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Annual Report

**What kinds of diversity
nurture success?**



How Does Diversity Nurture Success?

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Can we agree on a definition of diversity?

Val: Most executives and managers think of diversity as a gender and race mix, but the piece to pay attention to is mirroring your customer base. At Oxygen Media, an entertainment company that targets women, diversity meant hiring men because the company was 70 percent female. The definition therefore depends on context.

Stephanie: Gen Xers and baby boomers define diversity mainly by characteristics like race and gender, whereas millennials focus on cognitive diversity, meaning that even if I have the same education as you, I'm going to have different thoughts and opinions that are informed by my background and experience. Our research shows that millennials think of diversity in terms of total identity – not only race, gender, age, ethnicity, culture and religion, but also other things like opinions, thoughts, background, experience, education – everything that makes people who they are. Those characteristics are what they want in their organizations.

We convened a group of specialists to discuss the challenges and potential rewards for organizations that encourage a wide range of diversities. The following has been edited for length and clarity.

There are also different views about the purpose of diversity. Older generations view diversity as fulfilling a moral contract – the right thing to do – whereas millennials also see it as a driver of positive business outcomes.

What is the benefit of increasing diversity?

Martin: We need it for two reasons: first, for reasons of justice and fairness; second, because diversity contributes to performance by providing grist for learning. If you don't have genetic diversity in biology, or cognitive diversity in business, you won't have evolutionary learning.

The catch is that we can't know what kind of diversity we need today to produce a given outcome tomorrow. We have to try things, and over time get there. Leveraging diversity is about tinkering, not precision engineering.

Laurie: The value of diversity really comes down to accelerating learning, which is what happens when you sit

around a table with people and listen, trust and share. My favorite thing in my work is the "\$10,000 meeting" – which, on project teams, is probably more like a \$50,000 meeting! That's when the entire project team sits around the table and talks through a problem or an issue. We work it out together.

What do you need to put diversity to work?

Frank: It's true that any successful diversity initiative needs support from the top, but successful programs are not "command and control." Too many diversity programs are based on the idea that we need to change the rules about how people come in and move up in the firm, and the way to change the rules and eliminate bias is to put bureaucratic controls on managers so they have to hire people who are objectively most qualified. But those top-down controls don't work. In our studies, managers don't hire the top performer on a test; they sabotage the test and make only people they don't know take the test. Their buddies don't



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Laurie Hawkinson



Martin Reeves

Stephanie Turner



Vishaan Chakrabarti (contributor)



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have to take it: "He won't be a problem; I've known him for years." This is one way in which a command-and-control system has been ineffective.

We also see that civil rights grievance procedures, which are in virtually all Fortune 500 companies, have adverse effects. When you establish an elaborate grievance procedure, five years later you have significantly fewer white women, black men and women, Latinos and Latinas, and Asian-American men and women in management than if you hadn't done anything. It's apparently largely through retaliation that civil rights grievance procedures have adverse effects, actually reducing diversity in management.

The third example is mandatory diversity training. When people feel that diversity training is being forced on them, they rebel and sabotage the system and firms see significant decreases in managerial diversity.

Laurie: As a practicing architect and teacher of architecture, I see the critical ingredient of diversity and resilience as

social trust. In our field, we're always collaborating. When trust is in play, you're sometimes giving over your professional expertise to somebody who's outside your area of expertise. It can be very uncomfortable, but without that trust, there's no collaboration. Likewise, resilience and our need to learn would also be impossible.

Martin: There are some paradoxes to bridge. If you want diversity to drive performance, you need enough inclusiveness in the first place to get a diverse composition. Then you need trust so that people can work together, but you need to stop short of groupthink, of homogenization. And you need a critical eye to select the best ideas.

In my work, I call managing these paradoxes "ambidexterity" – the ability to think and behave in different ways at different times. Research shows that companies and individuals find this hard to do. So you have to train people to be ambidextrous and create a culture that promotes ambidexterity.

Or you need to be smart about things like team composition, to create ambidextrous teams from individuals who may not be ambidextrous.

Frank: Kathy Phillips at Columbia Business School studied a homogeneous team – all white men – into which she inserted one or two women, or one or two African-Americans. She found that those teams are more innovative because they are more likely to be able to respond when resilience is needed. It's not because the individual says something different or brings a different idea. Interestingly, it's because everybody in the room gets out of the habit of groupthink, or of always following the alpha male.

Just having somebody different in the room makes you question your assumptions before you jump in and say, "Let's do this." It also discourages other people from jumping on the bandwagon right away. It's a fascinating effect because it suggests that diversity is just good for how a team operates.

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Since like tends to hire like, how do you break the homogeneity cycle? How do you hire the first Latina, for example?

Val: Look for candidates where you wouldn’t normally look. When I worked for an aircraft-engine manufacturer in Indianapolis, I led our engineering co-op and intern program. When I took over the program, we had 99 percent white men, and by the time I left, three years later, almost 20 percent of our students were nonwhite or female.

We made a concerted effort to recruit from places that had never been on our radar – historically black colleges and universities and other minority institutions. One of the lessons we learned is you can’t bring in one person from Mississippi, for example, because they have no one else like them in the middle of Indiana. We learned to go after two or three students from these schools. Now each had a friend there, someone who understood how different this was. Our retention rate wasn’t

100 percent for the pioneers, but it improved significantly once we recruited in pairs or threes.

Diversity needs inclusion to become effective. How do you bring about inclusion?

Martin: Inclusiveness is everything required to put diversity to work. This includes affiliation, visible success and career-path flexibility. For many firms, these are more the frontier than compositional diversity. Legislating behaviors doesn’t work, because you get compensating effects. You get fear of mistakes. People become obsessed with compliance, not substance.

Establishing enabling rules and interventions, as opposed to legislating behaviors and targets, is a promising emerging area. A simple but powerful enabling rule might be, for example, requiring a compulsory dissenting opinion. If you simply introduce one new rule – such as, “every proposal has to have a serious counterproposal” – it changes everything. It doesn’t tell you who you need to hire, but it means

that people start to get fired for not disagreeing with their boss. You need truly diverse thinking. People discover that they need different types of people on teams to do this.

External pressure is a great motivator of internal change. If you have new customers, or customers who want new things, this is extremely motivating because it’s baked into the highest-level metric in the organization: the business purpose. It is often better to frame the thinking not as “What does my company need to do?” but “What are my clients struggling with in this domain?”

How do you measure success in a diversity and inclusion program?

Frank: I measure success as the percentage of all underrepresented groups in management. A homegrown task force can really move those percentages. People have told me, “I didn’t want to be on that task force, but they asked me to, so I went. Then I wanted to get off the damn task force,

so I needed us to figure this out and show that the needle had moved.” They measure success as retention rates. They look at recruitment. They start doing exit interviews and find out why people leave, and then start trying to fix the problems that cause people to leave.

Stephanie: Just talking about diversity metrics can help change the conversation. There’s a risk the conversation can become punitive, though, if you fail to meet the metrics. The discussion has to be grounded in your values and strategy, and have a long-term focus. There needs to be accountability, to get leaders involved in driving this, not just the chief diversity officer or an HR person. Often this is a new approach, since the top metrics in most organizations are either financial outcomes or productivity ratios.



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sponsorship programs, active recruitment at colleges and universities, referral programs, task forces. When we interview people, they say, “Yeah, I wasn’t a big proponent of diversity until I got involved in recruitment,” or “I was a mentor to a Latina, and now I’m onboard with that.” A common problem is that firms “hive off” diversity management – delegate it to people or groups who are already diverse and have drunk the Kool-Aid. Their programs are often sort of painted on top – not integrated into everybody’s life, not a part of how everybody thinks about what their jobs are.

Val: Diversity and inclusion are not “one and done.” Fail fast to move forward. If one thing doesn’t move the needle or take you in the right direction, try something else. Stay flexible and be willing to innovate.

Visit ThorntonTomasetti.com/Diversity_Roundtable for an unabridged version of this discussion.

What’s the most important advice you’d offer any organization seeking to improve its diversity and inclusion?

Stephanie: My colleague Christie Smith says that leaders have to be not *just* change agents but *activists* for human potential. That means acting for inclusion. We have to engage our entire workforce in finding their purpose, and that purpose should have a clear tie to the business. Inclusion is about bringing everyone together to solve a problem. Our people want to solve our

toughest challenges, and they do so by working across all aspects of diversity.

Laurie: Most of the methods we’ve talked about are not top-down leadership, but are about advocating for human potential wherever you are. It’s about becoming an activist force for building social trust.

Martin: First, don’t stop at compositional diversity. Include variation, selection and amplification at all steps of the evolutionary learning cycle.

Second, don’t think about this only coming from the top. Like Laurie says, start where you are: with you and your team. If every team were doing that, you’d have a very adaptive organization. Trying to fix everything at once and relying on somebody else to lead it is a bad way to get started.

Frank: Huge positive effects consistently come from interventions that get everybody involved in making diversity their responsibility: mentoring and