

A vital strategic resource

Companies with diversity at the top have a clear edge over the competition



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Today, diversity is a topic that is much broader than efforts from yesteryear to be in compliance with anti-discrimination laws and regulations. Workplace diversity now focuses on creativity and creating competitive advantage. More and more businesses are making diversity an integral part of their strategy. When making executive appointments they deliberately target specific populations that are underrepresented on the management team.

AS WE OBSERVE in our professional practice, new trends are emerging under the combined pressure of rapid technological change, globalization, an aging workforce and demands for skills and education. The talent pool is limited and as a result we are witnessing a growing tension in the executive marketplace and a change in the landscape. Leveraging workplace diversity is increasingly seen as a vital strategic resource for creating competitive advantage.

On every new search our clients naturally expect us to find them the best candidate possible. Increasingly, however, they are asking for one additional special item. Along with the customary request for the perfect person for the job, they also say something like “Can you make sure that the candidate represents a diversity group?” As a firm, we also are receiving more and more requests for Female/Diversity Talent Mapping, in addition to the emergence of the Chief Diversity Officer’s role. Increasingly, corporate strategies include components designed to systematically raise the proportion of female executives. One of our clients, a leading Fortune 200 retailer, has done so with great success. Women now account for over half of its executive leadership team. In total, this company has women occupying nearly one-third of its executive ranks – director-level and above. The top HR executive, also a woman, calls this the most diverse leadership team on which she has served.

Her experience – this is her third HR leadership role – suggests that one needs critical mass for diversity to

have a real impact in the senior ranks. The company is known as a great place for women to work, and just having so many women on the leadership team provides a visible branding statement. The organization has received multiple awards for its efforts to recruit women.

At our client's current employer, this also ties into the company's business imperatives, since a large percentage of its customers are women and, specifically, female small business owners. This retailer has sponsored a number of conferences in recent years that bring powerful women in leadership ranks together with these small business owners to provide a networking platform.

The HR leader states, however, that the company still has a hard time getting women to director level. Although it does a good job of attracting them at entry level, many women do not aspire to continue growing through the senior ranks, especially when they believe that they will have to make sacrifices on the personal front. "They admire me in many respects," our client states, "but they also say they don't necessarily want to be like me; that it's not all about the big job. They say, 'Let me do something I'm excited about, and as long as I get paid equitably, I don't mind.'"

The same client also reports being generally aware that, besides retail, the financial services sector has a hard time retaining talented women due to the long hours, lack of vacations, etc. Supporting her anecdotal evidence, a recent article in Harvard Business Review suggests that female executives are well represented in the workforce, but with only six percent of the most highly paid executives of Fortune 500 companies being women, there are clearly many challenges and twists, expected and unexpected, on the way to the top.

Bypassing the glass ceiling

Some women have chosen to take the entrepreneurial route instead. With so many obstacles to rising to the top ranks in a large company, "why not start your own?" seems to be the rationale. The dot-com boom led many women to abandon corporations and start their own businesses. Instead of facing the glass ceiling, some choose to bypass it.

As to her own employer, our client states that in the executive suite the "critical mass" to which she refers has made the issue of how to address and deal with diversity matter every day. Regardless of its diversity, however, she states that the group has first and foremost strong business acumen. All of the leaders bring to the

table a background of rich, different experiences, and these experiences contribute to the quality of the executive debate.

One interesting consequence of the predominance of women on this team has been that the "casualness" in conversations that this HR leader experienced at other organizations has tended to disappear, leading to a more formal or careful use of language. It could be that past "casualness" was created by the comfort of being around other individuals from similar backgrounds. If so, then we should expect casualness to gradually return to this executive suite as the team gets accustomed to working together. Given the choice between diversity-led formal/politically correct conversation and casualness, however, this particular HR leader would always opt for the benefits of a truly diverse leadership team.

Lest anyone wonder, there are no significant differences in demonstrated competency levels amongst women and men. We analyzed data from thousands of individuals that we have assessed in the course of our firm's over 40-year history, and the only area that showed any signs of potential difference is market knowledge. This may be an indicator of experience, or it could also represent the historically disproportionate representation of women in staff roles – such as HR – versus line roles. Otherwise, demonstrated competencies in areas such as results orientation, strategic orientation and team leadership were quite similar.

Few Hispanic executives

Effective diversity management cannot be restricted to improving women's chances of promotion but must also seek to improve the ethnic diversity of the leadership team. In the USA, for example, the Hispanic population is a growing group that is expected to reach 60 million people – almost 18 percent of the US population – by 2020. If we can find someone who can understand and relate to that growing demographic for a client, it stands to reason that the company will have a better chance of capturing a disproportionate share of this market.

You might think that the ranks of large companies would be teeming with Hispanic executives. Yet more than 900 of the top 1,000 corporations have no Hispanic and Latino officers, while several industries, including insurance and telecommunications, have few or no Hispanics and Latinos in executive positions. The reality is that having someone that "looks like us" and "thinks like us" should help a company reach its target markets.



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They stand motionless, lost in thought, gazing into space, exchanging a few words with their neighbors, talking on their cell phones. The pedestrians captured on the streets of New York by Munich-based artist Florian Böhm (b. 1969) are all taking an involuntary time-out, waiting for a “walk” signal.

However, this does not mean that a non-diverse executive team could not do the job equally well. What seems to matter, instead, is that the person should be able to connect to that specific demographic segment, whether through their own experiences or because of a special affinity toward the segment.

Fostering minority students

Harvard Business School alumnus John Rice has achieved notable success raising the discussion around diversity to a new level. At business school, Rice started a non-profit foundation, Management Leadership for Tomorrow (MLT), to increase the population of minority students focusing on business careers. Many of these individuals do not have representative role models or mentors, and so they need a formal, structured program to expose them to business education and careers and, ultimately, to help them gain admission to the top MBA programs. Consider that only seven percent of the student body of current top MBA programs is either black or Hispanic and the staggering deficit in terms of diversity becomes clear.

John Rice and MLT have also earned support from several prestigious corporations, including Goldman Sachs, McKinsey & Co., General Electric, Google, PepsiCo, Pfizer, Citi, and Disney. Clearly, these companies think that there is value in seeding future business leaders from the ranks of minority segments. According to Chuck Prince, the CEO of Citi, talent is “the most important asset” for his corporation. Prince also foresees a limited diversity talent pipeline in the near future. Doing their own part, in the past two years, Citi made over 50 offers of internships and full-time positions to MLT graduates, while Goldman Sachs and General Mills, two other MLT partners, also increased the number of full-time and internship offers.

Enlightened executives like Chuck Prince appreciate and embrace the advantages that can be gained by creating greater diversity. However, diversity should be the responsibility of everyone in a company. One of the sponsors of MLT has made it an imperative for each leader to recruit one or two non-majority executives. This will eventually create an environment where more diverse talent wants to join the organization, because it sees greater opportunities as well as role models.

The case for diversity as a business imperative is gaining recognition among leaders, as evidenced by their growing contribution to various events. Rating

agencies and private equity funds have started to pay attention to a company’s “diversity ratio” as an indicator and predictor for future performance. However, as companies tend to expect short-term results, the reality that the “business case” for diversity yields longer-term benefits still leads to a fair amount of tension.

In our view, the biggest winners will be those companies that are able to tap the creative, cultural and communication skills of a variety of individuals and create a stimulating environment for collaborative efforts and teamwork in today’s global and “flat” world. Diversity will be good for business if expectations are clearly aligned and realistic, and if we all remain aware of the educational challenges and personal biases involved.

THE AUTHORS

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