

Companies Try a New Approach to Diversity, Equity and Inclusion: Honest Conversations

For years, organizations have spent billions of dollars on DE&I programs that have largely failed. But there's something different going on now.

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Disgusted and saddened by the May killing of George Floyd while in police custody, Jaime Irick wrote a letter about racism to his team of more than 6,000 employees at PPG. The executive explained how he learned about the subject from his Black father, who protested segregation in the 1960s, and how he would lead the unit in conversations about recent events.

As a result, discussions about the typically taboo subject sprung up all over at the Pittsburgh-based maker of paints and specialty materials.

"What surprised me was how many people wanted to tell their stories," says Irick, PPG vice president, architectural coatings, U.S. and Canada. "There's just a lot of people who are unaware [about racism]."

Tatiana Berardinelli was shocked when she heard Black colleagues describe being gripped by fear after being pulled over by police while driving, and others explain how they worried about their children's safety when they left the house.

"These things never came to my mind," says Berardinelli, PPG human resources director, global architectural coatings.

PPG already has a variety of diversity, equity and inclusion (DE&I) initiatives, though it doesn't break out statistics on people of color. Berardinelli says these conversations are different from PPG's other DE&I endeavors.

"What we haven't done before is have these open discussions and understanding of our colleagues' experiences," Berardinelli says.

It's an emerging phenomenon in corporate America. "We're talking about racism," Berardinelli says. "We never talked about this before."

Empathy and Inclusion

The formerly verboten topic is starting to be more openly and broadly discussed at companies all over the U.S. The hope is that by understanding what people of color endure, white people will become more empathetic and that understanding will eventually lead to more inclusion. Such honesty has been largely missing from failed diversity efforts that have cost billions of dollars. Companies are still pumping money into traditional exercises like unconscious bias training as part of their response to Floyd's killing, which also included ubiquitous statements proclaiming that Black Lives Matter, donations to social justice organizations and promises of more diverse hiring.

But experts say the brutal and public nature of Floyd's death has caused a reckoning that can lead to advances in diversity if companies build on the moment with frank conversations about race. Companies are supplementing these dialogues with expert guest speakers, book clubs and websites with tools to help employees learn more about racism.

"People would say, 'Black people exaggerated the race card' because they couldn't see it," says Eric Ellis, president and chief executive officer of Integrity Development Corp., a West Chester, Ohio-based consulting firm. "Most people couldn't believe the [George Floyd video] because it was so vicious. Now they can't unsee it."

Fostering productive conversations won't be easy. Forty-three percent of American workers believe discussions about race are inappropriate at work, according to data from the Society for Human Resource Management (SHRM).

The Right Response

It's crucial for leaders to discuss what happened to Floyd and others because their deaths remain on employees' minds. "Silence is perceived as a lack of solidarity," says Tina Shah Paikeday, global head of D&I advisory services at Russell Reynolds Associates, a New York City-based executive search and consulting firm. Shah Paikeday acknowledges that some executives may find it difficult to broach such sensitive topics. She advises them "to lead with vulnerability" and concede that unease.

The chief executive of Choice Hotels, Pat Pacious, asked his employees for their grace when he addressed them about Floyd's death. "He didn't know what to say, but he knew he had to say something," says Corinne Abramson, the company's national inclusion director. "It was more about listening."

It's unclear whether recent corporate efforts to shine a light on injustice are having any positive impact. While more than 80 percent of organizations have released or will release a statement to employees about racial injustice and protests, more than two-thirds of organizations (67 percent) have not gathered the thoughts of their workforce on those issues, according to SHRM data.

Some company pronouncements about racism sparked negative reactions that highlighted corporate America's failure to create equitable workplaces. For example, after Floyd's death, Morgan Stanley's chief executive, James Gorman, promoted two Black women to senior roles and pledged \$25 million to create a diversity institute at the investment bank. A few days later, Marilyn Booker, a former head of D&I and longtime executive at the bank, sued for systemic racial discrimination, alleging her budget was consistently cut and her efforts blocked. Only 2 percent of the bank's senior executives are Black. The firm has pledged to fight the charges.



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Meanwhile, JPMorgan Chase chief executive, Jamie Dimon, was photographed with several staffers taking a knee in front of a bank vault, prompting ridicule on social media that pointed out that the bank paid \$24 million in 2018 to settle a racial bias suit brought by current and former Black employees. Only 4.4 percent of the bank's executives are Black, the firm reports.

Executives at AssetMark Financial Holdings Inc. have been thinking about how to bolster the company's commitment to DE&I and don't want to make a knee-jerk decision, says Esi Minta-Jacobs, vice president of human resources at the Concord, Calif.-based money management firm.

"We want to make sure it's impactful," she explains. The firm is considering using its expertise in money management to start a financial literacy program for underserved communities, for example.

One initiative already in the works: a book club centered on racism to help white colleagues better identify with their co-workers of color.

"You can mandate diversity, but you can't mandate inclusion," Minta-Jacobs says. "Inclusion is about behavior, relationships. You have to change hearts and minds."

Disappointing Results

Companies spend \$8 billion a year on diversity training, according to consulting company McKinsey & Co. But experts say these organizations have little to show for it. Many have policies dictating that a certain number of women and people of color must be considered for all job openings and that interviewer panels must be diverse. Some employers have increased those numbers.

Overall, companies are better at hiring people of color than they are at promoting them, but hiring is still poor. White people make up 65 percent of entry-level jobs in corporate America while people of color represent 32 percent of those posts, according to a study by McKinsey and nonprofit LeanIn.org. The inequity increases with the power: White people account for 81 percent of vice president posts compared with 19 percent for people of color. Only 14 percent of C-suite positions are held by people of color, with women of color holding only 4 percent. White men hold 68 percent of C-suite positions, with white women accounting for 18 percent. There are only three Black CEOs in the *Fortune* 500.

The social unrest has been a powerful incentive for companies to bolster their diversity efforts, though there's another powerful force sweeping America that could undermine those intentions: the recession brought on by the COVID-19 pandemic. Millions of people have lost their jobs, and the downturn has taken an especially devastating toll on people of color. Many companies are struggling to stay afloat and may not have the financial or management bandwidth to dedicate to diversity programs. Others didn't prioritize diversity even in good times. Less than half—47 percent—of companies in the S&P 500 had a chief diversity officer or similar post at the end of 2018, according to a study by Russell Reynolds.

There's another potentially complicating factor: Vast amounts of employees are now working from home because of the pandemic, and it's unclear whether that will impact the reinvigorated diversity efforts. Some suggest delicate conversations about race lose their impact in a virtual setting. Distance also makes it more challenging to forge meaningful mentoring and sponsorship bonds.

Shah Paikeday says companies have been more proactive about reaching out to employees and keeping them engaged while working at home. That mindset could help diversity efforts, she says.

Companies also are using more technology in their diversity efforts. For example, Comcast Corp. has been broadcasting talks with racism experts, including best-selling author Ibram X. Kendi (*How to Be an Antiracist*, One World, 2019), to its entire staff.

The bigger obstacle to achieving more diversity in the workplace is that companies are overthinking their approaches, says Pamela Newkirk, author of *Diversity, Inc.: The Failed Promise of a Billion-Dollar Business* (Bold Type Books, 2019).

"We treat diversity like we're trying to hire diverse people from another planet," Newkirk says. "If the boss says you have to do better, people will do better. You have to know your success is riding on it."



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A Lack of Power

The commitment must come from senior levels, and those leaders must ensure that it's taken seriously. Having DE&I leaders isn't enough unless they're empowered by the C-suite to bring real organizational change.

Typically, however, DE&I leaders lack influence. "It's often a marginalized role with high turnover," Newkirk says.

Only 35 percent of chief diversity officers say they have employee demographic data, leaving the majority without necessary information to support their work, according to the Russell Reynolds report. It also found that DE&I often isn't an integrated part of companies' business strategy.

That runs counter to what's good for profits. A 2018 McKinsey & Co. report found that organizations with diverse boards and executive teams were up to 35 percent more likely to financially outperform their less-diverse competitors.

"People just don't believe it," Ellis says. He maintains that executives' tendency to put short-term gains in front of long-term strategy blocks them from prioritizing diversity. He also believes that unconscious bias plays a role in excluding people of color from the workplace.

Ellis is a fan of unconscious bias training, though detractors say that it can make white employees feel uncomfortable.

"You can't solve it if you can't admit it," Ellis says.

Ellis adds that corporate America must prepare for difficult conversations if it's truly serious about creating an equitable workplace.

Irick agrees and will be instituting unconscious bias training in his division.

"The majority of people doing the hiring aren't minorities," Irick says. "People in the majority may not be aware of their unconscious bias."

Transparency Is Key

More companies are publicly disclosing their DE&I results to hold themselves accountable for change, even though the statistics advertise the homogeneity of the C-suite. In an open letter, Chip Bergh, president and chief executive of Levi Strauss & Co., wrote, "We pride ourselves on being a progressive company that takes bold stances to promote equity, justice and inclusivity all around the world—but the hard truth is that we have not always lived up to these principles internally."

While 38 percent of the San Francisco-based clothing company's total U.S. workforce is non-white, there are no Black individuals on its corporate board or among its executive leadership team. Only 2 percent of its top 250 executives are Black, while 16 percent are Asian and 6 percent are Latino.

Levi Strauss announced several ways in which it planned to bolster its diversity, including conducting anti-racism and racial equity training and launching a career path program next year for retail/distribution center employees who aspire to join the corporate team.

"Transparency is a good first step, though it has to be backed up with action," says Tracy Layney, Levi Strauss' senior vice president and chief human resources officer. "Programs don't change unless there's accountability."

Many companies have what are commonly called employee resource groups as part of their DE&I efforts. They're designed for groups of colleagues with similar backgrounds to come together, share experiences and support one another. At many companies, the groups created for Black employees are proving instrumental in trying to push DE&I efforts forward.

At a VMware Inc. event, LaTreece Butler-Morton shared how her husband didn't want her and their teenage son to attend a Black Lives Matter protest because he feared for their safety. She says her husband, who has experienced police violence firsthand, only acquiesced when white family friends vowed to protect them if anything happened. "We had to plead with him," says Butler-Morton, VMware's director of product lifecycle operations management. "I wanted to support my son."

Butler-Morton says she thinks that her white colleagues separate the Black people who have violently died in racist incidents as being somehow different from their co-workers. "By sharing, I wanted them to see that it's all Black people that have fear, not just 'those Black people,' " says Butler-Morton, who is a member of the African American POD, or "power of diversity," community at the Palo Alto, Calif.-based software company.

A significant part of VMware's effort in the aftermath of Floyd's death was designed to ensure that its Black colleagues felt secure. The company created an intranet page that used the hashtag #wehearyou for them to share their feelings and concerns.

"We wanted to say, 'We understand that you're not OK,' " Butler-Morton says.

As part of the campaign, VMware has contributed to social justice organizations and will match employees' donations. It has also instituted more training on inclusion for its managers, and now both a woman and a minority must be considered for any open position. Previously, only one or the other had to be included.

Only 3.2 percent of the company's employees are Black. Tech companies are notoriously white and male, a homogeneity that stems from the white and male venture capital firms that finance them.



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Shanis Windland, VMware's vice president of diversity and inclusion, acknowledges the company's need to improve its record.

"Black Lives Matter and coronavirus made people really think about how we're not doing enough about diversity and inclusion," Windland says. She adds that the company is committed to learning more about racism and will move to make more changes as it progresses. "This isn't going to be one and done," she says.

Consulting firm PricewaterhouseCoopers (PwC) is relaunching its version of employee resource groups, called Inclusion Networks, this year to give them a more formal structure so they can play a greater role in preparing diverse individuals to ascend the company ranks. The groups will now be a vehicle for training programs, including Path to Partnership, which is a three-year program that pairs promising executives with mentors and other forms of support to prepare them to become partners. However, this year PwC opted to double the time in the program for women and other minorities to ensure they get all the attention they need.

"We want to make sure they know they're on the road to partnership," says Shannon Schuyler, chief purpose and inclusion officer at PwC US. "We're calling out where we want our diversity to be. We're saying, 'This is what your partnership class is going to look like.' "

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