Demographic Diversity Management Policies, Practices, and Metrics Used in Private Sector Organizations
External Initiatives

Abstract

This is the first of two issue papers (IPs) that describe the policies, programs, and practices used by private-sector organizations to manage diversity and the metrics used to gauge their effectiveness. This IP identifies and describes a subset of such activities that are *externally* oriented (i.e., directed outside the organization). Among these are efforts to recruit demographically diverse talent, increase the demographic diversity of suppliers, and improve the well-being of members of minority communities through outreach and community involvement. A variety of metrics are used to assess the effectiveness of these initiatives. These include objective measures (e.g., percentages of minorities hired) and subjective measures relayed in rating scales (e.g., those that measure organizational reputation). Survey findings reveal that 49–63 percent of the American workforce believes these practices to be very important or extremely important.

To derive insight into how to manage diversity in the military, it helps to have a basis of comparison. Private-sector organizations may prove useful in this regard because they have been actively involved in efforts to manage diversity using a wide variety of initiatives. They also rely on many different metrics to assess the efficacy of these efforts. Although private-sector organizations differ from the military Services in several key respects, much still can be learned from the private sector about policies, practices, and metrics that may prove to be useful to the Department of Defense and the Services.

In keeping with the perspectives on managing diversity described in an earlier issue paper (IP) (Military Leadership Diversity Commission, 2009a), private-sector organizations balance two key approaches. They respect the varied perspectives that people from different backgrounds bring to work, and they recognize that these differences have the potential to add value to an organization. With this in mind, the phrase *managing diversity* refers to *forming and implementing policies and following practices designed both (1) to recruit and retain a demographically diverse workforce and (2) to leverage the differences between people to improve organizational outcomes*. In private-sector companies, the primary focus of such efforts is demographic diversity, and, among organizations conducting business overseas, this is supplemented by attention to global diversity. The other two forms of diversity identified in Military Leadership Diversity Commission (2009a), behavioral/cognitive diversity and structural diversity, are considered far less often in private-sector diversity management.

Two IPs are devoted to diversity management initiatives in the private sector.[1] The companion to this IP (Military Leadership Diversity Commission, 2010) examines activities aimed *within* organizations, such as various practices used by individual leaders and companies as a whole to manage diversity internally. In contrast, this IP examines activities aimed *outside* organizations. These include efforts to recruit women and minorities, increase interaction with women- and minority-owned suppliers, and improve the well-being of women and minority groups through outreach and community involvement. Both IPs give specific examples of diversity management efforts and identify the metrics

associated with them. The appendix presents representative items from various questionnaires used to collect metrics referred to in this IP.

The practices and metrics described in this IP have been cited as exemplary in that they were included in one or more of the following lists: "The 40 Best Companies for Diversity" (in *Black Enterprise Magazine*, July 2009), "Top 50 Companies for Diversity" (Frankel writing for DiversityInc, March 2010), and "100 Best Companies to Work For—Top Companies: Most Diverse" (in *Fortune Magazine*, February 2010). Note that the exact criteria of effectiveness used in these lists were not always exactly specified. As a result, we can only claim that the practices reported here are illustrative of ones used by companies considered good with respect to managing diversity. We make no claims to scientific validity.

Recruiting Minorities and Women

As indicated in Military Leadership Diversity Commission (2009b), the Services are casting their nets widely so as to ensure that they will have a demographically diverse pool of talented employees to meet future staffing requirements. Private-sector organizations have been doing likewise. Specifically, their primary focus is on initiatives designed to attract prospective employees who are women and members of minority groups.

Toward this end, it is common for organizations to participate in job fairs sponsored by various ethnic groups (e.g., the NAACP, the Society for Hispanic Engineers). Coca-Cola and General Electric are two companies with a long history of regular involvement in such events (Frankel, 2010). However, they are not alone: Thousands of other organizations have participated in job fairs for minority-group members over the years. At the National Black MBA Association's Career Fair, for example, an average of 425 companies have booths annually.

Some companies, individually or as part of a consortium, organize and sponsor their own job fairs. For example, the large law firm of K&L Gates will host 2010's Northwest Minority Job Fair in Seattle. This event, created for law students across the country, is aimed at "persons historically underrepresented in the practice of law" but denies no students the opportunity to participate (K&L Gates, 2009).

Several companies actively involved in recruiting minority-group members make it an ongoing priority instead of a one-time practice (Frankel, 2010). For example, officials from Comcast host or attend more than 100 diversity-recruiting events annually throughout the United States. Yum! Brands takes this practice a step further by having company officials serve as mentors to individuals identified as "high-potential diversity talent" (Frankel, 2010). Another way in which companies recruit minority-group members is by reaching out to them directly. The most popular way of doing this is by working with the job-placement offices of institutions that have large minority enrollments (Frankel, 2010). For example, Johnson Controls, Aetna, and AT&T have been involved

with the job-placement offices of historically black colleges and universities (HBCUs).

Some companies take a longer-term perspective on recruiting by regularly having officials make presentations in K–12 classrooms in urban schools. "Career Day" presentations are made in the hope of "planting seeds" among prospective employees in the years to come. It is not only companies but also professional associations that do this. For example, representatives from the Society of Automotive Engineers have been actively involved in making presentations in public school classrooms in Detroit (Society of Automotive Engineers, 2008).

The metrics used to assess diversity recruiting focus on both effort (i.e., attempts) and impact (i.e., results). With respect to effort, for example, some companies maintain records of the number of HBCUs with which they maintain contact. Other organizations are more results driven, measuring the percentages of women and minority-group members recruited who ultimately apply for and accept positions with them. Finally, some organizations take a representational approach by assessing the extent to which the demographic backgrounds of new recruits match those of the communities in which the companies operate.

Selecting Woman- and Minority-Owned Suppliers

In addition to managing diversity by focusing on demographically diverse recruits, many companies focus on the demographic diversity of another external constituent: their suppliers. Some organizations feel an obligation not only to promote demographic diversity within their own walls but also to work with demographically diverse suppliers. Several companies—FedEx and Starwood Hotels and Resorts are prime examples—do this by awarding contacts to minority-owned suppliers (FedEx, 2009; Starwood Hotels and Resorts, 2009).

Companies following this practice require a metric for determining minority ownership. There are several ways of doing this. For example, as a corporate member of the National Minority Supplier Development Council, FedEx requires all minority-owned, woman-owned, and small-business suppliers to obtain certification from a recognized third party, such as the Small Business Administration (SBA), a supplier development council, or a state or local body (FedEx, 2009). One widely relied-upon source of qualified suppliers is the SBA's "8a Business Development Program," which assists small businesses owned and controlled by one or more American citizens who are socially and economically disadvantaged.

Starwood Hotels and Resorts takes another approach, defining demographically diverse vendors as those certified to be at least 51 percent owned, managed, or controlled by one or more members of the following groups: African Americans, Asian Indian Americans, Asian/Pacific-Islander Americans, Hispanic Americans, persons with disabilities, Native Americans, U.S. veterans, disabled U.S. veterans,

and women (Starwood Hotels and Resorts, 2009). The company also recognizes companies certified as "socially and economically disadvantaged" by the SBA and those located in areas designated by the SBA as operating and employing people in historically underutilized business zones (also known as HUBZones). Vendors are expected to be certified by one or more of the following organizations: the National Minority Supplier Development Council, the SBA, the Women's Enterprise Business Council, and the U.S. Pan Asian Chamber of Commerce.

With respect to metrics, some companies, such as Procter & Gamble, focus on the number of minority- or woman-owned suppliers they use (Procter & Gamble has approximately 1,200). This also is done at IBM and at Johnson & Johnson, where the performance of top managers is assessed in part based on achieving gains in the percentage of minority suppliers used (Frankel, 2010). All these companies also keep close tabs on the percentages of their procurement budgets allocated to minority- or woman-owned companies.

Beyond simply selecting suppliers owned by members of diverse groups, several companies help their minority-owned suppliers in additional ways (Frankel, 2010). For example, AT&T provides them with mentoring and financial assistance. Coca-Cola is highly proactive in conducting diversity-promoting efforts among the large network of bottling companies with whom it operates. It does this by requiring those partners to manage demographic diversity in their own companies and procurement processes. No public information describes how this is accomplished, however.

Improving the Well-being of Women and Minorities

By recruiting women and minority-group members as employees and by conducting business with them as suppliers, companies are promoting the welfare of these individuals. Organizations also attempt to help women and members of minority groups by reaching out to them in various ways and by developing community-involvement programs that focus on their well-being.

Procter & Gamble's activities provide a good illustration of community-outreach efforts aimed at ethnic minorities. This company's efforts to help the Hispanic community are chronicled in Procter & Gamble (P&G) (2009). The company's notable contributions span several domains:

- *Education*: P&G sponsors LULAC National Educational Service Centers Young Readers Programs in Dallas, Corpus Christi, Miami, Chicago, and Los Angeles to instill a love for reading in children at an early age and to ensure their success in school.
- *Healthcare*: P&G partners with Liga Contra el Cáncer, a nonprofit organization in south Florida, whose mission is to provide free medical care to the underserved community.
- *Activities for children*: P&G has created Tide Soccer, which supports inner-city youth programs by refurbishing playing fields in low-income neighborhoods.

This series of outreach efforts reflects one approach to promoting the welfare of minority-group members. With the same outcomes in mind, other companies have used approaches that are less broad and more focused. One such example is the foundation established in 1951 by a large, global distribution company (National Urban League, 2009). Created for the purpose of championing innovative solutions to social problems, the foundation launched a community internship program designed to bridge gaps between the company and the ethnically diverse communities it serves. Besides generously allocating money to various community groups (some $9 million in recent years), company leaders have worked directly with community groups that assist women and people of color. Although no specific outcomes resulting from such interactions were reported, the potential value of guidance from experienced business leaders is self-evident.

The fact that community members may benefit from these programs does not preclude the possibility that the businesses involved also may reap rewards from their investment. At least four interrelated benefits have been identified by the National Urban League (2009):

- Business leaders working with community groups have opportunities to gain potentially valuable information about the needs and concerns of their communities, which they might be able to address in future products. In this way, the community groups are like focus groups.
- Personal connections may be made that promise to facilitate the hiring of qualified employees in the future.
- Business may be generated by the goodwill created from the program.
- Organizational commitment may be enhanced among employees whose companies demonstrate support for the communities in which they live and work. Anecdotally, this appears to have occurred at the global distribution company described here. In the words of one employee, "The support we provide to the community makes me proud to be part of the company family" (p. 29).

Metrics associated with these benefits were not collected in this case, and companies engaging in such efforts do not always endeavor to assess their impact.[2] This is not to say, however, that objective metrics could not be used. Indeed, employees' reactions to community-involvement initiatives may be assessed in several ways. For example, standardized measures of organizational commitment, such as the scale put forth by Meyer and Allen (1991), could be used to assess the extent to which commitment is enhanced. Assessments of corporate culture, such as the Organizational Culture Profile (O'Reilly, Chatman, & Caldwell, 1991) also may be made to evaluate potential culture shifts after community-involvement programs have been in use. In addition, changes in attitudes toward minority-group members may be

expected to result from involvement in such programs, and these may be assessed via the Modern Racism Scale (McConahay, 1986).

Outside the organization, assessments could be made of the company's reputation following involvement in community programs. In this vein, it would be useful for large companies to note and compare scores on the Reputation Quotient Survey by Harris Interactive (2009). Companies not assessed by Harris Interactive can administer the survey themselves using the instrument developed and validated by Fombrun, Gardberg, and Sever (2000).

Reactions from the American Workforce

Although it is not necessarily an indication of programs' ultimate effectiveness, it is useful to know the extent to which people consider various initiatives to be important. Ultimately, this is likely to be a strong indicator of the degree to which initiatives are successful because unless people consider practices to be worthwhile, the practices will not be accepted. And, of course, it is essential for a program to be accepted if it has any hope of bringing about desired results.

With this in mind, the National Urban League (2009) conducted a survey of more than 5,500 members of the American workforce.[3] The majority of respondents considered two of the three of the initiatives described in the survey to be very important or extremely important (see Table 1).[4] The third category, "Developing demographically diverse suppliers," was considered very important or extremely important by 49 percent—almost a majority.

Conclusions

Private-sector organizations are actively engaged in activities designed to manage demographic diversity, and they use a variety of metrics to assess their effectiveness. One key focus is on recruiting women and minority-group members. In this regard, many companies either work with minority-serving colleges and universities or through minority-focused commitment to diversity, some private-sector organizations also

strive to use as suppliers certified businesses owned primarily by women or minorities. As a metric, they compute the proportions of such organizations with whom they do business. Finally, some private-sector companies seek to promote the well-being of women and minorities by, for example, contributing to the activities of community groups seeking to promote health care and education. A recent survey reveals that Americans believe in the importance of these practices.

Notes

[1]In the civilian sector, the term *management* applies to both people and programs. In the military, however, the term *management* refers only to programs, and the term *leadership* is used for people. To acknowledge this difference in terminology, the MLDC is using the term *diversity leadership* to distinguish workgroup-level leadership practices from organization-level programs and policies. More specifically, *diversity leadership* applies to the practices leaders use to shape the diversity dynamics in the units they command, including leveraging members' differences to enhance capability.

[2]It has been suggested that companies may be purposely inattentive to the internal benefits derived from their community-service activities (at least in any ostensible fashion) based on the belief that attention paid to benefits accruing to the companies would undermine their image as generous and public-spirited citizens of the communities in which they operate (Doorley & Garcia, 2006).

[3]Characteristics of the sample were not reported.

[4]These responses reflect attitudes expressed by the sample as a whole. Cross-tabulations based on demographic categories were not provided.

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Table 1. Acceptance of Various Initiatives by the American Workforce

Initiative	Percentage of Respondents Who Consider It Very Important or Extremely Important
Outreach to diverse groups*	63%
Recruiting demographically diverse talent	57%
Community involvement*	55%
Developing demographically diverse suppliers	49%

SOURCE*:* **Based on data reported by the National Urban League (2009).**

***These categories were combined in this IP under the following heading: "Improving the Well-being of Women and Minorities."**

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Appendix: Representative Items from Measurement Scales

Modern Racism Scale (McConahay, 1986)

Over the past few years, Blacks have gotten more economically than they deserve.

> *1 = Strongly Disagree*
>
> *2 = Disagree*
>
> *3 =Neither Disagree or Agree*
>
> *4 = Agree*
>
> *5 = Strongly Agree*

Discrimination against Blacks is no longer a problem in the United States.

> *1 = Strongly Disagree*
>
> *2 = Disagree*
>
> *3 =Neither Disagree or Agree*
>
> *4 = Agree*
>
> *5 = Strongly Agree*

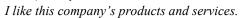### Organizational Culture Profile (O'Reilly, Chatman, & Caldwell, 1991)

To what extent is your organization recognized for its adaptability?

> *1 = Not at all*
>
> *2 = Minimally*
>
> *3 = Moderately*
>
> *4 = Considerably*
>
> *5 = Very much*

To what extent is your organization recognized for its emphasis on quality?

> *1 = Not at all*
>
> *2 = Minimally*
>
> *3 = Moderately*
>
> *4 = Considerably*
>
> *5 = Very much*

Reputation Quotient Survey (Fombrun, Gardberg, & Sever, 2000)

I like this company's products and services.

> *1 = Not at all*

> *2 = Slightly*

> *3 = Somewhat*

> *4 = Greatly*

> *5 = Extremely*

I totally believe what this company says.

> *1 = Not at all*

> *2 = Slightly*

> *3 = Somewhat*

> *4 = Greatly*

> *5 = Extremely*