

2009 Talent Management Processes for a Diverse Leadership Team

A Study Conducted by ORC Worldwide
Global Equality, Diversity and Inclusion Practice
for Industrial Relations Counselors, Inc.

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Executive Summary

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Introduction

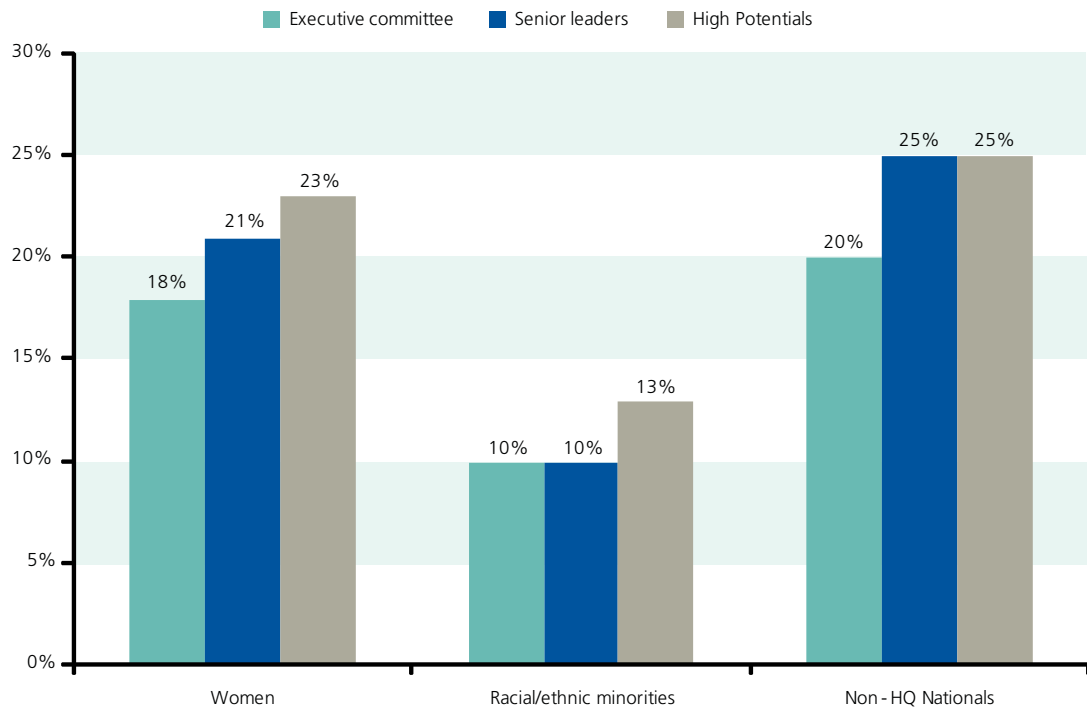
The goal of Industrial Relations Counselors, Inc.'s study *Talent Management Processes for a Diverse Leadership Team*, which was recently completed by ORC Worldwide, was to understand which talent management practices work best for uncovering high potential talent from non-traditional populations and making sure that talent is able to penetrate the senior leadership levels in substantial numbers. Specifically, we looked for which practices were associated with higher percentages of women, racial/ethnic minorities and people from outside the headquarters country (non-HQ nationals, or NHQNs) at three organisational levels: the executive committee, senior leaders and the high potential pool.

Our findings are based on a comparison of top tier organisations—those with the highest representation of women, minorities, or NHQNs at each level—to the rest of the sample. (For a fuller explanation of our methodology, see the appendix on page 7.)

Note that the findings should not be viewed as representing direct causality, but merely an observed relationship that suggests certain practices or cultural traits can contribute to advancement of one or more of the groups studied.

Demographics

The median representation of women, racial/ethnic minorities and non-HQ nationals among participating employers is shown in the following chart.



Key Points

- Organisations with more women on the executive committee also had more minorities and NHQNs on the executive committee, but the reverse is not true. More minorities or NHQNs do not affect the number of women on the executive committee.
- Organisations with more diversity in the executive committee are likely to have more diversity in the senior leadership ranks just below them.

Barriers to Advancement

A few barriers seem to pose a problem for all three populations (eg, exclusion from informal networks and lack of visibility to senior leaders). Other barriers seem to impact only certain groups but not others:

Population	Three Top Barriers to Advancement
Women	<ol style="list-style-type: none"> 1. Exclusion from informal networks 2. Leadership style that differs from the norm among current leaders 3. Lack of visibility to senior leaders
Racial/ethnic minorities	<ol style="list-style-type: none"> 1. Exclusion from informal networks 2. Lack of visibility to senior leaders 3. Managers' unwillingness to take risks on non-traditional candidates
Non-HQ nationals	<ol style="list-style-type: none"> 1. Lack of visibility to senior leaders 2. Exclusion from informal networks 3. Leadership style that differs from the norm among current leaders

Key Points

- Lower tier organisations were considerably more likely to cite unwillingness to take risks on non-traditional candidates as a barrier to both women and minorities.
- A culture that does not support work/life balance was seen as a barrier to women by a substantial number of lower tier companies.

Diversifying the Pipeline

We found that certain practices for selecting high potentials were associated with greater diversity.

Key Points

- It appears that the criteria organisations use to identify employees with leadership potential may impact the diversity of those chosen. Organisations that select on the basis of mastery of key leadership competencies had more women, minorities, and NHQNs among their high potentials. Learning agility was linked with higher numbers of women and minorities, and emotional intelligence with minority advancement.
- Organisations that involve others besides just the supervisor in assessing high potentials and that discuss diversity explicitly in talent reviews have more diversity in the high potential pool.

Developing Senior Leaders

The survey sought to discover which development strategies might be most effective for developing a diverse senior leadership team. We found that several practices that were common among top tier organisations were associated with greater gender, racial/ethnic, or national diversity among senior leaders. The most effective practices for each group were:

Practice	Women	Racial/ Ethnic Minorities	NHQs
Providing leadership role models who have followed both traditional and non-traditional career paths	x	x	
Providing formal support (eg, coaching, executive onboarding, special training) for significant career transitions	x	x	
Offering special targeted leadership development training or experiences	x		
Helping diverse employees find mentors/sponsors	x		
Helping diverse employees find multiple mentors/sponsors	x	x	
Offering international experiences early in career		x	x
Bringing high potentials together from around the world for training or conferences to facilitate network building among them		x	x
Including diverse high potentials in critical meetings and giving them opportunities to make presentations in visible venues		x	

The Role of Culture

Organisations with higher representation of women in the upper levels tend to demonstrate two cultural preferences in particular:

- Avoiding crises over than putting out fires
- Building consensus over quick decision making

We did not find any link between the values we tested and representation of minorities or NHQNs.

Accountability and Measurement

It is common for employers to track the diversity of their leadership ranks, new hires, those promoted and those who leave the organisation. Those with the best representation of women and minorities go further and look at:

- Distribution of performance ratings
- Voluntary turnover among female and minority high potentials
- The perceptions of the workforce about fairness of promotion decisions and acceptance of different leadership styles

Key Point

- Although most organisations eschew targets, those that set targets for female successors have a considerably higher percentage of women at the executive committee and senior leadership levels. (Not enough employers set targets for minorities and NHQNs to allow us to analyse their impact.)

Summing Up

The proportion of women, racial/ethnic minorities and non-HQ nationals in top tier organisations is from 33 per cent to 4,500 per cent greater than the proportion in other participating organisations, depending on the population and level in question. As it turns out, these high performers are doing a number of things differently in terms of talent identification, development and deployment.

The following table shows the principal barriers to advancement of diverse groups and the measures top tier organisations are taking to mitigate them. (Many of these practices might address more than one barrier, but for simplicity's sake we have listed each one only once.)

Barriers	Key practices used more frequently by top tier organisations
Exclusion from informal networks	<ul style="list-style-type: none"> • Helping employees find mentors/sponsors, and helping them find multiple mentors/sponsors • Bringing high potentials from around the world together for training, conferences, etc. to help them build their networks • Offering international experiences early in career
Difference in leadership styles	<ul style="list-style-type: none"> • Providing specialised targeted leadership training or development experiences
Lack of visibility	<ul style="list-style-type: none"> • Having a consistent, enterprise-wide process for identifying high potentials • Putting in place centralised monitoring of emerging talent • Involving others besides the supervisor in evaluation of potential • Including diverse high potentials in critical meetings and giving them opportunities to make presentations in visible venues
Unwillingness of managers to take risks on non-traditional candidates	<ul style="list-style-type: none"> • Involving HR or talent management function in selection of employees for international assignments • Discussing diversity explicitly in talent reviews • Having formal support for significant career transitions (coaching, onboarding, training) • Selecting high potentials on the basis of competencies (leadership, learning agility, emotional intelligence)
Organisation culture unsupportive of work/life balance	<ul style="list-style-type: none"> • Permitting part-time work following return from leave • Providing role models of leaders who have taken non-traditional career paths • Creating a culture that values crisis-avoidance, consensus and meeting commitments rather than hours at work
Bias	<ul style="list-style-type: none"> • Involving others besides the supervisor in performance evaluation • Tracking distribution of performance ratings

One might expect that employers with more diversity in the pipeline would see more diversity in the senior leadership levels, but, except in a few of the organisations participating in the study, that is not the case. In some organisations, the diversity among high potentials may be relatively recent so that its impact has not yet been seen in the senior management and executive levels. But in others the failure of diversity to make it through the pipeline into senior leadership may be due to more than lack of time; it may also reflect insufficient integration of diversity and inclusion into talent management practices. Our interviews with four companies that have managed to achieve high numbers at every level show that in the most successful organisations, diversity and inclusion efforts do not stand apart as a separate programme; they are “baked into” the practices the organisation uses to make decisions about its talent.

The most important lesson of this research, then—more than the value of any particular practice or policy—is the interconnectedness between diversity and inclusion and talent management processes. The organisations that have integrated diversity into their global talent management systems and processes—their tracking mechanisms, their selection and development processes, and their global mobility policies and practices—have more diversity in their pipelines and senior ranks. Over time, the consistent attention to diversity in these organisations has helped leaders develop the habit of thinking about talent more inclusively.

Appendix: Methodology

Forty-seven organisations, predominantly from the for-profit sector, based in the United States and United Kingdom, and having employee populations of more than 10,000 employees, participated in an on-line survey conducted in the summer and early fall of 2009. Participants were asked to provide information about current demographics in the leadership ranks, organisational culture, and how they:

- Identify high potential talent globally.
- Construct career paths that accommodate diversity.
- Manage developmental experiences so that a diverse high potential pool has the opportunity to grow, be tested, see and be seen by the top of the house.
- Build accountability into the system.

In addition, specific examples of practices were gathered from in-depth interviews conducted with four organisations (Xerox, Deutsche Bank, the BBC, and McDonald’s) and are incorporated in the complete report.

The analysis of the data was done in three steps:

- We first defined a top tier (quartile, tercile, or above median, depending on number of companies responding but in most cases consisting of 10 or 11 organisations), for each population at each level – based on actual reported representation, ending up with nine categories (executive women, executive minorities, executive NHQNs; senior women, senior minorities, and so forth).
- We then compared the processes, practices, and cultural attributes of the top tier to the rest of the survey sample to uncover potential connections between their actions and outcomes. Generally, differences of 15 percentage points or higher were considered significant.
- When top tier organisations were found to use a practice considerably more frequently than other organisations, we then tested the potential linkage by examining whether median actual representation of women, minorities, or non-HQ nationals was reported as higher in all organisations using the practice (whether in the top tier or not) compared to organisations not

using the practice.

About Industrial Relations Counselors, Inc.

Industrial Relations Counselors, Inc. (IRC) is a not-for-profit research and educational organisation specialising in human resources in management. Incorporated in 1926 through the efforts of John D. Rockefeller, Jr., IRC was the first research organisation in its field. IRC continues to be dedicated to its original objective: “To advance the knowledge and practice of human relationships in industry, commerce, education, and government.” IRC’s work has been guided over these 80-plus years by a board of trustees comprising distinguished leaders of American industry.

About ORC Worldwide

ORC Worldwide (ORC) is an international management consulting firm offering professional assistance in the areas of global equality, diversity and inclusion; talent management; global and domestic compensation; labour and employee relations; and occupational safety and health.

ORC’s equality, diversity and inclusion (EDI) practice, based in New York and London, has been helping clients enhance the value of diverse workforces for more than 40 years by:

- Creating and implementing powerful global diversity strategies.
- Engaging senior leaders in creating cultures of inclusion that leverage the value of diversity in their organisations.
- Benchmarking talent management practices that create a diverse workforce.
- Advising on effective management of diversity and equal opportunity programmes in North America and Europe that comply with applicable employment law.
- Facilitating cross-industry networks of professionals who share best practices and strategies in a confidential forum.
- Updating clients on key developments in global diversity and equality that affect organisational practices.