2014 CHICAGO UNITED

CORPORATE DIVERSITY PROFILE

A STUDY OF CORPORATE DIVERSITY IN THE CHICAGO METROPOLITAN AREA

The most complete review of racial diversity in the leadership ranks, on corporate boards, and in executive level management at Chicago's large corporations, *including recommendations for action.*

Supported by:

EY
Building a better working world

FEDERAL RESERVE BANK
OF CHICAGO

Chicago United

LETTER FROM THE PRESIDENT AND CEO

Commitment at the top is the biggest differentiator among organizations who have had marked success in cultivating diverse and inclusive organizations.

As we present the *2014 Corporate Diversity Profile*, the most complete review of racial diversity in the leadership ranks, on corporate boards, and in executive level management at Chicago's large corporations, we do so with tremendous optimism.

This report serves as a benchmark for corporations to measure their progress, provides tools that allow opportunities to be identified, and offers recommendations for action towards increasing multiracial representation in leadership ranks. All top 50 Chicago-based public companies should aspire to have some diversity on their boards of directors and in their executive ranks and, for those already making strides, 25 percent diversity should be considered as an attainable goal.

The inaugural *Corporate Diversity Profile* report, published in 2001, was followed by the 2nd edition in 2002. Given the considerably slow rate of change in racial diversity in corporate leadership ranks, Chicago United transitioned to producing it on a biennial basis, making this our eighth edition.

Through the generous contributions of Ernst & Young LLP we measure the inclusion of people of color in the senior level ranks of Chicago-based corporations.

The Federal Reserve Bank of Chicago contributed a statistical analysis of the contours of employment in the U.S. and Chicago. They also considered the changing workforce demographics and the rate of change in representation of people of color in the leadership ranks of Chicago's corporations. Their contributions provide us with an update on the pace of progress and, if the pace of progress remained the same, how long it will take to reach parity.

The data indicates that we are not fully leveraging a critical asset...talent.

What would our organizations be like if more employees, from all backgrounds, were high performers? The answer is clear. Positive organizational outcomes can only be enhanced with a higher performing employee base.

We hear from five top executives who discuss different ways that cultivating a culture of inclusion has affected their business.

Determined to present relevant challenges and techniques for addressing them, we leveraged a critical asset of Chicago United, a Task Force of seasoned professionals leading diversity and inclusion efforts at some of Chicago's leading corporations. We developed the Toolkit presented within the *Corporate Diversity Profile* to help our members recognize opportunities to identify their strengths and provide insights into improvements which will support their inclusion ambitions. The Toolkit enables leaders to assess culture and implement culture change efforts that will engage leaders, build traction, and sustain progress.

Together, we considered the business case, which presents a set of organizational outcomes where diversity makes positive contributions, consistent with business objectives such as revenue growth, reduced rates of turnover, increased employee motivation and job satisfaction, and innovation. The time you invest considering the state of diversity in Chicago's corporations, learning from the leaders we interviewed, conducting assessments, and continuing to strengthen your inclusion practices is sure to pay dividends.

Chicago United owes a debt of gratitude to the individuals and institutions that provided the resources to produce this publication. Through this primary research we present the facts, articulate the challenges, and provide the steps forward.

Respectfully,

Gloria Castillo

Gloria Castillo
Chicago United

Navigating the 2014 Corporate Diversity Profile

Culture in Action

The overarching theme for the *2014 Corporate Diversity Profile* is "Culture in Action." Culture has been repeatedly studied and used as a framework to enhance the understanding of many phenomena in business. This is due in large part to the impactful nature of culture on what groups believe, strive for, and do. Culture, or the norms, values and practices of a specific group, is visible to others in what actions occur...or do not occur. Hence, "Culture in Action" is a relevant framework to utilize in the discussion of diversity within corporations. For example, what is the optimal culture for attracting the best candidates, creating a pipeline of diverse talent and drawing out innovative ideas, services and products that have real value within the diverse communities corporations serve.

Culture, by itself, is an expansive and complex topic around which there is much debate. What is culture, how does it manifest, how do you determine if your culture is working for or against your objectives, and what are leadership's roles in creating or transforming culture? This issue of the *Corporate Diversity Profile* (CDP) will focus on answering these questions and more. We will share compelling examples of how culture in action manifests in Chicago-based corporations. These cases, shared by senior executives, provide insight on the power of organizational culture in producing specific outcomes, such as sponsorship and innovation. They also speak to the importance of leadership's awareness of and involvement in shaping culture.

CEO Leadership and the Culture of Inclusion

Culture does not leave the desk of the CEO. Leading cultural transformation is a pivotal and challenging, yet highly fulfilling role for business leaders. Within the *2014 CDP*, we provide a forum for our executive readers to learn from their peers. Five executives shared their insights on how their approaches to creating a culture of inclusion have successfully tapped into the power of diversity. We have engaged these leaders in a discussion on several unique topics.

CEO as Culture Curator

Robert L. Parkinson, Jr.
Chairman and CEO
Baxter International Inc.

The Two Faces of Sponsorship

Frank Clark
Retired Chairman
and CEO
ComEd

Calvin G. Butler
CEO, Baltimore Gas
and Electric
(an Exelon company)

Aha Moments and Implicit Bias

Rick Fezell
Vice Chairman and
Central Region Managing Partner
Ernst & Young LLP

Creating a Culture of Customer Responsiveness and Innovation

Steve Pemberton
Chief Diversity Officer
Divisional Vice President,
Diversity and Inclusion, Walgreen Co.

Landscape

We provide a complete picture of the status of diversity at the highest echelons of Chicago's corporations. Our focus continues to be on providing statistics on racial diversity on corporate boards and in the executive ranks by capturing data from published sources. You will be able to see how the top 50 public companies in Chicago rank by revenue – as determined by *Crain's Chicago Business* – with respect to board and executive diversity. We also compare local and national statistics.

Trends and Forecasts

The *2014 CDP* will highlight some interesting statistics and future trends that we believe will impact the way we work and that are relevant as we discuss organizational cultures that endure. These "data bytes" will be peppered throughout the report in sections where they can add additional insight.

The Toolkit

Culture is measured through the assumptions, norms, and practices of an organization. The Toolkit is a useful framework to learn, implement, measure and evaluate how culture manifests. Included are insights into leading practices, candid questions for leaders to ask, and a scorecard against which organizations can measure their progress.

First introduced in the *2012 CDP*, we expanded the Toolkit in 2014. A general category titled, "Transforming to a Culture of Inclusion" provides metrics and tools for assessing culture and implementing culture change efforts. We would suggest that leaders look at this section along with each of the six talent management practice areas as they develop questions to ask their staff and design metrics for gauging success:

- Talent Acquisition
- Retention
- Performance Management
- Succession Management
- Recognition and Rewards
- Leadership Development
- Transforming to a Culture of Inclusion

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.

2014 Corporate Diversity Profile Acknowledgements

Chicago United would like to thank the following individuals and organizations for their invaluable support and commitment to the *2014 Corporate Diversity Profile*.

Ernst & Young LLP

Under the guidance of Warren M. Smith, Central Region talent leader, 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 public companies. Smith also served as committee chair of the Corporate Diversity Profile Task Force.

Federal Reserve Bank of Chicago

Dr. Maude Toussaint-Comeau, senior business economist, contributed significant research and meaningful insights on trends that are forecasted to impact the ability to reach parity in the workplace.

Parker Williams Consulting

Dr. Charmon Parker Williams, principal consultant/president, was the primary author for the *2014 CDP*. She conducted qualitative research and executive interviews, and created enhancements to the Toolkit.

CDP Task Force

Several individuals helped to shape the concepts and objectives of the *2014 Corporate Diversity Profile,* providing exceptional guidance and feedback:

- Deborah Baldwin, assistant vice president, Office of Diversity and Inclusion, Federal Reserve Bank of Chicago
- Paula J. Brown, manager, Diversity & Inclusion Community Employment Liaison, Rush University Medical Center
- William H. Dale, Jr., director, Inclusion, Global Inclusion & Community Engagement, McDonald's Corporation
- Melissa B. Donaldson, director, Diversity Networks & Communication, Walgreen Co.
- Michael L. Escobar, chief diversity and organization effectiveness officer, Allstate Insurance Company
- Mark Green, chief diversity officer, AbbVie
- Anuradha Hebbar, divisional vice president, center for diversity and inclusion, Health Care Service Corporation
- Deidra Jenkins, senior vice president, chief diversity & inclusion officer–Americas, Northern Trust Corporation
- Andrew Lee, director, Workforce Diversity and Inclusion, Advocate Health Care
- Charmon Parker Williams, Ph.D., principal consultant/ president, Parker Williams Consulting
- Warren M. Smith, Central Region talent leader, Ernst & Young LLP (Committee Chairman)
- Tyronne Stoudemire, vice president of global diversity & inclusion, Hyatt Hotel Corporation
- Dr. Maude Toussaint-Comeau, senior business economist, Federal Reserve Bank of Chicago
- Terri Woods, director of Human Resources, Greeley & Hansen LLC

Chicago United Staff

Teresa Sarna, director of member engagement, provided ongoing guidance for the report and was the primary editor.

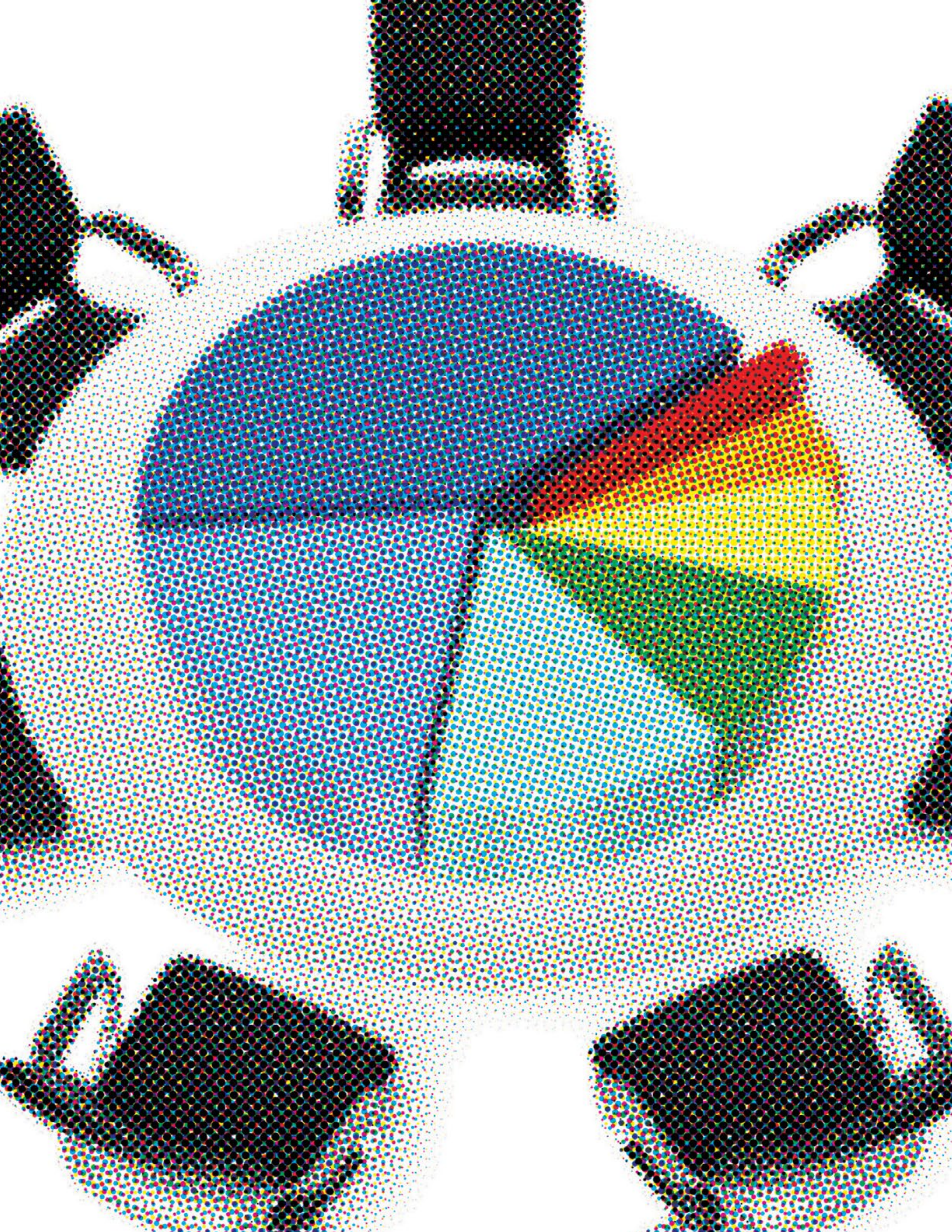


TABLE OF CONTENTS *(click on item to go to the page)*

LANDSCAPE 6
Introduction 6
Methodology 7
Board Diversity 8
C-Suite Diversity. 9
All Executives 9
The Top Five Chicago Companies for Diverse Representation 10
Landscape – Key Findings 11

THE CHANGING LANDSCAPE OF THE WORKFORCE 12
Has the Timeline to Parity Shifted? 12
U.S. Workforce Demographics 12
Chicago Metro Demographics 14
Implications for Employment 15
Laying a Foundation for Change 17

CULTURE IN ACTION 18
The Impact of Culture 18
Culture and the Pipeline of Talent 19
Leadership and Culture 20
Interview with Robert L. Parkinson, Jr., Chairman and CEO, Baxter International Inc. 21
Interview with Rick Fezell, Vice Chairman and Central Region Managing Partner, Ernst & Young LLP 22
How to Identify Your Organization's Culture 23
Conducting a Culture Audit 25
How Organizations Can Transform Their Cultures 27
Interview with Frank Clark, Retired Chairman and CEO of ComEd. 31
Interview with Calvin G. Butler, CEO, Baltimore Gas and Electric (an Exelon company) 33
Interview with Steve Pemberton, Chief Diversity Officer, Walgreens Co. 36
A Culture That Thrives in the Future 36
Understanding the Power of Consumers 38

TOOLKIT 42
Overview 42
Talent Acquisition 45
Retention 47
Performance Management 48
Rewards & Recognition 49
Succession Management 50
Leadership Development 51
Transforming to a Culture of Inclusion 52

LANDSCAPE

Introduction

Published studies have shown that companies that embrace diversity and inclusiveness deliver superior performance, yet minorities have made only small gains in increasing their representation in corporate boardrooms and within the executive ranks. According to the 2012 U.S. Census Bureau Population Projection, the U.S. population will be considerably more racially and ethnically diverse by 2060. The 2012 Census also revealed that:

- The non-Hispanic Caucasian population is projected to peak in 2024, at 199.6 million, up from 197.8 million in 2012. Unlike other race or ethnic groups, however, this population is projected to slowly decrease, falling by nearly 20.6 million from 2024 to 2060.
- The Hispanic population is projected to more than double, from 53.3 million in 2012 to 128.8 million in 2060. Consequently, by the end of the period, nearly one in three U.S. residents will be Hispanic, up from approximately one in six today.
- The African American population is expected to increase from 41.2 million to 61.8 million over the same period. Its share of the total population will rise slightly, from 13.1% in 2012 to 14.7% in 2060.
- The Asian population is projected to more than double, from 15.9 million in 2012 to 34.4 million in 2060, with its share of nation's total population climbing from 5.1% to 8.2% in the same period.

Chicago has one of the world's largest and most diversified economies, with more than 4 million employees, generating an annual gross regional product (GRP) of over $500 billion. It is an efficient economic powerhouse that is home to more than 400 major corporate headquarters, including 30 Fortune 500 headquarters. Top companies in Chicago with a thorough understanding of the increasing diversity of the labor pool will be well positioned to fill their pipelines with board members and executives that will more closely resemble their primary buyers and influencers, and who will directly impact their bottom line.

The Chicago United *Corporate Diversity Profile,* is produced on a biennial basis and features a study that measures ethnic diversity specifically in the leadership ranks of large corporations, on corporate boards, and in executive level management in the top 50 public companies headquartered in Chicago. It serves as a benchmark for corporations to measure their progress in building diverse leadership teams that reflect the constituencies for which they serve. Large corporations have grown increasingly successful at diversity and inclusion within their employment ranks, yet the report consistently highlights the need to expand the pool of minorities available for leadership positions, which begins by growing diverse talent in the leadership pipeline.

Methodology

Our local sample consisted of the top 50 Chicago-based "Public Companies" ranked by 2013 revenues by *Crain's Chicago Business*. 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?

The number of incumbents and ethnicity was determined by reviewing each company's website, corporate governance/investor relations, as of May, 2014. If ethnicity could not be determined, we researched other publicly available information 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.

Top 50 Chicago-based public companies by revenues as listed by *Crain's Chicago Business* (December 2013)

Rank	Company
1	Archer Daniels Midland Co.
2	Boeing Co.
3	Walgreens
4	Caterpillar Inc.
5	Abbott
6	Sears Holding Corp.
7	United
8	Deere & Co.
9	Mondelez International Inc..
10	Allstate
11	McDonald's Corp.
12	Exelon .
13	AbbVie
14	Kraft Foods Group, Inc.
15	Illinois Tool Works Inc.
16	Baxter International Inc.
17	Navistar International Corp.
18	R.R. Donnelley & Sons Co.
19	Catamaran Corp.
20	CNA Financial Corp.
21	Discover Financial Services Inc.
22	W.W. Grainger Inc.
23	Motorola Solutions Inc.
24	Dover Corp.
25	Tenneco Inc.

Rank	Company
26	Office Depot, Inc.
27	Ingredion, Inc.
28	Anixter International Inc.
29	CF Industries Holdings Inc.
30	Telephone & Data Systems Inc.
31	United Stationers Inc.
32	Old Republic International Corp.
33	U.S. Cellular Corp.
34	Integrys Energy Group Inc.
35	Northern Trust Corp.
36	LKQ Corp.
37	Hillshire Brands Co.
38	Hospira Inc.
39	Hyatt Hotels Corp.
40	Jones Lang LaSalle Inc.
41	Mead Johnson Nutrition Co.
42	Brunswick Corp.
43	Fortune Brands Home & Security Inc.
44	USG Corp.
45	Hub Group Inc.
46	CME Group Inc.
47	Packaging Corp of America
48	Arthur J. Gallagher & Co.
49	General Growth Properties Inc.
50	Ventas Inc.

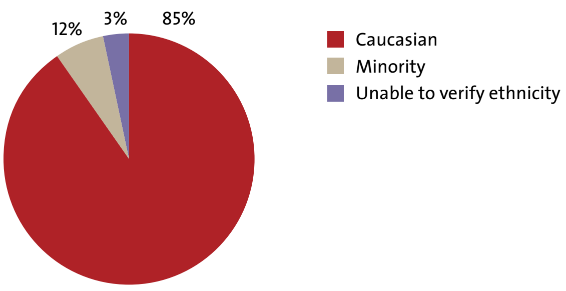
Board Diversity

The Chicago 50 - Directors

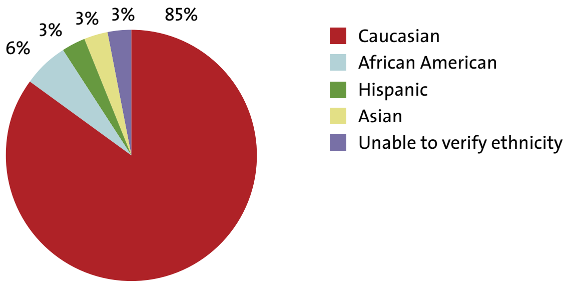
May, 2014, was selected as the snapshot in time for looking at the data. There were 551 directors on the boards of the top 50 public Chicago companies. Board diversity has been relatively stagnant since 2012, with 12% of board seats held by ethnic minorities. African Americans have the largest representation at 6%, with Hispanics and Asians (including Indians) at 3% each. Caucasians hold 85% of board seats.

Directors	Caucasian	African American	Hispanic	Asian	Unable to verify ethnicity	Grand Total
Minority	0	34	19	16	0	69
Non-Minority	466	0	0	0	0	466
Unable to determine	0	0	0	0	16	16
Grand Total	**466**	**34**	**19**	**16**	**16**	**551**

Directors – Minority vs. Non-Minority

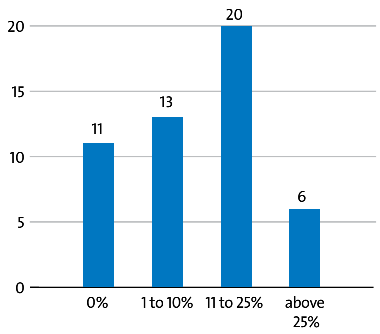


Directors – Ethnic Distribution



When looking at the minority director distribution across the top 50 public Chicago companies, there is a peak at 11-25%, with 20 companies falling into that range. The next highest segment of companies, 13, have 1-10% ethnic diversity on their boards. There were a total of 6 companies out of 50 who had greater than 25% representation of ethnic minorities on their boards of directors, doubling the quantity since 2012. Unfortunately, only, 11 companies out of 50 (22%), two more than in 2012, have no ethnic diversity on their board of directors.

Distribution of Minority Board Members



Note: 0% includes "Unable to identify" figures.

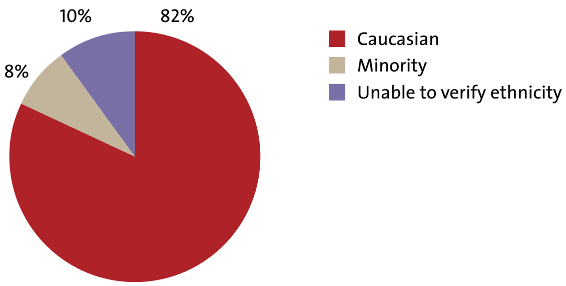
C-Suite Diversity

The Chicago 50 – Executives

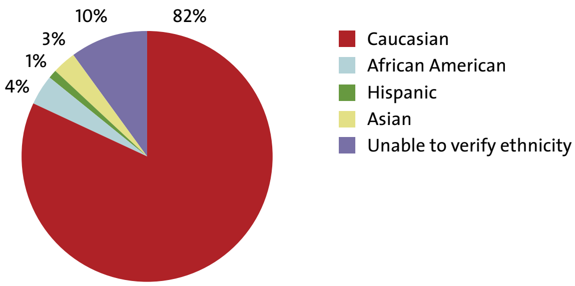
There are 201 incumbents in the data set for C-suite level executive positions. Minority groups comprise 8% of the positions in the top 50 public Chicago companies. African Americans are the most represented minority group at 4%, followed by Asians (including Indians) at 3% and Hispanics at 1%. The ethnic identity of 10% of the data set could not be verified.

C-Suite Executives	Caucasian	African American	Hispanic	Asian	Unable to verify ethnicity	Grand Total
Minority	0	8	3	6	0	17
Non-Minority	164	0	0	0	0	164
Unable to determine	0	0	0	0	20	20
Grand Total	**164**	**8**	**3**	**6**	**20**	**201**

C-Suite – Minority vs. Non-Minority



C-Suite – Ethnic Distribution



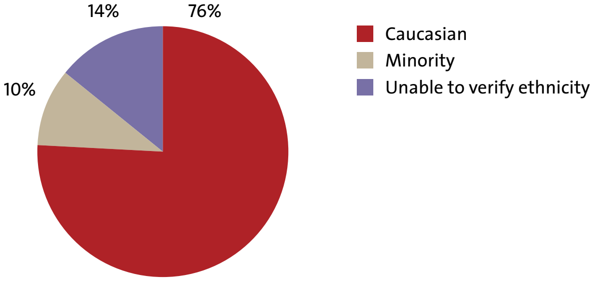
All Executives

2014 Top 50 Chicago Companies

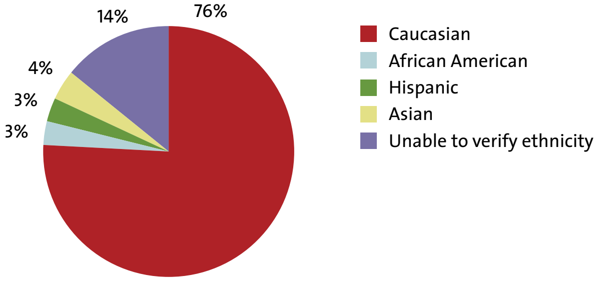
The total number of executives in the 2014 data set is slightly more than the total number of directors (660 compared to 551). The 660 includes the 201 C-suite executives. Ten percent (10%) of executive positions are held by ethnic minorities. Asians (including Indians) have the largest representation at 4%, followed by African Americans and Hispanics at 3% each.

All Executives	Caucasian	African American	Hispanic	Asian	Unable to verify ethnicity	Grand Total
Minority	0	19	22	24	0	65
Non-Minority	504	0	0	0	0	504
Unable to determine	0	0	0	0	91	91
Grand Total	**504**	**19**	**22**	**24**	**91**	**660**

All Executives – Minority vs. Non-Minority



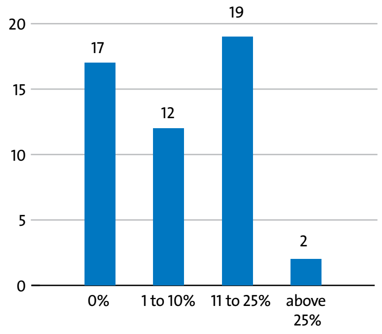
All Executives – Ethnic Distribution



Distribution of Minority Executives

The distribution of minority executives across the top 50 public Chicago companies was a bi-modal distribution. An alarming 17 companies out of 50 (34%) had no ethnic diversity within their executive ranks. Minority executives were present at a rate of 11-25% at 19 companies. Only 2 companies out of 50 had greater than 25% representation from ethnic minorities within their executive ranks.

Distribution of Minority Executives



Note: 0% includes "Unable to identify" figures.

The Top Five Chicago Companies for Diverse Representation

Five companies stand out as leaders among the top 50 public Chicago companies with respect to ethnic diversity on both their boards and in their leadership ranks. Only companies that have diversity in both the director and executive categories were considered. The top five companies are presented below in rank order according to this combined percentage. Their revenue rankings are also represented as determined by *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 10	Rank by Combined Percentage
11	McDonald's Corp.	13	4	31%	18	5	28%	59%	1
25	Tenneco	8	2	25%	28	6	21%	46%	2
3	Walgreens	13	2	15%	11	3	27%	43%	3
12	Exelon Corp.	15	4	27%	19	3	16%	42%	4
9	Mondelez International Inc.	12	3	25%	13	2	15%	40%	5

Landscape – Key Findings

Overall Minority Executives and Directors Results

- 11 companies (22%) have no ethnic diversity on their boards of directors; 17 companies (34%) have no ethnic diversity within their executive ranks; and
- 6 companies (12%) have greater than 25% minority representation on their boards of directors; 2 companies (4%) have greater than 25% minority representation within their executive ranks.

Minority Results

- Minorities have a 12% presence on the boards of directors.
- The presence of minorities among all executives is slightly higher than in the C-suite, at 10% and 8%, respectively.

Ethnicity Results

- African Americans hold the largest number of minority board positions at 6%.
- For C-suite level executive positions, all minority ethnic groups have a 4% or less representation. African Americans show the strongest representation at 4%.
- Among all executives, Asians (including Indians) hold 4% of the positions, with African Americans and Hispanics each holding 3% each of the positions.

THE CHANGING LANDSCAPE OF THE WORKFORCE

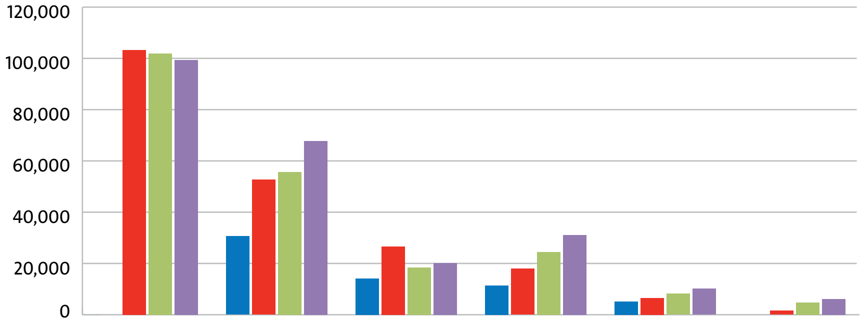
Has the Timeline to Parity Shifted?

This section analyzes the contours of employment in the nation and in the Chicago metropolitan area. It addresses how the changing labor force demographics are mapping onto changes in the diverse pool of talent. This section also assesses the extent to which the timeline toward parity in top executive and managerial positions has shifted in light of more recent trend data.

U.S. Workforce Demographics

The changing workplace demographics in the U.S. have been broadly publicized. The workplace has become increasingly more ethnically diverse. This is due to immigration, but also to the changing demographics in the U.S. population.

Trends and Projected Changes in the Diversity of the U.S. Labor Force



	Caucasian	Minority Total	African American	Hispanic	Asian	All Other Minorities
1992	98,724	30,606	14,162	11,338	5,106	0
2002	103,349	52,656	26,565	17,943	6,604	1,544
2012	101,842	55,682	18,400	24,391	8,188	4,703
2022	99,431	67,706	20,247	31,179	10,135	6,145

Source: U.S. Department of Labor, U.S. Bureau of Labor Statistics, Employment Projections Program

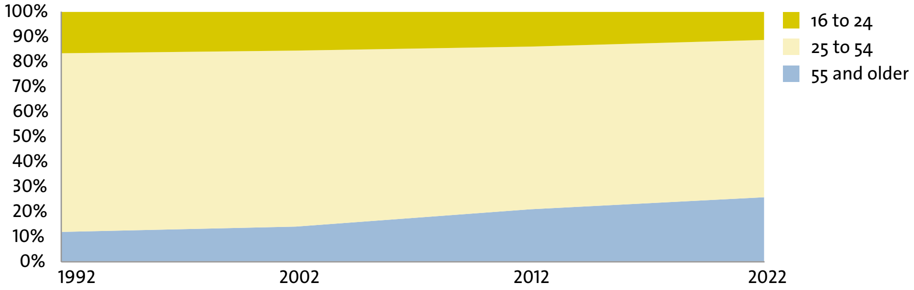
Up until the end of the previous millennium, baby boomers held the majority of positions of power and influence in organizations across the U.S. However, by the beginning of this decade, the percentage of baby boomers in the workforce dropped as they entered retirement age.

	1992	2002	2012	2022
Age of baby boomers	28 to 46	38 to 56	48 to 66	58 to 76

Source: U.S. Department of Labor, U.S. Bureau of Labor Statistics, Employment Projections Program

Post the great recession, however, more and more of the baby boomers at retirement age have postponed retirement and remained in the workplace. These workers may have experienced adverse financial shocks as a result of the financial and housing market crash and feel they need to work longer.

An Increased Age Mixed/Generations in the Workplace

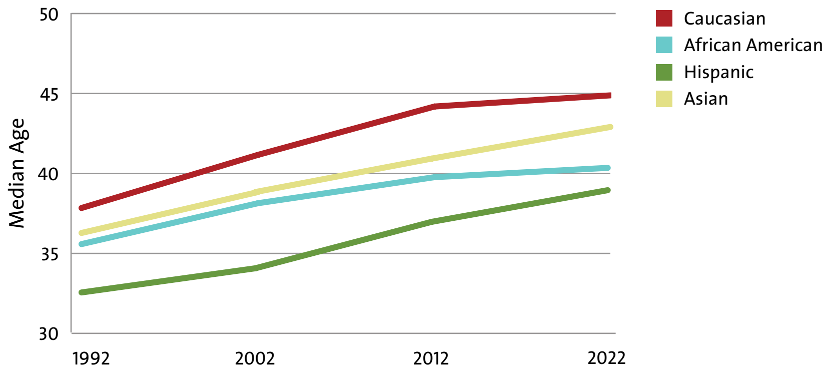


Source: U.S. Department of Labor, U.S. Bureau of Labor Statistics, Employment Projections Program

The following graph shows that race/ethnicity is not distributed evenly across age groups in the U.S. African Americans, Asians, and Hispanics tend to be younger than Caucasians. This has potential implications for the pipeline of talent that might feed into executive positions. As older Caucasian employees leave their jobs and younger workers are hired, more racial/ethnic diversity may become evident in the workplace.

The end result is a greater mix of generations in the workplace, with a younger, more racially/ethnically diverse pool of labor available for entry.

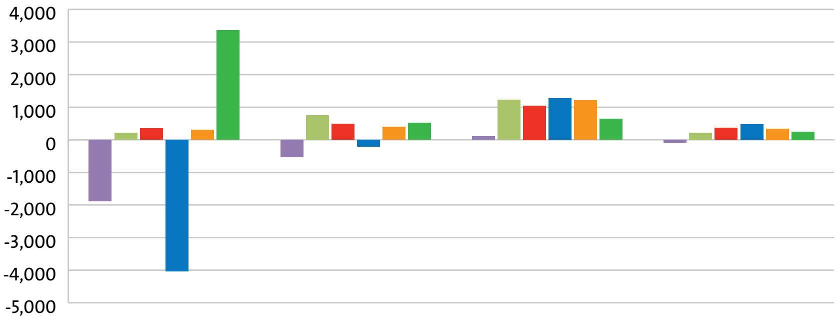
The Median Age of the U.S. Labor Force



Source: U.S. Department of Labor, U.S. Bureau of Labor Statistics, Employment Projections Program

In the year 2022, the greatest portion of the U.S. labor force, ages 25 to 64, is projected to be among minorities.

Projected Change in Composition of the U.S. Labor Force between 2014-2022 by Age and Ethnicity



	Caucasian	African American	Hispanic	Asian
16 to 24	-1,844	-532	104	-81
25 to 34	210	755	1,219	218
35 to 44	349	481	1,049	365
45 to 54	-4,039	-207	1,266	468
55 to 64	303	395	1,204	340
65 and over	3,360	517	640	246

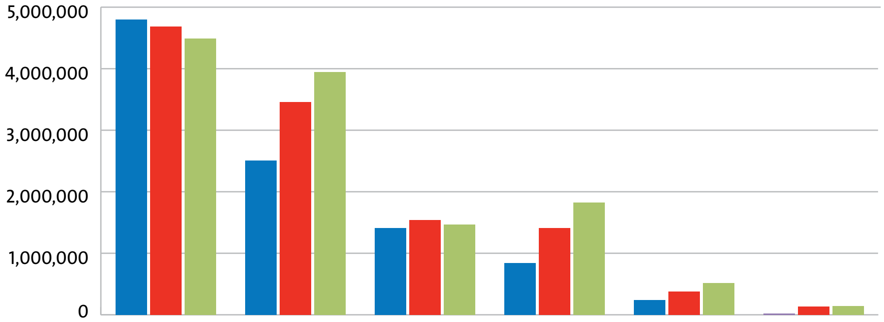
Note: Quantities represent thousands.
Source: U.S. Department of Labor, U.S. Bureau of Labor Statistics, Employment Projections Program

These particular demographic shifts have implications for corporate culture. As priorities, attitudes, and work styles differ across generations, organizations will have to adopt workplace practices that are more culturally and age responsive.

Chicago Metro Demographics

The demographic trends of the Chicago metropolitan area, including the seven counties of Cook, DuPage, Kane, Kendall, Lake, McHenry and Will, mirror that of the nation. This metro area is already diverse and becoming even more so. According to the last U.S. Census (2010), Caucasians remained a majority by a slim margin (53%), and the region is increasingly Latino and Asian. Between 2000 and 2010, Caucasian and African American populations fell in numbers. The Asian population surpassed half a million persons and the Hispanic population exceeded 1.8 million.

Chicago Metro Area Population Has Become More Diverse

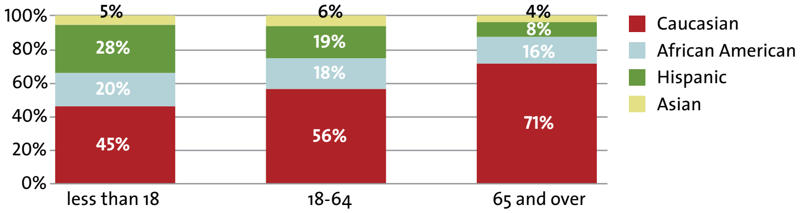


	Caucasian	Minority Total	African American	Hispanic	Asian	Other
1990	4,795,120	2,505,469	1,406,648	838,710	242,642	17,469
2000	4,687,259	3,459,005	1,537,534	1,409,202	375,993	136,276
2010	4,486,557	3,944,829	1,465,417	1,823,609	513,694	142,109

Source: 2010 U.S. Census

Similar to the nation, the major racial groups in the Chicago metro area are marked by extremely different age profiles. Hispanics are 28% of all children but only 8% of seniors. By contrast, Caucasians are 45% of children but they are 71% of seniors. As a result, the labor force participation rates of minority groups are higher as a much lower proportion are in retirement age.

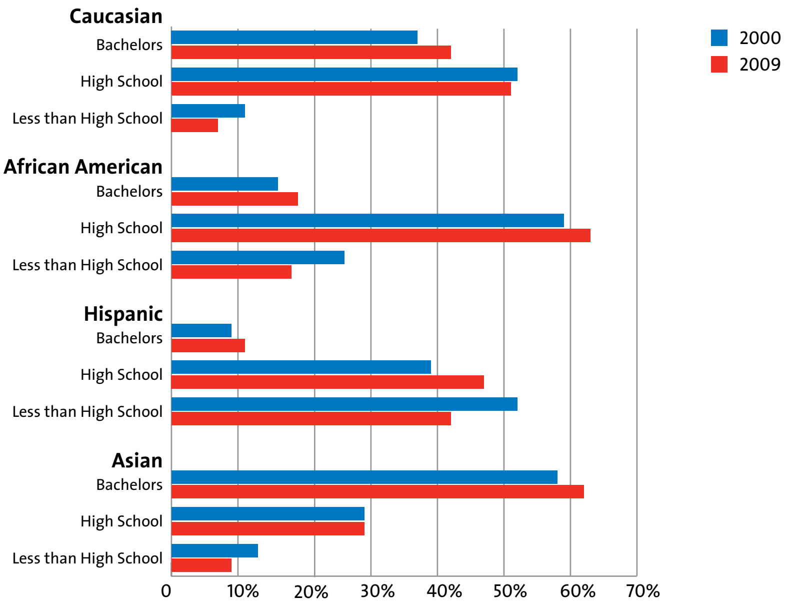
Racial/Ethnic Composition of Age Groups in Chicago Metro



Source: 2010 U.S. Census

Overall, educational attainment has improved across all racial/ethnic groups in the Chicago metro. This suggests that more diverse pools of talent are being prepared to take on more high skilled positions.

Increases in Bachelors and High School Completion

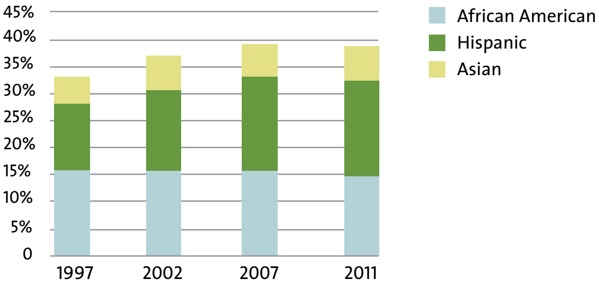


Source: 2010 U.S. Census

Implications for Employment

Our analysis of Equal Employment Opportunity Commission (EEOC) data of the racial/ethnic composition in firms for the Chicago metro areas shows that consistent with the change in the overall population, the pool of minority workers in Chicago firms has increased, notably among Asians and Hispanics.

Percent of Minorities Working in Large Chicago Firms



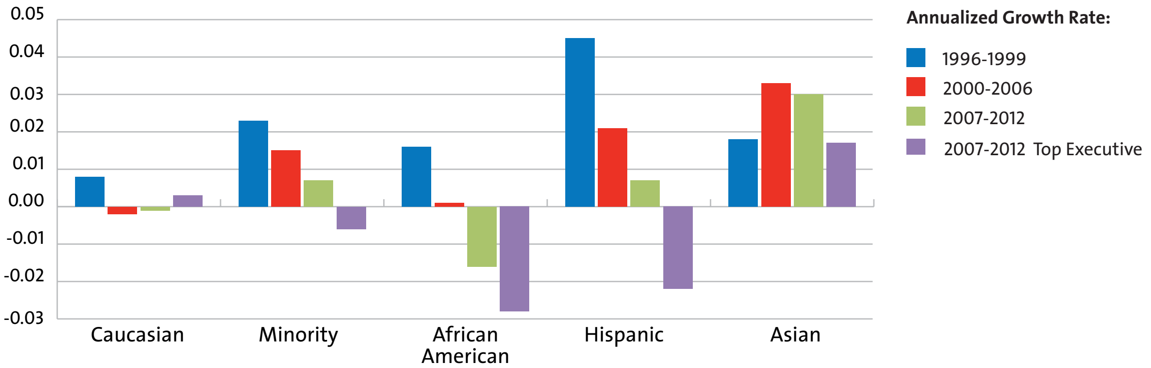
Source: U.S. Equal Employment Opportunity Commission-EEO-1 data

As noted in the Landscape section of this report, Asians have experienced increases in representation in top executive positions as well as other managerial positions. In recent years, Hispanics have seen increases in their representation in managerial positions, although not in top executive positions. There has been an overall decline in African American workers in Chicago with representation in upper management and top executive positions seeing some declines as described in the following section.

Projections for Minorities in Top Executive and Managerial Positions

The recent trends in employment composition of the workforce have implied some positive changes from our 2012 projections toward parity in top executive and managerial positions for minorities overall.

Change in Representation in Top Executive and Managerial Positions



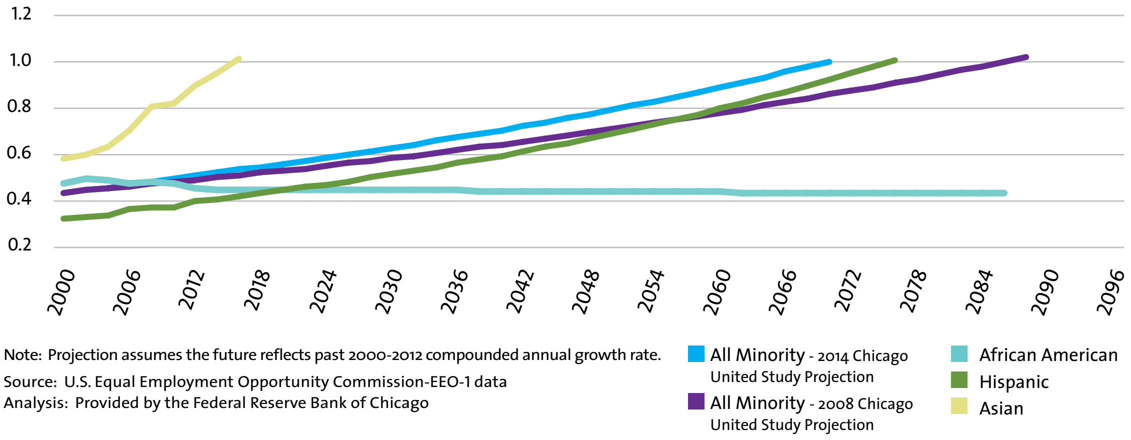
Note: Data for "Top Executive" as a separate category was only available from 2007 to 2012. Data for "Top Executive and Managerial" combined is available for earlier years.

Source: Equal Employment Opportunity Commission - Chicago District Office

The following graph illustrates that if the annualized growth rate in minority representation in top executive and managerial positions were to remain the same as that of the time period between 2000-2012, we could expect that it would take 64 years for minorities to achieve equal representation in executive/managerial ranks, according to projections by Equal Employment Opportunity Commission (EEOC) and analysis by the Federal Reserve Bank of Chicago. Asian Americans experienced an annualized annual growth rate of more than 2%, which contributed to the decrease from the 89-year estimated projection made in the *2008 Corporate Diversity Profile* publication.

Most notable, the 2000-2012 compounded annual growth rate and projections toward parity show a decline in representation of African Americans in top executive and managerial positions. Unless this trend is reversed, a shrinking representation of African Americans in executive positions could intensify.

Current Projections for Minorities in Top Executive Positions in Chicago Metro Companies



Note: Projection assumes the future reflects past 2000-2012 compounded annual growth rate.

Source: U.S. Equal Employment Opportunity Commission-EEO-1 data

Analysis: Provided by the Federal Reserve Bank of Chicago

Representation of African American Executives

It should be noted that African American representation in the executive ranks is diminishing, according to the data obtained from the EEOC, Chicago District Office, and the analysis provided by the Federal Reserve Bank of Chicago.

Laying a Foundation for Change

Whether the focus is on the incremental changes anticipated in the leadership ranks for specific racial/ethnic groups or the cumulative demographic changes in the overall labor pool, we can expect that the cultures of organizations will be impacted. A different set of expectations, different styles of leadership, and opportunities and challenges related to diverse team management will drive the norms and practices of organizations. Leaders within companies that are having success increasing diversity in their leadership ranks recognize the need to be agile and build resilience to change. This understanding is fueled by keeping close watch on and determining the impact of various labor market trends on the organization's strategies, markets, and culture. The value to understanding the intricacies of organizational culture, in particular, are expanded upon in the following sections.

CULTURE IN ACTION

The Impact of Culture

There is a popular adage in business that states, "Culture eats strategy for lunch." This saying, first attributed to Peter Drucker, speaks to the strong, yet often overlooked link between organizational culture, strategy, and business outcomes. While there is some debate on what this statement actually means, there have been numerous case studies on how an organization's culture has either launched it to success or played a major role in its declining brand and stock value. Shop online for a pair of shoes at Zappos. Walk into Starbucks to buy a Caramel Macchiato; or sit down, pull out your cell phone and send a tweet to your Twitter "followers" and you will experience "Culture in Action." These are three examples of organizational cultures that have been defined as innovative, flexible, vibrant, fun, and where both employees and customers have bragging rights to engagement and satisfaction.

Conversely, reflect on the negative press and scandals that surrounded executives at Enron, Penn State, and News Corp. These are examples of organizational cultures that have been defined as unethical, protective, and with minimal accountability, and have had adverse implications on the bottom line.

These examples also highlight how organizational culture is what leads when no one is watching. It is inseparable from the leadership of the organization, a major driver of strategy and behaviors, and a source of competitive advantage.

Glassdoor, a company comparison and salary website, claims that next to salary, culture is a major factor in attracting and retaining great talent. It surveys companies across various industries and requires employees to rate their employers on several indicators, including "How would you rate the culture and values at your company?" Twitter, the microblogging enterprise referenced earlier, received consistent praise from its employees. To Twitter's vast external audience, the name of the game is transparent communication, and this has apparently resonated internally. Rooftop meetings, in-office yoga classes, and the fact that Twitter's IPO turned 1,600 of its employees into millionaires last year probably didn't hurt its ratings. Twitter made the number one spot on Glassdoor's *2014 Top 25 Companies for Culture*. (Source: Forbes, August 22, 2014)

In his book, *The Culture Cycle*, James L. Heskett, professor emeritus at Harvard Business School, asserts that culture's impact on profit can be measured and quantified. "In organizations with large numbers of customer-facing employees, the sum of the effects of employee turnover, referrals of potential employees by existing ones, productivity, customer loyalty, and referrals of new customers attributable to culture can add up to half of the difference in operating income between organizations in the same business."

Similarly, research conducted by Denison Consulting indicates that companies with well managed cultures delivered better results with respect to return on assets, sales growth, and increased value to shareholders. Culture was viewed as a predictor of ethical or unethical behavior and to be an increasingly important factor in mergers and acquisitions, according to Deloitte Consulting.

Mergers and acquisitions are pervasive as a growth strategy for corporations; and understandably, merging two or more organizational cultures adds complexity to the task of culture management.

DID YOU KNOW?

Sixty-nine percent of organizations anticipate an increase in M&A activity in the next two years and a 38% increase in joint ventures. However, the rate of deal failure is alarming with nearly 50% reporting a failure to achieve transaction objectives.

Source: Aon Hewitt

Aon Hewitt's survey of companies also suggests that the cost of an unsuccessful cultural integration can be high. Cultural integration was cited as one of the top three reasons for transaction failure by both those organizations that exceeded some or all of their deal objectives and targets in past deals (overachievers), as well as by those that did not (underachievers). Organizations that participated in Aon Hewitt's survey reported that the impact of unsuccessful cultural integration includes decreased employee engagement, loss of key talent, organization distraction and loss of productivity, delayed integration, and failure to achieve critical milestones or synergies.

Culture and the Pipeline of Talent

The exploration of organizational culture is germane to the discussion on the pipeline of diverse talent. Culture defines what the basic beliefs and values are and what is viewed as acceptable practice. Similarly, it also defines what is viewed as risky behavior, taboo, and counter-culture. As an example, if an underlying belief in an organization is that Asian American's do best in technology roles, the resulting practice will be to position these employees for success in IT functional areas and to avoid sponsoring Asian American employees in areas like operations or brand management. Or if it is considered taboo within an organization to have conversations about stereotypes when discussing emerging leaders and succession management, functional leaders may never surface relevant issues about why certain employee groups bump up against a ceiling.

These organizations will continue to conduct "business as usual," perpetuating status quo, and impeding the diversity of talent that fills the pipeline. This collective set of behaviors, "Culture in Action," often occurs on autopilot. There may not be an intent to limit advancement or development of a specific group of employees; yet the implicit beliefs or values that have been reinforced by the culture regenerate in ongoing practices that do, in fact, limit development.

A culture of inclusion is foundational to attracting and retaining competitive, diverse talent. Many organizations have figured out how to market themselves and attract diverse talent into senior level roles, but there are numerous accounts of these individuals leaving their organizations soon after they arrive. This revolving door is, in part, due to the overarching culture within the organization – a culture that believes leaders of color are a risk, that minimizes differences, that does not embrace mentoring or sponsorship, or that views conflict (or oppositional ideas) as a negative.

Organizations would benefit by assessing whether their cultures will support the diversity objectives established within their varying talent management strategies. However, prior to auditing the culture, it is crucial that stakeholders have a shared understanding of what culture means and how it can manifest.

Culture: An Expanded Definition

While there is general consensus that organizational culture exists, there are numerous ways in which culture and its components are defined. It is critical that the members of an organization agree on a framework for defining culture, especially if they want to audit their cultures or embark upon culture change.

Edgar Schein, former professor at MIT's Sloan School of Management and major contributor to the research and work on leadership and organizational culture, defines culture as:

> *"A pattern of shared basic assumptions invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration that have worked well enough to be considered valid and therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems." (Schein, 1992)*

His model looks at culture on three different levels

- Assumptions – the deeply embedded, taken-for-granted behaviors which are usually unconscious, but constitute the essence of culture
- Espoused Values – the organization's stated values and rules of behavior
- Artifacts – any tangible, overt or verbally identifiable elements

We can clarify how culture manifests by expanding on Schein's model:

Shein's Levels of Culture	Related Dimensions	Examples
Artifacts	Space	• Our office architecture • Furniture
	Norms	• How we communicate • How we manage • How we handle conflict • How decisions are made • How feedback is given • How time is viewed • What is counter-cultural? • Our work ethic • How we adapt to change
	Practices	• Our talent management practices • Our external vendor practices
	Structure	• Are we a flat organization? • Are we hierarchical?
	Traditions and Rituals	• What we celebrate • What we share – our stories • What all new employees go through
	Image	• Internal Brand • External Brand
	Symbols	• Company heroes • Company perks
Espoused/Stated Values	Value Statements	• We value people • Customer comes first • We value diversity
	Company Philosophy	• Mission and vision statements • Our corporate social responsibility stance
	Published Codes of Conduct	• Ethics code • Employee Policy manuals
Assumptions	Underlying Beliefs	• How risk is perceived? • How difference is perceived?
	Taboos	• What we don't talk about • Boundaries we don't cross
	Sacred Territory	• What we will never give up • What is critical to our identity and beliefs

Leadership and Culture

The many accounts in the press of organizations' successes and failures highlight that organizational culture is inseparable from its leadership. Leaders both create and sustain organizational culture. As Schein's definition implies, leaders create their cultures by continually reinforcing that specific beliefs, values, and behaviors are "correct" or "advantageous", and that they are inextricable from the company's ability to be competitive and survive. This reinforcement happens through leaders' communications and behaviors. It becomes institutionalized through the strategies, systems, policies, and practices they endorse. Culture is perpetuated through what leaders hold their direct reports accountable for and through which behaviors are rewarded.

Leaders, particularly the CEO, can be thought of as curators of the culture. Baxter International CEO Robert Parkinson provides insight on how he takes ownership for leading culture change:

CEO as Culture Curator

Interview with Robert L. Parkinson, Jr., Chairman and CEO, Baxter International Inc.

As a leader within your organization, what are some of the things you personally do to sustain the organizational culture of Baxter?

One thing you learn quickly as a CEO is that your personal actions can have more impact defining a culture than all the policies, procedures, and initiatives implemented with the best of intentions. Formal programs are crucial, but they lack credibility unless the CEO and leadership team set the right tone and model the right behaviors.

I'm committed to maintaining a rewarding culture at Baxter that embraces the power of inclusion and diversity in our mission to save and sustain lives. It's not only about ensuring a welcoming environment for all employees. It also makes Baxter more innovative and brings us closer to our customers, making us more competitive.

My team and I are engaged on many fronts to make the advantages of inclusion and diversity come alive. We've increased diverse representation on Baxter's Board of Directors, and at the VP level and above across the company. We've introduced global manager training to convey not only how inclusion enhances the culture, but also gives us an edge in the marketplace. We've promoted the rapid expansion of business resource groups, or BRGs, that enable a growing range of diverse contributors to harness the power they bring to the company, which helps us all learn, grow and succeed together. We've created global employee expectations encompassing respect for the diverse contributions of all, and insist on accountability by making this commitment part of the annual goal setting and evaluation process. We measure our progress through survey results and other key indicators. And, through our Chairman's Award Program, we're recognizing the great workplaces around the company that have leveraged the power of culture change to drive improved performance.

And we're not just looking inward. We're also reaching out. Our marketing teams and resource groups are focused on increasing product access to diverse populations here in the U.S. and globally, so we can have an even greater impact on patients. We've taken actions to enhance supplier diversity. And many of our community outreach, volunteerism, and philanthropic efforts are focused on the needs of diverse and underserved populations. I'm especially passionate about reaching grade school students who have the potential to drive limitless innovation in healthcare and beyond as tomorrow's scientists, engineers, entrepreneurs, and business professionals.

Do varying subcultures exist in different departments/regions of Baxter? How would you describe them?

Given Baxter's size and scope, distinct subcultures are inevitable. They're also welcomed.

We're 61,000 employees strong, doing business in over 100 countries, with R&D, manufacturing and office facilities around the world. This means wide-ranging geographic, ethnic, and cultural diversity spanning an array of customs, conventions and world views. We're constantly learning from one another globally and sharing best practices, which makes us stronger as a unified company.

But, naturally, the diversity of our operations isn't just a matter of geography. There's diversity within every Baxter workplace, large and small. And all employees in good standing are worthy of the same opportunities to grow, thrive, advance the business, and serve patients. We're vigilant about making sure our people have those opportunities. That's where inclusion goes hand-in-hand with diversity. There are common values and consistent expectations we all must share to channel Baxter's great diversity to benefit our business, customers, shareholders, and one another as employees. We reinforce this in many ways, from global manager education to resource groups that are helping raise awareness and advance the interests of a growing range of employee populations.

How do these varying subcultures impact your organization's overall culture and strength of your employer brand?

The best way to gauge the strength of our employer brand is by listening to what our employees have to say. For our last all-employee survey, our scores were exceptional on both overall employee engagement and perceptions of inclusiveness globally.

> We have to keep the momentum building. We're here to make a difference for patients, and we need the best people to do it. We want to retain great talent by maintaining a vibrant culture, and we need effective recruiting to convey who we are and where we're heading as a workplace and a business. This is another way our business resource groups are making an impact. We're collaborating with these groups to help shape our recruiting strategy and build our outreach to ensure that outstanding candidates know our story and want to join us in our mission to save and sustain lives.
>
> We've accomplished a great deal, but we're not satisfied. Our aspiration is to be a truly great company, which includes being a great place to work with a great culture, where our employees derive fulfillment. Our employee feedback and business results tell us that we're heading in the right direction. While that's gratifying, we need to continue our focus. This effort is a perpetual work-in-progress, not a set of numeric goals or boxes to be checked. There are always new opportunities to learn, grow, and reach further in the quest to accomplish even more.

Because of their powerful influence on how culture manifests, it is critical that leaders possess awareness of their own assumptions, beliefs and values. Implicit bias training has been helpful for management teams seeking to understand some of the unconscious beliefs they hold and how this influences their interactions with others, their expectations, and their edicts.

As many as 20% of large U.S. employers with diversity programs now provide unconscious bias training, up from 2% five years ago, and that figure could hit 50% in five years, according to Margaret Regan, head of FutureWork Institute (source: Wall Street Journal). Ernst & Young LLP is among the growing number of corporations offering training programs aimed at helping managers identify these hidden biases. Rick Fezell, Ernst & Young LLP's managing partner for the Central Region, provides insights on how awareness of hidden biases leads to behavior change:

"Aha" Moments and Implicit Bias

Interview with Rick Fezell, Vice Chairman and Central Region Managing Partner, Ernst & Young LLP

Implicit bias affects how leaders view others within their organizations. Tell us about some of the experiences, or "aha" moments, in which you became more self-aware of biases operating within your organization or uncovered your own blind spots.

Hidden biases can affect many aspects of our business, including recruiting and hiring, how we promote and sponsor our talent, performance evaluation and compensation processes, our ability to create and sustain high-performing teams, how we serve our clients, budget decisions, and our openness to new ideas. When left unchecked, unconscious biases have the power to derail our success in advancing our diversity and inclusiveness (D&I) efforts.

When we pull together professionals to form high-performing teams to serve our clients, we often strive to have our team "look like the client." This approach recently brought unexpected results when we were pursuing a significant new client engagement. Our client-serving team wasn't diverse, yet it mirrored the profile of the company's management team that would make the decision about which firm to hire.

Coming out of our presentation, we were pleased with the proposal process and were confident that we "connected" with decision-makers. A few days later, I received a call from the client asking why we didn't assemble a more diverse team. I explained how we went about building the team and our perceived success coming out of the meeting. The executive candidly shared that, while his company was not where it needed to be from a diversity standpoint and was making strides to get there, his expectations of a global firm such as EY were higher. He had heard so much about our efforts and results in D&I, he was disappointed that our commitment to D&I wasn't reflected on our proposed engagement team.

This was a blind spot for me. I learned that assembling a team with the same talent mix as your client may not produce desired results. In this case, it was quite the opposite — it stifled our D&I efforts. The bottom line is that our clients, as well as our professionals, will notice when our actions don't back up our words.

What impact did these "aha" moments have on your ensuing behaviors or practices?

Whether we're talking about me as a leader or EY as an organization, our aha moments have resulted in behavior change.

As a firm, we are more focused on inclusive leadership than ever before — and a key component to leading inclusively is being aware of our personal frames of reference and how they can cloud our judgment. If our people aren't aware of their biases, how can we expect them to modify their behavior?

The challenge is that changing such deep-seated behavior is profoundly difficult and requires a long-term commitment to incremental improvements, one encounter at a time. Armed with awareness, intent and a sense of responsibility, one of my goals, and that of all of our leaders, is to adopt a more mindful approach to interactions, decision-making, and team-building.

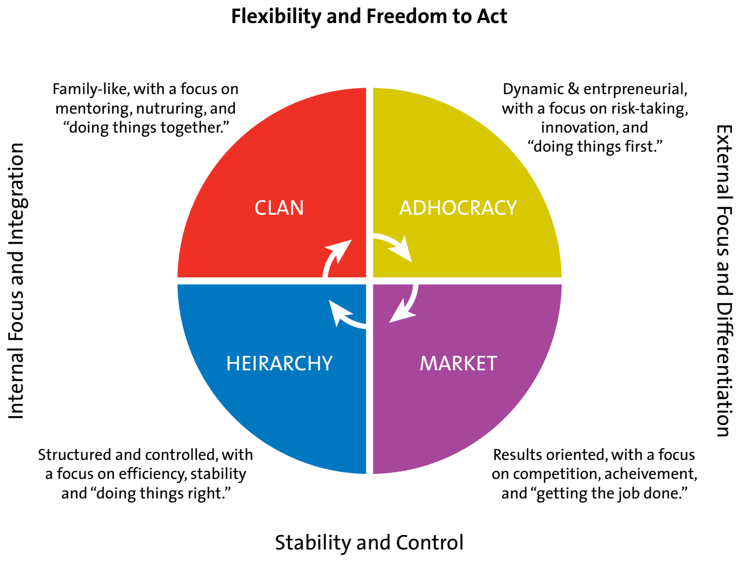
When our diverse teams are led with an inclusive mindset, they are oftentimes our highest-performing teams. People with different backgrounds, experiences and preferences, when encouraged, come together in a much more dynamic way. They challenge each other and the status quo and create better outcomes for our clients and themselves.

While I feel good about the tremendous progress we have made, I know there's still more work to be done. We have high expectations for our continued and accelerated progress, as do our clients.

How to Identify Your Organization's Culture

How do organizations determine what kind of cultures they have, and whether their cultures are the right ones to support diversity or other strategies? There are numerous frameworks for defining culture and many processes for auditing culture.

In the "Competing Values Framework" developed by Robert E. Quinn and Kim S. Cameron of the University of Michigan at Ann Arbor, there are four types of organizational culture: clan, adhocracy, market, and hierarchy.


Flexibility and Freedom to Act
Family-like, with a focus on mentoring, nutruring, and "doing things together."
Dynamic & entrpreneurial, with a focus on risk-taking, innovation, and "doing things first."
Internal Focus and Integration
External Focus and Differentiation
CLAN
ADHOCRACY
HEIRARCHY
MARKET
Structured and controlled, with a focus on efficiency, stability and "doing things right."
Results oriented, with a focus on competition, acheivement, and "getting the job done."
Stability and Control

Quinn and Cameron's framework has been widely referenced in both research and business practice.

The Organizational Culture Inventory, developed by Robert A. Cooke, Ph.D. and widely used in industry, provides another framework for classifying and auditing culture. In this model, culture is defined as the behaviors that employees believe are required to fit in and meet expectations within their organization.

Constructive Cultures	Employees are encouraged to interact with people and approach tasks in ways that help them meet their higher-order satisfaction needs
Passive/Defensive Cultures	Employees believe they must interact with people in ways that will not threaten their own security
Aggressive/Defensive Cultures	Employees are expected to approach tasks in forceful ways to protect their status and security

In other business literature, organizational cultures have been more generically defined as:

- Bureaucratic
- Creative
- Culture of Optionality
- Egalitarian
- Entrepreneurial
- High Energy
- High Integrity
- Inclusive
- Informal/Formal
- Innovative
- Patriarchal
- Purpose Driven
- Risk-averse
- Strong/Weak
- Traditional

These labels, often used to define culture, speak to the overall persona of the organization. It is evident that no singular description will capture all that a culture represents. Audits and surveys will most likely yield multiple descriptions of the culture.

While it is educational to hear how individuals would label the culture, it is more valuable to obtain detail on how culture manifests through systems, practices, communications, and team interactions and to understand if this experience differs for different groups of employees. This provides more useful insight into "Culture in Action."

The Presence of Subcultures

Organizations like IBM, McKinsey, and Google are known for having strong cultures that are pervasive throughout their organizations, but it is very common for several subcultures to coexist within organizations. These subcultures are often linked to specific functional areas, business units, or geographic regions. Consequently, it is foreseeable that the espoused or spoken culture could be consistent throughout the organization, but that the way that culture is interpreted and manifested differs in different parts of the organization.

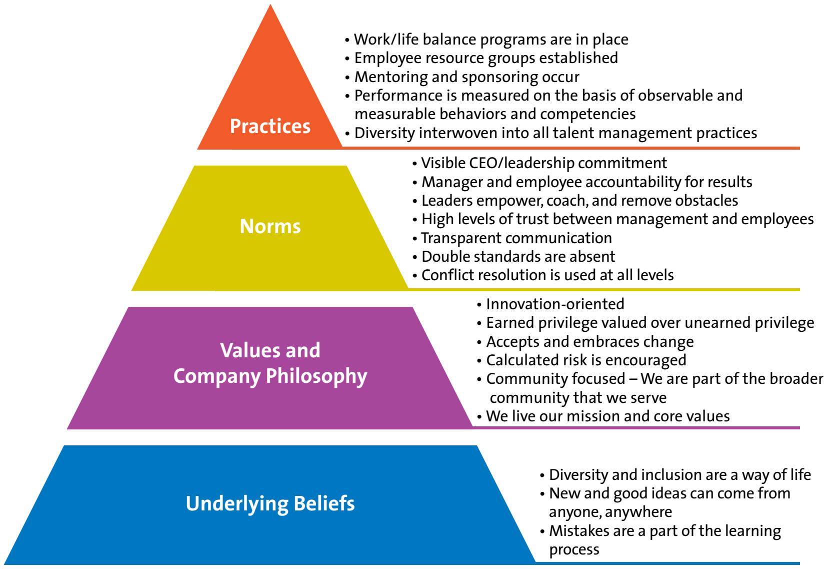
This phenomenon can either support or be a red flag when leaders are trying to build a culture that embraces diversity and inclusion.

An "Optimal" Culture for Diversity

We can gain insight on the characteristics of organizational cultures that promote diversity from the criteria used to create the "Top companies for Diversity" and the "Best Companies to Work For" lists.

While many of the criteria used to rank companies in these surveys looks at outcomes (e.g., number/percentage of minorities at various levels of the organization, turnover statistics by demographic group, spend with diverse suppliers, etc.) attention is also paid to the work environment, practices and systems that enable these outcomes. These indicators often include CEO visibility, transparent communication, accountability systems, clear career paths, and work/life balance options.

Borrowing from aspects of the culture outlined in Schein's model on page 16, we summarize some of the more salient characteristics of culture noted across organizations recognized as "top companies for diversity."



Practices

- Work/life balance programs are in place
- Employee resource groups established
- Mentoring and sponsoring occur
- Performance is measured on the basis of observable and measurable behaviors and competencies
- Diversity interwoven into all talent management practices

Norms

- Visible CEO/leadership commitment
- Manager and employee accountability for results
- Leaders empower, coach, and remove obstacles
- High levels of trust between management and employees
- Transparent communication
- Double standards are absent
- Conflict resolution is used at all levels

Values and Company Philosophy

- Innovation-oriented
- Earned privilege valued over unearned privilege
- Accepts and embraces change
- Calculated risk is encouraged
- Community focused – We are part of the broader community that we serve
- We live our mission and core values

Underlying Beliefs

- Diversity and inclusion are a way of life
- New and good ideas can come from anyone, anywhere
- Mistakes are a part of the learning process

Our corporate members and readers that are familiar with the Toolkit introduced in the *2012 CDP* may recall that our research was drawn from these "top company" lists as well. We have included the Toolkit in this issue and strongly recommend leaders revisit it as they think through how culture manifests in its various talent management practices.

Conducting a Culture Audit

An audit of the culture will provide leaders with a sense of where the organization stands relative to where it wants to be. It will surface aspects of the culture and work environment that are viewed as strengths and those that are viewed as deterrents to workforce effectiveness and stakeholder engagement. An audit will also reveal if the culture is viewed and experienced consistently by various demographic and stakeholder groups, as well as identify whether subcultures exist in specific pockets of the corporation.

This information is particularly useful when change efforts are being undertaken. Audit results enable leaders to conduct a gap analysis and to develop relevant strategies that bridge the gap.

Having stated the more apparent benefits of a culture audit, there are some cautions to mention:

- *Be mindful of "death by survey":* There is generally information at hand that has already been collected that taps into employee perceptions about the culture. Creating and implementing a new survey may be off-putting to employees, particularly if they sense redundancy in what is being requested and have yet to see any action taken from prior surveys. If survey data is already available, it would be more beneficial to engage employees in small group discussions to obtain anecdotal insight into the culture.
- *Identify who is sitting on shore versus swimming in the pond:* It is often difficult to objectively diagnose what is happening within one's environment when one is swimming in the middle of it. Seeking an external view into the organization by either engaging a consultant or soliciting perspectives from external stakeholders increases the likelihood for revealing aspects of the culture that may be impeding change.

- *Ensure that the purpose is clear:* Why are we evaluating our culture? What specific components of culture are we interested in? What do we hope to achieve after our assessment? These are some of the questions employees will have as they become aware that an audit is taking place. Having a clear focus will guide activities on the front end and help leaders craft key messages for employees, as well as identify who should be solicited for input.

There is no one right way to conduct a culture audit. The audit could be expanded across business units or focused on one unit or location. Ultimately, the purpose will drive the approach. Below is a suggested framework for approaching the culture audit which outlines things to consider and steps for various phases of the audit.

Prepare for the Audit In large organizations with multiple business units, locations, and functional areas it is advisable to form a cross-functional team to plan the approach and process for assessing the culture. Things to consider: • Identify the purpose for the audit and the anticipated outcomes • Determine who will provide oversight (internal staff versus external consultant) • Develop a working definition of culture • Review existing sources of information about the culture/work environment that have already been collected • Determine what additional information you would like to receive and from whom • Identify the optimal method or methods for obtaining this information • Determine what information from the audit will be shared and with whom • Communicate the audit approach, timeframe, and desired outcomes to employees and others who will be asked to participate (e.g., customers/clients, vendors, etc.)	You can contract the services of a consultant or your internal staff can carry out the audit.
Conduct the Audit • Test out the audit questions and pilot any survey instruments with a small, diverse sample before implementing company-wide • Review the results and feedback and refine the audit approach • Implement the audit to identified stakeholders • Determine if there is a representative and sufficient response rate • Review the results • If there is insufficient information, undertake some follow-up interviews/analyses	Various Sources of Information: • Opinion surveys (e.g., engagement, culture, diversity, climate, customer, etc.) – These could be developed internally or purchased commercially • Focus groups discussions (with functional teams, employee resource groups, customers, vendors, etc.) • Individual interviews • Observation/culture walks • Review of organizational data (e.g., recruitment and promotion trends, turnover statistics complaints, etc.) • Facilitated storytelling
Evaluating the Information • Look at quantitative and qualitative results • If using a standardized instrument, compare results against industry norms • Look for common themes across data sources • Compare results by demographic groups to determine if results vary based on who you ask • Identify areas of agreement and inconsistencies across groups and data sources • Summarize the strengths and weaknesses of the culture	
Alignment and Gap Analysis • Determine if the results align with your vision, mission, strategy, and desired state • Where there are disconnects, begin discussions	What aspects of our culture align with/do not align with our: • Mission and vision • Strategic goals • Organizational structure and roles • Diversity & inclusion strategy How will changes impact our culture and the way we operate? • What is changing in our environment? • Consider internal and external forces (e.g., our structure, new roles, fewer people, different people, external demands, legislation, etc.)
Communicate Audit Results and Next Steps • Determine the next steps/priorities • Explore the outcome with all staff and discuss the issues that need to be addressed	

Questions that leadership should be able to answer and expand upon after the audit include:

- What type of culture are we striving for and why?
- How would we describe our current culture? What other subcultures exist within our organization?
- Where is the gap?
- What strengths from our current culture can we build upon?
- What aspects of our current culture would detract from us building the culture we want?
- How can we address this?
- Which stakeholders will be most impacted by change and how (e.g. will they view change as a win or loss)?

We have expanded the Toolkit section in this report to include the culture audit and have outlined relevant questions that leaders can ask. A scorecard is also provided to help leaders understand where their organizations stand with respect to creating a culture that supports diversity and inclusion.

How Organizations Can Transform Their Cultures

"It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change." – Darwin

Creating or rebuilding an inclusive culture is no small undertaking. Leaders are very protective of their cultures as they provide a blueprint for how to behave. Culture creates norms for operating and enables some level of predictability in an uncertain and competitive marketplace. Transforming culture may require uprooting beliefs and practices with which employees have become comfortable.

Leadership has a primary role in rebuilding the culture. This is done through the leader's ongoing communications, advocacy, sponsorship, and through their personal interactions with others. There are several considerations and approaches that have been associated with successfully transforming culture. We offer these six guiding principles:

1. Think incrementally
2. Execute systemically
3. Realize when and where paradigm shifts are required
4. Think beyond competencies
5. Engage all levels of leadership
6. Establish clear metrics

1. Think Incrementally

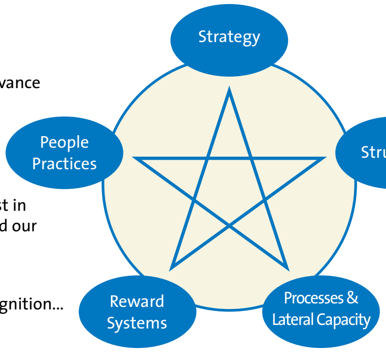
Changing the culture does not always require a complete overhaul. In the book titled *Blue Ocean Strategy*, W. Chan Kim and Renee Mauborgne advise organizations to use a "tipping point" approach to change management. This approach has four components:

1. Start with individuals who have a disproportional level of influence within the organization and shine a spotlight on their accomplishments;
2. Look for ways to get people to experience the harsh realities that make change necessary (the burning platform);
3. Look for ways to redistribute resources toward hot spots – activities that require few resources but result in large change – and away from cold spots – or areas with large resource demands, but relatively low impact; and
4. Improve internal intelligence by appointing a consigliere, an individual who can inform you on who is supporting or resisting change and can advise you on how to build coalitions and devise strategies for change (this would probably be a team of individuals in a large, multi-region organization).

Organizations like World Bank and Aetna that have been successful in transforming their cultures have done so through persistence and incremental shifts.

2. Execute Systemically

Culture is embedded in people, policies, practices, and processes. Attempts to change the culture will need to address all of these components. Determining how and where to implement change can be facilitated by using a holistic framework like the STAR model.



Does our culture support or detract from our D&I strategies, our market strategies, etc.?

Are the right leader/managers in place to advance culture change?

If not, what is out strategy for developing, acquiring or separating this talent?

How do our values and assumptions manifest in our various talent management practices and our customer and community interactions?

Is the way roles are structured here conducive to creating the type of culture we want?

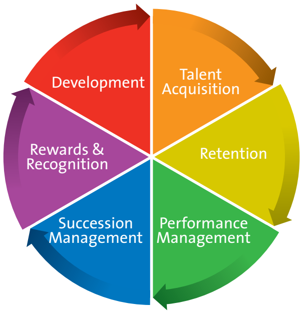
Does our culture reinforce silos?

Are we working independently and collaboratively?

Are our processes benefiting from cross-functional insight?

Do we have a culture of recognition... of accountability?

Jay Galbraith’s STAR model is one of the most widely used organizational design frameworks. It proposes that strategy drives structure which in turn defines processes and the remaining elements of the model. We would assert that culture is embedded in each of these components and have added questions to this model that are pertinent to the discussion on culture change.



The Toolkit included at the end of this report provides another systemic framework for looking at culture change. It facilitates discussions around six talent management areas: Talent acquisition, retention, performance management, succession management, rewards and recognition, and development. A general category on transforming to a culture of inclusion has been added to this iteration of the Toolkit. Further in this report, you will find additional information on this resource. Our corporate members can also access the Toolkit online.

3. Realize When and Where Paradigm Shifts are Required

Changing the culture may require a paradigm shift, moving to a different set of assumptions and framework for operating. This is a more complex process and will take time to root and manifest. Leaders will need to be persistent to ensure that all systems, particularly communication, performance management, reward, and development, support the paradigm shift. Three scenarios where a shift would be expected are described below:

Moving from a compliance to an inclusive organization: Organizations that are in compliance mode focus on representation and meeting the numbers. The motivation for doing so is externally driven, obligatory, and transactional in nature (e.g. there are incentives or sanctions for outcomes). Discussions during staff meetings do not center on how we can ensure we have an inclusive work culture for our employees and learning is not necessarily shared throughout the organization.

Shifting to an inclusive mindset manifests when members of an organization understand the benefits to be gained in a diverse work environment and understand the value of tapping into multiple perspectives. They see the link between diversity of background and thought to innovation and business outcomes. They realize that there is a fine line between employee and customer. They also know that certain systems and practices either facilitate or detract from inclusion and they take ownership for culture change.

Making the shift begins with raising awareness about the differences in these two cultures and by clarifying a new vision for the company. It continues through critical conversations, training, expectation setting, and consistent and persistent use of performance management and reward systems to reinforce behavior change. Yes, some employees will be dragged into this new way of operating, kicking and screaming, missteps will be made, and some employees will not join in on the journey at all. The path to change will not always be linear or upward. Leaders must take a long-term view of change and find ways to celebrate successes and embed change within all systems.

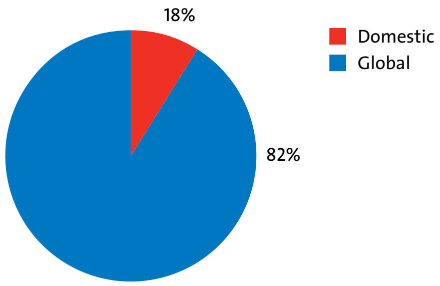
Expanding globally: Organizations that have been successful in opening operations in other countries know that they cannot operate on U.S. centric assumptions. They cannot take for granted that the recruiting and training practices that work in Chicago will have similar outcomes in Mumbai or Sao Paulo. Such mindsets have contributed to high failure rates in international mergers and expatriate assignments. Being successful globally translates to acknowledging and incorporating cultural differences into management and organizational practices and making this a part of the organizational culture.

DID YOU KNOW?

The majority, 82%, of the top companies on *Crain's Chicago Business'* "Public Companies" list have operations outside of the United States.

Reconstructing culture after a restructure, acquisition, or merger – In the aftermath of restructures, mergers, and acquisitions, it is not uncommon for remaining employees to feel somewhat unsettled and uncertain of the rules of the game. For a period of time employees may witness two different operating cultures with inconsistent behaviors and practices. This is a particularly vulnerable time for legacy employees and a prime opportunity for management to clarify the desired culture for the organization. Even more impactful would be to engage legacy employees in on the discussion of culture. What has been found to be effective in merging organizations is to identify the strengths from both organizational cultures, and shift to a hybrid culture.

Top 50 Chicago Based Public Companies



To facilitate culture integration, newly merged organizations often utilize "culture training" to communicate the new vision and values, and to clarify desired and acceptable norms and practices to legacy employees. This type of training is also of value for new hires during the onboarding process.

4. Think Beyond Competencies

Leaders are the champions for driving cultural change, and being able to do so requires a specific set of skills and competencies, as well as mind-set. Some of the competencies that are relevant to transforming culture include: Change management skills, communication skills, influence and negotiation skills, cross-cultural competency, flexibility, interpersonal skills, contextual intelligence, strategic intelligence, and emotional intelligence.

Not surprisingly, some leaders are more prepared than others to lead culture change. Organizational change will require the leadership team to change in some manner. As organizations adopt new strategies and embark upon culture change, this may mean that certain leaders will be let go or that external talent with a track record in creating specific types of cultures will be hired.

However, in a 2009 white paper published by the Center for Creative Leadership, it was proposed that skills alone do not ensure that a leader will effectively drive change. The right mind-set is needed as well.

> *"Senior executives who move the needle toward organizational transformation also experience significant personal transformation. That commitment to personal change is a fundamental part of their readiness to take on the leadership and management challenges of change for a sustainable future."*

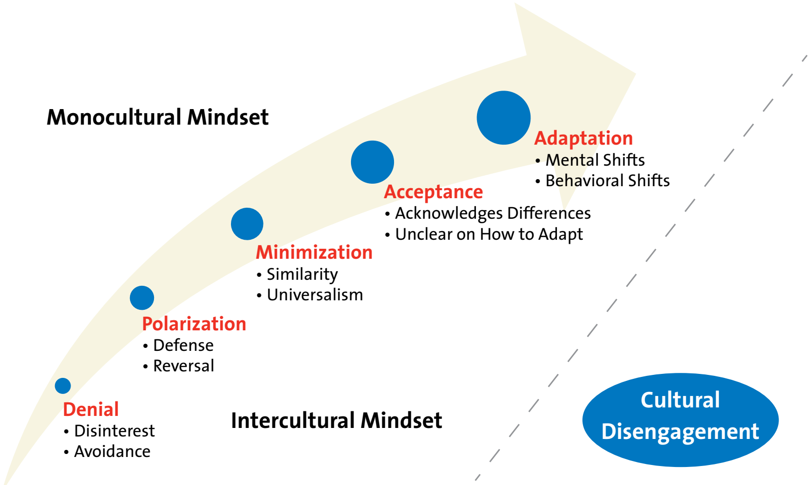
Performance management systems, succession management discussions, executive assessment centers, and validated self-report inventories are examples of the many methods used to assess leadership competencies and readiness for change. One instrument, produced by IDI, LLC, is called the Intercultural Development Inventory® (IDI®) and is one used by several of Chicago United's corporate members. This tool is useful for benchmarking leadership teams and individuals on cross-cultural competency, and is especially useful as a before and after metric as organizations begin to implement strategies to create a more inclusive work culture. The IDI®:

- Provides a framework for understanding how people experience cultural differences.
- Highlights how a person's view of the world both guides and limits their experience of cultural difference.
- Describes how a person sees, thinks about, and interprets events happening around them, as well as what they do not see or think.

The results from this assessment indicate the stage most characteristic of an individual or team. Re-administering this assessment on an annual basis can provide an indication of whether respondents are progressing through the stages of competency.

5. Engage All Levels of Leadership

There are a unique set of challenges to operationalizing culture change for leaders at different levels of the organization. Executives are often insulated from the day-to-day culture. This may result in a distorted or incomplete view of what is happening within their organizations and subsequently result in the omission of important issues as strategy, policy, and supportive systems are being crafted.



Source: IDI, LLC, idiinventory.com

Engagement Through Conversations

Part of senior executive's success in transforming culture hinges on their ability to engage other leaders in the change process. Executives can engage other levels of leadership in driving and reinforcing a culture of inclusion by including them in the conversations that take place about the importance and priority of creating an inclusive work environment. What clearly does not work is using one-way communications to tell managers and employees what the new culture is. Being on the front lines, middle managers and supervisors have a closer view of how work gets done and can lend valuable perspective. Leaders must be willing to listen with an open mind to learn about the challenges other levels of management are having in operationalizing change within their teams.

Cross-cultural mentoring programs take conversations to a new level and provide another approach for engaging leaders. Customarily in these programs leaders are paired with individuals from a different cultural background for six to twelve months. This helps each participant understand the outlook on the organization from someone else's viewpoint.

Many executives engage other levels of leaders in conversation through "managing by walking around" to be more visible and accessible to others. These leaders make visits to other floors or regions of the company and take note of the climate and group dynamic. This exercise benefits executives by providing them with a more complete picture of the organization, yet it also sends a message to others that leaders are accessible. This role modeling of behavior helps to build trust and is often mimicked by those who observe it.

DID YOU KNOW?

Leading, or "management by walking around," was introduced in 1982 when Tom Peters and Robert Waterman publicized it in their bestseller, "In Search of Excellence." It was popularized by Bill Hewlett and David Packard, and by Steve Jobs. Jobs took this practice beyond his employees to customers whose complaints he would often respond to with a personal call.

Engaging Through Accountability

There is no substitute for accountability. To make and sustain progress on culture change, all levels of management must feel a sense of ownership. Leaders who are successful at building cultures of accountability recognize that meeting quarterly representation goals is not the be-all, end-all. They are willing to ask the tough questions of their direct reports on an ongoing basis to find out what they are currently doing to create a diverse and inclusive work environment. This persistence brings vitality into the change process and helps to ensure new opportunities or challenges are not overlooked. Discussions of this nature are integrated into regular staff and departmental meetings and progress is reflected in scorecards, performance reviews, and incentive compensation. Managers are questioned alongside their peers. Game changers are spotlighted in internal newsletters. An energized and slightly competitive work climate is created where no one loses unless they choose not to play.

Creating a Culture of Sponsorship

Sponsors and mentors have a significant impact on the success of emerging leaders of color within an organization. Mentors can provide insight into the organizational culture and development and career advice, and expand their mentees' networks. Mentors are bridge builders and a major lever in decelerating the revolving door syndrome that occurs in organizations where new hires feel marginalized or disconnected.

Sponsors have the added ability to position an individual for advancement. Sponsors are usually those who are senior in the organization, have credibility, and have a sphere of influence within and external to the organization.

How is a culture of sponsorship nurtured? It happens in different ways depending on the organization. One story of sponsorship that is near and dear to the Chicago community is the one that surrounds Calvin G. Butler's career at Exelon:

The Two Faces of Sponsorship – Part 1

Interview with Frank Clark, Retired Chairman and CEO of ComEd

What influenced your decision to sponsor Calvin Butler during his career at ComEd/Exelon?

I've known Calvin for over 20 years. I met Calvin when he worked for a utility downstate. We would occasionally be on different sides of an issue depending on the perspective of our respective utility companies. But from the very beginning I saw that he was a well prepared, very tenacious young man with a great deal of integrity. He was also a strong advocate for what he believed in and well- represented his company. So we weren't always allies when I met him, but there was this certain quality about him – high intelligence, high integrity, voraciousness – all the things that I thought were necessary to be successful in Springfield.

Once you decided you wanted to sponsor Calvin, what were some of the challenges you had to navigate through?

You have to go through a bit of a journey. Calvin and I would see each other in Springfield, sometimes representing overlapping missions, sometimes conflicting missions. That's how I got to know him. Calvin subsequently ended up working at RR Donnelley where he was an executive and I followed his career. Eventually, as my career and that of my executive vice president, John Hooker, were coming to their conclusion, we started looking around for people that we could attract and who would be good for our succession plans. Calvin was at the top of our list because of our past experience with him. We recruited him from a senior executive position at RR Donnelley. He was to come in as an executive at ComEd to replace John. At that time, John led all of the governmental and community work for ComEd. Calvin came in as an understudy to John and I got a second chance to observe him very closely for several years. He continued to demonstrate those executive skills that I thought were exceptional – high intelligence, high integrity, a strong work ethic, and the ability to relate to people within the company.

Was this sponsorship aligned with the organizational culture at ComEd?

Well, this was in line with my and John Hooker's thoughts in terms of what we were looking for. It was aligned with the corporate culture and philosophy of John Rowe, former chairman and CEO of Exelon Corporation, the parent company of ComEd. When we brought Calvin in, it very much met the corporate philosophy of looking for the best candidates wherever possible in terms of succession planning, with a strong focus of including diverse candidates. It so happened that Calvin brought both, but what really attracted us to him was his proven track record as an executive at several levels and in different circumstances. We thought that he was someone that would do very well in my and John Hooker's succession planning. His career journey led to something entirely different, however. As Calvin advanced, the parent company also took an interest in him and he became a succession candidate for both a position in ComEd as well as in Exelon.

Was there any point where you felt that there was risk to sponsoring Calvin?

Whenever you bring someone in from the outside, there is always a 50 percent risk that they won't be successful. But because of the extended interaction that I had with Calvin, I was very comfortable and confident about his potential. What is really important is that John Hooker, John Rowe, and I set Calvin up for succession into a number of key positions within the Exelon/ComEd family. The last promotion for Calvin actually took place after we had all retired. The executives that took over the company after our retirement, Bill Von Hoene, senior executive vice president of Exelon and Chris Crane, the CEO of Exelon, became strong advocates for Calvin and saw those qualities we thought would not only make for a good leader in general, but would make a top executive within our Exelon family.

Calvin migrated to Philadelphia as we were retiring from the company. At that time, Exelon was in the process of acquiring Baltimore Electric, and the CEO there had a very short timeframe before he would be retiring. With the acquisition of Baltimore Electric, Bill Mahoney and Chris Crane, seeing in him the same character traits that we had, positioned him where he could compete to get the number one spot in Baltimore.

So Calvin had many sponsors advocating for him and positioning him. Did you see other sponsorship successes while you were at ComEd?

Yes, there were a number of them. When I was CEO of ComEd, my leadership team included women, Hispanics, and African Americans. John Hooker was one. Another, Anne Pramagiorre, my successor, was someone that I felt had very unique talents and leadership skills. I am very proud of her. She has continued to have the same strong focus on promoting diverse candidates of high quality. In addition, Fidel Marquez is also an executive at ComEd; and we positioned Kevin Brookins before we retired. He is now a senior vice president. Another success story that John Hooker and I often take credit for is Cheryl Hyman, who came from a challenging upbringing on the west side, went on to obtain IT skills from Illinois Institute of Technology, developed leadership skills at Baxter, and became a vice president at ComEd. She is currently the chancellor of City Colleges. So we had a very good balance and these examples demonstrate that we constantly look at people from different backgrounds. Some stay with the company and some leave.

In looking back at all that you've done with Calvin and others, were there some major lessons learned? Would you have done anything differently?

The major lesson wasn't one that I learned, but one that I can confirm. Given an equal opportunity, people from diverse backgrounds and diverse cultures do equally well. They just have to be given the chance.

The Two Faces of Sponsorship - Part 2

Interview with Calvin G. Butler, CEO, Baltimore Gas and Electric (an Exelon company)

When you reflect back on your career at ComEd and Exelon, when did you become aware of the fact that you were being sponsored?

It became obvious to me when John Hooker, who at that time was senior vice president at ComEd, called me at RR Donnelley to ask if I would be interested in opportunities at ComEd. John and Frank whom both I respected, indicated that when my name came to them as a potential successor to John, they were both in agreement that I'd be a great member of their team.

Did you have any interaction with Frank prior to that?

I met both Frank and John when I was in my mid-twenties. At that time, Frank was a vice president at ComEd and John was a director. I was a young lawyer handling government affairs for another utility – Central Illinois Light Company in Peoria. I met them in Springfield, Illinois, where we were all lobbying. We were actually involved in the deregulation debate and were on opposing sides.

So you didn't always agree with each other, but Frank indicated that he clearly respected your opinion.

And that was the same for me because both Frank and John were the godfathers. They had worked in the industry a lot longer, and there I was, a 27 year-old, being thrust into this battle against them. I learned quickly, and although we disagreed, there was always a mutual respect.

When you moved over to ComEd, was it transparent to others in the company that you were being sponsored?

There was never an outward conversation, but it was clear. There was an announcement that I was coming in as John Hooker's successor. You use the word sponsor. They used the word successor, and it was unequivocal that I was brought in by Frank and John. As a result, I was included in all the senior level meetings.

Were there any other activities or positioning that was done?

Others actively sought my opinion, even though I was from the outside. As you may know, ComEd/Exelon did not have a track record for bringing people from the outside in at this level. Coming in as a vice president, and being young and African American was not typical. That was a big statement in and of itself. Being included around the table with the senior leaders was another big statement.

What were some of the challenges you faced?

The biggest challenge was getting to know the culture, because every organization has its own culture. I think the biggest benefit of knowing that Frank and John supported me was that it allowed me the opportunity, not only to do my job, but to learn the culture. It provided a backdrop for not being afraid to make a mistake. When you know someone supports you and knows that you're the right one for the job, it gives you the latitude to "do you."

I use the sports analogy of a starting quarterback. If you've been named by the coach as the starting quarterback and you know you have the coach's confidence, and you throw a couple of interceptions in the game, it doesn't bother you because you know you are going to get the job the next week. You're going to go out and play and not be afraid of making a mistake. And that's what you have when you are sponsored by someone at the level of Frank and John. It allows you the breadth to state an opinion, even if it's wrong or not in consensus with the team. But then you're not brought in to agree. You are brought in to provide insight and knowledge about your outside experiences and that's what I felt I always had the opportunity to do. Since I didn't have to worry about the consequences of failure or making a mistake, my number one concern was doing my job well.

Was sponsorship typical within the organization's culture?

I think sponsorship was very typical under Frank. I think sponsorship at this high level was atypical, because they didn't always have us [leaders of color] at that level.

What would have happened if your sponsors had left? Would you have had the same opportunity to advance?

It depends on when they would have left. As you know, they both did retire and I had moved over to the Exelon side of the business. So the reality of it is, I had my feet up under me after about a year, meaning that I knew the culture and I had expanded my network through the company. My work product spoke for itself. I was no longer an unknown entity. That's the benefit of having sponsors in that early career stage. It allowed me to create a name for myself and, as I've always said, the number one thing you have to do is perform because a mentor is as only good as his mentee. My performance spoke for itself and, as my network expanded, that allowed Frank and John to sit back. Our interactions became more of a "touch base" versus a "you really need to think about this in this organization because this is how we do things." Those conversations went away and became "this is how we need to partner to really do this business."

How has your journey impacted the culture of sponsorship within your organization? Do you think that your story and the success around it have caused some "aha" moments for others?

I believe so and here's why. I joined ComEd in February, 2008. In August, 2010, I was asked to move over to Exelon to become the chief human resource officer for the entire company, no longer reporting up through John and Frank. My background was not in HR. I am a lawyer by training and had run government affairs, regulatory, and operations, but the one thing I didn't have in my toolkit was leading HR. When the opportunity presented itself, Frank called me and said, "I think this is a good idea. It gives you an opportunity to expand your horizon and meet and build relationships with executives outside of ComEd." Trusting him the way I did and do, I accepted.

In May of 2011, I was asked to move to Baltimore Gas and Electric as senior vice president of Corporate Affairs to finalize the merger between Constellation and Exelon. I share all of that because it shows that because of the credibility I had built within Exelon to perform, it opened up other opportunities. So I think what others would think in having that "aha" moment is that when you perform and you are willing to take calculated risks to do other things outside of your sponsorship or your comfort zone, good things can happen.

Did you have some level of concern about moving over to Exelon?

Well, I only had concern because Frank brought me into the organization and I wanted to make sure I was not leaving him in limbo. We had a lot of work to do. That is the loyalty factor that is a part of sponsorship. "You dance with the one who brought you."

What were other lessons learned about sponsorship?

I think it's critical to develop your network outside of your initial sponsor. Performance is always the key. Because my sponsor was the president, CEO, and chairman, and I did not want to reflect poorly on him, I had a higher burden to perform. It's more pressure because you're a reflection not only of yourself, but of the one who brought you in to the organization.

When opportunities presented themselves, I didn't hesitate to call Frank to ask for his counsel. Frank was always quick to say, "This is one person's advice. You've been doing this for a long time. This is from my perspective." And he was always good at explaining, "This is the landscape."

I learned more in working with Frank in that year and a half at ComEd. Over and above the conversations we had, I truly appreciated being able to watch and observe another African American in the CEO seat. I did not take working with Frank and John lightly. I knew I was in a rare position.

6. Establish Clear Metrics for Gauging Success

What are the key indicators that will help organizations gauge success as they embark upon culture change? Of course there is no one set of right responses as each organization will have a different vision and be at different points in their journey. Key considerations for leaders include:

- Defining what success looks like.
- Talking through what unique changes will be required within different departments, levels, regions, and stakeholder groups.
- Clarifying the impact of change on organizational practices and systems.
- Establishing incremental milestones in each area.
- Monitoring, resurveying, and recalibrating based on results and changing dynamics within the workplace.

Some examples of useful metrics include:

MOVING THE NEEDLE

- Accomplishing milestones established.
- Progress noted on assessments that measure cross cultural competency.
- Progress noted on Toolkit scorecard within each talent management area.

ALIGNMENT

- Descriptions of culture from employees that are consistent with the vision for change.
- Culture supports employer brand.
- Alignment between culture, strategy, mission, and vision.
- Alignment between behaviors, practices, and desired culture.

PERCEPTION

- Change in stakeholder perceptions (more positive.)

SUPPORT

- Increased number of advocates for change.
- More positive dialogue about culture change.
- More leadership engagement.

SUSTAINABILITY

- Company is relevant and thriving in the future (e.g. 5 or 10 years out from assessment).

Culture Change from the Bottom Up: A Look at Teams

Just as culture can be driven from the top of the house down, it can also be influenced at the grass roots level. Adoption of diversity and inclusion in organizations often takes this path. Specific departments or teams may be more proactive than others in creating cultures that are inclusive, perhaps because they have benefited from these practices. As a result, these teams have created a subculture or collection of behaviors that is distinct from the overarching culture.

Many benefits have been associated with diverse teams, such as increased innovation and better problem solving. As other teams see the benefits gained, they may seek insight on how they too can reap these benefits particularly if the benefits are visible, tangible, and linked to the team's business goals.

In their early efforts to create a new team culture, the approach used may be to increase the diversity on the team believing that this will change the way they operate and will yield desirable outcomes. But research has shown that diverse teams often experience growing pains. With differing thoughts, backgrounds, and perspectives, it typically takes longer to agree on decisions and conflict is likely to surface. Without an awareness of one's own views and biases, contributions from other team members may be minimized.

The dysfunction on diverse teams can be mitigated by effective management practices and collective commitment from team members. Awareness of the forming, storming, norming, and performing phases of team development will help members comprehend the team dynamics that are occurring and be more optimistic about being able to continually progress. Additionally, self-awareness tools that help team members learn about their own and others' work and communication styles can be administered. Managers can remind their teams that a learning mind-set, risk tolerance, open-mindedness, and a willingness to address conflict are all relevant to creating an optimal team culture for diversity and inclusion.

A Culture That Thrives in the Future

The questions on the minds of leaders in organizations that want to stay relevant in the future are many. What does our future look like? What external and internal factors will be mostly relevant? What trends that are being forecasted will have the most impact, and, most important to this discussion, is the culture we are building now one that is sustainable?

The answers to all of these questions may not be completely obvious. We, however, can assert with a high degree of confidence that companies that do not understand their markets or nurture a culture of innovation and learning will not survive.

Companies like Blockbuster, Kodak, and even GM, who have gone out of business or suffered catastrophic financial setbacks, share a common cultural flaw - resistance to change. Blockbuster attempted to stick with its way of operating as Netflix came in and took over most of its market. Kodak did not jump on the digital camera wagon quickly enough. And while GM's debt has been underwritten by the federal government, there are still signs that it might backslide based on its ongoing internal conflict and determination to produce products that are waning in demand, i.e. gas guzzling cars.

Kodak can be described as an organization that was at the peak of its success when its culture began to fail it. Kodak had over 90 percent of the film market, but did not budge when other smaller competitors entered the digital camera landscape. "Organizations are in greatest danger of failing when they're at the peak of their success," observes Gerard J. Tellis. In his book, *Unrelenting Innovation,* Tellis and his colleagues studied 770 companies across 15 countries, and found that success over the long haul isn't a matter of size, number of patents, or the dollar amount of R&D investments. Instead, staying on top requires a "culture of innovation," including an appetite for risk, an eagerness to reward fresh thinking, and a focus on the future.

A look inside Walgreen's provides an opportunity to discuss how an organization has created a culture that is responsive to its customers' needs and one that recognizes that a good idea can come from "the corner of anyone and anyplace:"

Creating a Culture of Customer Responsiveness and Innovation

Interview with Steve Pemberton, Chief Diversity Officer, Walgreens Co.

We've heard about Walgreens offering technologies like language translators for its customers. Tell us more about how this innovation and process evolves within your organization.

Walgreens has several technologies to assist our customers. One of them, our "Talking Pills Reminder" was launched in June. It is a talking prescription device that is available to our customers with visual impairments. The process that occurs to bring these innovations to life is similar across technologies. I believe what has been an advantage for us is our historical commitment to diverse customers, in this case, people with disabilities, both employing these individuals as team members and conducting outreach to our customers.

Also, we have purposely and deliberately created a culture of providing opportunity that is an extension of our overall purpose. When you think of Walgreens purpose, which is to help people get, stay, and live well, and our vision, which is to be the first choice for health and daily living for everyone in America and beyond, you can see how these two factors create a culture that is specifically applicable to people with disabilities.

There is a holistic approach to the process as well. For the "Taking Pills Reminder," the need came from both our team members, many of whom have a disability, and our customers. It then went through the different functions within the organization, from Pharmacy to Legal to Marketing, and to my team. So, although the need may be uncovered in one specific area of the company, its execution requires support from several different areas.

Did Insight come from an individual or team that was experiencing a challenge themselves?

Often this process emerges from a simple question, "What if we could?" There is not always an immediate need, as much as an enlightened customer coming forth to say, "I saw this somewhere else, and wouldn't it be nice if Walgreens could do it?"

It would appear that Walgreens has a culture and provides a forum in which new ideas can be generated and not get caught up in red tape.

But in addition, I do think that it is about creating a specific culture that goes beyond just asking "wouldn't this be nice to do?" and actually acting upon it -- putting the processes in place and moving forward with them.

Do ideas come more frequently from customers in the community, or employees who might also be customers?

The idea can come from anywhere. For example, it may be from a Pharmacist who sees that more and more of her customers need some specific level of address to engage us differently. So she will mention the need to us and say, "We think life would be a bit easier for our customers with visual impairments, for example, if we better leverage our technology."

In hindsight, what are some of the diversity and inclusion lessons learned in going through this process?

There is something particularly instructive about diversity and inclusion lessons that are learned here. Certainly, one is that ideas can come from anywhere, but not that they necessarily should. The second, is that you have to be open and attentive to new ideas. Our reaction has to be "what is the need here, and what is the most effective way for us to address and/or resolve it?" You are often moving beyond what is the corrective action or the nice thing to do, to how will this solution benefit our customers.

Is there a particular group of advocates, the people who are most open-minded, that spearhead these efforts internally? Do you find yourself constantly having to step in to advocate for opportunities like this?

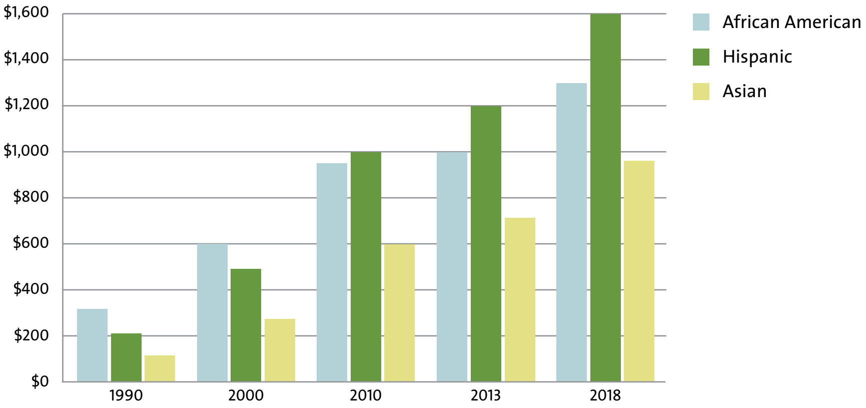
No and that is because of our culture. When you create a culture of advocacy, regardless of place, function, title, years, or experience in the company, that's what you get – advocates at every level.

Understanding the Power of Consumers

Research conducted by the Selig Center forecasts that over the 29-year period between 1990-2018, the nation's Hispanic buying power will grow dramatically. Additionally:

- Hispanics' economic clout rose from $210 billion in 1990, to $491 billion in 2000, to $1 trillion in 2010, to $1.2 trillion in 2013, and will rise to $1.6 trillion in 2018.
- The 2013 value exceeded the 2000 value by 142% – a gain that is far greater than either the 64% increase in non-Hispanic buying power or the 70% increase in the buying power of all consumers in the U.S.
- Hispanic buying power will grow faster than African American buying power (78%), but more slowly than Asian buying power (160%).

Multicultural Purchasing Power

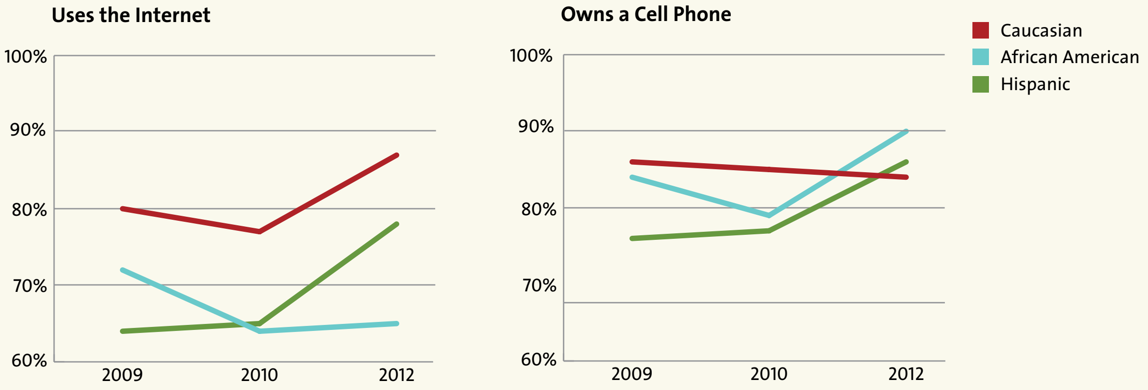


How Do Organizations Contemporize the Culture?

Walgreens' story highlights technology and its impact on the world of work and commerce. Organizations that want to stay relevant and contemporary must stay ahead of the technology curve. Technological trends such as social media have had an immeasurable impact on how work is done, how individuals communicate, learn, and interact with each other. Technological advances in assistive devices have enabled a broader pool of individuals to enter the workplace, and to work from locations other than the corporate office. Additionally, research suggests that there has been an increase in the use of mobile devices such as smart phones and tablets by diverse groups.

DID YOU KNOW?

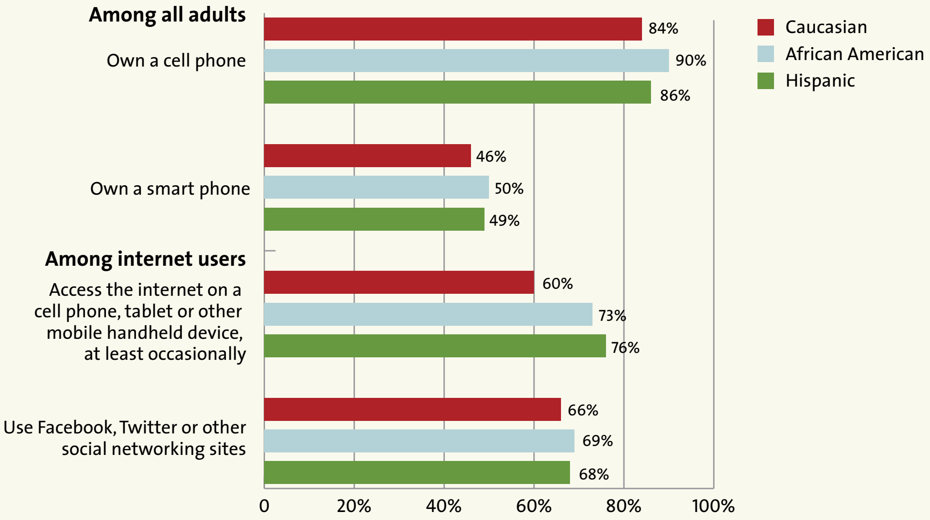
Internet use is on the rise among African Americans, Hispanic/Latinos and Caucasians. However, only African Americans and Hispanics are experiencing a rise in cell phone usage and they are more likely to utilize a mobile device to access the internet.


Uses the Internet

Owns a Cell Phone

Note: The study was focused on usage patterns of Caucasians, African Americans, and Hispanics.
Source: Pew Research Center

2012 Smart Phone Ownership, Mobile, Internet Use, and Social Networking Site Use



Note: Smart phone owners are a subset of cell phone owners. An "internet user" is defined as someone who says they either use the internet or send or receive email at least occasionally.

Source: For Hispanics, Pew Research Center National Survey of Latinos 2012; for Caucasian and African Americans, Pew Research Center for the People & the Press June 2012 Biennial Media Consumption Survey and Pew Research Center for the People & the Press February 2012 Political Survey.

Technology has also shortened the timeframe for communications. In a few keystrokes or one tweet, the reputation of an organization can be defined and conveyed to thousands.

> *In 2013, Chobani yogurt cups started exploding off the shelves and inside consumer's stomachs, due to bacteria that had acquired in a small batch of product. The company's "culture in action' helped them turn around this problem without experiencing a sales hit. They recalled the yogurt cups, and staff, including the CEO, jumped on to social media and apologized, writing personal letters to over 150,000 individuals and responding to over* ***3,600 tweets****. Chobani's focus on integrity, people and leadership involvement saved their brand.*
>
> Source: AdAge

Generation Y, or the Millennials, are dedicated early adopters of new technology and their presence in the workplace is increasing. For much of Generation Y, which represents 36% of the work population, the expectation for work is that there is broad latitude in terms of how and where it can be done. This is one example of how culture is shaped. The expectations of this growing labor pool will define what is valued by employees and will contribute to the norms and practices of organizations who want to retain this generational cohort and be viewed as an employer of choice.

Generation Y, or the Millennials, includes the 80 million young adults born between 1976 and 2001

- In 2014, it is estimated that 36% of the U.S. workforce will be comprised of Millennials.
- By 2020 it is projected that Millennials will make up 46% of the U.S. workforce.
- Millennials are the most diverse generation.
- 64% of Millennials ask about social media policies during job interviews; 24% say it would be a key factor in accepting an offer.

Percent	African American	Asian	Caucasian	Hispanic	Other
Millennials	14.2%	4.3%	59.8%	18.5%	3.2%
Other Generational Cohorts	13%	3%	72.5%	12%	1.5%

Source: MBA@UNC Blog, The University of North Carolina at Chapel Hill Kenan-Flagler Business School

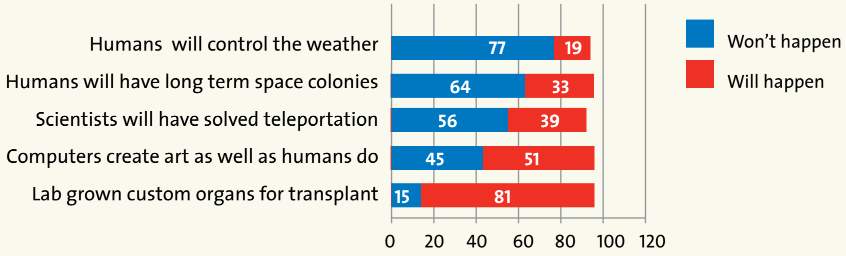
Hence, the link between future trends and organizational culture is an important discussion to have. Organizations are most probably having discussions about whether or not their strategies, structures, products, and services will be sustainable. Are they having the same detailed conversations about whether or not their organizational cultures are?

Science and art must be combined here as there is no precise formula that will ensure that one's current culture will be relevant 20 years from now. Demographic, technological, economic, political, and environmental shifts are surfacing more rapidly than civilizations have noted in any industrial era. And these shifts will impact business, the way it is done, how people interact, and the collection of behaviors that facilitate successful outcomes. The extent to which leaders can diagnose and evolve their company cultures accordingly will determine the capacity to which organizations will survive and thrive in the decades ahead.

DID YOU KNOW?

From a list of futuristic inventions that includes space colonies and teleportation, Americans actually have the most confidence in the prediction that there will be lab-grown custom organs for transplant and the least confidence in the prediction that humans of the future will be able to control the weather.

50 Year Predictions: Percent of adults who feel the following will or won't happen



Source: Pew Research Center

TOOLKIT

Overview

The Toolkit 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 the resources 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 Aquisition, 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 context 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.

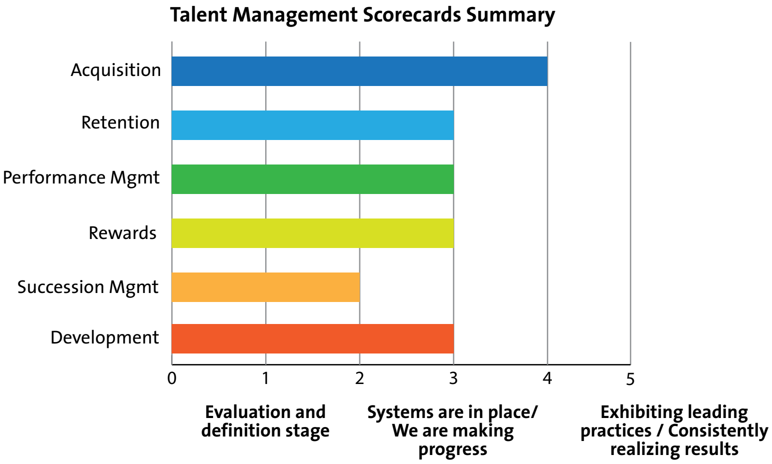
Talent Acquisition Scorecard Example

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

SAMPLE

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 underlying reasons:

- 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 **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**
	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).	

SAMPLE

Rewards & Recognition

Overview

Many senior leaders ponder whether 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 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
	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.	

SAMPLE

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

SAMPLE

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	
Have not addressed this area	**Evaluation and definition phase**		**Systems are in place/ We are making progress**		**Exhibiting leading practices/ Consistently realizing results**	**SCORE**
	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-border rotational programs are in place for entry level through senior level manager roles with representative participation from employees of color.	

SAMPLE

ADDITION TO TOOLKIT

Culture is measured through the assumptions, norms, and practices of the organization. The Toolkit is a useful framework to evaluate how culture manifests. We have expanded the Toolkit by adding a general category on "Transforming to a Culture of Inclusion." We would suggest that leaders look at this section along with each of the six talent management practice areas as they develop questions to ask their staff and design metrics for gauging success.

Transforming to a Culture of Inclusion

Overview

Building an inclusive culture is no small undertaking. Organizations are very protective of their cultures as they provide a blueprint for how to behave. Cultures create norms for operating and enable some level of predictability in an uncertain and competitive marketplace. Changing culture may require uprooting beliefs and practices with which employees have become comfortable.

Leadership has a primary role in rebuilding the culture. This is done through the leader's ongoing communications, advocacy, sponsorship, and personal interactions with others.

Additionally, culture transformation efforts, whether they be focused in one area or enterprise-wide, should be done incrementally and address all systems within the organization, e.g. talent management systems, etc.

Leading Practices

- Think holistically and systemically in the data gathering and change management phases
- Establish clear milestones for change

Questions Business Leaders Should be Asking

1. How would we describe our current culture? What other sub-cultures exist within our organization?
2. What aspects of our current culture would detract from us building the culture we want? How can we address this?

SAMPLE

Transforming to a Culture of Inclusion: 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 have begun to ask questions about whether our culture supports our diversity and inclusion practices.		We have conducted an audit of our culture.		We have conducted a multi-faceted culture audit combining quantitative and qualitative methods.	
	We are aware that culture may be impacting our capacity to be successful in our diversity and inclusion implementation strategies.		We have looked at results and have a general understanding of our culture's strengths and weaknesses.		We have taken a systems approach, looking at how culture manifests in our various practices, policies, structures, etc.	

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.

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 or call 312.977.3060.

© 2014 Chicago United, Inc. To order copies or request permission to reproduce materials, call 312-977-3060, write Chicago United, 300 East Randolph, Chicago, IL 60601, or go to www.chicago-united.org. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form by any means.

Chicago United

THE WORK OF CHICAGO UNITED IS MADE POSSIBLE BY THE SUPPORT OF OUR MEMBERS:

Abbott
AbbVie
Access Community Health Network
Advocate Health Care
Aon
Ariel Investments
Bank of America
Baxter International Inc.
Blue Cross Blue Shield of Illinois/ Health Care Service Corporation
BMO Harris Bank
BP America Inc.
Bryan Cave LLP
Cabrera Capital Markets, LLC
Carrington & Carrington, Ltd.
Central City Productions, Inc.
Chicago Botanic Garden
The Chicago Community Trust
Chicago State University
Chicago Sun-Times
Chicago Urban League
ComEd, An Exelon Company
Crain's Chicago Business
CSMI
Cushman & Wakefield
elevate DIGITAL
Endow, Inc.
Ernst & Young LLP
Federal Reserve Bank of Chicago
Financial Executives International
General Electric Company
Golin
Gonzalez Saggio & Harlan LLP
Greeley and Hansen
Hispanic Housing Development Corporation
Holland Capital Management LLC
The Hollins Group Inc.
Hyatt Hotel Corporation
Johnson, Blumberg & Associates, LLC
Katten Muchin Rosenman LLP
KPMG LLP
Krieg DeVault LLP
Laner Muchin, Ltd
Loop Capital
Macy's
Manpower
McDonald's Corporation
Mesirow Financial
MillerCoors
Mitchell & Titus
Montenegro
MZI Group Inc.
Nicor Gas
NJW Consulting
Northern Trust
Northstar Lottery Group
Northwestern Medicine
Odell Hicks & Company, LLC
PNC Bank
Prado & Renteria CPAs Prof. Corp.
Primera Engineers, Ltd.
Pugh, Jones & Johnson, P.C.
PwC LLP
Quarles & Brady LLP
Quintairos, Prieto, Wood & Boyer, P.A.
RGMA
Rush University Medical Center
Sanchez Daniels & Hoffman LLP
SDI (System Development.Integration, LLC)
Sidley Austin LLP
Sodexo
Spencer Stuart
Tampico Beverages, Inc.
UBM Facility Services Inc.
United Airlines
The University of Chicago / University of Chicago Medicine
University HealthSystem Consortium (UHC)
University of Illinois at Chicago
UPS
USG Corporation
Walgreens
Washington, Pittman & McKeever, LLC
Weber Shandwick
Wedgeworth Business Communications
Wynndalco Enterprises, LLC