Succession Planning - Building Leadership Diversity

DBP RESEARCH REQUEST
Over the next ten years, record numbers of leaders and managers will approach retirement in the U.S. labor force and look to off-ramp. The trend provides companies with a unique opportunity to accelerate their demographic profile at the management and executive level.

Leaders need to assess their organization’s demographics and age profile, identify when employees in mission critical positions will retire, understand what knowledge and skills will be lost, and develop a plan to advance and onboard the next generation of diverse talent.

This report provides some high level statistics related to the benefits of diverse teams, gender and ethnic diversity in the U.S. workforce, as well as information and tips on leveraging succession planning to increase diversity at senior management and leadership levels.
Value of Diverse Teams

**Racially Diverse Teams Outperform Non-diverse Teams by 35%**

One of the biggest things stopping managers from implementing diversity is that they’re afraid that introducing people who may not agree with each other will hamper productivity. Because diverse teams outperform non-diverse ones, companies should actively try to engage with diversity initiatives as soon as possible to make sure they’re implemented, instead of trying to hamper them out of fear.

In fact, the awkwardness that comes with not understanding those around you is what makes diverse teams work so well. In a cognitive intelligence study done by MIT engineers, researchers observed that successful teams had three things in common:

1. They gave one another roughly equal time to talk
2. They were sensitive towards each other (even in awkward situations)
3. They included more women - making them the most diverse.

In other words, having different types of people on the same team can help others look at problems more carefully while also being more innovative, creative and inclusive about their solutions.

**Teams Where Men and Women are Equal Earn 41% More Revenue**

Another stat that supports moving toward greater gender diversity. When companies employ more women, they’re able to take advantage of a greater wealth of perspectives. This, in turn, causes companies to have more angles from which to tackle big business issues. The results are faster solutions, more creative thinking, and higher overall revenue.

Source: ClearCompany
Diversity in the Corporate Pipeline

RACIAL AND ETHNIC REPRESENTATION IN FORTUNE 500 LEADERSHIP

This is the disparity between representation in the U.S. workforce and representation in executives of Fortune 500 companies, based on the data from 16 firms on the list that release full diversity numbers.

Source: BLS, Fortune reporting
GRACE DONELLY/FORTUNE

Source: 2017Fortune
2018 Fortune 100 Board Diversity

Source: Alliance for Board Diversity
2018 Fortune 500 Board Diversity

- **Minority women**: 261 (4.6%)
- **Minority men**: 651 (11.5%)
- **Caucasian/White women**: 1,017 (17.9%)
- **Caucasian/White men**: 3,741 (66.0%)

- **Asian/Pacific Islander**: 209 (3.7%)
- **Hispanic/Latino(a)**: 213 (3.8%)
- **African American/Black**: 486 (8.6%)
- **Caucasian/White**: 4,758 (83.9%)
- **Other**: 4 (0.1%)

Source: [Alliance for Board Diversity](https://www.alliancediversity.org)
More Than Half of Management Occupations Are Held by Women

In 2017, women held 51.6% of all management, professional, and related occupations and 44.0% of the subcategory management, business, and financial operations occupations.18

In S&P 500 Companies, Women Are Less Represented the Higher Up They Go19

![Diagram: Women in S&P 500 Companies]

Sources:
Women of Color in the Workforce

Women of Color Have a Greater Wage Gap

• In 2017:
  • Black women working full-time earned 61 cents for every dollar white, non-Hispanic men earned.
  • Latinas working full-time earned only 53 cents for every dollar white, non-Hispanic men earned.
  • Asian women working full-time earned 85 cents for every dollar white, non-Hispanic men earned.

Women of Color Represent Almost Half of the Low-Wage Workforce

• Among the low-wage workforce in 2016:
  • Black women: 18%.
  • Latinas: 24%.
  • Asian, Hawaiian and/or Pacific Islander women: 7%.

Women of Color Remain Underrepresented in Leadership Positions

• In 2017, Black and Hispanic women made up a smaller percentage of total women employed in management, business, and financial operations occupations than white or Asian women.

Source: Catalyst
Women and POC Underrepresented in Succession Planning

Although an impressive 94% of companies participating in the Diversity Best Practices 2017 Inclusion Index reported they have a formal succession planning process, only 55% require a diverse succession planning slate. The disconnect is telling: less than 7% of employees who were part of the pipeline pool of employees included in the succession planning were women. Only 33% of employees in the succession pipeline are minorities.

Percentage of Employees Who Were Part of the Pool of Candidates Considered in Succession Planning

DBP Index Companies

- Women: 6.8%
- White women: 8.9%
- Black employees: 10.7%
- Black women: 9.9%
- Latino/Latina employees: 8.3%
- Latinas: 6.5%
- Asian employees: 13%
- Asian women: 9.9%

Source: DBP Health Series Report
Steps for Effective Succession Planning

Whatever your organization’s size and your target, a succession plan should focus on certain core elements:

• It’s up to CEOs, CFOs, COOs and other C-level executives to set the stage and agenda for succession.

• Be sure your HR leadership has a seat at the executive table to ensure that succession planning strikes that fine balance between a data-driven initiative and a people-centric approach to talent management.

• Identify mission-critical positions and any current or impending talent gaps – based on the strategic opportunities you identify and how you create competitive advantage. Which jobs and skills are must-haves? Do those positions already exist or do we need to create them?

• Identify employees at every level who have the potential to assume greater responsibility advancing your organization’s strategic goals and how they fit together – what combination of A, B and C performers do we need and how do we attract and keep them? As leadership roles rapidly evolve in our digital age, the succession plan and profiles of future leaders must keep up.

• Encourage meaningful investment in a training and development program for high-potential employees – be ready to defend allocating resources to a given talent pools. Many organizations find that the women and culturally diverse employees don’t quite have the experience and skills they need to become top leaders. Be sure you’re expunging unconscious bias in your systems and your culture, so your assessments and succession plans reflect gender-neutral and race-neutral standards.

• Establish a process for revisiting and revising your succession plan as conditions change.

Source: HumanResourcesToday
1. What percentage of diverse talent is needed in the pipeline to create a difference in the next three to five years?

2. What talent pools are available by business region?

3. What is the company actively doing to prepare its diverse talent and succession pipelines?

4. How often does the company review diverse top talent? What employees are getting visibility, new job experiences, and stretch assignments? Who has access to opportunities for mentorship and sponsorship?

5. Are individualized employee development plans in place to put diverse employees on the path to advancement? How are plans measured in terms of progress, timeliness, mobility and advancement?

6. Does the company have meaningful and measurable D&I performance objectives? How are they tracked? Do they include performance criteria designed to reduce bias? How are they tracked?

7. Are company leaders held accountable for performance and talent management? Does the company audit for bias?

8. Do leaders know what roles yield the highest promotable successors?

9. Do you have succession plans targeted to diverse populations? Or set % goals? If not, how will you move the needle and what will determine success?
Position-specific Skillset Analysis

- What are the external and internal factors affecting this specific position?
- How will the position be used in the future?
- What competencies or skillsets will be required?
- What is the current bench strength?
- How will you provide stretch opportunities to high-potential employees?
- What is the path from where they are to where you need them to be?
- What are the gaps (competencies or skillsets not possessed by current employees)?
Succession Planning Best Practices

- Continually review assumptions of what a leader should look like
- Challenge assessments and evaluations without specifics
- Ensure performance outcomes are defined for diversity, e.g. at least 30 percent of succession slates are diverse
- Assess who has visibility and access to the candidate to ensure parity
- Create diverse talent development plans and measure progress rates and the time it takes to execute plans
- Assign growth opportunities and stretch assignments
- Ensure access to key networks and roles
- Assess the pipeline ratio and adjust the leadership pipeline
- Create roles that will provide necessary on-the-job experience to candidates ready for the next move
- Ensure stretch assignments are properly supported, for example, access to informal and formal mentorship and coaching
- Provide phased off-ramping options for older workers to retain mature skills sets and facilitate knowledge transfer
Workforce goal setting should be based on a sound methodology. The methodology should be able to stand up to any challenges and be able to answer the simple question of: What is the basis for establishing this goal?

Is it based on...

- US Census? Global Market Region Data availability? Designated market area (DMA *)?
- # of ethnic groups available in the workforce for each particular function/role or industry?
- % of demographic represented in the business unit’s DMA?
- Based on the year over year hiring trends for diverse groups in each department?
- Determine the scope: Will you establish by region? By country/location? By business?
- Or a combination of the list above?

* DMA represents a region where the population can coincide or overlap with 1 or more areas and refers to the available talent pool within the DMA
The Goal:
All workforce goals would be based on Meeting or Exceeding the designated market area (DMA) for each business unit. In more simplistic terms – we want to look like the places where we live, work and play.

The Process for establishing Workforce Goals based on DMA:
1. First, determine the criteria for workforce demographic success before setting goals. With DMA as a basis for goal setting the organization wants to resemble the community where they live, work and play, thereby mirroring the population of their business unit's DMA.
2. Partner with HR to collect current workforce demographic data across all diverse categories and gender within the company.
3. Conduct an analysis of the gaps between the company's current diverse demographic data and their DMA.
4. Highlight areas of success where the internal population meets or exceeds the current DMA
5. Highlight opportunity areas where the internal population does not meet the current DMA.
6. These opportunity areas where the internal population does not meet the current DMA is where the gaps are identified.
7. The percentage gaps between the current workforce and the DMA provides parameters in which to establish your goals.
A review of talent data at ADP, including mobility analysis, succession planning, associate engagement survey and talent acquisition identified areas of opportunity. A combination of strategies were deployed including diverse slates for executive openings; reporting on diversity metrics monthly to executive committee; expanding the role and number of employee resource groups to include business outcomes; implementing “the business case for diversity” in executive and leadership programs; expanding unconscious bias training for leaders; establishing 3-year diversity goals for women and minorities in executive leadership and introducing accountability scorecards by business area.

One of ADP’s programs, “Cultivate Your Career” was focused on advancing women of color. ADP became the title sponsor for the Black Enterprise Women of Power Summit and sponsored approximately 45 high potential women of color across multiple disciplines. In addition, the company sponsored quarterly development programs targeting these high potential women covering topics like executive presence and business acumen.

Another program, Multicultural Leadership Development, offers high potential men and women of color a one-year leadership seminar focused on leading self, leading others and leading the business. ADP also initiated key partnerships with non-profit organizations focused on gender and ethnic diversity to support its talent pipeline.

The company has achieved a 5-point improvement in the representation of both women and minorities in executive roles. Engagement for women and minorities improved over the same period.
Baker Tilly is taking a more comprehensive approach to succession planning by pinpointing talent development intersections and applying a lens of age, gender and ethnicity along with competency criteria. These intersections include: a) learning and development programs at different career stages; b) selection for special projects; c) inclusion on client engagement teams; and d) firm governance. Additionally, Baker Tilly is launching a revamped mentoring program initially geared toward women, with the goal of expanding to non-majority male team members. The mentoring program has four objectives: 1) increase diverse leadership; 2) improve retention; 3) learn and lead differently with empathy; 4) reach one’s full potential with whole self.

In two years’ time, the company increased women representation on all firm governance committees by 25% with several committees chaired by women. The company is also taking a more deliberate approach to ensuring equal gender representation in learning and development programs – especially those geared toward partner track. The company revamped its five-year partner projection process in two key ways: 1) elevating its visibility with the board of partners and national management committee and 2) actively selecting candidates from the five-year partner projection list for visible leadership opportunities throughout the year. The selection of teams for firmwide projects now considers age, ethnicity and gender in addition to knowledge and experience. Baker Tilly is increasing awareness of inclusion throughout the firm by using its intranet and internal communications to highlight successful client engagements whose teams are also diverse.