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Exploring the State of Diversity in the C-Suite

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Diversity has long been a topic of debate in the business world, but it's becoming increasingly important against the landscape of the global marketplace. Study after study has shown the benefits of nurturing a diverse workforce, and the same is true for the executive team. A recent [McKinsey report](#) found that the top companies for ethnic diversity were 35% more likely to exceed industry means in financial return. For gender diversity, they were 15% more likely to exceed that average. The study does point out that while correlation does not equal causation, it is still clear that business success is somehow linked to greater diversity.

Yet, diversity remains elusive for many companies. The McKinsey report suggests that only 16% of executive leaders in the U.S. are women, while 97% of U.S. senior leadership teams fail to represent the national demographic in racial diversity. In many cases, organizations are simply unaware of the benefits to being intentional about diversity; in others, leaders find it difficult to implement this kind of strategy.

Why a Diverse Leadership Team Performs Better

As mentioned, although correlation does not necessitate causation, it's clear that more diverse companies achieve greater financial return. But why?

One theory is that when the ethnic and gender-based make-up of a board and executive team better reflect their customer or client base, they are more effective in predicting and fulfilling those customers' needs, expectations, and desires. For example, a [study from the Harvard School of Public Health](#) notes that the healthcare industry serves the most diverse customer base of any field; so it makes sense that 43% of hospital executives are women. It's a balance that better equips hospitals to meet the varied and critical needs of their patients. In any industry, a leadership team that can more organically tune in to the diverse perspectives of their customer base will likely be faster and more effective in responding to market changes and evolving customer habits.

The McKinsey study suggests that greater financial return is likely due to other positive impacts diversity has on an organization. For example, bringing together diverse perspectives, ideas, and approaches often results in creative problem-solving and innovation. It also improves collaboration and employee satisfaction, particularly for ethnic minorities, whose increased job satisfaction likely derives from reduced prejudice and greater support of an intentionally diverse workplace. These factors work together to improve overall business performance.

It's also apparent that diversity in leadership promotes better decision-making. In a diverse setting, leaders are more aware of their potential biases and more willing to explore a variety of perspectives, objections, and alternatives in their problem-solving. Essentially, this allows for a more objective approach to any situation, challenge, or initiative, once again resulting in higher performance.

Why Implementing Diversity Initiatives Is a Challenge

It's no surprise that imbalances in both ethnic and gender diversity have roots in historic trends. Thus, it's common for companies to get stuck in old ways, particularly when hiring. Business Roundtable, an association of CEOs at leading U.S. companies, recently published [a governance document](#) that speaks directly about diversity. It is clear that in the past, nominations and hires of new executives have depended exclusively on competencies and industry experience that relate to the business. It's a common-sense approach, but Business Roundtable has taken the time to recognize that it's not the only factor in successful leadership. They acknowledge that diverse backgrounds and experiences help "strengthen board performance and promote the creation of long-term shareholder value." As such, organizations should actively focus on diversifying candidates for executive positions.

However, it's not as simple as it sounds. Danny Guillory, Head of Global Diversity at the software corporate Autodesk, [points out that an organization cannot be focused on profit](#) when it wishes to implement a diversity strategy. Doing so is largely unethical and is unlikely to encourage diversity in a positive manner. In other words, the bottom line impact that the McKinsey study revealed must be a secondary benefit rather than the core objective when building an enterprise-wide diversity initiative.

The challenges to actually implementing such a strategy don't end there, though. Aubrey Blanche, Global Head of Diversity and Inclusion at the software company Atlassian, [admits that "As people, we're all trapped in our own experiences."](#) Being able to search and recruit for a diverse range of candidates for executive roles depends upon how willing the board and CEO are to think outside the box and get outside their comfort zone to reach people who have very different backgrounds. Blanche continues: "On the macro level, that means consuming as much information as I can on the political, economic, social, and psychological barriers that people from underrepresented groups face."

To tackle many of these challenges, a growing number of companies are implementing a [Chief Diversity Officer](#). It's an integral role when implementing a strong diversity initiative, especially when other leadership positions, like HR, are already too burdened to effectively

execute such an important strategy. Although the CDO will likely be focused on diversity across the entire enterprise, they will also play an essential role in assisting the board and CEO when it comes time to nominate executive candidates. The CDO should recognize that the challenge to build and maintain a diverse C-suite is not a shortage of talent, but instead an indicator that the organization needs to look in new places and at non-traditional career paths.

Building Diversity in the C-Suite

Ultimately, there is no one-size-fits-all solution when it comes to diversity in the C-suite. Though it is apparent that U.S. organizations should be focused now more than ever on diversifying their leadership teams and overall workforces, the strategy will look different for every company. Unique challenges and barriers must be identified, understood, and addressed. Consistent vision from the top down is essential. And finally, communication about company values must be backed up by strong support and intentional inclusivity. When organizations achieve these goals, the benefits they reap will be far-reaching.