Find and Develop Top Global Talent to Build World-Class Organizations* includes the following components:

Cognitive Intelligence · Emotional Intelligence · Business Intelligence · Cultural Intelligence · Global Intelligence · Moral Intelligence

Cultural Humility and Cultural Competency

A term that is receiving increasing attention, especially within the healthcare industry is "cultural humility." Cultural humility, in contrast to cultural competence, does not focus on achieving mastery or full proficiency. Rather it is a continual process of self-reflection and self-critique that addresses power inequities between groups. Attaining cultural humility becomes not a goal but an active process, an ongoing way of being in the world and being in relationships with others and self.

> One way to exhibit cultural humility is through respectful partnerships with clients using client-centered listening techniques to explore differences and similarities between one's own values, priorities, and goals and others' values, priorities and goals. – *Hunt, 2005*

General Leadership Competency Models

Cross-cultural competency models can be readily compared to general leadership competency models. Ask an industrial-organizational (I-O) psychologist or organizational development (OD) practitioner what leadership competencies refer to and you will most likely get a robust framework that includes knowledge, skills, abilities, traits and other characteristics. However, there are some schools of thought that describe competencies as simply the technical skill sets that a leader demonstrates. As an example, in a 2013 article in Forbes, entitled "The Most Common Leadership Model – And Why It's Broken," the author asserts:

> *"Any organization that over weights the importance of technical competency fails to recognize the considerable, and often-untapped value contained in the whole of the person. It's the cumulative power of a person's soft skills, the sum of the parts, if you will, that creates real value."*

In this publication we will speak of leadership competencies in the more holistic sense. Consequently, a typical leadership competency model might look like the example provided by The Society for Human Resources Management. Competencies in this model fall under three main buckets which address different focal points for a leader's behaviors and efforts.

Leading the Organization:	Leading the Self:	Leading Others:
• Managing change • Solving problems and making decisions • Managing politics and influencing others • Taking risks and innovating • Setting vision and strategy • Managing the work • Enhancing business skills and knowledge • Understanding and navigating the organization	• Demonstrating ethics and integrity • Displaying drive and purpose • Exhibiting leadership stature • Increasing your capacity to learn • Managing yourself • Increasing self-awareness • Developing adaptability	• Communicating effectively • Developing others • Valuing diversity and difference • Building and maintaining relationships • Managing effective teams and work groups

These competencies overlap with another leadership competency framework described as being relevant during times of chaos, transformation, or disruptive change.

Application and Alignment

It is evident that there is overlap between the frameworks which define leadership competence, in general and those that define cross-cultural competency. Specifically, the ability to demonstrate self- awareness, emotional intelligence and adaptability is foundational to strong leadership as well as to navigating in a multicultural environment.

How do we translate these models into usable tools for performance management, succession planning, or career mapping within our organizations? In comprehensive competency models, there are specific behaviors aligned with each competency, and expected levels of performance spelled out for specific job levels or roles.
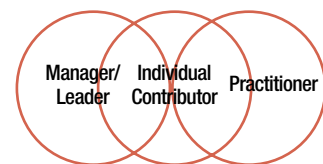

Breaking down a competency model into these behaviors helps individuals understand what the organization values, and how it interprets each competency within its organizational context. This can be a useful tool for many practices including performance appraisal and career mapping.

It is the expanded definitions of these competencies that guide employee behavior. Insights from chief diversity officers, chief human resource officers, and other executives support the notion that cross-cultural competence comes to life through consistent and visible behaviors. Standards for success will vary by company and reflect where they are relative to implementing a diversity and inclusion strategy.

Chicago United has adapted a few competency models and offers the following framework for evaluating cross-cultural competency. The competencies and behaviors noted are general (portable across industries) and relevant to managers and senior leaders. In the table below, all individuals within the organization would be held accountable for behaviors noted at the "Individual Contributor" level, including leaders. There are several behaviors listed that have the most relevance for managers. A couple of examples of how practitioners would be accountable are also provided, primarily to distinguish their role from organizational leaders.

While the list of behaviors provided is not exhaustive, it provides a solid foundation for defining cross-cultural competence. Leaders and practitioners can leverage these as a launch pad or comparison point and can customize the behaviors to more closely align with the nuances of their respective organizations.

Cross-Cultural Competency Model for Leaders

Individual Contributor/All Employees	Manager/Leader	Practitioner
INSTITUTIONAL AWARENESS		
• Demonstrates awareness of the cultural norms of the organization	• Holds direct reports accountable for maintaining inclusive work practices within their teams • Demonstrates understanding of the need to balance individual values with organizational values • Mentors others and encourages dialogue to help employees understand the spoken and unspoken rules of the culture • Actively seeks understanding of how different groups are impacted by institutionalized practices • Challenges practices, policies, and behaviors that do not promote an inclusive work environment	• Is aware of how biases manifest in the various systems and practices of the organization (e.g., interview process, performance management, succession planning, etc.) • Challenges practices, policies, and behaviors that do not promote an inclusive work environment • Ensures there are forums and mechanisms in place for all employees to ask for support or provide information
OPEN-MINDEDNESS		
• Models open-mindedness and demonstrates curiosity by asking questions to further understand concepts and ideas one is unfamiliar with or in initial disagreement with • Listens attentively to differing points of view • Demonstrates curiosity	• Surrounds self with individuals/groups from different backgrounds (culture, functional, etc.) to stimulate learning and new ways of thinking • Understands the levels of engagement, retention, and performance of varying demographic groups within the organization and the underlying factors related to these • Encourages peers and reports to look at issues from different perspectives • Leverages multi-level and cross-functional groups to address organizational challenges and opportunities	• Invites employees, customers, suppliers and other stakeholders to participate on advisory councils and roundtables to bring new and varied perspectives into the organization • Keeps up to date with industry leading practices and helps identify those that have relevance for the organization

Individual Contributor/All Employees	Manager/Leader	Practitioner
TOLERANCE FOR AMBIGUITY		
• Seeks new experiences outside of one's comfort zone to facilitate personal development • Reaches out to others with known differences in perspective to help identify any personal oversights or blind spots • Demonstrates vulnerability by acknowledging what one does not know or would like to learn more about	• Confidently leads organization through times of change (clarifying the rationale, vision, and implications for diverse stakeholders), • Demonstrates capacity to take calculated levels of risk to implement new approaches • Provides opportunities for groups who have not been traditionally represented in the workforce	• Uses data from risk assessments to inform D&I strategies and consult with leaders
FLEXIBILITY/ADAPTABILITY		
• Demonstrates ability to adapt one's behavior to the cultural context in which one is working • Focuses on quality of contributions and results versus stylistic differences	• Is able to point out positive aspects related to internal or externally driven changes that impact the organization • Effectively adapts one's management style to accommodate different work, communication and learning styles and brings out the best in others • Advocates for more than one right way to conduct business to spark innovation and individual expression • Facilitates discussions in a manner that enables all team members to contribute (e.g. less vocal members)	• Identifies optional methods for helping employees/managers build cross-cultural competence, keeping in mind differing learning preferences, and cultural backgrounds

Manager/Leader	
MULTICULTURAL TEAM MANAGEMENT	
• Configures teams that reflect balance in terms of strengths and diverse/unique insights • Delegates work that compliments each direct reports strengths and capabilities to successfully contribute to team goals • Crafts developmental/stretch assignments for direct reports to help them improve their level of contribution and performance • Holds direct reports accountable for creating diverse and inclusive team structures • Has ongoing conversations with direct reports to gain understanding of the strengths and unique contribution potential of indirect reports • Is proactive in giving constructive feedback to those from a different cultural background and does so in a manner that is respectful and mindful of individual needs	• Challenges the status quo of the work group to encourage new ways of thinking and accomplishing tasks and encourages others to do so as well • Encourages group to address conflict openly and respectfully • Addresses disrespectful team behavior immediately • Speaks up in a supportive manner when a specific individuals views are being ignored or disrespected • Encourages team to challenge their assumptions before drawing conclusions or making decisions

Integrating a leadership cross-cultural competence framework does not necessarily require building one from the ground up. Depending on what systems an organization has in place, four optional strategies for integration may be useful to raise the "BAR":

BUILD	• Start with well-researched competencies • Build in specific behaviors germane to your industry/roles • This approach is especially relevant for highly specialized industries/leadership roles
BORROW	• From general or industry specific models that already exist
ALIGN	• Embed cross-cultural competency language within related competencies in your current organizational/leadership model
REPURPOSE	• Identify cross-cultural competencies that are already in your organization's current model • Repackage as a sub-set of the your competency model

What is the pathway to the next frontier? How do leaders achieve cross-cultural competence? A competency model is the "what" or foundation for moving forward and there are many behaviors that can support it. Competency frameworks can be implemented at the organizational, functional, and individual role levels.

Three specific pathways that organizations can take to facilitate their efforts to building cross-cultural competence are worthy of delving into further as they have repeatedly surfaced in the research, and within executive and practitioner testimonials. They relate to several of the cross-cultural competencies noted in the section above.

These three pathways are client focus, courageous conversations, and cross-disciplinary collaborations.

The following sections highlight why these pathways are so relevant and important to the discussion of leading in a multicultural environment.

Client Focus

How Well Do You Know Your Client?

Knowing your clients helps organizations, in every industry sector, provide relevant services and products. It enables companies to focus resources in appropriate ways, adapt practices for more effective service delivery, and enhance customer satisfaction and retention. Companies recognize that reaching this understanding is not a one-time endeavor. Clients' needs may evolve and change over time or new generations of clients may surface where needs and expectations are different.

Understanding clients and prospective clients enables organizations to move into new markets; and in today's economy and business landscape, the potential is global. Companies competing for business internationally recognize the importance of nuancing or customizing services and products to their target markets. The depth of research that goes into this exercise is immense and research suggests that the profits organizations stand to gain are phenomenal.

According to a 2015 PwC report titled, "Understanding long-term trends in global consumer purchasing power," global consumer spending is shifting from baby boomers who are trimming the fat on their purchases to GenX and Millennials who are in the prime of their spending power and less hit by the recession, respectively. This shift appears to have had some impact on the way organizations are staying in touch with the market. Retail and consumer goods companies, in particular are:

- Ensuring that product offerings in emerging markets are tailored specifically for consumers' lives, needs, and pocketbooks
- Reassessing techniques for market analysis so that companies can assess which attitude and behavior shifts are permanent, and which are not
- Focusing on true rather than perceived value – food safety and quality, for example.

There is some overlap between the findings in the PwC study and a report produced by McKinsey Global Institute in April of 2016 titled, "Urban World: The Global Consumers to Watch – Executive Summary." In looking at global urban centers and where purchasing power is expected to be the most robust, nine groups of urban consumers were projected to generate three-quarters of global urban consumption growth from 2015 to 2030—and just three groups about half of that growth:

- Retiring and elderly (60-plus years in developed regions). This group will grow by more than one-third, from 164 million in 2015 to 222 million in 2030. It will generate 51% of urban consumption growth in developed countries, and 19% of global urban consumption growth.

- China's working-age consumers (15 to 59 years). Their number will expand by 20%—an additional 100 million people. Their per capita consumption is expected to more than double. By 2030, they will spend 12¢ of every $1 of worldwide urban consumption.

- North America's working-age consumers (15 to 59 years). The already large numbers and per capital consumption of this group will grow modestly by 7% and 24%, respectively, from 2015 to 2030. Many younger consumers are under income pressure and are cost conscious in their spending.

We can borrow from the intelligence that is done to tap into global markets and leverage this domestically. The U.S. has many rich cultures and sub-groups that contribute to our overall economy and there are plenty of opportunities, stateside, to increase market share.

U.S. customers vary by industry. For academia, it is the tuition paying students. In manufacturing, it extends to other businesses. In healthcare, it includes patients. As an example, understanding the client or patient in healthcare is especially important in disease prevention and treatment and enables health care providers to mitigate the risk of providing irrelevant or inappropriate services. Not all industries absorb as much risk, yet it is still important for all sectors to understand the needs of the varying demographic groups receiving or impacted by the company's offerings.

In the organizations on whose board he sits, Charles P. Garcia, CEO of ALPFA, has been able to stimulate new thinking about reaching the customer, in particular, the Latino market. As he articulates it, "Bringing a different viewpoint to the table is really what's important. I don't look at the Latino market through a diversity lens; I refer to this as a new Latino paradigm."

A Conversation with Charles P. Garcia, Chief Executive Officer, ALPFA (Association of Latino Professionals for America)

There are numerous statistics to support this new paradigm. Just recently, California was named the 6th largest economy in the world. Well there are more Latinos in the state of California than Caucasians – 40% Latino, 38% Caucasian. So if you look at consumption patterns in terms of what's driving business and growth in California, it also involves looking at the Latino community. California's largest trading partner, is not China or Canada; it's Mexico and Latin America. California's largest trading partners speak Spanish and 40% of the population of the state also speaks Spanish; and they're a natural ally for bringing that business in. Florida's situation is the same. Our largest trading partner is Latin America and our Latino population is also significant at 34%. So when I talk about this set of circumstances, I say this is a new Latino paradigm versus this being about diversity and inclusion.

When I was on the board of Winn-Dixie, I asked why we were not targeting stores in the Latino community. Of our 500 stores, 25% were in Latino neighborhoods. I explained that Latinos have a smaller basket size, but instead of going to the supermarket four times a month, they are going 8 or 9 times. So if you look at their total basket on a yearly basis, they're bringing in $3,500 more per person into Winn-Dixie than any other consumer. This is major given there are very small margins in the supermarket business.

So once I got leadership to see that, we then re-oriented Winn-Dixie's marketing strategy to being the supermarket of choice in the Latino community. In 4 to 5 years, our highest sales per square foot were Latino stores. That only

happened because, while I was on the board, I kept emphasizing that this was not about diversity & inclusion or multiculturalism; it's about mathematics – and the CEO is compensated based on driving growth and earnings. When people started seeing the math, they said okay we should start playing Spanish music in the stores. We should be advertising our circulars in Spanish; and then why not get store managers from the community that are bilingual who will recognize the shoppers. We then initiated something that no one was doing at the time. We created a place where mothers could have their kids taken care of for a half an hour while they shopped. This was an indoor playground with a professional day care provider and a nurse. There was also a coffee bar where mothers could come together and watch while their kids play. When we did this, sales went through the roof!

To persuade other board members and organizational leaders to change was challenging and it was repetitious. But, when you say something long enough, people start to listen. I have a fiduciary obligation to shareholders to help them increase sales and profits.

I had to do a lot of educating to change the current mindset and provide a different framework because most people think that diversity is a just a social justice issue. You need to look like this or that because it's a good thing to do. That's all true, but when you live somewhere like Chicago where 48% of the public school system is Latino, or in the five largest states, where 23% of the Millennials are Latino, that's also your future workforce. Going back to the 2000 census, 60% of the babies born during that time period were Latino. Those 60% are going into the workforce today.

Diversity is a key issue if you want to be a talent magnet for Millennials. Millennials are a purpose driven generation. They want to be happy and they want to be part of an organization that values people's differences in everything. That's the way they grew up. So when they come to a company that's not like that, that's a culture clash for them and they're not going to be happy. If you can't recruit those people, then you're in big trouble. That's part of the framework that I try to bring to the table in a corporate setting.

Courageous Conversations

Everything Happens Through Conversation

In organizations everything happens through communication and, more specifically, conversations. Whether it is a manager conveying performance expectations to an employee, checking for understanding of an assignment, recognizing someone for a recent accomplishment, or laying out a strategy for penetrating into a new market, dialogue is at the center of it. This is a given. How it is relevant to the discussion on cross-cultural competence centers around the fact that in any conversation there is an opportunity, but there is also a challenge. There is an opportunity to educate, engage, or influence others. There is also an opportunity to offend, demotivate, and/or confuse. Often, the fear of offending others limits communication and can result in more harm than good.

Limited Feedback

An example of this might be a leader neglecting to give one of his or her direct reports constructive feedback for fear of offending. Let's just add that race or gender might complicate the interpersonal dynamic in this scenario. The manager strongly believes that what she knows about the employee is relevant to the employee's performance effectiveness and ultimately to their career mobility. But, because there is some level of discomfort or sense that this might be offensive, the feedback does not get shared.

Political Correctness

Limited dialogue is also evident in organizations that value being politically correct. In these organizations, there are generally norms about which topics to avoid. However, we can state with a high degree of certainty that many of these topics are

on the minds of employees, especially those that are about race, gender, religion, and social issues and events. There are so many events within the past year that have garnered national attention, such as the shooting of young African American men, acts of terrorism, the presidential political campaign, legalization of gay marriages, etc. Our member corporations assure us that employees are thinking about these issues and are often troubled, excited, or personally impacted by them.

Is there a forum for employees to talk about these issues in the workplace? Is it appropriate? And, if so, how are those conversations best facilitated? Should leaders be involved?

Bi-Directional Conversations (Coaching from the Middle)

D&I practitioners often play the role of bridge-builder and glue. They help disparate groups understand where there is common ground. In companies where Millennials are a significant proportion of the workforce, some of the issues involve helping this generational cohort understand the "reality of the environment" and norms for communication.

Don't call me "dude." I am the VP of Operations!


Conversations that Unlock the Barriers

Many great leaders are in their "zone" solving problems, leading organizations through challenging transitions, and building highly marketable reputations doing so. Yet having conversations about race or diversity and inclusion can be intimidating. In many cases, these conversations extend beyond leaders' comfort zones. For some, these conversations are not on their radar as they are viewed as subordinate to the need to focus on the business. For others, no personal "WIFM" (what's in it for me) is felt to exist. While there may be some validity for these rationalizations, research provides many examples of how good organizations become great because diversity and inclusion are interwoven into the business' mode of operating. Leaders can increase their value to their companies by inserting themselves into this formula for success; but it will involve a different set of behaviors than they might be used to, such as demonstrating vulnerability, asking for clarity, and discussing feelings.

When practitioners on our Inside Inclusion Task Force were asked about some of the approaches they use with leaders to unlock barriers to dialogue, they shared the following examples:

- Creating monthly forums
- Encouraging leaders to engage in candid conversations about race and ethnicity and personal biases
- Incorporating skill-building around implicit bias and facilitating critical conversations within leadership training
- Sponsoring lunch and learns with roundtable discussions and enabling employees to ask each other questions and share concerns and insights about specific topics
- Encouraging leaders to participate in roundtable forums with their peers to discuss common challenges and strategies within their respective organizations regarding D&I
- Arranging speaking engagements for leaders to discuss the company's D&I efforts.

What Are You Doing as a Leader?

Along with organizational initiated practices, leaders can build skill in engaging in and facilitating courageous conversations by devoting time and practice to three elements:
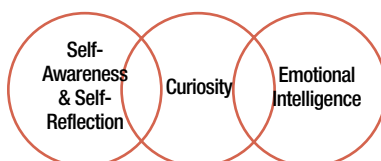
Self-Awareness and Self-Reflection

Gaining a better understanding of ourselves is the first step in enhancing our relationship with others and our ability to engage in meaningful conversations. Self-awareness requires us to explore our contribution to the conversation. This awareness can be furthered by identifying and reflecting on:

- Our filters or lens through which we view the world
- Our stylistic preferences
- The impact our behaviors have on others

We often judge ourselves by the intentions we have. Others often judge us by the impact our behaviors have on them. Effective interactions depend on bridging the gap between these two perceptions by anticipating where our intentions can be misinterpreted and following up to ensure our behaviors were viewed as we intended.

Curiosity

Curiosity benefits courageous conversations. It involves recognizing that there are at least two sides to any story. Neither story paints a complete picture by itself. It also implies that we want to better understand the reasons behind someone's story or experience. "What makes them tick?"

When we are genuinely curious about others, we:

- Exhibit authentic listening
- Ask questions to learn
- Make room for "both/and" thinking

Listening with the intent to understand helps build a climate of openness, transparency, and inclusion. It helps to level power dynamics in interactions. Being curious in conversations and seeking understanding does not obligate us to change our point of view or the action that we intend to take. It may, however, enable us to have more empathy for someone's experience or point of view.

Emotional Intelligence

Emotional intelligence is the ability to recognize, address, and manage one's personal emotions and those of others. It involves:

- Perceiving emotions – the ability to detect and accurately label emotions in facial expressions, words, and body language—including the ability to identify one's own emotions.
- Understanding emotions – the ability to understand what triggers our emotions and to appreciate the complex relationships among different emotions.
- Managing emotions – the ability to regulate emotions in both ourselves and in others, including negative ones, and manage them to achieve intended goals.

With emotional intelligence, the question is not "Will strong feelings or emotions arise?" but "How do we handle them when they do arise?" We can:

- Identify and validate the emotions that are present
- Use knowledge of our own and others' emotions to be more empathetic
- Use knowledge of emotions to suspend judgment and to engage others in the dialogue

Shifting the Conversation – How to Have Compelling Conversations about Race

Dr. Derald Wing Sue, professor of counseling psychology at Columbia University and former president of The Society of Counseling Psychology of The American Psychological Association (APA), recently participated in a Chicago United Thought Leadership Forum. His presentation was robust with provocative insights on why individuals avoid talking about race; and he offered several success strategies for facilitating conversations about race. This topic receives comprehensive coverage in his book *Race Talk and the Conspiracy of Silence*. Sue asserts that the primary reasons individuals avoid talking about race in multicultural settings, such as the workplace, stem from normative ground rules that have been set by society and the institution. Strategies for shifting the conversation require individuals to acknowledge personal biases and move beyond their comfort zones.

Barriers to Honest Racial Dialogues	Strategies for Facilitating Race Talk
External • The Politeness Protocol (uncomfortable topics should be avoided or discussed superficially) • The Academic Protocol (or need to avoid strong or intense emotions during conversations) • The Colorblind Protocol (the belief that race does not matter) **Internal Fears/Resistances** • Fear of appearing racist • Fear of realizing one's racism • Fear of acknowledging white privilege • Fear of taking responsibility to end racism	• Understanding one's racial/cultural identity. • Being open to admitting racial biases. • Being open and comfortable in discussing topics of race and racism. • Understanding the meaning of emotions. • Validating and facilitating discussion of feelings. • Control the process and not content of race talk. • Unmask the difficult dialogues through process observations and interventions. • Do not allow difficult dialogue to be brewed in silence. • Understand differences in communication styles. • Forewarning, planning, and purposefully instigating race talk. • Validate, encourage, and express appreciation to participants who speak when it is unsafe.

Source: Sue, Derald Wing, *Race Talk and the Conspiracy of Silence*, Hoboken, New Jersey, John Wiley & Sons, Inc., Copyright 2015. Print.

Cross-Disciplinary Collaboration

Another pathway to building cross-cultural competency is through cross-disciplinary collaboration. Not only do we benefit individually through these interactions, but research suggests that the most innovative solutions come when we solicit insights from multiple sources that are heterogeneous. Intuitively and intellectually, this makes sense as we can anticipate that one source will look at a problem or opportunity from a different angle than another source. These research findings have contributed substantively to the business case for diversity. In organizations, this sparks optimism around leveraging cross functional taskforces, cross regional councils, or advisory committees comprised of employees from multiple levels. Expected outcomes from this practice include groundbreaking and disruptive solutions in technology, medicine, product design, consumer goods, and service delivery.

Distributed Accountability

The existence of cross-disciplinary teams and the seeking of multiple perspectives also distributes ownership and accountability throughout the organization. This is especially important in advancing the D&I agenda. Often diversity functions are units of one or two individuals and it becomes a necessity to leverage the vast amount of work that needs to be done through others. This practice creates multiple ambassadors, champions, and advocates for D&I work and helps ensure that inclusive practices take root in other areas, are aligned with business practices, and are sustained. This outcome is often the by-product of setting up diversity councils that are comprised of leaders from each business unit or functional area within the company.

**Forming, Storming, Norming, and Performing**

It is important to note that even though the end product from cross-disciplinary collaborations may be more creative or relevant to the customer, the process for achieving results or reaching decisions may not run as efficiently as one would

experience on a more homogeneous team. Research, as well as anecdotal insights from our member companies, speak to the challenges of managing diverse teams, and support the need for organizations to help build this competency amongst their front line, middle, and senior leaders.

It takes any newly formed team time to reach optimal performance. There are different schools of thought on the extent to which managers are or should be ready to facilitate high performance on diverse teams. For some, the ability to motivate, manage and lead a diverse team is viewed as simply being part of effective management. For others, managing diverse teams is viewed as bringing an added layer of complexity. Diverse team members may bring expectations, needs, or modes of expression that are rooted in cultural differences unfamiliar to the manager. Applying this logic, a manager that feels comfortable and is competent in interacting with different groups, will probably be more successful in leading diverse teams.

Andrew J. McKenna, chairman emeritus for McDonald's Corporation and Schwartz Supply Source expands on his support of diversity and inclusion and the importance of cross-disciplinary collaboration on boards of directors.

A Conversation with Andrew J. McKenna, Chairman Emeritus McDonald's Corporation and Schwartz Supply Source
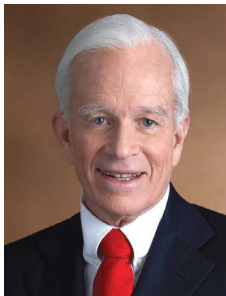
I have served on numerous for profit boards. People who know me know that I am very focused on diversity and inclusion and I think that the boards that don't appreciate it are making a big mistake. Every board that I have been on has benefited from it. When you talk about diversity and inclusion you can go down many roads. You're talking about race, gender, talent, and a lot of other different elements. To be effective in a multicultural environment, leaders need to be open-minded, fair, and balanced; and if you demonstrate these qualities and have good instincts about where the business needs to be, it all seems to work.

I don't think that I've necessarily brought anything new to the table on the topic; however, I think that if you stay focused on the importance of diversity, for example, you encourage your fellow board members to share in that focus. That's the key thing. Nobody is really opposed to it but some have never sat down and thought about how diversity is important to the whole business endeavor. Just the fact that we talk about it stimulates thinking and dialogue; and then we begin to see the benefits. Additionally, once organizations are engaged in making sure they are increasingly diverse, the benefits become apparent.

I haven't found it challenging to convince other board members about the importance of diversity. Perhaps it's because people know where I stand and they don't want to be confrontational. But, in my experience, there's been a very warm reception from all boards that I serve, to make sure that they are adequately diverse.

On boards, specifically, it's important to look at diversity of background, to have a good cross-section of talent. You don't want all accountants sitting around the table. You include individuals on your board with financial background, marketing, legal, operating backgrounds, etc. so that everyone is not the same in terms of the talent and expertise that they offer. For example, on the McDonald's board that I have chaired for so many years, we have 13 directors and several of them are diverse. I never even thought about that until someone asked me about the board's diversity and noticed that we were over 50% visibly diverse. My response was that we built the board with good people, and they are not just bringing diversity, they are bringing their unique skills and expertise.

There is no question that you get a good outcome when you bring individuals with diverse backgrounds and perspectives to the table. You don't necessarily have to focus on diversity; you have to focus on the goals you want to achieve. Yet one of the reasons you are more effective in achieving those goals is because you are diverse.

MEASURING SUCCESS

Senior leaders know that there are many variables and pathways that lead to organizational success. To name a few, the work of the organization gets done by developing well thought-out strategies, ensuring the proper infrastructure and resources are in place, assigning accountability, building metrics and tracking progress, and executing and leveraging through others. Creating a multicultural workplace and building cross-culturally competent leaders are no exceptions.

With respect to integrating diversity and inclusion into talent management processes and setting targets for accomplishment, Chicago United's corporate members have developed various scorecards to measure and track progress. A number of our members have referred to The Toolkit and tailored its use to their specific organization's needs.

The Toolkit provides benchmarks for gauging progress for the overall organization and looks across several talent management practice areas. The Toolkit has relevance across industry sectors as evidenced by its adoption and use by Chicago United corporate members in the healthcare sector, including Blue Cross Blue Shield of Illinois / Health Care Service Corporation, as well as the financial sector, including the Federal Reserve Bank of Chicago.

Chicago corporate leaders have a pivotal role to play in moving the needle on D&I outcomes. We encourage you and your leadership teams to leverage the Toolkit to help with understanding leading practices, for asking relevant questions to spark dialogue and action, for benchmarking the organization's current practices, and for establishing achievable goals.

Measuring Personal Progress

What additional things can leaders engage in to demonstrate their commitment to D&I objectives as well as to their own personal development? Chicago United believes that one of the most important things a leader can do is to model the behaviors he or she would like to see within the organization. The success stories we hear about, from our member companies, hinge upon compelling acts of leadership.

In this section, we introduce a companion scorecard for executives that maps with our Toolkit. This leader scorecard is designed as a self- assessment tool to provoke thought and reflection and to gauge individual progress as well as the progress of your leadership teams.

Leadership Self-Assessment

TALENT ACQUISITION	Getting Started	Making Progress	Consistent Practice/ Results
I am asking relevant questions to stay apprised of the status of our diverse hiring efforts.			
I am requiring a diverse slate for all open positions that report to me.			
I am holding my managers accountable for sourcing and hiring diverse candidates.			
I am personally involved in onboarding new leaders.			

TALENT RETENTION	Getting Started	Making Progress	Consistent Practice/ Results
I understand the challenges that leaders of color face within my organization and what is contributing to turnover.			
I discuss retention challenges and opportunities in meetings with my direct reports.			
I am holding my managers accountable for practices that favorably impact retention of diverse groups of employees.			

Leadership Self-Assessment

PERFORMANCE MANAGEMENT	Getting Started	Making Progress	Consistent Practice/ Results
I communicate the importance of holding managers and individual contributors accountable for creating and maintaining a diverse and inclusive work environment.			
I have ensured that diversity and inclusion are integrated into how I evaluate the performance of my direct reports.			
I participate in forums to build skills that will empower me to better manage a diverse team.			
I provide ongoing coaching to all of my direct reports.			

REWARDS AND RECOGNITION	Getting Started	Making Progress	Consistent Practice/ Results
I discuss progress towards reaching diversity and inclusion goals in meetings with my direct reports.			
Part of my direct reports' incentive compensation is based on achieving diversity and inclusion goals.			
I showcase the successes of my managers who are doing well in diversity and inclusion.			
I visibly show appreciation to our internal champions (e.g., employee resource groups, etc.) for their successes around diversity and inclusion.			

SUCCESSION MANAGEMENT	Getting Started	Making Progress	Consistent Practice/ Results
I have submitted a diverse slate of candidates for our succession plan.			
I engage other leaders/managers in discussions about how we define leadership to allow for broader fit and style differences.			
I create development/stretch assignments to help prepare key talent of color for higher level roles.			
I and my direct reports have significant bench strength and have been able to successfully develop and move internal talent from all demographic groups into leadership vacancies.			

LEADERSHIP DEVELOPMENT	Getting Started	Making Progress	Consistent Practice/ Results
I have communicated my commitment to leadership development and volunteerism throughout the organization.			
I have created development assignments to help prepare key talent of color for higher level roles.			
I am coaching, mentoring, and sponsoring current and emerging leaders of color.			
I am involved in ongoing dialogue, roundtables, and cross cultural mentoring partnerships with our network groups and provide visible and active sponsorship of these groups.			
My sponsoring efforts have resulted in upward mobility for my mentees.			

CULTURE	Getting Started	Making Progress	Consistent Practice/ Results
I understand the culture of our organization and its impact on various demographic groups.			
I am actively involved in creating and leading a culture of inclusion.			
I hold my direct reports accountable for creating and sustaining a culture of inclusion.			

"Be the change you wish to see in the world." –Mahatma Gandhi

TOOLKIT

Overview

The Toolkit is designed to more fully engage leadership in championing sustainable efforts around diversity and inclusion. While we understand that describing the landscape and trends are important parts of our report, the Toolkit complements this information by providing the resources for acting on the findings.

This Toolkit provides a framework for learning, implementing, and measuring. Included are insights on leading practices, questions for leadership, and a scorecard against which organizations can measure their progress.

Structure

The Toolkit is divided into six sections representing areas of talent management that are pivotal to increasing diversity within senior leadership:

- Talent Acquisition
- Retention
- Performance Management
- Recognition and Rewards
- Succession Management
- Leadership Development

Each talent management section is structured as follows:

- Overview
- Leading Practices
- Questions Business Leaders Should be Asking
- Organizational Scorecard

Audience

This Toolkit was designed to be used by a number of stakeholders within the organization:

- Executives (including C-suite members), business unit leaders, and managers
- Functional leaders including diversity practitioners, human resource managers, and organizational development practitioners

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How to Use This Toolkit

Although this Toolkit was developed specifically for Chicago United member corporations, we are sharing the full first section, Talent Aquisition, in this report. That includes the related Overview, Leading Practices, Questions Business Leaders Should be Asking, and the Organization Scorecard. The five additional segments included here only provide a sample of the information available to members of Chicago United.

Overview and Leading Practices

The overview section provides context for a specific talent management component (e.g., talent acquisition). It is followed by leading practices for that component that have been associated with top companies for diversity and inclusion. We suggest that you familiarize yourself with this section, as the questions and scorecard will flow from elements addressed here.

Questions

We then outline candid questions for leaders to ask. The list of questions provided can be referenced in daily conversations, one-on-one meetings, and at staff meetings as an ongoing method to gauge the efforts taking place within the organization, as well as to identify opportunities for improvement. The questions are designed to keep leaders and stakeholders engaged in a continual dialogue around diversity and inclusion. As an example, a senior leader may review the questions with his or her human resource advisor or diversity practitioner. An executive team may review the questions during a weekly meeting.

The Scorecard

Six scorecards have been constructed to help you see your progress on the journey within a specific area (e.g., Talent Acquisition). Each talent area will have between 4 and 10 rows of behavioral statements (or anchors) that correspond to three different levels along a continuum of mastery:
Level 1: Evaluation and definition phase
Level 3: Systems are in place / We are making progress
Level 5: Exhibiting leading practices / Consistently realizing results

Scoring
For each talent area, read each row of statements and determine where your organization falls along the continuum. This exercise would mostly likely occur as part of a team discussion. This could also be implemented as an individual exercise, where the team meets later to discuss and calibrate scores.

You may feel that your organization lies somewhere between two statements on some activities (e.g., between a "3" and "5") and so you could give your organization a rating of "4." Additionally, if your organization has not initiated any activity for the behaviors in a particular row, you have the option of placing a "0" in the score column.
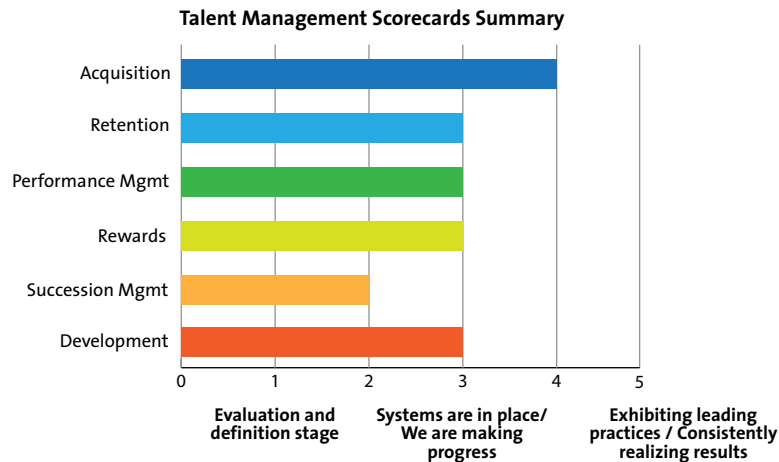
Talent Acquisition Scorecard Example

Please read across each row to determine your score in each practice on a scale of 0 to 5, with 0 being the lowest and 5 being the highest, and record it in the final column. The descriptions provided at Levels 1, 3, and 5 establish benchmarks in each practice. An overall score in this talent management area can be obtained by averaging all the scores down the final column.

0	1	2	3	4	5	
Have not addressed this area	Evaluation and definition phase		Systems are in place/ We are making progress		Exhibiting leading practices/ Consistently realizing results	SCORE
	We are developing representation goals for each business unit.		Representation goals are understood in each business unit and progress towards goals is a recurring item on team meeting agendas.		Representation goals for each business unit are achieved or exceeded in senior level roles.	2
	We are exploring relationships with search partners who have a proven track record in sourcing racially diverse candidates for global executive positions.		We consistently require a racially diverse slate of viable candidates from our search partners and enable time to expand the pool when a diverse slate is not initially presented.		We consistently receive a racially diverse slate of viable candidates from our search partners which has resulted in placements.	4

Plotting your scores

A summary graphic that captures overall scores in each category is provided in the digital online Toolkit available to members of Chicago United. This will help to identify strengths, as well as future focus areas that provide the greatest opportunity.

Talent Management Scorecards Summary

Category	Score
Acquisition	4
Retention	3
Performance Mgmt	3
Rewards	3
Succession Mgmt	2
Development	3

Axis: 0 — **Evaluation and definition stage**, 1, 2, 3 — **Systems are in place / We are making progress**, 4, 5 — **Exhibiting leading practices / Consistently realizing results**

Setting targets and creating supporting strategies and action plans

We recommend that the scorecard be utilized as an annual assessment from which you develop strategies and actions to be monitored quarterly. The results from the scorecards will help you determine where to focus organizational efforts and/or initiate change. Consequently, you will need to engage your team or relevant stakeholders within the organization to create strategies and actions plans to get you there. There are various scenarios that might be relevant as you set your targets. The course of action will vary depending on what is taking place within your organization, external dynamics, and resulting business priorities. For example, you may decide that you want the organization to move from Level 1 to Level 3 on a few activities within one talent area (e.g., Performance Management). Alternatively, you might create strategies that enable you to raise your average rating within a talent area from a "3" to a "4."

Reaching "Level 5" is an aspirational target for many organizations. However, if you see that you have achieved mastery in one area, the next question becomes "how can you sustain this?" There will always be internal and external dynamics that impact an organization's progress and ability to maintain a "5" over time. Consequently, new strategies and action plans will need to be created and reformulated to address these dynamics.

There are a number of factors that impact where you will be at any point in time. Our recommendation is that the scorecards be revisited annually, at a minimum, and that appropriate strategies and actions be developed within those opportunity areas that exist at that time.

Moving Forward

Keep in mind that the leading practices, questions, and behaviors provided in this Toolkit are not exhaustive. Rather, they are designed as a guiding framework that you can utilize as is, or build upon so that it is customized to your organization. We view it as a dynamic tool which we will refine over the years. We are working with a task force that has provided guidance in getting us to the current version of the toolkit, and we will continue to work with them. Additionally, we welcome feedback from our members on ways you have found the toolkit to be useful and how we can make it even more valuable for you.

Talent Acquisition

Overview

Much of the research on hiring executive talent and the pipeline that supports it highlights the importance of looking at character, competency (or specific skills and abilities), and competence (or achievement of results). Additionally, it is critical to consider the organizational context – the changes or challenges being faced right now – as well as the type of leader who can be instrumental in helping the organization achieve its vision. In essence, considering the organizational context means being clear on the strategic direction in which the organization is heading and whether it is moving or stalled to ensure that it can get the company to its destination. This premise does not change, in any manner, when considering diverse talent.

The rationale to explain the lack of racial diversity in the executive ranks generally includes assessments like: "We don't have any internal candidates who are ready," "We can't find anyone," or "Those we can find are in such demand that we cannot practically lure them away." This limited qualified candidate pool dilemma has been at the core of many discussions on the absence of racial diversity in corporations, even in corporations headquartered in cities that boast a diverse citizenry.

Leading Practices

The path to attracting diverse talent at the executive levels and within the leadership pipeline is not a secret one, nor is it innately mysterious. Many organizations hailed for best practices in diversity have created integrated solutions for sourcing top talent. The practices/strategies associated with yielding optimal results are straightforward, realistic, and implementable. They include:

- Expanding external networks
- Leveraging internal networks
- Shaping the employer brand
- Building cultural competence in external-facing roles (e.g., sales representatives, recruiters, public/community relations, etc.)
- Holding search firms accountable for producing a diverse slate of candidates
- Recognizing that excellence has many forms (i.e., the traditional style of leadership is not the one right way)
- Focusing on competencies, experiences, and demonstrated outcomes vs. stylistic issues and fit
- Leveraging social media for outreach to candidates

Questions Business Leaders Should be Asking

Executives can check the pulse on the efforts and progress their business units and organizations are making in attracting racially diverse talent by asking the following questions:

1. Do we have representation goals? How are we communicating our representation goals internally?
2. Where are we seeing success and where are we seeing resistance or cooperation?
3. What recommendations are we putting in place?
4. Are our recruitment and selection methods bringing us a broad enough pool of qualified diverse candidates to enable us to have options?
5. Who are our recruiting partners? What is our search firm's success record with sourcing and presenting competitive/diverse candidates?
6. Are we insisting that they provide a diverse slate and are we holding them accountable?
7. At what schools are we recruiting to fill the pipeline and why? Have we looked at others that might provide a more diverse candidate pool?

8. Do we have up-to-date role descriptions for our positions that clearly outline the competencies and experiences required? Are any of these requirements artificial barriers for acquiring diverse talent?

9. Do we have a diverse interview team (function, gender, race)? Are the team members senior to the candidate so that they can assess the appropriate competencies? Have they been trained or coached on sound interviewing practices?

10. Are we leveraging the leadership of our business resource groups as well as diverse suppliers to identify and source diverse candidates? What kind of outcomes/referrals are we receiving through this process? And, are we recognizing and rewarding employees for referrals?

11. How are we onboarding our leaders? What role should I and my direct reports play?

12. Are we fully leveraging external organizations (e.g., professional associations and networks) to identify and source diverse candidates?

13. What feedback have we obtained on our employer brand from employees as well as various groups within the community? Are there differences in perception given one's demographic group?

14. How are we leveraging social media and who is monitoring it?

Talent Acquisition: Organizational Scorecard

0 — Have not addressed this area	1 — Evaluation and definition phase	2	3 — Systems are in place/ We are making progress	4	5 — Exhibiting leading practices/ Consistently realizing results	SCORE
	We are developing representation goals for each business unit.		Representation goals are understood in each business unit and progress towards goals is a recurring item on team meeting agendas.		Representation goals for each business unit are achieved or exceeded in senior level roles.	
	We are exploring relationships with search partners who have a proven track record in sourcing racially diverse candidates for global executive positions.		We consistently require a racially diverse slate of viable candidates from our search partners and enable time to expand the pool when a diverse slate is not initially presented.		We consistently receive a racially diverse slate of viable candidates from our search partners that has resulted in placements.	
	We have begun to roll out cross cultural competence training within our organization.		The majority of hiring managers and teams has received cultural competence training.		All hiring managers and teams have received cultural competence training. We have the appropriate mix of senior level individuals on our hiring teams and receive ongoing input from HR and D&I.	
	We are investigating ways to enhance our employer brand with racially diverse groups.		We have developed an employer brand across multiple forums and media (e.g., professional organizations, print, social media) to resonate and be visible within racially diverse groups.		We have obtained consistent positive feedback on our employer brand from racially diverse groups.	
	We invite all employees to submit referrals for senior level openings.		We proactively and consistently reach out to our employee network groups to source racially diverse candidates for senior level positions.		Our employee network groups have been a referral source for placements of racially diverse candidates for senior management jobs.	
	We are currently developing, or have recently developed, a strategy which describes the diverse professional organizations we will sponsor and participate in, in order to attract candidates.		Our involvement and alliances with external organizations and networks has increased our visibility and exposure to racially diverse professionals.		Our involvement with external organizations and networks has resulted in our ability to identify and make offers to several excellent candidates of color for our senior ranks and pipeline positions.	
	There is a critical mass of racial/ethnic diversity within our organization (e.g., at parity with availability or at least 20% of population).		There is racial/ethnic diversity in the management feeder pools (achieving or exceeding representation goals).		There is racial/ethnic diversity within the leadership team (achieving or exceeding representation goals).	

Retention

Overview

It is not enough to get diverse individuals in the door. Many companies have mastered the talent attraction element by leveraging professional organizations and networks, branding, etc. Well-conceived strategies and consistent practices must be executed to retain new hires so that the "revolving door" phenomenon is minimized.

What contributes to the revolving door in organizations? Possible practices or gaps that warrant attention include:

- Underutilization – Are we fully leveraging the capabilities of our talent? Are they receiving assignments that enable them to demonstrate their strengths and grow? Are they in roles that optimize their skill sets and position them for advancement?
- Fishbowl practices – Are we overly scrutinizing the behaviors of individuals to the extent to which they become hesitant to take action?
- Incomplete onboarding – Have we implemented a comprehensive plan to onboard new talent which includes connecting them with mentors/sponsors, resources, ongoing communication and tools that can help them be successful? Have we communicated some of the unspoken rules of the culture and political considerations? Are managers/mentors providing detailed feedback (in the moment) so that individuals have a good sense of what they are doing that is effective within our business culture and when they are missing the mark?
- Wrong person on the bus – Did we make an informed and wise choice on this individual? Did he or she demonstrate what was needed for this position? Did we rush in order to fill the opening with a racially diverse candidate? Did we have a wide enough pool from which to choose?

Leading Practices

Optimizing retention of racially diverse employees/leaders is a process that includes individual, group, and enterprise-wide efforts. It is an ongoing and dynamic process for which organizations can never assume that one year of great results will be replicated in following years. Practices that contribute to retention include:

- Visible leadership commitment to diversity and inclusion
- Creating a culture of inclusion

Questions Business Leaders Should be Asking

Executives can identify challenges to and opportunities for retention efforts by asking these additional questions:

1. What are our overall retention/turnover rates at various job levels? How does this compare with the retention rates for minorities and women?
2. What is contributing to turnover? Is there a difference by demographic group?

Retention: Organizational Scorecard

0	1	2	3	4	5	
Have not addressed this area	Evaluation and definition phase		Systems are in place/ We are making progress		Exhibiting leading practices/ Consistently realizing results	SCORE
	Criteria for key talent have been established and employees meeting these criteria have been identified.		A comprehensive retention program is in place for key talent.		A substantive number of employees of color are in our key talent program. Annual retention rates for key talent of color in senior level positions and pipeline positions are 90% or higher.	
	Retention metrics are calculated regularly and communicated to business leaders by demographic breakdowns.		Retention goals have been established and communicated within each business unit. Action plans have been developed to address gaps seen in retention findings within each business unit.		Consistent progress is being made and communicated regarding action plans. Retention goals for leaders of color and those within the pipeline have been met and or exceeded on a consistent basis.	

Performance Management

Overview

Research by social scientists suggests that between one third and one half of all executives fail upon taking a new position. While failure may not result in termination, this number is astounding. There are several underlying reasons:

- Contextual nature of executive jobs – much of success in senior level roles is impacted by factors in the external environment as well as episodic events taking place within the organization.
- Predictability – Results in a new position cannot always be directly linked to past behaviors given the nuances of different company cultures, politics, and challenges.
- Equifinality (several approaches may lead to success) – If the organization is focused on "one right way" in demonstrating leadership, there may be difficulty in recognizing and appreciating factors leading to success for one person may differ from those of another. With leaders of color, the issue may be stylistic. Consequently, traditional metrics for evaluation might be challenged.

For leaders of color, an added challenge stems from the lack of comfort that their managers have giving them candid feedback. In some scenarios, everyone around that leader may sense that there is a problem, but feedback is not provided until it is too late. Feedback is withheld for a number of reasons including fear of being misunderstood, being labeled a racist, or because one does not have sufficient information. This ineffective practice of withholding feedback can result in the self-fulfilling and perpetuating prophecy that leaders of color will not excel in the organization.

Leading Practices

Traditional performance management tools are not always leveraged at the leadership level. However, performance management provides a necessary structure for evaluating individual performance and organizational effectiveness. Performance management provides a tool for outlining accountability, shaping behavior, tracking results, and creating and sustaining a multicultural work environment. Leading practices include:

- The performance management system fully aligns with business strategy
- The performance management system aligns pay to performance

Questions Business Leaders Should be Asking

Executives can assess whether their organizations have created an optimal environment for successful performance of diverse leaders by asking pertinent questions:

1. What can we learn from our leaders of color who have been successful?
2. What are the factors that are contributing to their success?

Performance Management: Organizational Scorecard

0	1	2	3	4	5	
Have not addressed this area	Evaluation and definition phase		Systems are in place/ We are making progress		Exhibiting leading practices/ Consistently realizing results	SCORE
	Leadership has communicated the importance of diversity and an inclusive workplace and linked it to high performance, innovation, the bottom line, and organizational values.		Qualitative and quantitative accountability metrics that hold managers responsible for meeting diversity goals (that go beyond representation) are embedded within our performance appraisal system.		Trend data show that diversity goals are being met or exceeded in all business units.	
	Performance management training is required of all people managers.		Performance management training contains elements on providing feedback to diverse employees, rating errors, bias, etc.		All managers with one or more years of tenure have completed performance management training and understand the relevance of managing diversity (as indicated on feedback forms and performance reviews).	

Rewards & Recognition

Overview

Many senior leaders ponder whether they will be able to take their diversity and inclusion efforts to the next level or why it is taking so long for them to see visible progress, particularly as it relates to representation and retention in senior ranks. One missing or often diluted piece of the puzzle is the accountability component. What gets measured *and rewarded* gets done. In addition to vocal commitment and performance management programs, organizations that are seeing results have a strategic plan for recognizing and rewarding desired behavior within the organization. The link to compensation is being made in many organizations. However, some of these efforts are half-hearted and leave room for escape. Better practices involve developing detailed specifications for expected behaviors in a variety of areas so that achievement of one component of D&I does not compensate for another.

Another practice, more qualitative in nature, involves the establishment of programs and communication vehicles that recognize and showcase excellence within diversity to internal and external stakeholders. This recognition reinforces behaviors which facilitates the creation of a culture that demonstrates its value of inclusion.

Leading Practices

While the strategies for creating recognition of and accountability for D&I are easy to understand, their implementation often requires transformative change within the organization's culture. Specific leading practices include:

- Management is trained on how to provide relevant and timely recognition to employees
- Informal and formal recognition is provided to employees

Questions Business Leaders Should be Asking

Leaders can pinpoint opportunity areas for recognition and identify pockets of resistance within the organization by asking the following set of questions:

1. How are we demonstrating our value and commitment to diversity and inclusion through our recognition and reward programs?
2. Do our diversity and inclusion accountability measures for leaders "have teeth?" How are we rewarding those who meet objectives and what are the consequences for those who do not meet them?

Rewards and Recognition: Organizational Scorecard

0	1	2	3	4	5	
Have not addressed this area	**Evaluation and definition phase**		**Systems are in place/ We are making progress**		**Exhibiting leading practices/ Consistently realizing results**	**SCORE**
	Leadership has established diversity and inclusion goals for each business unit.		Progress towards achieving goals is discussed in staff meetings.		A portion of our managers' compensation is contingent on the progress of diversity and inclusion initiatives. Bonus systems reward or penalize managers for making or missing diversity and inclusion goals.	
	The organization leverages a variety of forums to gather success stories for racially diverse employees.		Racially diverse professionals and leaders have been nominated for various internal and external awards.		Each year, several diversity success stories are showcased. Each year, diversity champions are recognized and showcased within and outside of our organization.	

Succession Management

Overview

A powerful mechanism for increasing diversity within senior leadership ranks is an effective succession management system. Succession management provides a business unit and enterprise-wide pathway for development. This system, however, must include checks and balances at every stage and candid dialogue around diversity. The process may become as subjective and biased as those using it. Overemphasis on style and fit often have disappointing implications for minorities and women.

As an example, executives may unconsciously fall prey to using succession management to clone themselves, the rationale being, "I will feel comfortable leaving my position in the hands of someone like me, someone who will carry out my legacy." This often creates artificial barriers for diverse candidates who do not look like or communicate like the incumbent.

Due to the organization's historical hiring practices and resulting talent pool, an additional challenge may be an insufficient supply of diverse talent in the "ready now" or "ready in 1-3 year" pool. Consequently, it is important that organizations ensure that the development of those in the "ready in 3-5 years" pipeline is still considered an ongoing priority.

Leading Practices

Succession management is an ongoing process and dialogue, not an event. It benefits from the input of multiple perspectives as much as it benefits from structured guidelines and tools. With respect to increasing diversity within the talent pipeline, many best practices have been noted. They include:

- Vocal commitment to and articulation of diversity goals within each business unit
- A formal and structured succession management process is in place including diagnostics, gap analysis, clear metrics, and checkpoints

Questions Business Leaders Should be Asking

Executives can stay close to the progress and outcomes attained through succession management by asking questions like the following:

1. What proportion of our high potential talent pool is racially/ethnically diverse? Does that proportion mirror our internal availability?
2. Who on the executive team is sponsoring them? Where is the accountability?

Succession Management: Organizational Scorecard

0	1	2	3	4	5	
Have not addressed this area	**Evaluation and definition phase**		**Systems are in place/ We are making progress**		**Exhibiting leading practices/ Consistently realizing results**	**SCORE**
	Senior leadership has voiced its commitment to an inclusive succession management process.		A well-defined and structured succession management program is in place with accompanying tools and resources (e.g., interactive data-bases with up-to-date experiential records for all employees).		Each component of our succession planning process is viewed and analyzed through a diversity filter. Our CDO along with CHRO facilitate leadership discussions in which key talent are reviewed and evaluated (e.g., progress reviews, calibration meetings).	
	Leadership competencies have been defined and communicated to all employees.		Cross cultural competence is a component of our leadership competency model.		Our leaders have been assessed and coached on cross cultural competence and have been provided with training on unconscious bias. Our leadership team is having candid dialogues in which we reevaluate/ revisit our definitions of effective leadership.	

Leadership Development

Overview

Leadership development is one of the outcomes of the succession planning process. It is typically integrated and aligned with talent management strategies and business imperatives. Do the development strategies that work for Caucasian males and females work for aspiring leaders of color? It can be argued that they do; however, the jury is still out on how often comparable opportunities are provided. The variables that enable individuals to advance within their organizations are a combination of individual effort, networking, and access to developmental resources and credible assignments that are valued within the organization. Some of the factors to consider when developing leaders of color include:

- Depth and breadth – Individuals are given assignments that enable lateral movement so that they can develop the big picture view, as well as upward mobility within a specific discipline.
- The "right" assignments – These include assignments that are challenging and develop skill sets, engender credibility and afford visibility to and interaction with senior leaders throughout the organization. Additionally, these assignments may include temporary dedication in a specific functional area to address the individual's skill gaps. They ultimately provide access to roles with profit and loss accountability as well as those in operations management.
- The myth of the "right credentials" – Is the organization fixed on their leaders coming from a finite pool of business schools? This can limit the supply of diverse talent. These credential requirements may not guarantee success or advancement within a leadership position as much as they contribute to the current management team's comfort level.
- Avoiding the career path maze – Too often, diverse talent has been repeatedly moved into lateral positions and/or staff roles that do not strengthen their chances of being considered for the executive ranks.

Leading Practices

The benefits of a holistic approach to leadership development have been demonstrated in global corporations. Many of the strategies yielding success have incorporated:

- Detailed assessments of individuals on relevant leadership competencies
- Identification of career pathing options

Questions Business Leaders Should be Asking

The following questions can be asked to understand whether the organization is effectively cultivating and growing its internal leaders of color.

1. Have we included a substantive amount of diverse talent in our leadership assessment and executive coaching programs?
2. What are the development gaps for our diverse talent?

Leadership Development: Organizational Scorecard

0	1	2	3	4	5	
Have not addressed this area	**Evaluation and definition phase**		**Systems are in place/ We are making progress**		**Exhibiting leading practices/ Consistently realizing results**	**SCORE**
	We identify trends around leadership development gaps for our diverse key talent on an annual basis, utilizing structured 360˚ assessment tools/centers.		Development plans, stretch assignments, and resources (e.g., executive coaching) are in place for our key talent of color, they are linked to key business imperatives, and they are being implemented and tracked.		The career development paths for our key talent of color have led to placements in critical positions in our senior ranks (e.g., in revenue generating and operational management areas).	
	We have an area dedicated to resource management and cross-functional development within our company that meets regularly with business unit leaders to identify opportunities.		Employees have the opportunity to work on assignments/projects that expose them to other areas outside of their departments.		Structured cross-functional and cross-border rotational programs are in place for entry level through senior level manager roles with representative participation from employees of color.	

ADDITION TO TOOLKIT

Culture is measured through the assumptions, norms, and practices of the organization. The Toolkit is a useful framework to evaluate how culture manifests. We have expanded the Toolkit by adding a general category on "Transforming to a Culture of Inclusion." We would suggest that leaders look at this section along with each of the six talent management practice areas as they develop questions to ask their staff and design metrics for gauging success.

Transforming to a Culture of Inclusion

Overview

Building an inclusive culture is no small undertaking. Organizations are very protective of their cultures as they provide a blueprint for how to behave. Cultures create norms for operating and enable some level of predictability in an uncertain and competitive marketplace. Changing culture may require uprooting beliefs and practices with which employees have become comfortable.

Leadership has a primary role in rebuilding the culture. This is done through the leader's ongoing communications, advocacy, sponsorship, and personal interactions with others.

Additionally, culture transformation efforts, whether they be focused in one area or enterprise-wide, should be done incrementally and address all systems within the organization, e.g. talent management systems, etc.

Leading Practices

- Think holistically and systemically in the data gathering and change management phases
- Establish clear milestones for change

Questions Business Leaders Should be Asking

1. How would we describe our current culture? What other sub-cultures exist within our organization?
2. What aspects of our current culture would detract from us building the culture we want? How can we address this?

Transforming to a Culture of Inclusion: Organizational Scorecard

0	1	2	3	4	5	
Have not addressed this area	**Evaluation and definition phase**		**Systems are in place/ We are making progress**		**Exhibiting leading practices/ Consistently realizing results**	**SCORE**
	We have begun to ask questions about whether our culture supports our diversity and inclusion practices.		We have conducted an audit of our culture.		We have conducted a multi-faceted culture audit combining quantitative and qualitative methods.	
	We are aware that culture may be impacting our capacity to be successful in our diversity and inclusion implementation strategies.		We have looked at results and have a general understanding of our culture's strengths and weaknesses.		We have taken a systems approach, looking at how culture manifests in our various practices, policies, structures, etc.	

Mission

To achieve parity in economic opportunity for people of color by advancing multiracial leadership in corporate governance, executive level management, and business diversity.

Vision

To transform the Chicago region into the most inclusive business ecosystem in the nation by engaging the top publicly and privately held corporations in leading talent management and inclusive diversity practices.

To identify and present a diverse pool of corporate director candidates enhancing the long term viability of Chicago-based corporations.

To invigorate job creation in communities of color by increasing the scale of large MBEs in the Chicago region through the Five Forward Initiative™.

BENEFITS OF MEMBERSHIP

Chicago United member companies receive access to a web-based application where the complete Inside Inclusion Toolkit can be found. This interactive tool includes the complete "Leading Practices," "Questions Business Leaders Should be Asking," and "Organizational Scorecards" within the six talent management categories of Talent Acquisition, Retention, Performance Management, Recognition and Rewards, Succession Management, and Leadership Development.

For information on becoming a member of Chicago United and receiving access to the web-based Inside Inclusion Toolkit, please visit www.chicago-united.org or call 312.977.3060.

Chicago United

Chicago United

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