
A Leader's Guide: Finding and Keeping Your Next Chief Diversity Officer

Introduction

Diversity, inclusion & equity have become headline issues, putting pressure on organizations and leaders to respond in a meaningful way. Investors are also expressing their displeasure with discrimination allegations. Russell Reynolds Associates' review of 2017 and 2018 incidents involving bad executive behavior showed that companies experienced an average 7 percent decline in market capitalization, or \$4 billion, in the days and weeks following the news.

The upside associated with fostering diversity, inclusion & equity has also become more tangible. A 2018 McKinsey study found organizations with diverse boards and executive teams were up to 35 percent more likely to outperform than their less-diverse competitors.¹ Our Diversity and Inclusion Pulse survey, which includes responses from more than 1800 leaders around the world, confirms that focusing on diversity has a positive effect on performance. In organizations where diversity and inclusion (D&I) is treated as a business priority, 75 percent of respondents said their employer set them up for their highest level of performance; that figure drops to 43 percent for those working at organizations that take a reactive approach to D&I or consider it to be merely a compliance issue.

These are not new topics. Yet as a result of current social movements, many organizations are pouring fresh energy into them. At the same time, many are appointing new leaders to oversee D&I as an organizational-level business issue. New Russell Reynolds Associates research finds 47 percent of companies included on the S&P 500 index currently have a chief diversity officer (CDO) or equivalent. Nearly two-thirds - 63 percent - of those CDOs have been appointed or promoted to their roles in the past three years.



The reality is that simply appointing a new CDO is not enough. Our survey data, which includes insights from 97 diversity leaders, shows that many D&I initiatives are disconnected from business priorities, and that CDOs often lack the necessary resources or organizational support to make lasting changes.

In this paper, we take a data-driven approach to analyze the CDO role and what makes it successful. We examine the career paths and competencies of today's CDOs, based on the 234 CDOs currently at S&P 500 companies. We then uncover the barriers many CDOs face within their organizations. Finally, we look at the actions leaders and organizations can take to make CDOs more successful.

WE ADDRESS 3 KEY QUESTIONS:

01 What experiences and competencies define today's CDOs?

02 What are the current barriers CDOs face in embedding D&I into the organization?

03 How can CEOs, CHROs and other top executives set CDOs up for success?






1. Vivian Hunt, Sara Prince, Sundiatu Dixon-Fyle and Lareina Yee. *Delivering through diversity*, McKinsey & Co. January 2018

Anatomy of a chief diversity officer

We recently analyzed S&P 500 companies to understand how prevalent the CDO role is and the career paths that commonly lead to it. Our data shows that 234 of these 500 companies have a CDO (or someone with an equivalent executive-level title) who is responsible for D&I. Of these 234 executives, approximately half have a joint title, often related to human resources or corporate social responsibility.

Our analysis reveals that CDOs come from a variety of career paths before taking their roles. In our experience, no single profile is right for all companies, but rather, the best fit will depend on an organization's goals and current stage in its D&I journey.

CHIEF DIVERSITY OFFICER ARCHETYPES

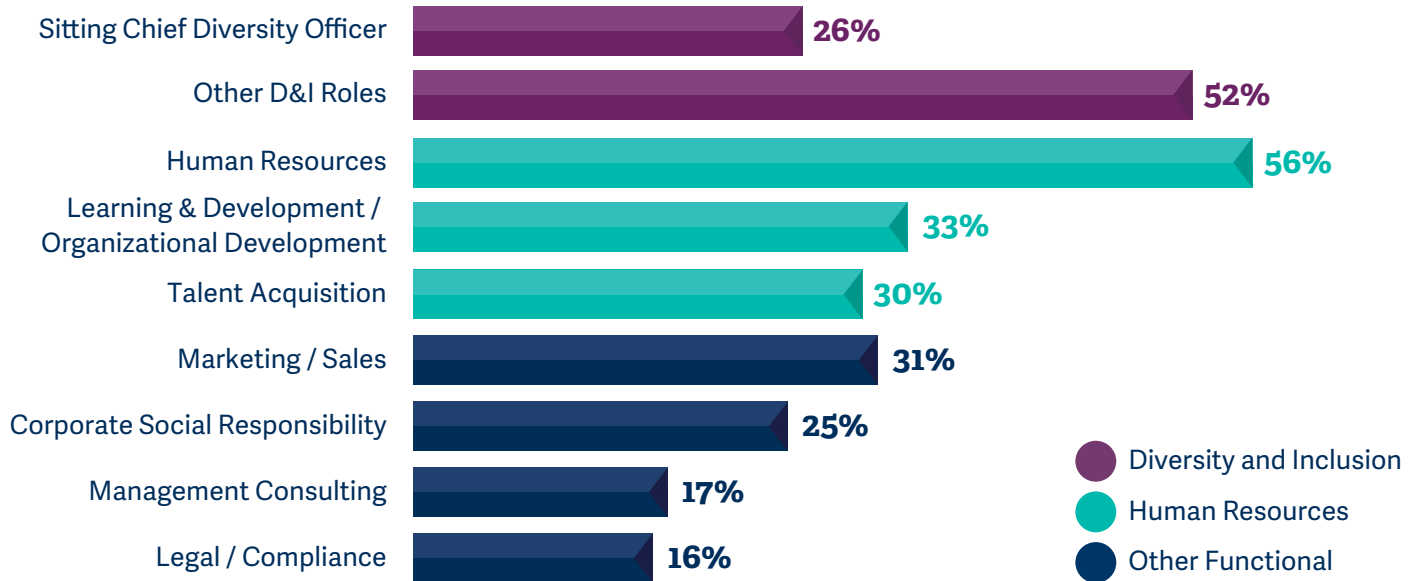
 Human Resources	 Diversity & Inclusion	 Business	 Communications	 Legal
45%	30%	17%	13%	11%
<ul style="list-style-type: none"> ✓ Exposure to multiple aspects of HR, including talent management, and the ability to leverage the capabilities and support of HR ✓ Experience directly advising business units and senior management ✓ Larger pool of talent available 	<ul style="list-style-type: none"> ✓ Proven track record of leading organization- or program-level D&I strategy ✓ D&I thought leader and well-networked within D&I conferences, platforms and events ✓ Understands how D&I initiatives can be integrated into the organization 	<ul style="list-style-type: none"> ✓ Sound understanding of company culture and business challenges; able to link D&I initiatives to business results ✓ Likely to have strong credibility internally ✓ Often experienced in multicultural marketing or the creation of an inclusive go-to-market strategy for the company 	<ul style="list-style-type: none"> ✓ Strong internal communications skills which help influence and galvanize the organization ✓ Strong external communications skills which help in becoming the voice of the organization 	<ul style="list-style-type: none"> ✓ Strong legal / employment ✓ Law / compliance background is especially useful in an industry with underrepresented women and minorities ✓ Experience directly advising business units and management
<ul style="list-style-type: none"> ✗ Depending on the view of HR within the organization, may not have ability to influence business leaders ✗ May not know how to navigate a large, complex organization 	<ul style="list-style-type: none"> ✗ May not have relevant industry or business experience ✗ Management consultants may lack experience with execution, or navigating a matrixed organization 	<ul style="list-style-type: none"> ✗ Unlikely to have the knowledge of D&I best practices or talent management /HR ✗ May not have a strong diverse network 	<ul style="list-style-type: none"> ✗ May not know enough about talent management and HR ✗ May appear too focused on external presentation rather than internal change 	<ul style="list-style-type: none"> ✗ May not know enough about talent management and HR ✗ May be overly focused on metrics / compliance rather than cultural change

Note: Numbers do not add up to 100 because chief diversity officers may have more than one area of expertise

Source: RRA analysis of 234 top diversity executives among the companies in the S&P 500 index as of December 10, 2018

CHIEF DIVERSITY OFFICER EXPERIENCES

The majority of CDOs have D&I or HR experience, but a number of them have also held other roles



WHAT GOOD LOOKS LIKE: CHIEF DIVERSITY OFFICER COMPETENCIES

CDOs who are successful have a common set of competencies that allow them to collaborate and influence across functions. Leading CDOs are ambidextrous leaders who can simultaneously play the following five roles:



Lessons from chief diversity officers

Our research shows that CDOs have the potential to significantly affect D&I success, particularly when they have the authority and skills to set D&I strategy.² However, too often, this potential is diminished due to poor executive fit or a lack of organizational support. Without adequate commitment from the CEO and other top leaders, nearly any D&I strategy is destined to be viewed as a “nice-to-have” option rather than a necessity.

To learn more about how the CDO role is currently structured and what friction may exist between CDOs and the organizations they serve, we surveyed 97 CDOs from our network. Our data suggests that executives charged with leading D&I efforts are not well-equipped to spearhead the necessary organizational changes. They face three major pain points:

1. STRUCTURE AND RESOURCING: CDOS HAVE MANY RESPONSIBILITIES, YET MORE THAN HALF ARE NOT RESOURCED TO TO FULFILL THEM.

The CDO is an exceptionally multi-faceted role, with responsibilities ranging from organizational development to strategy-setting to legal concerns depending on the organization. We find that about half have additional roles unrelated to D&I which may hamper their ability to maximize results. Historically, organizations may have selected influential business leaders to champion internal D&I strategy on top of their existing responsibilities. Over time, however, it has become clear that D&I warrants its own resourcing, expertise and full-time leadership.

WHERE CDOS SPEND THEIR TIME

Those we surveyed focus most on organizational development, with less attention to legal/compliance topics



CDOs have a range of responsibilities, but 53% of them hold an additional role unrelated to D&I.



LEARNING & DEV./ ORGANIZATION DEV.

Embedding D&I strategy into the organization

Organizational development 68%

Learning and development 55%



WORKFORCE AND HR

Embedding D&I strategy into talent management

Talent Management 49%

Talent Acquisition 39%

Human resources 36%

People analytics 24%



D&I/CORPORATE STRATEGY

Setting and executing D&I strategy

Management consulting 43%

Diversity and inclusion strategy 36%

Legal/compliance 33%



OTHER FUNCTIONAL

Focusing on compliance
Focusing on external relationships and
Corporate Social Responsibility

External communications 32%

Internal communications 32%

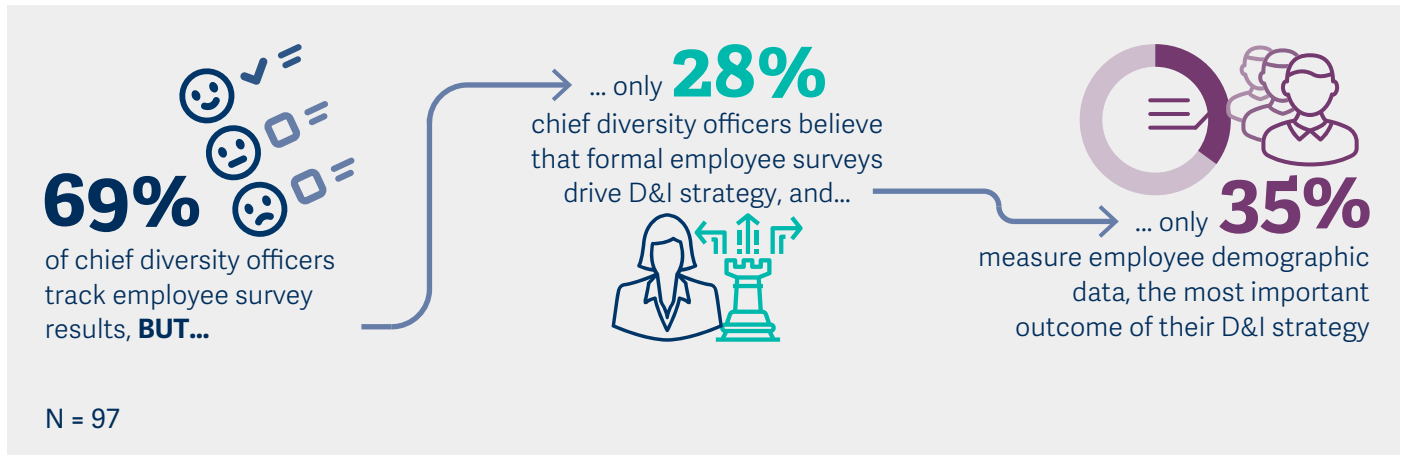
Corporate social responsibility 31%

Source: Diversity and Inclusion Pulse, Russell Reynolds Associates (2018); CDO N = 97

2. Russell Reynolds Associates Diversity and Inclusion Pulse 2017

2. DATA AND ANALYTICS: CHIEF DIVERSITY OFFICERS SEEM TO BE MISSING – OR UNDERUTILIZING – KEY D&I DATA.

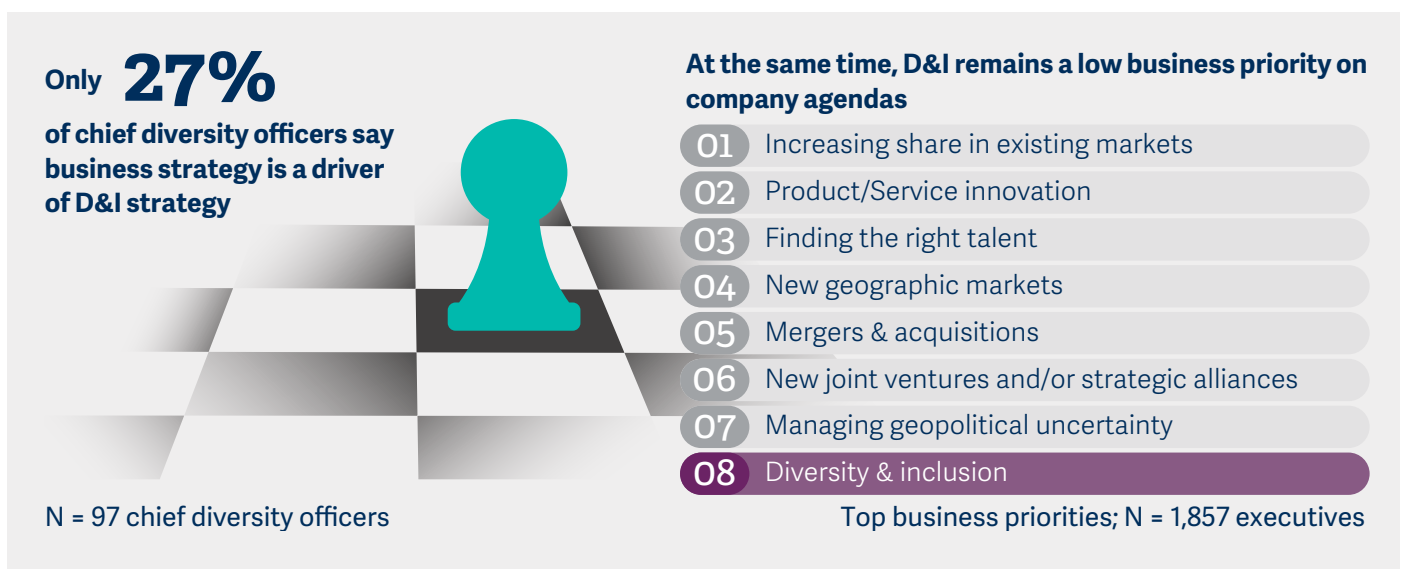
Understanding the demographics of the workforce and their dynamics at different levels of the organization is a core component of a CDO's role. However, only 35 percent of CDOs say they have employee demographic data, leaving the majority without hard numbers to support their work. In some cases, this may be due to frequent turnover in the role or the lack of a consistent corporate D&I mandate that calls for regular data collection or analysis.



In addition, while the vast majority of CDOs measure engagement survey results, relatively few are relying on survey findings to drive D&I strategy. This may imply a lack of analytics expertise or resourcing, as CDOs often have specialists on their teams to tap for such competencies.

3. INTEGRATING D&I INTO THE BUSINESS: D&I STRATEGY REMAINS DISCONNECTED FROM BUSINESS STRATEGY

Most business leaders will voice support for D&I initiatives – but their actions do not always follow. Among all leaders surveyed, D&I came in last on a list of eight potential business priorities. At the same time, CDOs believe that business strategy is one of the weakest drivers of D&I strategy. If executing D&I strategy does not also contribute to business goals, CDOs understandably face an uphill battle in convincing business leaders to fully engage.

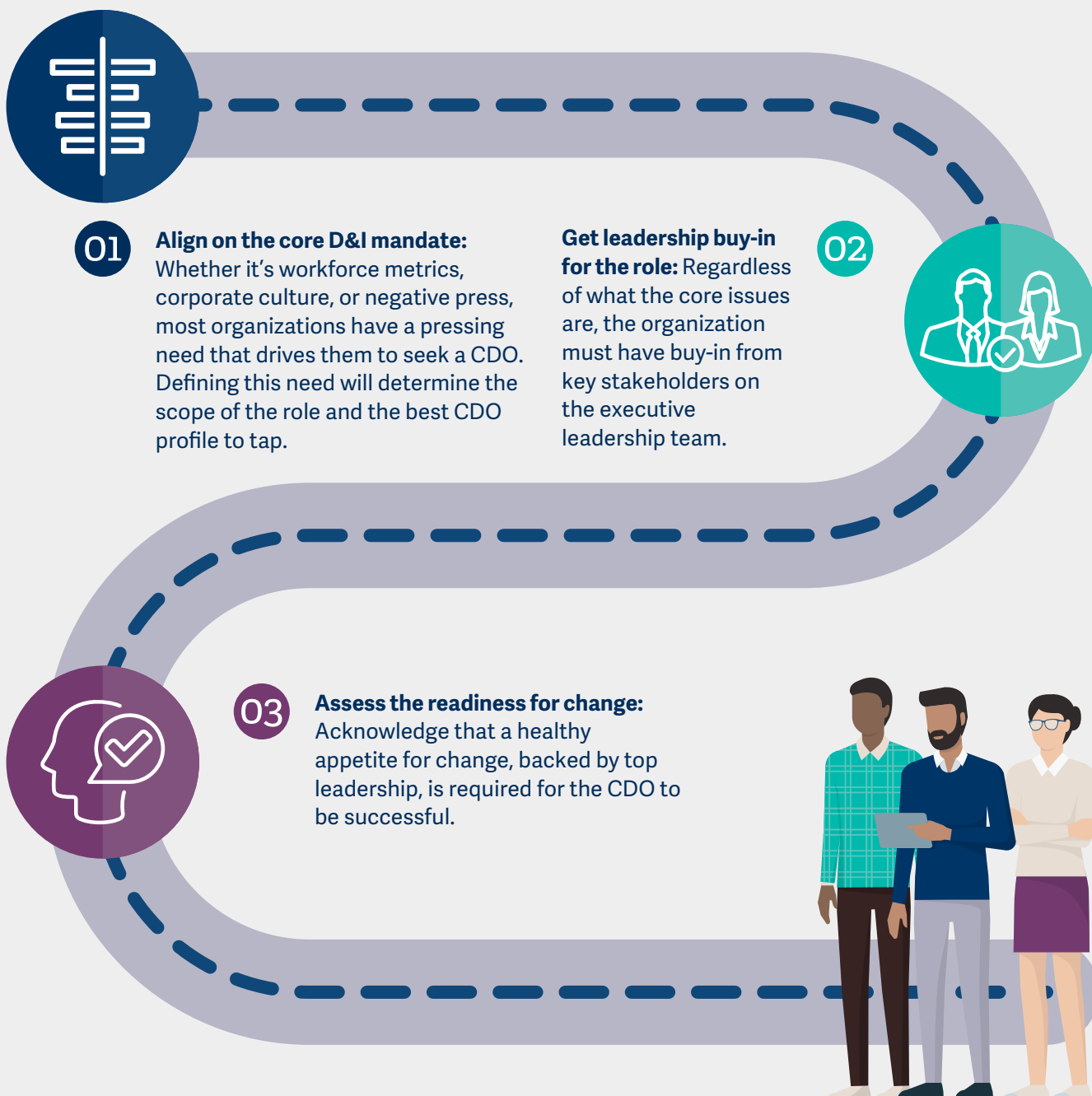


Implications for organizations

FOR ORGANIZATIONS: HOW TO SET YOUR NEXT CHIEF DIVERSITY OFFICER UP FOR SUCCESS

Choosing executives who possess the right competencies for the role and the right experiences for the organization will go part of the way to making the CDO effective. However, the existing leadership team that is scoping and hiring for the role also has a part to play.

FOR ORGANIZATIONS: BEFORE EMBARKING ON A SEARCH FOR ITS NEXT CHIEF DIVERSITY OFFICER...



AFTER APPOINTING A CHIEF DIVERSITY OFFICER, ORGANIZATIONAL LEADERS CONTINUE TO PLAY A BIG PART IN THE EXECUTIVE'S SUCCESS OR FAILURE.

The CDO can only be successful in driving a D&I mandate when executive leadership team members are aligned with that mandate and exhibit the inclusive leadership behaviors that show true commitment to D&I. It is also important for organizations to hold leaders accountable for fostering D&I initiatives in their respective spheres of influence. In the most successful cases, the CDO is galvanizing the leadership team around a shared change mandate that leads to defined outcomes.

What leaders can do to make their CDO successful:

...FOR THE CHIEF DIVERSITY OFFICER



Resource

Adequately resource the chief diversity officer based on their skills and remit. E.g. do they have a people analytics resource? Do they need a compliance / employment law resource?



Position

Ensure that the chief diversity officer has regular exposure to the highest levels of the organization and there is a structure in place to support this, for instance sitting on the D&I council, having quarterly reports to the CEO or board, etc. More importantly, ensure they feel empowered to drive change.



Educate

Arm your chief diversity officer with a deep understanding of your business and the types of challenges that you face. They will need this to build credibility and high trust relationships with business leaders.



Define/Measure

Define and align on what long term success looks like; improved metrics, better engagement survey results, stronger employer brand, etc. Ensure the chief diversity officer is genuinely empowered to affect change in those areas.

...FOR THEMSELVES AND THE ORGANIZATION



Ensure Accountability

Ensure the right measures are in place to hold the leadership team accountable to D&I goals, e.g. leadership scorecards, KPIs, etc.








Invest in Training







Coach inclusive leadership skills at all levels of the organization so people have the language and skills to meet those goals.

Checklist for finding – and keeping – your next chief diversity officer

BEFORE APPOINTMENT

-  What are the key diversity and inclusion-related pain points in your organization?
-  Have the CEO and the executive team bought into the need to hire for this role? Do they have an appetite for the types of changes CDOs are intended to lead?
-  Will the new CDO develop a new D&I strategy or just deliver on an existing strategy?
-  Which CDO profile is most appropriate for your organization at this time? How will you compensate for skills gaps? What competencies are most needed?
-  To whom will the role report? How will the CDO partner with the CEO and the CHRO? Who are other key stakeholders?

AFTER APPOINTMENT

-  Does the CDO have adequate resources based on his or her mandate and skills? For example, if the CDO does not have an HR background, is a people analytics resource available?
-  Does the CDO have a working relationship with top leadership at the organization? Realistically, is the executive empowered to drive change?
-  Does the CDO have a deep understanding of the business, which is a prerequisite to creating effective and high-trust partnerships with business leaders?
-  What does long-term success look like for the CDO? Improved metrics, better engagement survey results, stronger employer brand are some potential answers.
-  What measures are in place to keep the leadership team accountable to D&I goals?
-  Do leaders know the vernacular and have the skills to meet the D&I goals they have been given?

METHODOLOGY

We gathered insight in two ways to take a data-driven look at the CDO role:

Diversity and Inclusion Pulse Survey: In our second annual Diversity and Inclusion Pulse Survey, we asked more than 1800 executives around the world about their organizations' D&I strategies and practices, as well as their own experiences and perceptions related to D&I in their work environment. Within this group, we surveyed 97 CDOs who provided specific information on their roles, responsibilities and stakeholders.

S&P 500 Analysis: We analyzed the companies that comprised the S&P 500 index as of Dec, 10, 2018 to determine which ones had chief diversity officers or executives in equivalent roles. Using proprietary data as well as LinkedIn, we charted the career paths those CDOs have taken. Twenty-five percent of the CDOs are with consumer companies, 17 percent are employed by financial firms, 15 percent are with IT companies, 14 percent work for industrial companies, 11 percent are at health care firms, and the balance are at firms in other industries. Seventy-six percent of current CDOs are female; 24 percent are male.

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