

Allerton Heneghan & O'Neill

When times get tough, do diversity initiatives keep going?

The robust economic climate of the 90's helped make diversity management a key imperative for corporate, private, and non-profit America. But, as the economy struggles to regain its footing and the country resumes a new sense of normalcy after September 11th, will corporate attention to diversity fade? And perhaps, more importantly, how should organizations protect the advances they've made and maintain their diversity commitment?

Diversity Management: An Important Thread in the Corporate Fabric

According to R. Roosevelt Thomas, Jr., founder of the American Institute for Managing Diversity, diversity management is a comprehensive managerial process that is about more than color and gender. "It's about all the differences that make us unique in terms of lifestyles and challenges, skills and contributions." Ten years after making this statement in his book, Beyond Race and Gender, the practice of diversity management is just as relevant, especially during these tough economic times: to create a workforce that mirrors the populations and customers an organization serves and to improve organizational performance.

More than 75% of Fortune 1000 companies have formal diversity initiatives or employee training programs, with most focusing on race, gender, and ethnicity. A recent survey conducted by the Society for Human Resource Management and Fortune Magazine revealed that the majority of organizations believe their diversity initiatives improve the corporate culture and their abilities to recruit talent and stay competitive, all factors critical to bottom line success.

Chicago-based ABN AMRO North America Inc., for example, has numerous diversity initiatives in place, including awareness workshops for managers and supervisors, and internal resource groups consisting of African-American, Hispanic, women, and gay and lesbian, and other employees who assist management in understanding specific issues and marketing opportunities. Employees can access a diversity resource calendar on the company's Intranet, while

articles on diversity appear periodically in the company's employee newsletter.

Carolyn Pemberton, Senior Vice President and Director of Diversity, oversees these initiatives and presents demographic reports to the company's Executive Committee revealing where there may be room for improving representation of women and minority groups. These reports give Ms. Pemberton the opportunity to reinforce the executive buy-in to initiatives she considers essential to the company's profitability and growth. Yet with only three people, including herself, to manage diversity initiatives company-wide, Ms. Pemberton stresses that everyone in the company must embrace them. "Our philosophy is to make diversity part of the fabric of our company. Line managers and employees have to make it happen."

Like Ms. Pemberton, May Snowden, Eastman Kodak's Chief Diversity Officer, views herself as a catalyst to help the company with the "how" of diversity management. Under her leadership, the Rochester, New York-based company has developed and implemented a comprehensive strategy designed to create an inclusive environment that values diversity. "Our commitment to diversity means shaping our culture so that all stakeholders contribute fully to our success as a global leader in imaging," she said. Among the more visible manifestations of the company's diversity commitment is a workforce in which 37% of employees are women and 21% represent people of color, achieved largely through aggressive recruiting at colleges, universities, local, regional and national conferences, and career fairs. Diversity awards are presented annually to managers who demonstrate excellence in advancing the company's diversity initiatives. Kodak also actively supports and promotes efforts to strengthen education, economic development of minority communities, and equal employment opportunity, and is working to expand its supplier partnerships with more minority-owned and women-owned enterprises.

To ensure that it has the right people involved in the ownership and development of its diversity strategy, Kodak formed a Global Diversity Leadership Team.

Representing Kodak businesses inside and outside the U.S., this group of 34 senior leaders is also held accountable for the execution of the strategy in their work groups. In fact, accountability is considered so important, diversity is one of the four key measurements used in Kodak's performance appraisal process for all managers.

In addition, Kodak has established an external diversity advisory panel consisting of notable members representing the fields of law, civil rights, business and industry, and academia. This group is responsible for reviewing and offering their advice about the company's diversity plan, management policies, and practices.

At Williams, a major energy company based in Tulsa, Oklahoma, the diversity focus for 2002 encompasses skills education for front-line managers, a heightened emphasis on internal talent development, and shoring up the energy company's compliance foundation. According to Eric Watson, Executive Director of Diversity and Workforce Capability, the company's diversity strategy has evolved over the past few years, beginning with the creation of business cases for diversity in each business unit and awareness training for the CEO and senior executives. Among its many diversity programs are observances of Heritage Month and Take Your Daughter to Work Day and special training for participants in its Arctic Project in Alaska to maximize productivity among employees working alongside people from different countries.

Dealing With the Downturn

But when economic times become more turbulent and dark clouds build over the bottom line, have diversity programs been able to weather the storm? In the past, they were often viewed as luxuries and quickly eliminated when the going got tough. When layoffs were conducted according to seniority, minority employees were usually the first fired since they were often the last hired.

This time around, the slowdown appears to be affecting all minority groups equally as companies make a concerted effort to cut back yet maintain their diversity gains. Fortune Magazine cites the example of Silicon Graphics, a computer workstation manufacturer that was forced to close several businesses and eliminate ten percent of its workforce, an estimated 1,000 workers. The company monitored layoffs to ensure that no one employee group was disproportionately affected and to maintain the overall ethnic, gender, and age makeup of its workforce. The Wall Street Journal reports that some companies are conducting statistical analyses to determine the across-the-board effect of planned layoffs on various employee groups.

V. Robert Hayles, PhD, an effectiveness/diversity consultant based in St. Paul, MN, agrees that companies appear to be avoiding adverse impact in their recent workforce reductions. And while his client companies are no less committed to their diversity initiatives, they are seeking to improve their cost-effectiveness. "Some companies are asking if we can put more people through training in a shorter period of time or if it is possible to extend the timeframe in which the training takes place."

Because of the tight economy, ABN AMRO's Pemberton recently experienced fewer department requests to provide funding for the company's minority summer internship program. All areas of the company are looking in detail at where dollars are being spent which, she admits, makes her task a little more difficult, particularly in the area of employee training. "Senior management has mandated continued support of diversity and anti-sexual harassment training for managers but we may have to spread the training of other employees over a longer timeframe until the economy improves," she concedes.

Mr. Watson has been able to avoid program reductions at Williams by making sure that diversity focus areas are delivering financial results and are well aligned with the company's business objectives. "We aren't doing things that aren't meaningful to our business. You have to manage by showing that changing is not necessarily pulling back. This is how our leaders maintain a commitment to diversity that is both authentic and courageous."

Although Ms. Snowden's budget has been reduced along with everyone else's at Kodak, she has used this as an opportunity to do things differently and be innovative. "Since we're not using consultants, we looked at how to get people engaged in learning and training by doing a lot ourselves." One initiative that has taken root, called 52 Weeks of Dialog, is keeping diversity alive through weekly communications, including sessions in which executives and members of employee network groups serve as speakers.

And Then ... September 11

As if the struggling economy weren't enough, the impact of September 11 placed added pressure on companies' diversity initiatives. Dr. Hayles notes that the issue of religious diversity has received greater emphasis since 9/11. "It's on the agenda as an explicit issue because of the implications related to employee recruitment and morale. Companies are providing opportunities for employees to learn about different religions and, in some cases, about the Islamic religion in particular."

At ABN AMRO, Ms. Pemberton indicates there was greater sensitivity to religious diversity throughout the

bank and its offices located around the country post-9/11. In early 2001, her office conducted a series of mini-workshops, led by a local Muslim leader, to educate the company's human resources employees about Islam since the bank serves a growing Muslim population in both the Chicago and Detroit, Michigan areas. "I think that this training helped our human resources employees handle situations after 9/11 with an enhanced level of understanding."

For Mr. Watson, the aftermath of 9/11 provided an opportunity for his organization to reaffirm its commitment to diversity, and for him to experience significant personal growth. "Our senior leadership made clear that backlash would not be tolerated and encouraged employees to reach out to those affected and let them know how important they are to us," he said. "I also was able to better grasp the concept of diversity from a multinational perspective and learned the importance of taking time to understand who we are helping through our diversity initiatives."

In addition to distributing a memo from the CEO, Kodak conducted a series of sessions for employees to talk about the impact of 9/11 on their lives which was especially helpful for the company's newer, younger employees. To Ms. Snowden, the required response pertaining to future training and policies was clear. "We need to expand our examples."

Keeping Progress on Track

Given current corporate turmoil, how should organizations proceed to ensure that diversity remains a priority? A first and important step is to make sure that the right people are in place to lead the organization's diversity initiatives, in addition to bringing other managers into the organization who reflect its commitment to diversity and are willing to provide support. According to Donald A. Heneghan, Partner, Allerton Heneghan & O'Neill, "It has always been our policy to present a diversified slate of candidates to our clients when conducting an executive search. They have come to expect this from us, even during an economic slowdown."

Dr. Hayles encourages organizations to develop internal talent and resources to ensure the continuation of diversity work even when times are tough. "I recommend to my clients that they incorporate 'train the trainer' sessions into their overall diversity training programs to maximize cost-effectiveness."

"You have to start with getting everyone to agree on diversity philosophy, that it's not just flavor of the month but something you do all the time because it's part of the business function and an important part of business success," advises May Snowden. "You need to effectively address the demographics and market realities we have today to keep your diversity strategy on the radar screen."

Eric Watson emphasizes the strategy has to be anchored with both the company's CEO and senior leadership as both the right thing – and the smart thing – to do. "The diversity strategy has to have value and you have to stay within the reality of who you are and what business you are in."

Echoing her colleagues, Carolyn Pemberton underscores you have to put the point forward that diversity management is not just the right thing to do; it's critical to the organization's success. "From an internal standpoint, there's a cost of turnover due to not being fair and equitable. That applies to everyone, not just minority or ethnic groups. You also have to emphasize the importance of employees accepting personal and individual differences. You won't get the best productivity or most creativity from employees who aren't happy." Ms. Pemberton also points out that the success of a company's external activities are highly dependent on its approach to diversity, from its reputation in the community and its marketing programs to ethnic groups to its effectiveness in opening up new markets.

If an organization's diversity initiatives are at risk due to tough economic conditions and it cannot spend hard dollars now, she advises you look at where you can cut without abandoning everything accomplished to date. "You need to focus on what can be done," she says. "Diversity initiatives are part and parcel of doing business. If you don't address the need to deal with diversity, you may look up one day and find you've lost the race."

About Allerton Heneghan & O'Neill

Allerton Heneghan & O'Neill is a retained executive search firm that recruits senior executives for businesses ranging from new ventures to major corporations. The firm's diversity search practice continues to be a growth area, serving clients in virtually all industries and a wide range of functional areas.