

2012  
CHICAGO  
UNITED

# CORPORATE DIVERSITY PROFILE

A SURVEY OF CORPORATE DIVERSITY IN THE CHICAGO METROPOLITAN AREA

The most complete review of racial diversity in the leadership ranks of Chicago's large corporations, on corporate boards, and in executive level management



- Six corporate leaders share how their businesses successfully tap the power of diversity and inclusion
- Six talent management areas are examined through a diversity and inclusion lens
- Leading practices; critical questions you should be asking; and organizational scorecards presented



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## LETTER FROM THE PRESIDENT AND CEO

Chiefs of elite organizations expect a candid examination of the challenges that impede progress. And, they typically expect to see solutions to those challenges in short order. That is what a good change agent can provide—an assessment of the issues and viable ways to address them.

In that spirit, I proudly present the 2012 *Chicago United Corporate Diversity Profile*. It is further evidence of the catalyst role that Chicago United seeks to maintain in the business community. This *Profile* illuminates issues and it provides a basis to address them, thereby delivering on Chicago United's goal to offer thought-leading advocacy of corporate diversity and inclusion (D&I).

Corporations have grown increasingly successful at implementing diversity and inclusion within their ranks. However, the *Profile* still concludes that multiracial parity in board rooms and C-suites remains a considerable work in progress, despite a growing body of research that points to improved results for companies that utilize multiracial decision makers.

Through the *Business Leaders of Color* publication, Chicago United has introduced more than 200 executives of color who are eminently qualified to sit on the boards of Fortune 1,000 firms. The talent is there, but so is a clear need to increase the urgency and revisit the practices by which such individuals will be included in these key leadership positions.

In order to change the way advocacy is carried out, Chicago United has made improvements in the *Corporate Diversity Profile*. It has evolved to become a tool that helps senior executives chart their own customized paths toward increased multiracial leadership:

- It is formed by an analysis of more robust, publicly available information, rather than the member survey methodology that was used in past years.
- It now has a series of scorecards with which a CEO can now do a self-assessment to help determine how his or her organization can improve in critical areas including recruitment, performance management, succession planning, and more.
- With it, diversity officers and managers can provide clear and measurable direction to mid-level managers for how they will be expected to drive diversity and inclusion.

With this profile, CEOs will be able to see how the top 50 revenue generating companies in Chicago stand with respect to board and executive diversity. Additionally, the *Profile* discusses growing industry sectors that are impacting local opportunities, as well as research on the supply of talent and demographic differences in educational preparation.

Chief executives will also be able to use the new *Profile* to learn from their peers. The *Profile* features six top executives sharing their insights on setting the tone for D&I leadership and institutionalizing this business imperative.

I thank the individuals and institutions who committed to making this profile our best yet. It fulfills Chicago United's mission to be a catalyst for change that can yield a more prosperous future for all of Chicago's residents and businesses.



Respectfully,

*Gloria Castillo*

Gloria Castillo  
Chicago United

## How to Get the Most From This New Publication

Access to the executive ranks is still an elusive endeavor for people of color in Chicago and in corporations across the country. This phenomenon persists even amongst changing population demographics, multiple decades of affirmative action, and numerous corporate diversity initiatives. Several explanations are plausible and include minimal bench strength in the leadership pipeline, implementation of short-term tactics versus strategic actions to build and buy talent, sub optimal integration of diversity goals with talent management practices, infrastructure gaps, and leadership commitment that is derailed by extraneous factors, e.g., the economy, political landscape, pending restructuring, etc.

Since its inception, the *Corporate Diversity Profile* has addressed these issues and provided a detailed depiction of the landscape. At this juncture in its evolution, it has been determined that added value can be achieved by augmenting the report with specific tools that will engage leaders to take action based on present realities, forecasted trends, and leading practices.

The 2012 *Corporate Diversity Profile* provides a blend of information, insights, and tools and is divided into three primary sections:

### CEO Leadership and the Culture of Inclusion

Leading cultural transformation is a pivotal and challenging, yet highly fulfilling role for business leaders. Within the 2012 *Corporate Diversity Profile*, we provide a forum for our executive readers to learn from their peers. Six chief executives share their insights on how their organizations have successfully tapped into the power of diversity. We have engaged these leaders in a discussion on several unique topics.



**William C. Weldon**  
Chairman, Johnson and Johnson  
*Sustainable Diversity*



**Frederick H. Waddell**  
Chairman and CEO,  
Northern Trust Corporation  
*Rotational Assignments*



**Anne R. Pramaggiore**  
President and CEO, ComEd  
*Filling the Pipeline with  
Non-traditional Talent*



**Jan Fields**  
President, McDonald's USA, LLC  
*Developing and Promoting Global Leaders  
from Within*



**Patricia Hemingway Hall**  
President and CEO,  
Health Care Service Corporation  
*Cultural Competency in Health Care*



**Gregory D. Wasson**  
President and CEO, Walgreen Co.  
*Transforming Corporate Culture*

### Landscape

Our focus continues to be on Chicago-based companies. We provide statistics on racial diversity on corporate boards and in the executive ranks. In prior years, Chicago United would send a survey to the 125 largest public corporations in Chicago – as determined by *Crain's Chicago Business* – to obtain this information. While the survey response rates were valid, the majority who participated were Chicago United member companies. We aimed to provide a more complete picture of the status of diversity at the highest echelons of Chicago's corporations. This year we have captured data from published sources. You will be able to see how the top 50 revenue generating companies in Chicago rank with respect to board and executive diversity. We also compare local and national statistics. Additionally, within this section, we have inserted a discussion on growing industry sectors that are impacting local opportunities, as well as research on the supply of talent, demographic differences in educational preparation, and identification of potential gaps.

## The Toolkit

The toolkit is being pioneered in this issue of the *Corporate Diversity Profile*. It was designed to more fully engage leadership in championing sustainable efforts around diversity and inclusion. The toolkit provides a framework for learning, implementing, and measuring. Included are insights into leading practices, candid questions for leaders to ask, and a scorecard against which organizations can measure their progress in six different talent areas germane to increasing diversity within the executive ranks:

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

We know that engaging leaders is critical to building traction and sustaining progress around diversity and inclusion and we are excited about providing a tool that will assist them in doing so.

## 2012 Corporate Diversity Profile Acknowledgements

Chicago United would like to thank the following individuals and organizations for their invaluable support and commitment to the 2012 Corporate Diversity Profile.

### Ernst & Young

Under the guidance of Warren M. Smith, Midwest Director of People (HR), Americas People Team, 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 companies. Smith also served as Committee Chair of the Corporate Diversity Profile Task Force.

### Federal Reserve Bank of Chicago

Maude Toussaint-Comeau, Senior Business Economist, contributed significant research and insights on the supply of talent and on demographic differences in educational trends. Toussaint-Comeau also served on the Corporate Diversity Profile Task Force.

### Spencer Stuart

Kevin Connelly, Chairman, has provided ongoing support and staff resources to share insights and research on industry trends.

### Parker Williams Consulting

Dr. Charmon Parker Williams provided project management, conducted qualitative research and executive interviews, designed the toolkit, and was the primary author for the *2012 Corporate Diversity Profile*.

### CDP Task Force

Several individuals helped to shape the concept and objectives of the *2012 Corporate Diversity Profile* and provided exceptional guidance and feedback:

- Deborah Baldwin, Assistant Vice President, Federal Reserve Bank of Chicago
- Karen Brown, Global Inclusion & Diversity Strategist, BEK Talent Management Consulting
- Cheri Chappelle, Director, Diversity and Inclusion, Illinois Tool Works Inc.
- Deirdre Drake, SVP, Human Resources, BMO Harris Bank
- Michael L. Escobar, Chief Diversity and Organization Effectiveness Officer, Allstate Insurance Co.
- Anuradha Hebbar, Director, Strategic Diversity & Inclusion, McDonald's Corporation
- LaShana Jackson, Senior Human Resources Director, Global Diversity & Inclusion, Aon Corporation
- Salvador Mendoza, Vice President, Diversity & Inclusion, NBC Universal
- Jim Norman, Vice President, Diversity, Kraft
- Nazneen Razi, SVP and Chief Human Resources Officer, Health Care Service Corporation
- Warren M. Smith, Midwest Director of People (HR), Americas People Team, Ernst & Young (Committee Chairman)
- Maude Toussaint-Comeau, Senior Business Economist, Federal Reserve Bank of Chicago

### The Axis Agency

David Rudd, Vice President, provided copywriting and editing support.

### Chicago United Staff

Teresa Sarna, Director of Member Engagement, provided ongoing guidance for the report and was the primary editor.

## CEO LEADERSHIP AND THE CULTURE OF INCLUSION

“It takes a village” is an applicable adage for the energy and collaboration needed to foster a culture of inclusion within organizations today. However, CEOs and their leadership teams can create the spark that ignites the rest of the organization to move forward by providing vision and demonstrating continued support. Creating a culture that sustains diversity and inclusion is a dynamic and continuous endeavor. Champions of diversity have had to constantly refresh the business case within their organizations, competing against economic and labor market shifts, restructurings, and ever-changing business priorities and directions. Research on the benefits and impact of diversity has helped to some degree in strengthening the business case.

As an example, several studies have explored the connection between diversity in the senior ranks and the bottom line performance of companies. In a recent study, McKinsey looked at executive board diversity and the return on equity (ROE) and earning before interest & Tax (EBIT) of 180 publicly-traded companies in France, Germany, the United Kingdom, and the United States. Diversity was defined to include women and foreign nationals. For companies ranking in the top quartile of executive-board diversity, ROE was 53 percent higher than it was for those in the bottom quartile. McKinsey clarifies that at these high performing companies, the board or CEO may simply have greater latitude to pursue diversity initiatives. In any case, successful companies appear to be simultaneously pursuing top-team diversity and ambitious global strategies, while also experiencing strong financial performance.

### Benefits of Diverse Teams

Additional research supports the view that diversity on leadership teams, and teams in general, provides benefits for the organization. In his book, “The Difference – How the Power of Diversity Creates Better Groups, Firms, Schools, and Societies,” Scott Page suggests that diversity trumps ability on teams, particularly when they seek to solve a complex problem. The fact that a diverse team will impact the quality of solutions and provide the potential to identify and create more innovative and competitive offerings is appealing. However, the challenge remains to effectively engage and leverage diverse team members.

### Leading Culture Change

Cross cultural competence (or the ability to work effectively with individuals who have varying backgrounds or world views) is required in leading and managing teams, particularly within multinational organizations. This competency can be best built in organizations that take a strategic, systemic, and integrative approach to embedding diversity and inclusion into the culture. Senior leaders play a prominent role in creating this atmosphere. They do so in many ways including role modeling behaviors they wish to see on their teams, providing visible support of inclusion efforts, getting involved with business resource groups and with external stakeholders, asking tough questions, holding managers accountable, and providing relevant resources.

### Executive Insights

This issue of the CDP has been expanded to provide leading practices, solutions, and tools for driving transformation. Supporting that objective, six chief executives graciously shared their time and insights on how their organizations are tapping into the power of diversity and inclusion. In this section, we share their stories on several unique topics. As we reviewed their stories, common themes surfaced which contribute to increasing racial diversity within leadership, including:

- Leadership awareness and commitment
- Linking diversity and inclusion to business strategy
- Holding managers accountable
- Leveraging business resource groups
- Building leadership capacity within and outside of the organization
- Creating holistic development strategies including rotational assignments

## Creating Sustainable Diversity & Inclusion

Insights from William C. Weldon, Chairman, Johnson and Johnson



*Bill Weldon, chairman of Johnson and Johnson, believes that diversity and inclusion represent a journey, not a destination. That is one of the first principles that corporate leaders must realize in order to optimize their talent development practices and policies, he said. The recipient of the 2012 Chicago United National Bridge Award shared his views on what it takes to sustain diversity.*

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### Tying Diversity to Business Success

I believe that companies have to start with the fact that diversity and inclusion is a practice that you never stop. Whenever I get senior executives together, or whenever we have development programs, diversity has to be a part of the discussion. I define diversity, not just as race and gender, but as “differences.” You can look at differences as geographical, as functional, as sexual orientation, or however you want to look at them. Diversity and inclusion are about appreciating and respecting differences, and this has to be made a part of the fiber and fabric of the company.

Our Credo is very much inclusive. We describe it as the foundation of what Johnson & Johnson stands for. If you look at all the tenets in Our Credo, diversity can be viewed as a part of every one of them – the people who use our products, our employee base, the communities in which we live and work, or our shareholders. We have a long way to go to make it totally accepted at Johnson & Johnson, but we continue to reinforce it, reinforce it, reinforce it.

### Milestones and Measurement

I think you have to begin with creating awareness. This goes beyond accounting for numbers. It starts with awareness, and then comes training, development, creating a sense of urgency, and creating the culture. Every year, you have to improve on it. It’s advancement. It’s putting people into leadership positions. It’s about creating awareness within our own leadership teams of the importance of diversity throughout the whole organization, making it a part of the culture and a part of the fabric of the company. It comes down to making sure that people are accountable. You have to have a scorecard, ways to manage the expectations, and build diversity into performance appraisals. It comes down to having action plans for everybody.

As part of my executive leadership team’s performance appraisals, we routinely look at what and how we are doing relative to advancing people and advancing diversity. At the next level down, I have leadership meetings with small groups of managers where we’ll have an off-site forum to talk about the issues surrounding the business. I’ve never had one in which diversity has not been an active part of the discussion.

We recently became the first health care corporation to enter the Billion Dollar Roundtable (BDR), joining 17 other companies that each spend at least one billion dollars annually with minority- and women-owned businesses. Our capability to do so was driven by the collective ability of our procurement, management, and diversity groups to create awareness and opportunities. This is where you start to get down to the grassroots level at Johnson & Johnson, leveraging a team of people in which commitment is essential to moving forward. This didn’t happen overnight. We’ve been enhancing our supplier diversity efforts for a long time, and I believe you have to have a long-term focus on this in order to sustain progress. It involves nurturing and developing the capacity of diverse business owners and start-ups to assist them in getting their feet on the ground. It is a team concept, both external and internal to the organization, that allowed us to reach this exciting milestone.

Moving forward is an evolutionary process, although you wish you could make it revolutionary. That's where the sense of urgency comes in, because you'll have individuals within your organization who'll still say that "these results don't support worrying about diversity." Consequently, it has to be made a part of each individual's development and scorecard to make sure that everyone is advancing it.

### **Ensuring the Success of the Chief Diversity Officer**

Our Chief Diversity Officer (CDO), Anthony Carter, does an extraordinary job of helping people to understand that diversity has to be part of the business strategy for Johnson & Johnson and that we have to hold ourselves accountable for capitalizing on this extraordinary asset. He helps the leadership team understand that we will not be as successful as we could be if we don't tie diversity into our strategy. For this role, I strongly believe you need to identify somebody who has tremendous leadership skills and a burning desire to create awareness and develop diversity programs throughout the organization.

Anthony is an advisor to me; he's developing the leadership agenda for diversity within Johnson & Johnson. It's critically important that he reports directly to me, because that gives him immediate stature and access. Some organizations don't have diversity leadership at any level. I don't believe you'll ever create a culture of inclusion if you don't have extraordinary leaders driving the diversity initiative.

### **Benefits of A Diverse Board**

We have a very diverse board. I recruited everybody on the board except for two white males. In my recruitment discussions with our diverse board members, I told them that they all bring extraordinary strengths in their respective areas – their leadership in the business community, medical community, and in the government community. But, they also bring an added dimension in that they can help us better understand if we are doing the right things for the African American community, the Hispanic community, or for women. Our CDO comes to the board once or twice a year and discusses what we're doing and how we're doing it. Our diverse board members are much better positioned to give input on the progress of diversity and inclusion here at Johnson & Johnson than I am in many regards. If you don't have the right people giving you the right input, then you're really taking a risk.

### **Learning From Difference**

I appreciate differences and I like to learn and understand. I think we have to know what we don't know and recognize that we aren't experts at everything. For example, we have experts in the R&D operation because they understand the sciences. We have experts in the African American community because they understand the African American community. We have experts in the Hispanic community, the Asian community, and the gay and lesbian communities. These individuals understand the community, whereas I don't. It's that old adage, "Until you've walked a mile in my moccasins, you really don't understand." Those who have walked that mile in their moccasins understand it and can help us get better. We have to be open to differences and appreciate them.

For example, one way we address differences is to understand their impact. The Hispanic, African American, and Native American populations have a huge incidence of diabetes, much higher than the Caucasian population. Also, there's a higher incidence of ocular problems which ties somewhat to diabetes; and, there's a higher incidence of hypertension. We are trying to create awareness of those issues and help people to understand that if they have these problems, they need to address them. This is an example of outreach to create better health care for people, which is what Johnson & Johnson represents. So, there is a business aspect of this that ties in the diversity initiative. That reflects who we are and what we stand for.

This example illustrates where there is a tremendous unmet need. There's a huge disparity in health care in various groups across the United States, and as we become aware of those disparities and fill that void, it will create business opportunities for Johnson & Johnson.

Also, I need to be aware that I may not totally understand the needs of others. I could think we're doing something really well for the African American community or the Hispanic community, and we may not be satisfying their needs at all. So we need to reach out to others to help us understand the right things to do for each community. If you have all white males sitting on a leadership team, you'll never know or be able to relate.

A couple of times a year, we meet with the employee resource groups and they present what they're doing. These meetings help us understand how we can advance diversity throughout Johnson & Johnson. We bring as much of the executive committee to these meetings as we can, and then I personally have dinners and meetings with the different groups. I'll never be able to experience others' challenges, but the dialogue helps me get a better appreciation of how we can relate to different needs and further advance diversity at Johnson & Johnson.

### **Developing Diverse Talent**

We've spent a lot of time creating programs to develop our talent. We have a women's leadership initiative that has really advanced women within the organization. As part of this, we have a program aligned with Smith College in which we select women to take courses there. We've been doing that for seven years, and more than 600 employees have been through this particular program.

Another program that we are proud of is called "Crossing the Finish Line." It's a one-year career program into which we bring high performers from across the organization. It provides a forum for women and multicultural men and women to meet other successful people within Johnson & Johnson. In one of the most impactful sessions of the program, we join the individuals with their managers and have a roundtable discussion. That discussion includes me and other senior leaders. Everyone benefits from this dialogue.

I'll give you an example. Years ago, we were having the women's leadership program. When I asked if I could come, I was told "No, you can't come because you're not a woman." So I said, "Well, I may be the problem." It's not just about women understanding women; it's about men understanding women's needs.

It's the same thing on "Crossing the Finish Line." Leadership may not fully appreciate all the differences. However, when you bring them into a room and let them have a dialogue over a protracted period of time, it has a huge impact on leaders as well as the people in the program. Our results have been extraordinary for retaining employees who have participated in these programs. These development and retention programs are actually a part of our global business strategy. We have an Ascend program for women leaders in Europe, the Middle East and Africa. We've had about 200 women in senior roles go through this program to develop their business skills. There are different challenges in different parts of the world, but we're trying to expand diversity and inclusion outside of the United States.

Additionally, rotational assignments are leveraged to help our employees grow. Geographical and functional differences are part of my definition of diversity. I was fortunate to spend time in Asia and Europe so I know firsthand that you benefit greatly from every culture and every environment to which you are exposed. When I was in Asia, I was able to understand the wonderful things that Asian people do, and the wonderful things that American people do.



I developed a great appreciation of the idea that if you bring the east and the west together, you'll be much better off than just taking one dimension. Those rotational experiences helped me better understand how we can capitalize on making the best of everybody and move forward.

We still have a long way to go. We've lost some good people because they've had better opportunities outside. Whenever we do lose a good person, especially if it's a diverse person, we want to understand why, and what the issues were. One of the things that I've emphasized over the last few years is employee advancement within Johnson & Johnson. Success will be measured by the opportunities that are there for advancement. Years ago, we said that we wanted to have diverse slates for all jobs. However, if a person is on the slate more than a couple of times and doesn't get picked, I want to know why. We have to make sure we have the right pool of people, and then we have to make sure they are developed and ultimately advance in their careers.

Our development programs have evolved over time through trial and error. Our leadership imperatives now are connect, shape, deliver, and lead. The "deliver" imperative specifically talks about inspiring and motivating diverse and inclusive teams. It ties directly to the consistency of Our Credo. Executive and senior leadership are an integral part of all of these programs.

We have to create development opportunities for individuals. First, we have to make sure we have the right pool of people, and then we have to make sure they are developed and ultimately advance in their careers. This expectation is an example of how performance evaluations have evolved over time. We ask managers "What is the diversity makeup of your group?" If you have all white males in your group and you don't have a feeder pool consisting of diverse candidates, I want to know why.

You want to get to the point where diversity and inclusion is part of the DNA of the organization. We're not there, but we've made huge strides.

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## Filling the Pipeline with Non-Traditional Talent

*Insights from Anne R. Pramaggiore, President and CEO, ComEd*



*Like Johnson and Johnson, ComEd is a company that relies on a talent pool that can keep pace with rapid changes in science, technology, engineering, and mathematics (STEM) fields. Because these fields place a premium on exceptional minds that can foresee different technological possibilities when others can't, human capital experts must be open to new, non-traditional streams of talent.*

*Anne Pramaggiore, president and CEO of ComEd, views talent through a modern lens, one that captures talent development as much more than conducting the traditional college visits and career fairs. She talked about building a talent pool of individuals who may not even forge careers at ComEd.*

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### Being Proactive with the Pipeline

When I think about diversity and developing a broad-based work force, the first question is “Who is coming to your door?” The next set of questions is “When they come to your door and walk over the threshold, are they finding a home? Do they stay? Do they find a place where they feel they can be developed and they’re valued?” In answering the first question, the traditional way people approached it was to hire recruiters and go to colleges in the area or colleges you think might produce a certain skill set, all while keeping a diverse workforce in mind.

I think we’ve shifted a bit from that to where the focus isn’t exclusively a recruiting exercise but more of a “building the pipeline” exercise. The pipeline’s talent is not going to simply materialize. Corporations like ComEd and Exelon have the ability to impact those pipelines. So in recent years, our company has thought more about creating a pool of diverse talent. That includes providing educational support and job experience.

We’ve got a number of programs that allow us to follow through on that philosophy. There’s not a better example than the Rowe-Clark Math and Science Academy that John Rowe (former chairman of Exelon) and Frank Clark (former president and CEO of ComEd) have at their charter school. Engineering tends to be a male-dominated area and a particular profession that doesn’t draw diverse talent. So, we’ve got to go out and create the pipeline.

The Rowe-Clark Math and Science Academy is a response to that. We provide internships for a number of these high school students each year. We also have the Exelon Summer Institute at Aurora University – it’s a STEM program that’s geared toward third through eighth graders. We are looking to create a pipeline as early as possible.

With our Smart Grid program at ComEd, we launched an ambassador program this summer in which we took about 75 high school students from around the city and trained them on the basics of energy, policy, and the Smart Grid. As we went out to communities to talk about new technology and Smart Grid, these students learned about the energy industry and had the opportunity to be involved in presentations and interact with the community. I’m really excited about this program. It benefits both the participants and ComEd.

We also have programs at the skilled craft level. We have a partnership with Dawson Technical Institute of Kennedy King College in which we offer a five month program for certification on overhead electrician skills. Participants learn about math, the physics of energy, and how to climb a pole – which is pretty critical. Traditionally, people would come into the company through our meter reader ranks, move into the line organization, and then receive training. That works fairly well because we are a company that has an 11,000 square mile service territory, so we are in every community and we draw talent from those communities. However, Dawson Tech has been another arm into the community to help create the pipeline.

I am a huge fan of our employee network groups. We have six active employee network groups that are all very engaged. They help to build the pipeline by raising funds to create college scholarships for high school students.

As an example, we have a young man named Christian Aponte who was working at Comcast several years ago while he attended school part-time. He received one of the scholarships from our OLE network group (Organization of Latinos at Exelon), finished school, got an engineering degree, interned at ComEd, and is now working here full-time. That's a great example of how partnering with our network groups created that pipeline.

### **Transparency, Engagement, and Retention**

The culture we are creating with all of these programs is transparent and visible to our employees and that is a factor in retaining them. Our network groups are very active and visible. Senior executives are very engaged with them. We go to the meetings and events. People see that.

A lot of the employees from the company go to the Rowe-Clarke Charter school and mentor students or spend a half day having a conversation with the class. So, there's a lot of employee involvement in many of these programs. I do think it resonates and it's very important for the employees. Volunteerism – connecting with the community – is embedded within our culture. It's a part of who we are, how we do business, and it strengthens our pipeline of diverse talent.

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## Cultural Competency in Health Care

*Insights from Patricia Hemingway Hall, President and CEO, Health Care Service Corporation (HCSC)*



*By virtue of operating Blue Cross and Blue Shield services in geographically, economically and culturally diverse markets in Illinois, New Mexico, Oklahoma, and Texas, Health Care Service Corporation (HCSC) has developed true leadership in providing health insurance to distinctly different consumers.*

*According to Pat Hemingway Hall, the chief executive of the nation's fourth largest health insurer, HCSC's efforts to ensure its success are wide ranging, but it maintains a singular focus on quality service that respects and includes the needs of all of its clients.*

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### Developing Cultural Competency Within HCSC

Health Care Service Corporation's (HCSC) success in developing cultural competency begins with senior leadership's commitment to a diverse and inclusive workplace. HCSC leadership understands that meeting the health coverage needs of a highly diverse customer base requires insights and perspectives of a workforce that is equally diverse. To develop an inclusive and culturally competent workforce, HCSC conducts mandatory annual training for all employees – from frontline employees to senior management – that focuses on skills and behaviors for enhancing individual cultural competency, with an emphasis on the health care industry. Another key is integrating specialized cultural competence development into courses for internal clinicians and certain providers.

HCSC has found that ongoing diversity and inclusion-focused messages in CEO and other enterprise communications are effective in reinforcing and sustaining cultural competency. Corporate sponsored, employee-initiated business resource groups also provide ongoing awareness and skill-building in culturally competent viewpoints that aid the organization in connecting with its diverse customers.

### System-Wide Involvement

HCSC's board is engaged in diversity and inclusion efforts in several ways. First, the board obtains regular updates on aspects of the company's diversity and inclusions initiatives and provides recommendations to enhance progress. Second, the board participates in the annual President's Diversity and Inclusion Award dinner, which recognizes employees for outstanding contributions to diversity and inclusion. And third, board members have supported and participated in business resource group events.

HCSC's executive leadership is also engaged in diversity and inclusion efforts in a number of ways. Leadership participates on diversity and inclusion councils, serves as executive and advisory sponsors for business resource groups, and as cross cultural mentors. HCSC also holds executive leadership accountable for both incentive compensation and performance diversity and inclusion goals.

HCSC has integrated diversity and inclusion workforce programs that include diversity and inclusion councils, business resource groups, business unit diversity and inclusion committees, ambassadors, and advocates. Employees are accountable for completing annual mandatory diversity and inclusion cultural competency training courses, and they are engaged through business resource groups, which provide leadership development, community outreach, and business impact opportunities.

## **Engaging the Community**

As part of HCSC's rich tradition of partnering closely with local communities to serve the needs of diverse populations, more than 80 percent of the company's senior leadership participated on boards of multicultural organizations in 2011. Last year, HCSC leadership and employees provided insights into local communities by volunteering more than 31,000 hours to nearly 370 nonprofit community partners. HCSC also provides support for its communities by corporate giving through grants and sponsorships.

In 2011, HCSC launched a three-year initiative, Healthy Kids, Healthy Families (HKHF), to help eliminate health disparities in underserved communities by improving the health and wellness of at least 1 million children across its four states of Illinois, New Mexico, Oklahoma and Texas. HKHF invests in and partners with local and national nonprofit organizations that have sustainable and measurable programs to reach children and their families through nutrition education, physical activity programs, disease prevention and management, or by supporting safe environments.

## **Benefits of Diversity on the Board and Leadership Team**

Diversity on HCSC's Board and in its leadership have led to a greater awareness of diversity and inclusion as a business strategy, particularly in sales and marketing, product development, and customer service. Board and executive leadership diversity have contributed to innovative thinking where there are a variety of perspectives. HCSC's leadership also has attracted top diverse talent to the organization. Finally, a priority has been placed on conducting business with other organizations that also highly value diversity.

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## Enriching the Employee and the Organization Through Rotational Assignments

*Insights from Frederick H. Waddell, Chairman and CEO, Northern Trust Corporation*



*The multicultural employee can bring diversity to the organization just by virtue of her unique background and life experiences. But the company can enrich that employee's diverse perspective through rotational assignments. Rotational assignments help to open the executive's view of the company and her contributions to it.*

*At Northern Trust, rotational assignments are given to those who are relatively new to the bank as well as those with more established careers, according to Northern Trust's CEO Rick Waddell.*

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### Our GOLD Rotational Program

Our rotational development offering is called the GOLD program, which is short for Global Opportunities in Leadership Development. About half of the people in the GOLD class have been with the company for two to three years. The other half is people who we recruit from college campuses. So, there is a nice mixture of people who are new to the bank and some who are relatively new.

The GOLD program is highly selective. There's a pretty rigorous process of applications and interviews. The interviews are multi-dimensional. Because it's a rotational program, we have many different roles involved in conducting the interviews – people from different businesses, those with different seniority levels, executive vice presidents, and managers who will be closer to the day-to-day contacts during the program. The process has established the program as a prized position to get. Not everyone will qualify or be extended an offer to come into the GOLD program.

This two-year program is of high quality and requires that participants have an undergraduate degree. We really don't hire MBAs into this program, as they have a different set of expectations and career goals. The GOLD program participants have great experiences as we rotate them around the bank. They usually come in with the expectation that they will end up in a particular type of job. For example, someone may want to be in asset management, but along that journey, he will be exposed to banking, trust and operations. The program provides this multi-dimensional exposure one would expect from a rotational program.

The other aspect that I think the GOLD Program has that contributes to attraction and retention is the amount of visibility that participants get from senior management. I visit with them several times throughout the year, both in formal presentation settings and informal one-on-one chats. They get that same exposure to our business unit presidents and others in the Management Group, the highest governance body within the bank.

### Options for Mid-Career Employees

While we don't have a formal rotational program for mid-career executives, when people get to that level, we have a variety of expatriate assignments to enhance their development. We'll move people to a different geography versus business unit.

One of the things about Northern that a lot of people don't know is the breadth of our operations here in the United States, as well as around the world. Employees from the Midwest who are working in our Chicago office might say, after five, ten, or fifteen years, "Well this is nice but what about Singapore, Miami, or London?" We have 300 people on the island of Guernsey in the English Channel; and all of these locations have opportunities for employees to transfer to or take on an expat assignment. We can put a particular development plan together for someone who would benefit from spending time overseas.

For a global company like Northern, that kind of career rotation helps develop our mid-career talent. It's a career move as well as an opportunity to develop breadth within one's current role.

Another development vehicle for both our younger and mid-career employees is our nine Business Resource Councils. These are groups of employees who come together with a common interest, background, or experience from all different parts of the company – not only different business lines, but different geographies. Many of our Business Resource Councils operate on a global basis. They represent opportunities for people to meet others from different parts of the bank to further their knowledge and development or do something for the Bank that's impactful for the business.

### **Success Stories**

There have been many success stories about people of color who have been able to move up by taking advantage of these opportunities. As an example, Lyle Logan, who started in our Private Banking area, is now running our Financial Institutions Group (FIG), which is a global business. He's gone from one business unit to another, and from a local set of responsibilities to a global set of responsibilities. Shundrawn Thomas, another example of an African-American who came from our Private Client business, headed up Strategic Planning and now runs our Exchange-Traded Funds (ETF) initiative. Connie Lindsey, who has been in Cash Management, has run our institutional business for our foundation, endowments and public funds. Now, she leads Corporate Social Responsibility (CSR) and reports directly to me. These are all individuals who reflect a rotational career that has resulted in greater responsibility and upward mobility.

When I went back and counted how many actual jobs I had here, it added up to 14 different jobs over 36 years. Many people don't reflect back on the experiences that were different jobs with different sets of responsibilities to see what they have accomplished over a period of time. We're a company that encourages that. We try to move people around the company because it reinforces our culture more than anything.

### **Continuing the Journey**

One of the elements of inclusion that is part of our culture is this idea of team and teamwork. For us, this means putting together a group of people who not only have the right technical expertise to address the client issue or the internal problem we are trying to solve, but a team that reflects different thinking, different experiences, different racial or gender backgrounds or other elements of diversity. We value that just as much as we value the expertise part of it. It really is about putting together the best group to get the best results.

Right now, we're doing a lot around end-to-end process optimization. Here, we're looking at processes that cut across business lines. We want people who not only have the right technical expertise to do this, but those who also reflect the diverse make-up of Northern Trust.

## Succession Planning and Global Leadership Development from Within

Insights from Jan Fields, President of McDonald's USA, LLC



*For years, McDonald's Corporation has served as a model for best-in-class performance in diversity and inclusion as well as succession planning. One need look no further than the ascension of the company's new President and CEO, Don Thompson. Before earning that position, Thompson – an African American – held several leadership posts, including president of McDonald's USA and chief operating officer.*

*McDonald's can do this because it recognizes the benefits of grooming diverse executives from all corners of its global operations, even while it holds them to the same high leadership standards. According to Jan Fields, the current president of McDonald's USA, consistent personal development programs ensure that rising executives are trained to lead – McDonald's style.*

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### Establishing a Clear Process for Upward Movement

The key to our success is that we have a very clearly outlined succession planning process and Individual Development Program (IDP) for each person. We're pretty stringent on conducting talent management meetings and making sure that people have their IDPs completed and that their manager is in agreement with what that person believes his or her future looks like. The manager will look at where you are and where you want to go and talk with you about what you need to concentrate on now. That includes the classes and the programs we offer to help you get there.

Generally, a franchisee is its own business and wants to keep its people; but sometimes people do move back and forth from a franchise to corporate. As an example, if a franchisee owns three stores, and they have a really talented person, they may not have any upward mobility options, and so they may let them go to work for the company. Likewise, people within the big franchisees (20 stores or more) ask us if we have any people who they could potentially take to a higher level.

Another key factor in promoting from within is the performance component. McDonald's is very much a performance-driven company, and it is a huge component in our succession planning. When someone leaves a job, we always have a number of people who we know have met the performance criteria for the opening, have a proven track record, and have gone through all of the relevant development for the position. Performance really outweighs everything.

### Supporting Development Through the Leadership Institute

Our Leadership Institute has multiple components – classes, assignments, etc. The class topics will include everything from critical and strategic thinking and influencing for results, to bringing in external speakers. For example, we have an externally taught class called "Burgernomics." There's an expectation that employees will spend about 40 hours every year on personal development. The classes are designated by level, so there are specific classes for director level and above, classes for officers only, and classes for those on the accelerated development track. The sessions one attends are primarily driven by an assessment that has been conducted by the manager. An employee's manager needs to support the classes they attend and ensure that the employee fits within the target audience.

It is the responsibility of each manager to nominate a diverse representation of employees. We look at diversity as we are putting the class together. And if we don't have it, we will find it. If, for example, my direct reports send me their list of nominees for our Leadership at McDonald's Program (LAMP), and there is not appropriate diversity represented, I will send it back for them to continue to reach within their respective organizations to request diversity. We basically control this process at the senior leadership level to make sure we have the appropriate diversity among participants. We're very strict about this.



The Leadership Institute wasn't in place when I or Don Thompson went through, but the tenets of it have always been there. We now have a more formalized program. The Institute has only been in place for a few years. But what I think it speaks to is that it is a part of our culture. The Leadership Institute helps us with identifying the right programs where we can get our biggest impact and have the best fit for McDonald's business needs.

### **Our Global Leadership Development Efforts**

We are in 119 countries and obviously diversity looks very different depending on the country you're in. In some cases, gender or religion might be the big diversity push. We are consistent from country to country as it relates to our expectations and systems from a development standpoint. So Asia and Europe have the same kinds of classes that we have here in the U.S. and (Global Chief Diversity Officer) Pat Harris manages all of that. She makes sure everything is consistent. And then there are the 'area of the world' leaders (of which I am one) who share people back and forth.

But, the training is consistent no matter what area of the world one is in. We use the same competencies and the same basic training programs.

What's important for us to know about our leaders and future leaders is whether they communicate effectively and candidly, lead change and innovation, and plan and act strategically. Also, how are they with teamwork? We are huge on teamwork as well as putting the customer first.

We have eight competencies that we use globally. They are well defined. Local talent is tapped for leadership in the different countries in which we operate. But, we have short-term, cross-border assignments to help people in their development. This is partially based on their level. I will take someone from Asia and they will work a year here to learn about the U.S., or I might send someone to Europe for two years. We have these designated programs; so when we get to the higher levels, the senior management team from around the world, are all in the same pool. We have good, integrated systems in place to build our talent pools. There's no confusion. It is transparent and individuals know where they stand. This is a definite key to our success.

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## Transforming Corporate Culture

Insights from Gregory D. Wasson, President and CEO, Walgreen Co.



*Walgreen Company has an up-close and personal view of diversity in all of its forms as it serves customers in nearly 8,000 stores nationwide. It is building on this community presence, as well as a legacy of equity and openness, as it transforms its culture to welcome even greater success in the competitive health care delivery industry. According to Gregory Wasson, Walgreen Co. president and CEO and Chicago United's 2012 Chicago Bridge Award winner, this transformation is occurring at all levels of company leadership.*

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### Launching an Enhanced Culture of Inclusion

Let me start with three important facts. First, our vision is to be “my Walgreens” for everyone in America – the first choice for health and daily living. Second, we operate in diverse communities across the country and in Puerto Rico, and our workforce is equally diverse. Third, Walgreens has always been a company rooted in diversity, as evidenced by our founder, Charles R. Walgreen Sr., who from the beginning championed the importance of treating and paying black pharmacists equitably back in the early 1900s, to today, where we are committed to serving diverse communities all across the country with a diverse workforce.

That said, we recognized that having – and continuing to develop – a companywide culture that respects diversity and inclusion (D&I) is a “must have” to serve our customers, patients, and clients at an optimal level as well as engage and value our team members. Building this culture is not confined to my executive team, but across the entire enterprise – we all are responsible and accountable for furthering D&I.

Our chief human resources officer initiated work on establishing the first diversity and inclusion office in 2010 to formally shape our strategic focus and direction in this area. Not only have we now fully staffed that department with a chief diversity officer and team members, we have mandated D&I as a core competency, meaning team members must demonstrate acceptable levels of skill in that area. We also are creating training to ensure our employees understand what D&I is all about and how they can – individually and as a team – continue to keep them top of mind. The role and responsibility of our chief diversity officer includes driving a sense of ownership at the executive level to foster D&I throughout the organization. Our highly-talented and diverse senior leadership team is tasked with developing high-performing and diverse teams in each of their organizations.

We are a complex organization with a range of businesses and types of employment opportunities – those aspects also affect how we meet D&I's challenges. So, we work hard to take a thoughtful approach to the rollout process. We are absolutely focused on creating opportunities for success among current, aspiring, and emerging leaders and we partner with a number of organizations as well as educational and community groups to make this happen. By recognizing all the dimensions of a team member's experience – from employee engagement to succession planning – we intend to follow a path of sustainable change.

## **Maintaining Momentum for a Transformed Culture**

We're already benefitting from a heightened sense of commitment to our vision as demonstrated by improved employee engagement scores in internal surveys, record participation in our diversity-related business resource groups, and proactive partnering on D&I initiatives at all levels of the company. These include our recognized community commitment such as working with diverse suppliers and outreach to communities. In addition, we have taken a very effective inclusion program from several of our distribution centers that employ up to 50 percent of their team members who are living with cognitive and physical disabilities and are piloting a similar program in our stores in certain markets.

Aligning our initiatives to the strategic direction of the company is a critical step to continued success. There is no louder voice for this than team members themselves who understand firsthand the importance of sustaining our initiatives. They understand, as do I, that a future built on diversity and inclusion must be carried out by everyone – at all levels of the organization, at every location.

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## LANDSCAPE

### Inclusion Report

#### Overview

The 2012 *Corporate Diversity Profile (CDP)* represents a baseline year for data collection from published sources. Historically, the Chicago United CDP team would gather data via survey from local companies with particularly high response rates from our member database. This year, our local sample consisted of the top 50 Chicago headquartered companies by revenues as listed in *Crain's Chicago Business* report, December 2011. 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 in terms of racial diversity across both directors and executives – i.e., the top 5?
- How do Chicago statistics compare to national statistics?

#### Methodology

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 on the internet to determine ethnicity. 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 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.

#### Bottom Line on Top

Analysis was done at the board of directors, c-suite, and executive levels for the top 50 Chicago-headquartered companies listed in this section. Of these three levels, ethnic minorities had a greater presence on boards of directors, holding 12% of the seats. When looking exclusively at C-suite positions, minority representation was 7%, and in executive positions, it was 10%. The section below will highlight statistics for specific demographic groups. However, representation has not significantly improved within the last decade. Chicago United's response to this is the development and offering of a toolkit that our readers can utilize to drive change within their individual organizations.

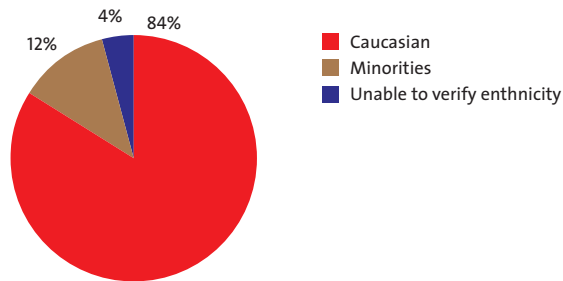
#### Board Diversity

##### *The Chicago 50 – Directors*

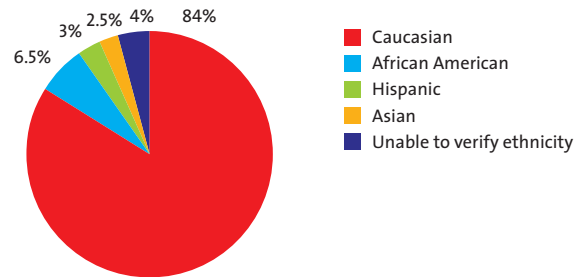
January 2012 was selected as the snapshot in time for looking at the data. There were 567 individuals on the boards of the top 50 Chicago companies. Twelve percent (12%) of the board seats were held by racial minorities. African Americans had the largest representation at 6.5%; and Hispanic and Asian Americans followed with 3% and 2.5%, respectively.

Directors	African American	Asian	Caucasian	Hispanic	Unable to verify ethnicity	Grand Total
Minority	38	15	0	17	0	70
Non-Minority	0	0	476	0	0	476
Unable to determine	0	0	0	0	21	21
						<b>567</b>

Directors



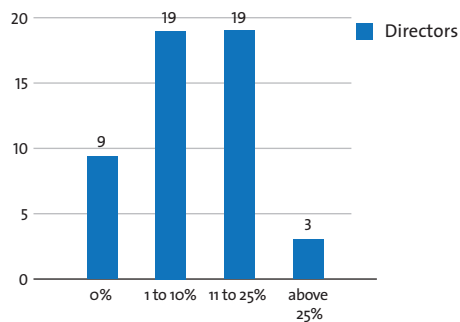
Directors



When looking at the distribution across the top 50 Chicago companies, we found a bi-modal distribution (that is, peaks at two different ranges as shown in the chart below). The majority of companies had either 1% to 10% or 11% to 25% racial diversity on their boards.

Three out of the 50 companies impressed us with greater than 25% representation from racial minorities on their boards. On a less positive note, 9 companies out of 50 (18%) had no racial diversity on their board of directors.

Directors



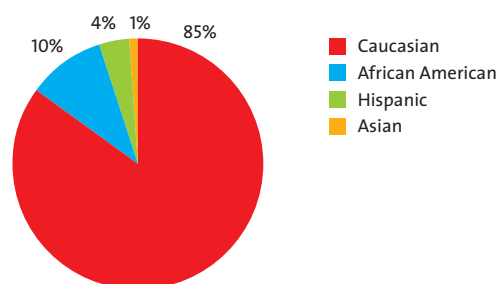
#### Board Diversity - Comparisons to National Statistics

With the exception of the representation of Asian Americans, Chicago slightly trails national statistics when looking at board diversity. We compared local data to the statistics reported by Spencer Stuart in their Board Index for 2011. According to their findings from the S&P 500 sample, while many companies express a desire for the board to reflect diversity, the numbers seem to illustrate otherwise. The proportion of racially diverse directors has scarcely moved in years, while representation among women has inched up. There has been a small uptick in Hispanic/Latino and Asian representation on boards, while the share of African American directors has experienced a small decline.

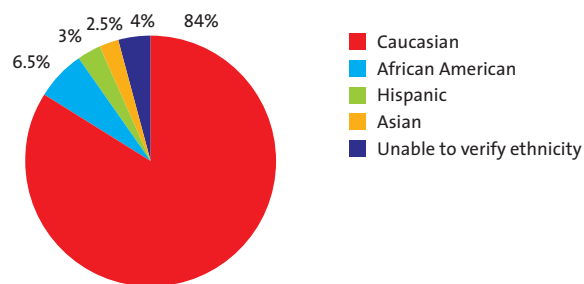
Among the largest 200 of the S&P 500 companies, minorities continue to account for 15% of all directors. Eighty-eight percent (88%) of these boards have at least one minority director, the same as five years ago. While there has been a small decline in the share of African American directors, more boards have added Hispanic/Latino and Asian directors.

- Almost 10% of directors are African American, and 78% of boards have at least one African American director, down 2 percentage points since 2006.
- While just over 4% of directors are Hispanic/Latino, 45% of boards now have at least one Hispanic/Latino director, up from 35% in 2006.
- Only 1% of directors are Asian, but 16% of boards now have one or more Asian directors, up from 7% in 2006.

**Minorities as % of Directors at Top 200 S&P Companies**



**Directors at Top 50 Chicago Companies**



Source: 2012 Board Index, Spencer Stuart

### Where are Directors Being Sourced?

Within its 2011 Board Index, Spencer Stuart indicates that most of the new minority directors this year come from financial services (20%) and academic/nonprofit backgrounds (18%).

Spencer Stuart's analysis of the functional backgrounds of new, independent minority directors suggests that boards are more open to recruiting non-CEO executives in these cases. Twenty percent (20%) of new minority directors are division or subsidiary presidents or general managers, versus only twelve percent for incoming non-minorities.

### Minority-Led Companies and Their Boards of the Top 200 S&P Companies

Company	CEO	Total Directors	Minority Directors	Minority Directors as % of total
American Express Company	Kenneth I. Chennault	13	3	23%
Avon Products	Andrea Jung	10	3	30%
Express Scripts	George Paz	10	2	20%
Merck & Co.	Kenneth C. Frazier	18	3	17%
Xerox Corporation	Ursela M. Burns	10	2	20%
<b>Average % of minority directors for companies with minority CEOs*</b>				<b>21%</b>
<b>Average % of minority directors for companies with nonminority CEOs</b>				<b>15%</b>

\*Excluding the CEO, the average is 14%

Source: Spencer Stuart U.S. Board Index 2011

Note: A change of CEOs took place at McDonalds on July 1, 2012, after the development of this chart.

Another clarifying finding from Spencer Stuart's research was that minority-led companies are only slightly more diverse than others.

- Only five of the top 200 S&P companies are led by African Americans, Hispanics, or Asians.
- In these 5 companies, 21% of all directors are minorities. However, minority representation drops to 14% when the CEO is excluded. Among the top 200 companies with a nonminority CEO, minority directors represent 15% of the board.

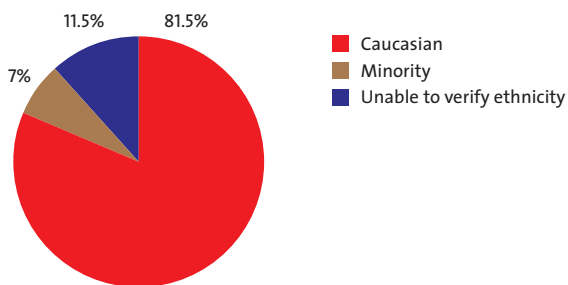
## The Chicago 50 – Executives

### C-Suite

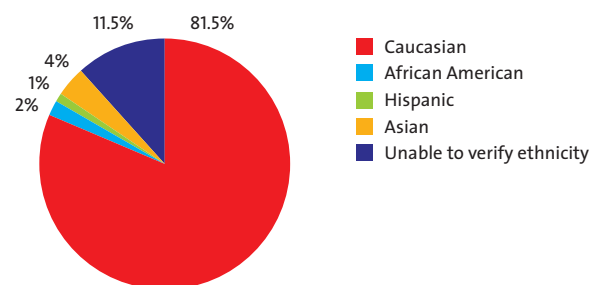
There were 180 incumbents in our data set for C-suite level executive positions. Minority groups comprise 7% of the positions in the top 50 Chicago Companies. Asian Americans are the most represented minority group at 4%, followed by African Americans at 2% and Hispanics at 1%. We were unable to verify the ethnic identity of 11.5 % of the data set.

C-Suite Executives	African American	Asian	Caucasian	Hispanic	Unable to verify ethnicity	Grand Total
Minority	3	7	0	2	0	12
Non-Minority	0	0	147	0	0	147
Unable to determine	0	0	0	0	21	21
						<b>180</b>

C-Suite Executives



C-Suite Executives

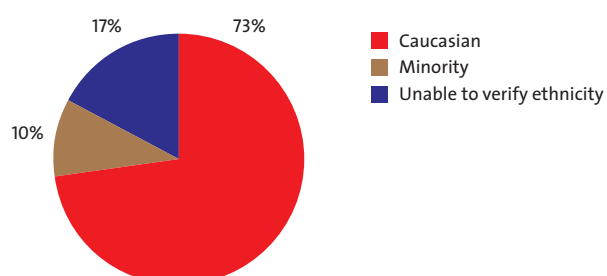


### All Executives

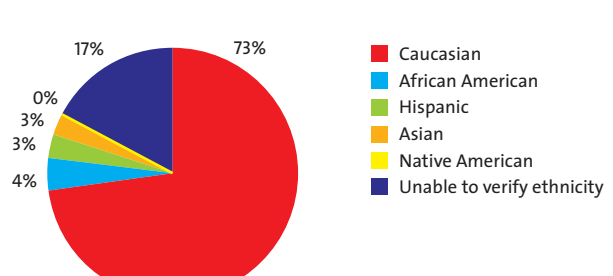
The total number of executives in our database was slightly less than the total number of directors (535 as compared to 567). This total of 535 includes the 180 C-suite executives described in the section above along with several other titles that range from vice president to senior vice president. Ten percent (10%) of executive positions were held by racial minorities. Following the same pattern as directors, African Americans had the largest representation at 4%. Both Hispanics and Asians were close behind at 3% each. The executive category, however, had the largest percentage of individuals for whom ethnicity could not be determined from published data (at 17%).

All Executives	African American	Asian	Caucasian	Hispanic	Native American	Unable to verify ethnicity	Grand Total
Minority	23	15	0	16	1	0	55
Non-Minority	0	0	391	0	0	0	391
Unable to determine	0	0	0	0	0	89	89
							<b>535</b>

Executives

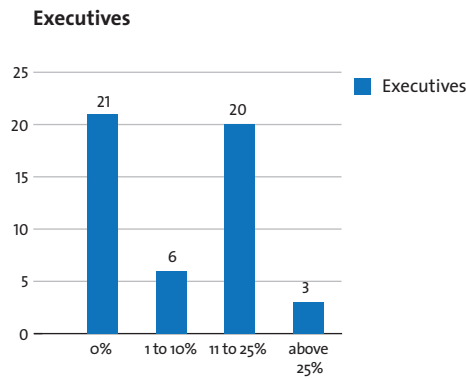


Executives



The distribution across the top 50 Chicago companies was again a bi-modal distribution. An alarming 22 companies out of 50 (or 44%) had no racial diversity within their executive ranks. Twenty-one (21) companies had between 11-25% minority executives.

Three (3) companies out of 50 had greater than 25% representation from racial minorities within their executive ranks.



There were six companies out of the top 50 Chicago revenue generators that had no racial diversity among both directors and executive team members

#### *Executive Diversity - Comparisons to National Statistics*

There is a surprising lack of data measuring racial diversity in the executive ranks at a national level. In our search for published statistics, we found that there was either inconsistent data or incomplete data for the private sector. Statistical data appear to be more prevalent for women than for racial minorities. Anecdotal information (e.g., from articles, conferences, etc.) suggests that many companies are hesitant to disclose EEO-1 data or participate in surveys which solicit demographic information.

The most recent study that did yield statistics was the groundbreaking research published in 2010 by U.S. Senator Robert Menendez (D-NJ), chairman of the Senate Democratic Task Force. He unveiled the results of his survey on women and minority representation among the senior management of Fortune 500 companies. Menendez was able to gather input from 219 corporations on the Fortune 500 list and 71 on the Fortune 100 list. The key findings from this research include:

- Racial minorities overall have less representation on executive teams than they do on corporate boards, representing 10.44% of executive managers, compared to 14.45% of directors
- African Americans had the greatest decline in representation from boards to executive management teams – 8.77% to 4.23%.
- Hispanics are also less represented on executive teams versus corporate boards at 2.90% versus 3.28%
- Asians and Native Americans do slightly better on executive teams versus boards moving from 1.99% to 2.55% and from .04% to .25% respectively.

The data from companies on the Fortune 500 and 100 lists are in many ways comparable to the data for the top 50 Chicago Companies. Both indicated less diversity in the executive ranks (than on boards) with similar levels of representation by demographic group.

#### **Minority Representation in Executive Management**

	Top 50 Chicago Companies	Fortune 500 and 100 Companies
Total Minority	10%	10.44%
African American	4%	4.23%
Asian	3%	2.55%
Hispanic	3%	2.9%
Native American	.19%	.25%



### The Top Five Chicago Companies for Diverse Representation

Five (5) companies stand out as leaders among the top 50 Chicago headquartered companies with respect to racial diversity on both their boards and in the leadership ranks. Only companies that had 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 presented as represented in *Crain's Chicago Business*.

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

As mentioned earlier in our report, 2012 is a baseline year for utilizing published statistics to define racial diversity in leadership. We will continue to build on the data we have established and report on local trends in our subsequent CDP reports.

## The Demand for Talent

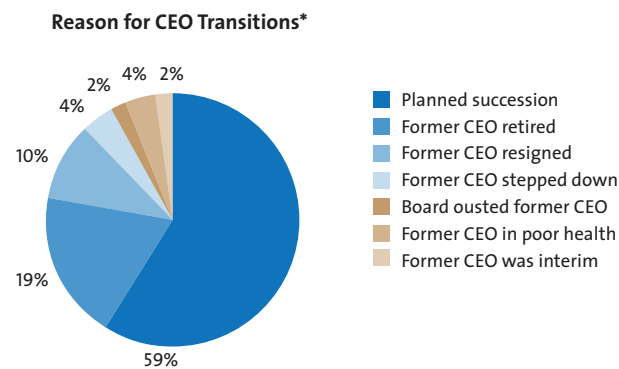
A number of factors contribute to the opportunity for minorities to move through the pipeline and into senior level openings. One apparent factor is CEO retirement which enabled Don Thompson of McDonald's to step into Jim Skinner's former role as CEO. We look more closely at CEO turnover below and discuss some of the growing industry sectors in the Chicago area that will create opportunities to diversify the talent pipeline.

### CEO Turnover and Succession Planning

Attrition in the senior ranks provides potential opportunities to increase racial diversity. In Spencer Stuart's analysis of 2011 CEO turnover, 49 of the S&P 500 companies appointed a new CEO. This was less than 10 percent of the 518 companies that were listed on the S&P 500 for part or all of the calendar year. This number excluded interim CEOs. The number of transitions was reported to be up from 43 in 2010, marking the first increase in the number of new CEO appointments since 2005.

#### Why do CEOs Leave?

Planned succession was the most frequent reason given for CEO transitions, representing more than half of the transitions taking place in 2011. The next most common reason (CEO retirement) accounted for less than a fifth of transfers of leadership.



\*As specifically stated in company press releases.

Source: Spencer Stuart Board Index 2011

### Age of Outgoing CEOs

Spencer Stuart reports that the average age of the outgoing CEO was 60, while the average incoming CEO was age 52. These averages have remained consistent in recent years.

### Succession Planning

The percentage of CEO successors who were promoted from within the company has remained at roughly the same level over the past five years. In 2011, 78 percent of newly appointed CEOs were internal placements, a negligible decrease from 80% five years ago.

Evidence indicates that internal and external CEO candidates perform about the same overall and that selection varies significantly depending on the company's health and competitive position at the time of succession.

In the 2011 Board Index, Spencer Stuart indicated that 67% of survey respondents reported having succession plans both for emergency situations and long-term transitions. The balance shows that 16% have only emergency plans, 9% have only long-term plans, and 8% admit they have neither.

Another interesting finding from the survey was that more than half of the survey respondents (58%) reported that their boards do not have a written description of the skills and experience required for their next CEO.

Several published leadership competency models, some with a focus on CEOs, are available in the marketplace.

For example, in a study conducted by Russell Reynolds titled, *Making It to the Top: Nine Attributes That Differentiate CEOs*, the following competencies were identified through review of numerous assessment tools and associated with success differentiation for CEOs.

CEOs differ most from non-CEOs in terms of the following:

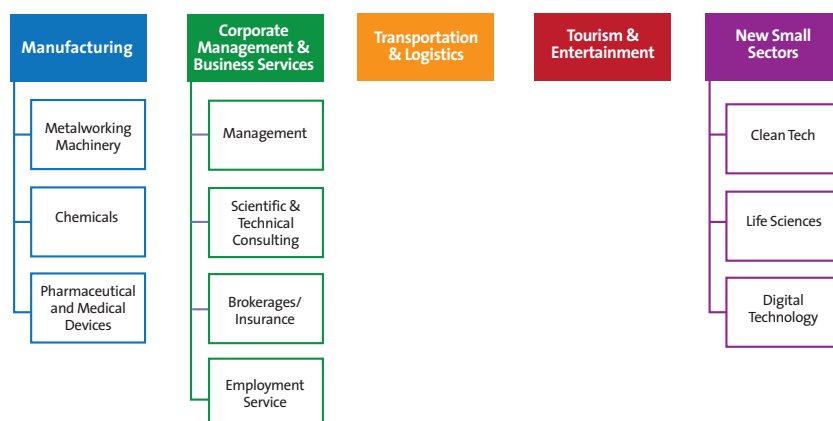
Category	Attribute	CEO Differentiator
<b>Forward Thinking</b>	Forward Thinking	Plans ahead and is prepared for the future
<b>Intrepid</b>	Calculated Risk-Taking	Is comfortable taking calculated <b>but</b> not careless risks
	Biased Toward (Thoughtful) Action	Is biased toward execution <b>but</b> not too impulsive
	Optimistic	Actively and optimistically pursues new opportunities
	Constructively Tough-Minded	Is thick-skinned and perseverant <b>but</b> not insensitive
<b>Team Building</b>	Efficient Reader of People	Seeks to understand different perspectives <b>but</b> does not overanalyze
	Measured Emotion	Displays intensity/emotion <b>but</b> maintains control
	Pragmatically Inclusive	Involves others in decisions <b>but</b> also is an independent decision maker
	Willingness to Trust	Is comfortable with a variety of people <b>but</b> is not too trusting

It can be noted that these descriptions are not entirely behavioral and may leave some room for interpretation. This is an area of concern when evaluating candidates of color, as beliefs about style and fit may often cause the selection panel to overlook true ability and competence.

## Local Opportunity Areas

Along with executive attrition, another pathway for increasing racial diversity within the talent pipeline is economic growth. The Chicago area is home to many industry sectors and continues to attract corporations to the area. According to the February 2012 report titled, "A Plan for Economic Growth and Jobs" by World Business Chicago, the Chicago region's industrial base is exceptionally diverse, with no single sector comprising more than 13% of total employment. Metropolitan Chicago's largest and strongest sectors (those with high specialization and greater than \$10 billion in gross regional product (GRP) comprise 66% of the region's total 2010 output.

Specific industry sectors and subsectors that play a prominent role or are projected to experience growth include:



## The Supply of Racially Diverse Talent for Top Executive and Managerial Positions

### Chicago Outlook

Within the World Business Chicago report, Chicago is described as being the third-largest labor market in the U.S. with more than 4 million workers. Its educational levels are greater than the U.S. average (34% of the population holds a bachelor's degree or above, compared with 28% of the U.S. population), and it is home to top undergraduate and graduate institutions, including 2 of the top 5 business schools in the nation.

According to this report, the restructuring of Chicago's economy toward new industries creates challenges for workers who have lost jobs and may not have the skills necessary for available new jobs. This shift has led to more than 400,000 unemployed in the Chicago metro area despite 215,000 job openings. This has created the following challenges:

- In the metro area, excess demand exists in the management/business/financial sector and construction. The specific occupations in highest demand are in the computer and mathematical category in areas such as systems analysis, web development, and database management.
- New job categories and skill requirements are emerging with increasing speed, making continuous learning and upgrading, particularly of more specific skill sets, more important.
- Future trends also indicate that demand for high-skilled workers will increase, particularly in a specific subset of fields. Currently, demand exceeds supply in select parts of finance, advanced manufacturing, and information technology.
- As Chicago's workforce shrinks, ages, and continues to diversify ethnically, the under-utilization of certain human capital segments will be more keenly felt throughout the economy.

These findings will impact talent acquisition and development strategies. Enterprises will face challenges finding employees who have the needed skill sets and experience to ensure their organizations stay competitive. More resources will be needed to equip the current workforce and create the requisite skills in the workforce of the future. At the individual level, current professionals may need to reengineer themselves to meet the changing needs of industry in the Chicago market. This may involve returning to school, obtaining advanced degrees, and switching career lanes. The next section drills down into the discussion of supply from both a national and local perspective and identifies where there are demographic differences in educational preparedness.

### Educational Preparedness and Occupational Requirements

The industry shifts within the Chicago area will provide sourcing challenges for all employees. Will this be exacerbated as organizations build upon their efforts to create a diverse pipeline? The Federal Reserve Bank of Chicago supported Chicago United in the examination of educational preparedness across various demographic groups and the identification of implications for increasing diversity within leadership. This section looks at this challenge from a long-term perspective, recognizing the critical role that educational training plays.

Diversity officers note that along with developing and promoting from within, companies will need to expand their recruitment efforts in order to build a diverse pipeline.

In evaluating the supply of diverse talent, it might be a useful exercise for companies to ascertain if there is a gap between occupational educational requirements and the degrees that students of diverse ethnic/racial backgrounds are earning. They might then preemptively

develop creative solutions. For example, they may wish to cultivate relationships with universities that enroll larger numbers of minorities and other diverse students, along with professional organizations that focus on diversity.

The analysis in this section is offered to inform our readers about the supply of diverse talent and the opportunities to increase diversity at the executive and managerial level. The following questions are addressed:

- What is the representation of minorities in MBA programs and in what major areas are students of diverse ethnic/racial backgrounds obtaining advanced or relevant degrees?
- Is there a potential mismatch between the educational requirements of executive and managerial occupations and the educational choices of students in diverse ethnic/racial groups?
- Is there a difference in the managerial career trajectory of multiracial associates?

## The Supply of MBAs

*The newest entering MBA class varies across racial/ethnic groups. Asians tend to have the highest representation of minorities in top-rated MBA programs.*

Enrollment in many MBA programs has experienced a decrease in recent years. As a result, there have been questions and different arguments regarding the value of returning to an MBA program. Even so, by several indications, an MBA remains an important aspect of the profile of executive professionals. While such a degree is not universal among executives, the majority of senior executives in Fortune 500 companies do hold an MBA according to a 2012 article in usnews.com. Many companies also reimburse employees who obtain MBA degrees or pay for employees to attend Executive MBA programs.

Using school level data compiled by Bloomberg Business Week, this section assesses the state of diversity of MBA programs by school tier rating. The first column indicates the ranking of the MBA program by Bloomberg. An NR in that column indicates that the program was not rated. To make this information more useful, the chart on the next page has been sorted by the percentage of diversity in the school's most recent entering class. Only schools that reflected 15% diversity or higher are included. As companies look into the next wave of MBA recruitment efforts, this could serve as a useful list to draw from in identifying diverse talent pools. It also includes schools that are close to the Chicago area.

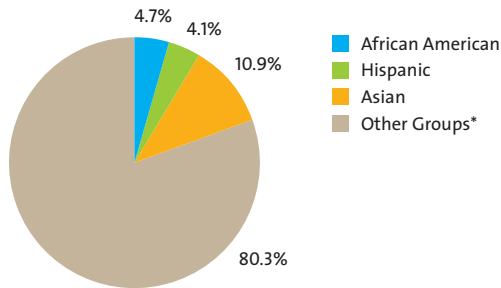
# Representation of Minorities Entering U.S. Business School Programs in 2011

Rank	School Name	Location	Total MBA	Total Minority	Percent of Minority
NR	Embry-Riddle Aeronautical University	Florida	130	78	60.2
NR	Hofstra University	New York	986	527	53.4
NR	Temple University	Pennsylvania	508	264	52
56	Northeastern University	Massachusetts	587	287	48.8
NR	California State University, Long Beach	California	320	149	46.7
NR	Belmont University	Tennessee	169	77	45.8
47	College of William & Mary	Virginia	442	195	44.2
NR	San Jose State University	NA	558	246	44.1
NR	Fairleigh Dickinson University	New Jersey	500	218	43.6
NR	University of South Carolina	South Carolina	608	262	43.2
NR	Clarkson University	New York	88	35	39.5
NR	Baylor University	Texas	196	77	39.4
NR	Portland State University	Oregon	218	86	39.2
5	Stanford University	California	870	326	37.5
4	Northwestern University	Illinois	2,465	878	35.6
NR	Bowling Green State University	Ohio	208	69	33
NR	University of Texas, San Antonio	Texas	311	97	31.3
NR	Michigan Technological University	Michigan	46	14	31
10	Massachusetts Institute of Technology	Massachusetts	1026	308	30
NR	Florida State University	Florida	340	100	29.3
3	University of Pennsylvania	Pennsylvania	2,124	618	29.1
NR	Syracuse University	New York	99	27	27.2
7	University of Michigan, Ann Arbor	Michigan	1,607	461	28.7
51	Case Western Reserve University	Ohio	410	113	27.5
NR	University of Vermont	Vermont	56	15	27.4
NR	Binghamton University	New York	94	25	26.2
NR	Lehigh University	Pennsylvania	253	64	25.4
NR	Texas Christian University	Texas	277	69	25
NR	University of Illinois - Chicago	Illinois	87	22	25
NR	Pace University	New York	645	156	24.2
NR	University of North Carolina, Wilmington	North Carolina	103	22	21.4
NR	University of Miami	Florida	502	106	21.1
NR	University of New Hampshire	New Hampshire	207	44	21
NR	University of Tulsa	Oklahoma	82	17	21
40	Washington University, St. Louis	Missouri	837	175	20.9
NR	St. John's University	New York	411	85	20.6
NR	Kent State University	Ohio	268	55	20.5
NR	Southern Utah University	Utah	48	10	20.4
53	Howard University	District of Columbia	99	20	20.2
NR	Virginia Polytechnic Institute & State University	Virginia	279	56	20.1
14	Dartmouth College	New Hampshire	548	110	20
NR	University of Portland	Oregon	140	28	19.9
1	University of Chicago	Illinois	3,216	617	19.2
NR	DePaul University	Illinois	558	106	19.1
2	Harvard University	Massachusetts	1,802	342	19
NR	Clark University	Massachusetts	234	45	19
54	University of Pittsburgh	Pennsylvania	828	156	18.9
28	University of Minnesota	Minnesota	1,721	319	18.6
NR	University of New Mexico	New Mexico	579	103	17.7
NR	Claremont Graduate University	California	221	38	17.1
43	University of Rochester	New York	526	87	16.5
NR	Radford University	Virginia	97	16	16.3
NR	University of Tennessee	Tennessee	389	63	16.2
50	Boston College	Massachusetts	635	101	15.9
NR	West Virginia University	West Virginia	182	28	15.3
21	Yale University	Connecticut	508	76	15
<b>Total</b>			<b>31,248</b>	<b>8,689</b>	<b>28.32</b>
					<b>28%</b>

Note: Minority here includes only African Americans, Hispanics and Asians. Universities with missing information are not listed.  
Source: 2011 MBA program rankings and demographics obtained from Bloomberg Business Week Magazine on-line

The number of students of different ethnic/racial backgrounds who identified themselves as African American, Hispanic, or Asian is 17,000 in the 2011 entering MBA class, which represented 20% of the 89,000 total enrollees for schools reporting this information in the Bloomberg data. The newest entering MBA class varied within the racial/ethnic groups. As the chart below shows, Asians have the highest relative representation of the three minority groups listed in top-rated MBA programs. They also tend to be more highly concentrated in the top first and second tier MBA programs.

#### Newest Entrants to MBA Schools

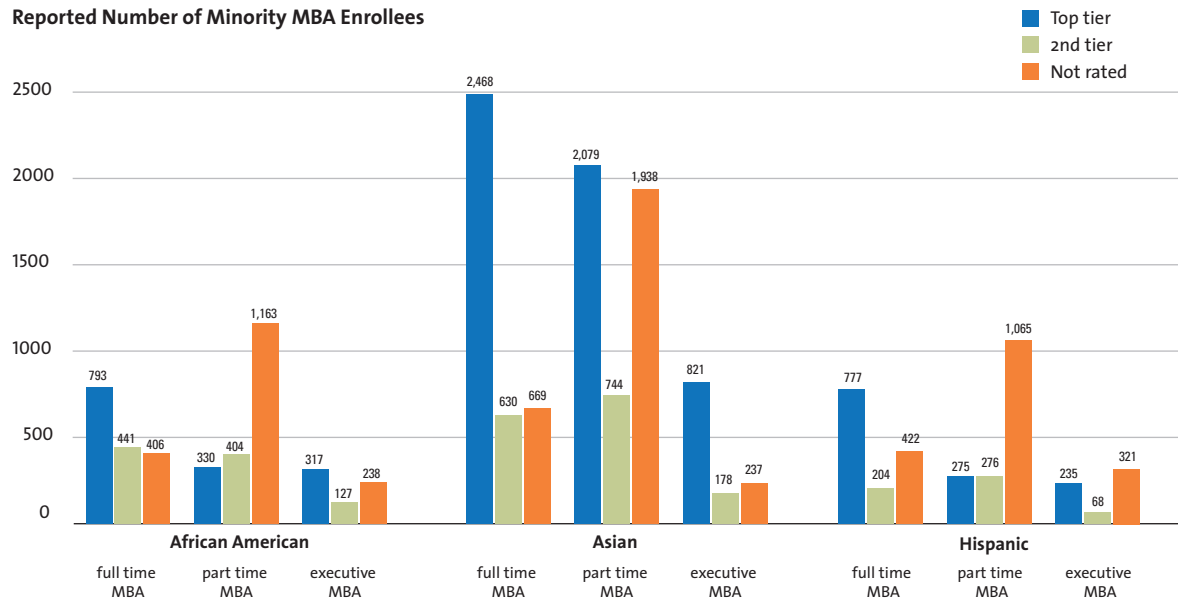


\*\*"Other Groups" includes Caucasian, other diverse groups (including multiracial individuals, and Native Americans) and those who did not report their ethnicity.

Source: Calculations based on 2011 Bloomberg Business Week Data

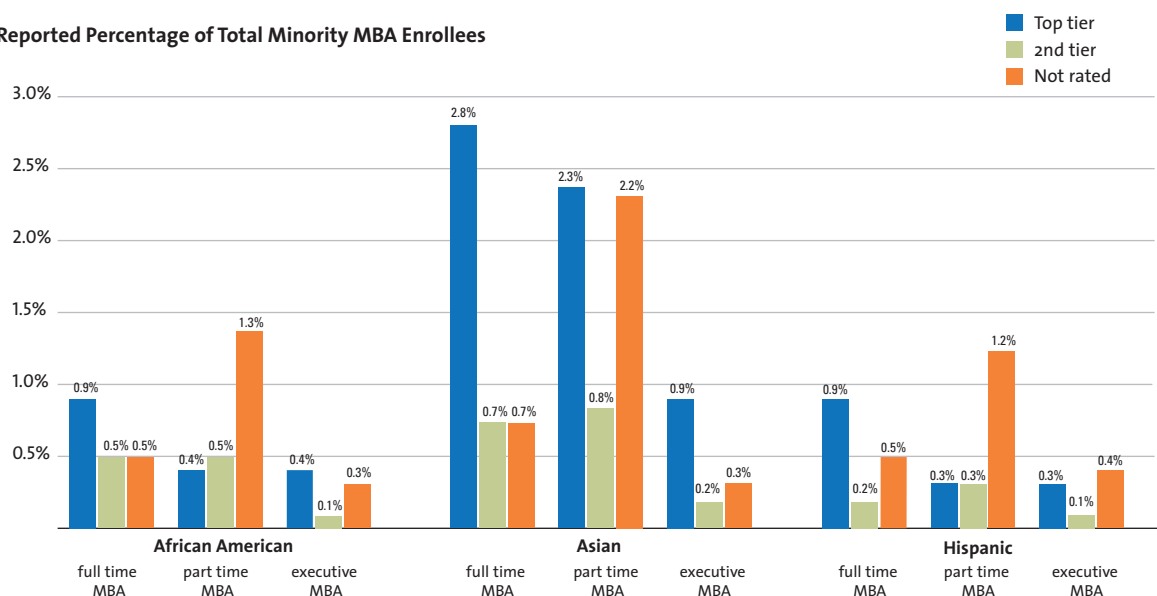
#### Minority Composition of Latest Entering Class in Full-Time, Part-Time, and Executive MBA Programs by School Tier Rating

##### Reported Number of Minority MBA Enrollees



Source: Calculations based on 2011 Bloomberg Business Week Data

Reported Percentage of Total Minority MBA Enrollees



Source: Calculations based on 2011 Bloomberg Business Week Data

## Educational Profile and Career Choices of Ethnically/Racially Diverse Students

*The examination of racial/ethnic differences in college majors does not suggest that minority groups are choosing majors that should drive them away from a career in executive or managerial jobs. All else being equal, one would expect the racial/ethnic distribution of associates across job categories to be roughly similar.*

From a talent supply perspective, it is useful to understand the degree to which differences in representation of racial/ethnic groups in executive and management jobs might or might not be accounted for by differences in available human capital. To do so, we reviewed the scope of the baccalaureate degrees obtained and made comparisons across demographic groups. Although people do not always pursue work in their major field of study, it is a strong indicator of career preference. We compared the college majors of different ethnic/racial groups among the 2007-08 graduating seniors in the United States, the latest class for whom we have data from the National Center for Education Statistics of the U.S. Department of Education.

The chart below shows the distribution of major fields of study for African Americans, Asians, Hispanics, and Caucasians, and the computed differences. All four groups have nearly identical distribution of college majors, as the differences are less than 1 percentage point for more than half of the 34 majors listed. Yet, there is still some interesting divergence worth noting. African Americans are more likely than Caucasians to choose majors in computer and information science, business, public administration, and human services, and health care. These are some of the majors that tend to be generally valued in management and executive occupations. Hispanics are more likely than Caucasians to choose majors in social sciences, psychology, military technology, and public administration and human services. Asians are more likely to choose majors in computer and information sciences, engineering, biological and physical sciences, and science technology, as well as social sciences. These are degrees that lend themselves to professional jobs, which may or may not be in management.

The examination of racial/ethnic differences in college majors does not suggest that minority groups are choosing majors that should drive them away from a career in executive or managerial types of jobs. All else being equal, one would expect the racial/ethnic distribution of employment across job categories to be roughly similar.



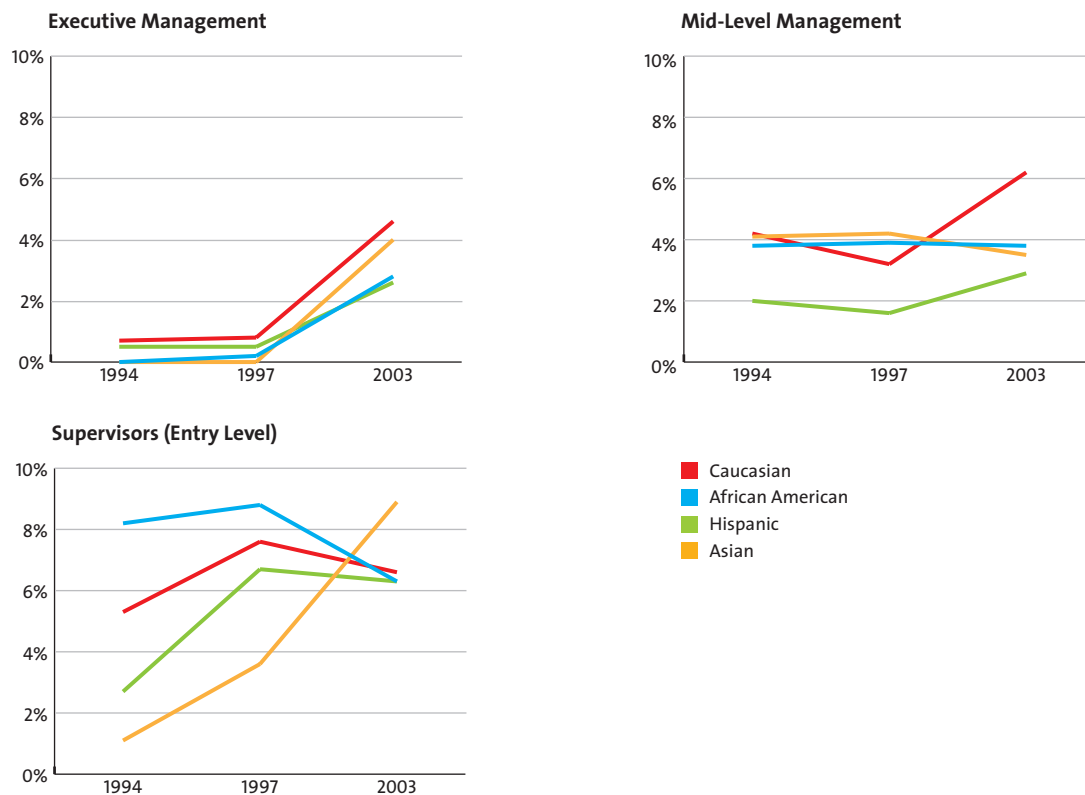
**Bachelor Degrees Obtained in Major Field of Study within Demographic Groups, 2008**

	Caucasian	African American	Hispanic	Asian	African American-Caucasian	Hispanic-Caucasian	Asian-Caucasian
	%	%	%	%	Percentage-point differences		
Computer and information sciences	2.4	5	3.3	5	2.6	0.9	2.6
Engineering and engineering technology	6	5.2	5	13.5	-0.8	-1	7.5
Biological or physical science, science technology	5.1	3.7	3.6	11.2	-1.4	-1.5	6.1
Mathematics	1.1	0.9	0.8	1.6	-0.2	-0.3	0.5
Agriculture and natural resources	1.4	0.5	0.5	0.2	-0.9	-0.9	-1.2
General studies and other	3	2.7	2.9	2.7	-0.3	-0.1	-0.3
Social sciences	7.6	6.3	9.1	13	-1.3	1.5	5.4
Psychology	6.6	7.5	9.7	5.7	0.9	3.1	-0.9
Humanities	10.4	3.7	10.1	5.9	-6.7	-0.3	-4.5
History	2.3	1	2.4	1.6	-1.3	0.1	-0.7
Personal and consumer services	1	1.3	0.7	0.4	0.3	-0.3	-0.6
Manufacturing/construction/repair/transportation	0.5	0	0.4	0.2	-0.5	-0.1	-0.3
Military technology and protective services	2.4	3.3	4.9	0.2	0.9	2.5	-2.2
Health care fields	7.7	9.5	5.9	6.8	1.8	-1.8	-0.9
Business	22.2	33.2	22.7	21	11	0.5	-1.2
Education	9.6	4.8	6.1	2.7	-4.8	-3.5	-6.9
Architecture	0.6	0.3	0.5	0.7	-0.3	-0.1	0.1
Communications	5.3	5.1	4.7	2.8	-0.2	-0.6	-2.5
Public administration and human services	2	4	4.1	1	2	2.1	-1
Design and applied arts	1.9	1.1	1.6	3.5	-0.8	-0.3	1.6
Law and legal studies	0.5	0.8	0.9	0.1	0.3	0.4	-0.4
Library sciences	0	0	0	0	0	0	0
Theology and religious vocations	0.4	0.1	0.1	0.2	-0.3	-0.3	-0.2
Total	100	100	100	100			

Source: Analysis of U.S. Department of Education, National Center for Education Statistics, '09 Baccalaureate and Beyond Longitudinal Study.

## Determinants of Executive/Managerial Trajectory

The National Center for Education Statistics of the U.S. Department of Education provides a longitudinal survey of a nationally representative sample of postsecondary graduates, and it follows up with them at intervals of one, four, and ten years after graduation. This survey is used to evaluate the executive, managerial and supervisory trajectory of ethnically diverse students, after they have been in the workplace for 10 years. The average sample size across the ten year study is 1,090. There is minimal fluctuation in the total sample size due to attrition. Of this total, the majority of the sample consists of Caucasians at 83.5 %. African Americans and Hispanics make up 5.8% and 5% of the sample, respectively. Asians and Native Americans make up 4.5% and .05% of the sample, respectively.



Source: National Center for Education: Baccalaureate and Beyond Longitudinal Study 1993/2003 Data Analysis System (DAS) On-line

The charts above depict the managerial career trajectories of various ethnic/racial groups over the 10 year period of the study. (Native Americans were not included on the charts given their small sample size in this study.) The results show that at the supervisory level, there is some mobility for minorities during the early stages of their careers. This tapers off as they, most probably, move to mid-level management positions. The results for mid-level management show that, as a group, African Americans and Asians have very little mobility. There is some level of mobility in executive management, but minorities remain behind Caucasians as a group in attaining executive management positions 10 years after graduation. The observed increases or decreases from each time period must be interpreted with caution particularly for minority groups, given the smaller sample sizes.

We proceeded to test whether these racial/ethnic differences are statistically significant, once we account for differences in key characteristics (i.e., age at which the degree was obtained, grade point average, selectivity of university attended, and percent minority enrollment in university attended). This analysis confirms that statistically significant results persist by race, even after controlling for differences in the characteristics mentioned above. Specifically, African Americans are less likely to be in management positions 10 years after graduation. While the other minority groups were also found less likely to be in those positions, the differences were not statistically significant.

## Summary

Overall, the findings of the analysis of the supply should be of interest to organizations seeking to understand the availability of diverse talent for filling the pipeline.

Our findings suggest that while the presence of specific minority groups is minimal in MBA programs at top tier schools, ethnically diverse students are highly represented in a vast array of universities throughout the country. This suggests that companies have a wide horizon of choices in recruiting talent.

Additionally, based on educational/major choices, there is not likely to be an inherent mismatch in the educational requirements of occupations in demand and the supply of diverse talent. This provides an opportunity to draw from these pools to increase diversity at the higher executive positions across various industry sectors and, ultimately, the boardroom level.

Finally, in analyzing longitudinal survey data from the Department of Education, we were able to identify the differences in managerial career trajectory by race and to assess whether ethnic/racial differences still persist once one controls for a number of other characteristics. The fact that differences in trajectory are not accounted for by differences in educational background or academic ability suggests that there are opportunities for companies to identify and minimize artificial barriers that may limit mobility for managers of color.

## TOOLKIT

### Overview

The toolkit is a new addition to the *Corporate Diversity Profile* (CDP) this year. It 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 a framework 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

#### How to Use This Toolkit

Although this Toolkit was developed specifically for Chicago United member corporations, we are sharing the full first section, Talent Acquisition, 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 some context setting 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.

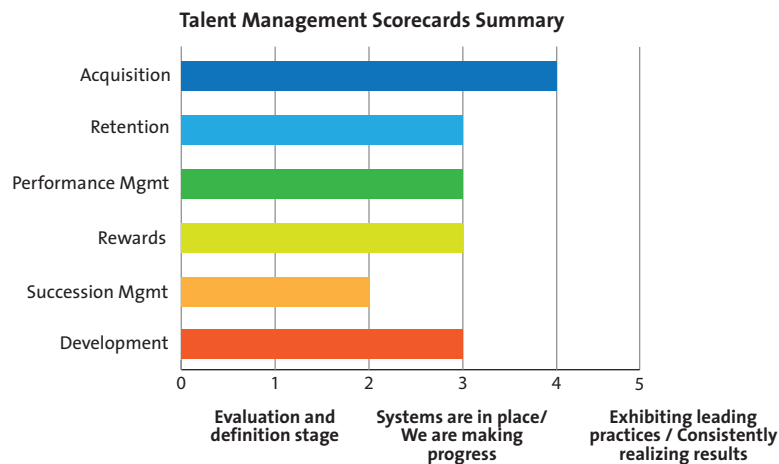
### Talent Acquisition Scorecard Example

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	→	SCORE
	Have not addressed this area	Evaluation and definition phase		Systems are in place/ We are making progress		Exhibiting leading practices/ Consistently realizing results		
		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 on-line tool kit available to members of Chicago United. This will help to identify strengths as well as future focus areas that provide the greatest opportunity.



### *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	SCORE
Have not addressed this area	Evaluation and definition phase		Systems are in place/ We are making progress		Exhibiting leading practices/ Consistently realizing results	
	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 reasons underlying it.

- 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	SCORE
Have not addressed this area	Evaluation and definition phase		Systems are in place/ We are making progress		Exhibiting leading practices/ Consistently realizing results	
	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 on when 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	SCORE
Have not addressed this area	Evaluation and definition phase		Systems are in place/ We are making progress		Exhibiting leading practices/ Consistently realizing results	
	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 – those 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	SCORE
Have not addressed this area	Evaluation and definition phase		Systems are in place/ We are making progress		Exhibiting leading practices/ Consistently realizing results	
	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 databases 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	SCORE
Have not addressed this area	Evaluation and definition phase		Systems are in place/ We are making progress		Exhibiting leading practices/ Consistently realizing results	
	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.	



#### **BENEFITS OF MEMBERSHIP**

Chicago United member companies receive access to a web-based application where the complete Corporate Diversity Profile 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 Corporate Diversity Profile Toolkit, please visit [www.chicago-united.org](http://www.chicago-united.org) or call 312.977.3060.



## ABOUT CHICAGO UNITED

Chicago United promotes multiracial leadership in business to advance parity in economic opportunity.

Chicago United supports the business community's need to maximize the use of corporate and entrepreneurial talent and brings together diverse senior business leaders to break through barriers to realize the benefits of diversity and inclusion.

Chicago United is the premiere organization creating an environment where racially diverse CEOs and executive level management can share common experiences to promote multiracial leadership in governance, management, and business partnerships while delivering best practices for diversity practitioners and building relationships among leaders who share common values.



Closing the gap between race and business.®



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