Diversity Best Practices

HR PRIMER

Chapter 7
Building a Highly Influential Diversity Structure
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The business case has been made and accepted. Robust diversity and inclusion practices have proven to be a sound approach for organizational success. Chief Diversity Officers have put their stamp on the strategies and visions of their companies, and in doing so, raised the visibility and influence of the position, as well as broadened the reach of the work. Yet even as more companies join the diversity cavalcade and adopt the fundamental principles undergirding this effort, questions remain. What’s the best way to support this groundbreaking sphere of work? What’s the best way to structure a diversity function?

Organizations have plenty of options to choose from in the search for answers. Companies that are new to diversity work may be struggling with the best arrangement for their particular situation. Firms with established diversity functions may question the efficacy of their current structure in a rapidly changing global economy. All would be wise to assess their approach to the work by addressing three fundamental questions:

- What’s the right structure for the diversity function?
- What’s the best reporting relationship?
- What kind of budget should it have?

Different schools of thought offer multiple responses to those queries. Context is everything. The following four topics can guide leaders as they think about the best way to address diversity and inclusion in their organization:

- Culture: High Touch or Lean?
- Corporate Structure: Hierarchical, Decentralized, or Hybrid?
- Budgeting Philosophy: Robust Support Funding or Business Lines Funding Diversity?
- Maturity: Startup, Established, or Stale?
Culture: High Touch or Lean

First, a diversity and inclusion office’s structure must match an organization’s culture. Is it lean or high-touch? Those two factors represent the opposite ends of a spectrum. Determining where a company falls on that spectrum provides needed insights for the diversity office. Stringently lean cultures typically hold a minimalist view concerning support functions like communications, IT, or diversity. Such cultures require that these resources rely on the company’s revenue centers for funding. At the opposite end of the spectrum are high-touch cultures. These firms provide an extensive infrastructure to support functions with the benefits and costs shared across the enterprise.

This means that companies within the same industry should be careful about all benchmarking results. Firms in the same industry or of the same size can be high-touch, lean, or something in between. Effective diversity functions exist in companies across this spectrum. At one end, companies with lean corporate cultures, such as Rockwell Automation, can be highly committed to diversity and inclusion and devote considerable resources to the effort. However, the resources are provided by the lines of business rather than the company’s headquarters. Such cultures require that business leaders allocate the necessary funds because the executives recognize inclusion’s value and are willing to provide support in order to reap its benefits.

At the opposite end of the spectrum, high-touch companies can also appreciate the benefits of diversity and inclusion. Firms, such as Sodexo, fund the inclusion strategy across the enterprise through a shared services model. In this way, all areas of the corporation can take advantage of the diversity strategy and leverage inclusion efforts on behalf of the overall business strategy. Both Rockwell Automation and Sodexo have award-winning, highly regarded diversity and inclusion strategies. By design, these two diversity functions approach the inclusion journey in ways that mirror their organizations’ corporate cultures.

Structure: Hierarchical, Decentralized, or Hybrid

After assessing the culture, the next principle to review in determining how the diversity and inclusion office should be structured is emulating the organization’s structure. Where does it fall on a spectrum of strictly hierarchical to extremely decentralized? Are decisions made within well-defined lines of responsibility or is decision-making spread across the enterprise with overlapping lines of accountability.
Perhaps the structure is a hybrid that combines distinct lines of responsibility with decision-making influenced by leaders across the firm. This is not an organizational secret. Most leaders know all-too-well where their company falls on this spectrum. Understanding this structure is essential, because the diversity function must match the prevailing configuration of its company. However, there can be a catch. In a Diversity Best Practices webinar, *In the Midst of Unprecedented Change: What is Happening with D&I Office Structures*, the Conference Board’s Senior Vice President of Human Resources and Chief Diversity Officer Toni Ricardi explained that sometimes this can be tricky to clarify, especially with companies that have global operations. Companies can be on one end of that spectrum at their corporate headquarters and move toward the opposite end for regional operations. A diversity office must reflect the structure of the firm, and the HR leader must take into account the nuances of how the company operates.

In any discussion about structure, the issue always arises about where to house the diversity and inclusion office, to whom should the function report. Companies typically fall into three configurations:

- Centralized strict hierarchy with the diversity executive reporting directly to the CEO.
- Decentralized collaborative structure where the diversity executive reports to a C-suite executive
- Decentralized influential structure with the head of diversity reporting to a C-suite executive, typically a senior vice president of HR

For many years, diversity practitioners pushed to report directly to the CEO in order to leverage the power and influence that can come from such a relationship. The effort showed limited success. A 2012 Diversity Best Practices Benchmarking Study indicated that nearly 80 percent of diversity leaders did not report to the CEO or president. These results mirror those of a report by the ORC Network, a division of Mercer, a human resources consultancy, which highlights this ongoing discussion. According to the ORC report, companies that had the Chief Diversity Officer (CDO) reporting to the CEO have since changed their structure. Some companies have the diversity officer report to the most senior HR officer. Other companies have pushed diversity down the organizational chart so that the function reports to a vice president of talent and diversity, which in turn, reports to the person in the C-suite-level HR position. And the report mentions a minor trend that links diversity with corporate social responsibility or the legal department.¹
Given this situation, let’s look at the pros and cons to having a CDO report directly to the CEO. In looking at the benefits, one can understand why diversity practitioners labored for that reporting structure. It puts the diversity executive in the same space with the organization’s other senior leaders. Reporting to the CEO enables a CDO to become more visible within the organization and to push for change across the company in areas like sales or operation, not just in HR. And reporting directly to the CEO puts the diversity function on equal footing with HR, giving the CDO the ability to spotlight areas that need special attention or to push for change.

Yet there exists a downside to that arrangement. Some diversity practitioners feel that reporting directly to the top spot can be isolating, leaving them to fend for themselves with few allies in the organization. For this reason, there are a few diversity practitioners who prefer to ‘fly under the radar’ and avoid reporting to an organization’s CEO. One can make the case that flying under the radar contributes to the feeling of isolation. This attitude needs to change. HR leaders would do well, where it makes organizational sense, to encourage the diversity function to become more assertive by having it report to the CEO, and by extension, be more effective in their efforts.

A very common situation is for the diversity executive or department to report to HR, which allows for more ownership on behalf of HR in the outcomes. With ownership comes involvement and a reliance on the partnership that enables the diversity executive to influence HR practices.

There are drawbacks to this arrangement, too. When the diversity office reports to HR, there may be limited visibility for extending diversity’s influence and impact beyond talent issues, to areas such as the marketplace, because it gets subsumed into overall HR issues. Diversity leaders can end up having limited access to an organization’s decision makers and have to rely on the HR leaders’ advocacy, among all other HR matters. This arrangement risks pigeonholing diversity and inclusion as just another HR issue with little bearing on the rest of the enterprise.

Housing diversity within the C-suite or in HR are just two choices. A few companies, as mentioned in the ORC report, are experimenting with placing diversity under the legal or compliance functions. The report states, “The U.S. government’s increased focus on enforcement, recent court decisions, and the sluggish economy have combined to produce a more risk averse climate for diversity in general.” And according to the Conference Board’s Ricardi, there are instances of diversity being placed in corporate social responsibility (CSR) or other areas, such as marketing. This trend is seen more often in Asia and
Europe, where CSR is defined more broadly than in the United States. For instance in 2011, the European Commission released a new CSR policy that states, companies “should have in place a process to integrate social, environmental, ethical and human rights concerns into their business operations and core strategy in close collaboration with their stakeholders.”3 Whereas CSRwire, a source of corporate social responsibility and sustainability news that is headquartered in the United States, defines corporate social responsibility as “the integration of business operations and values, whereby the interests of all stakeholders including investors, customers, employees, the community and the environment are reflected in the company’s policies and actions.”4 There are subtle, but important, differences between the two definitions that affect how firms can view their CSR initiatives, and by extension, the alignment of CSR with the diversity function.

Structure should reflect culture. HR leaders who fail to take their organization’s culture and structure into account invite rejection by their higher-ups and the rest of the organization before any changes to the diversity function begin.

Budgeting Philosophy: Robust Support Funding or Business Lines Funding

Next, let’s look at a company’s budgeting philosophy, which determines how the diversity office is funded. There is no right or wrong way to fund inclusion efforts, but it’s imperative that HR leaders and diversity executives understand this aspect of their organizations. Some companies provide significant resources directly to support functions, such as diversity and inclusion, finance, or learning and development.

Provided with their own budgets, these support functions often wield a lot of power and presence throughout the organization. Other companies tie funding of support functions to the revenue centers or lines of business. In this arrangement, business units provide the funding for diversity initiatives and other support functions. According to a 2011 Diversity Best Practices member poll, the annual budgets for diversity functions ranged from $20,000 to $5 million.5 But this number can be misleading in regard to how much influence a diversity office wields or how effective it is.

While it’s safe to say that a $2 million to $5 million or more budget is a strong indicator of an influential diversity and inclusion office, a $200,000 budget could accomplish just as much—if other functions’ budgets can be tapped to strategically and tactically to advance the work. Later in this chapter we share
stories of three effective diversity and inclusion organizations with project and sponsorship budgets ranging from $5 million to—and this is not a typo—$0

While understanding a company’s budgeting philosophy is critical, it’s also prudent to appreciate what’s occurring in the larger economy. For the most part, companies are keeping their commitment to inclusion strategies, even in challenging economic times. The Diversity Best Practices poll showed that 35 percent of diversity offices realized an increase in their budgets, 26 percent saw a decrease, and nearly 40 percent remained at the same level of funding.

Some of this data could be deceptive, because companies that maintained the same dollar allocations may have actually assumed more responsibilities. They are charged to do more with the same amount of money. The 2011 Society for Human Resource Management (SHRM) survey reported that a majority of companies either increased or maintained their diversity budgets, which aligns with the Diversity Best Practices survey. Going forward, the trend lines indicate that diversity budgets will remain constant or increase, with funding remaining constant for 64 percent of companies and increasing for only 23 percent.

**Diversity Maturity: Startup, Established, or Stale**

The final principle is matching or challenging the company’s diversity and inclusion maturity. Consider an HR leader who has processed the previous three principles and determined that the company needs a medium-sized diversity office with three to five employees supported by robust funding. Here’s where the diversity maturity level comes into play. The company is just getting started on its formal diversity journey. While company leaders understand the business case and accept it, they lack any experience or practical knowledge on what to expect. In this case, it’s prudent to start small, perhaps with an office of one or two employees. The small office scenario enables the diversity and inclusion effort to gain credibility and build up some successes.

Let’s look at another situation where a company has traveled the diversity and inclusion journey for several years. The inclusion effort is well established, having made solid inroads adding value to the company’s overall business strategy. The company has embraced the power of diversity in the execution of its recruitment, development, and marketing efforts. The HR executive in this setting has reviewed the principles and has reached the conclusion that it’s time to build on the inroads and successes of the diversity function. The office started with one or two staff members, and it still has only one or two employees. It is time to challenge the current situation. In order to enhance execution of current and future diversity expectations, the HR leader can make the case
for expanding and broadening the reach and scope of the diversity function. Matching or challenging the diversity function’s maturity level rests on the context of the situation.

**Practical Application of Principles**

Given these principles, HR leaders will arrive at various places for their organizations. And rightfully so. Let’s examine three companies—Sodexo, Johnson & Johnson, and Rockwell Automation—that considered the four previously mentioned principles when establishing the structure of their diversity functions. All three companies represent differing configurations of diversity offices.

*Sodexo, Inc.*

With 400,000 employees across the globe (125,000 in North America) and operations in 33,400 sites in 82 countries, Sodexo is among the world’s top 25 employers, as a provider of integrated food services and facilities management.

Betsy Silva Hernandez, Sodexo’s senior director for corporate diversity and inclusion, describes the corporate culture as high touch with an orientation toward action. It’s a high-touch culture, because the company is very relationship based and uses the power of influence to drive its diversity efforts. Its action orientation shows up as the company’s business leaders push for quick results, yet they also want the diversity strategy to be customized to their local context.

Silva Hernandez explained how the company’s decentralized structure is reflected in the structure of the diversity office. Depending of the location of a regional market (North America, Europe, Central or South America, and others), the company uses multiple infrastructure models. The decentralized model is further intensified by its French ownership, which brings its own inclusion issues. While the structure has evolved over time, the formal diversity effort began in 2002 with the creation of the company’s diversity leadership council.

Along with the North American CEO, this council was charged with developing the diversity and inclusion strategy, setting priorities, and providing oversight for the effort. Later the strategy was broadened to include a committee of operational leaders comprised of members from the executive committee and market presidents. Their task was to implement the strategy and embed it throughout the organization by working with the company’s Cross Market Diversity Council (CMDC) and its employee business resource groups (EBRGs). The CMDC and EBRGs provide the grassroots support for inclusion initiatives. According to Silva Hernandez, this structure represents a top-down, middle-out, bottom-up approach to the inclusion strategy.
The efforts of Sodexo’s diversity and inclusion team on behalf of 125,000 North American employees, and influencing 270,000 other employees in locations around the world, are augmented by its EBRG members and other volunteers across the organization. Volunteer impact is monumental. For example, roughly 90 percent of Sodexo’s 25,000 North American managers participate in EBRGs. And the EBRGs are instrumental in how the company delivers its inclusion results.

Volunteers may provide the much-needed resources to drive the inclusion efforts. However, as Sodexo’s CDO Rohini Anand explains, the inclusion strategy is also based on the shared services model. The corporation provides and funds support services for the entire corporation, with local operations furnishing additional resources. Yet even a company as committed to diversity as Sodexo has had to face the realities of a global economy. For two consecutive years, Silva Hernandez has seen the diversity budget cut, while responsibilities have increased. The Sodexo diversity office has had to deliver more with less money.

While Sodexo’s North American diversity strategy is only 10 years old, it is considered a mature, highly regarded function. Companies across the globe use Sodexo as the benchmark they aspire to reach. The company also illustrates the evolving nature of the diversity function.

Here’s where one of the key questions at the beginning of this chapter comes into focus: where should the diversity function report? Initially, Anand reported to the senior vice president of HR. Soon after, diversity was repositioned so that she reported to North American CEO George Chavel, and now she has a bifurcated reporting relationship to both the North American CEO and Global CEO Michel Landel. Although her area no longer reports directly to HR, Anand explains that both areas enjoy a strong partnership. “We’re separate, but we’re strong partners,” she says.

The diversity department has changed in the past and Anand understands that it could change again. “Diversity was a part of HR, then separated from HR, and depending on the needs of the organization, we would certainly recalibrate that relationship,” she said. “Obviously, our effort continues to be a work in progress.”

*Johnson & Johnson*

Johnson & Johnson (J&J) is a global leader in healthcare, consumer products, pharmaceutical products, and medical devices. It’s a 125-year-old company with $65 billion in revenues. J&J’s Smita Pillai, director of global diversity
and inclusion, medical devices and diagnostics, explains that J&J’s culture is best considered a hybrid between a lean culture at its headquarters in New Brunswick, N.J., and a more high-touch culture in its 250 operating companies that span 57 countries across the globe. J&J’s structure also mirrors its hybrid culture, which is decentralized at the regional and local levels but supported by a more-centralized core strategy in its corporate offices. In this way, J&J’s global diversity and inclusion office has the best of both worlds. The central office establishes an overall strategy and provides some independent funding, while the local companies roll out the strategy and allocate funding from their budgets to support diversity initiatives.

According to Pillai, the company’s CDO reports directly to the CEO, and manages six director-level direct reports. With an annual budget of $5 million, the diversity function numbers about 16 employees, including directors and administrative assistants. Pillai said Johnson & Johnson can’t run a global diversity operation with the current structure at the corporate level, so the diversity function works in close partnership with HR and its teams.

While J&J’s office of diversity and inclusion has a well-deserved reputation, internally and externally, as an established leading-edge operation, Pillai recognizes that its structure may evolve as the company adapts to an ever-changing global landscape.

**Rockwell Automation**

With more than 20,000 employees, revenues of $6.2 billion and operations in 80 countries, Rockwell Automation is a business-to-business firm that is a leading provider of integrated systems for process manufacturing.

According to Joan Buccigrossi, director of global inclusion and engagement, the diversity department was deliberately and strategically structured to serve as an inside consultant to the leaders and managers of the company. The responsibility for creating a culture of inclusion rests totally with the company’s leaders, not with HR.

With only two part-time staff members in the diversity office, Buccigrossi operates in a lean culture with a highly matrixed structure that leverages the power of influence across the organization. While she reports to the senior vice president of HR, Buccigrossi explains that her customers are the company’s business and function leaders, who initiate actions and develop the diversity direction. In this way, HR does not set the inclusion agenda or its engagement strategy. That’s done by Rockwell’s leaders and managers. “The danger of housing diversity in HR is that it can make the effort more of an initiative, something being done to...
leaders, rather than an effort they are intimately involved in,” Buccigrossi said. “At Rockwell, leaders and managers are change agents.”

As in many firms, HR provides needed metrics, encourages tough conversations, and challenges and supports leaders and managers, Buccigrossi said. It is the department heads and their employees who fund the strategy and take ownership to ensure it succeeds. She cites an example with the North America sales division. The department decided that all managers and employees receive specialized education in order for everyone to become change agents. The department funded the effort and played a key role in the design and implementation of the learning modules. “The education is much more effective than any ‘training’ pushed out from HR would have been” she added.

While Buccigrossi’s diversity function does not have a budget, for real, the company’s functional leaders are prepared to support diversity initiatives from their funds. This arrangement works well for Rockwell. Everyone remembers 2008 and 2009, when the global and national economies were reeling from the fiscal freefall and companies were tightening their belts. In 2009, Rockwell’s diversity office was able to spend significant dollars on inclusion initiatives for employees. How? The business functions believed that such training was valuable and provided the necessary funding.

While Rockwell’s inclusion and engagement (I&E) department is tiny, in reality, the diversity and inclusion team consists of everyone in the company. According to Buccigrossi, all diversity and inclusion work is done by the people in the businesses and functional areas. They created Inclusion Change teams, which are tasked with performing cultural assessments, identifying barriers to inclusion, planning and executing actions to remove those barriers, and measuring results. Rockwell also uses rotational staffing assignments in I&E for up-and-coming and established leaders, although participants keep their day jobs.

According to Buccigrossi, the consultant approach works well for Rockwell, because it blends in with the company’s culture and structure. This is how everyone works and business objectives are met. As a result, the consultant model reflects the current corporate environment and drives its inclusion strategy.

**Conclusion**

This chapter started with the assertion that the business case for diversity had been made and accepted. Rarely do diversity professionals have to convince business leaders of the necessity for organizations to become more diverse and
inclusive. The challenge for HR and diversity leaders is to keep pace with the rapid changes facing businesses.

For diversity leaders, this means adapting inclusion efforts to a highly diverse global marketplace. In a cost conscious environment, it means doing more with the same amount of funding or less. And it can mean broadening diversity’s reach into all areas of an enterprise. Diversity functions must reflect the culture, structure, and philosophy of their organizations to be effective. For HR leaders, this situation means making tough decisions about the diversity function, even as the diversity trailblazers retire and a new generation takes its place. The pressures on HR and diversity leaders can only increase in such an environment.

One size will not fit all and size doesn’t always matter. Follow these four principles addressing company culture, corporate structure, budget, and maturity and determine the best type of structure to drive diversity and inclusion forward in your organization.

Endnotes


