feature article *frank dobbin, alexandra kalev, and erin kelly*

diversity management in corporate america

Do America's costly diversity-management programs work? Some do and some don't. The best idea is to assign clear responsibility for change.

In the fall of 1996 a tape of Texaco executives joking about the "black jelly beans" working for the company hit the airwaves in the course of a discrimination suit. Texaco settled almost immediately for $176 million. Of that, $35 million was to fund diversity efforts. Texaco revamped training, expanded feedback to managers through diversity audits and diversity evaluations, and set up mentoring programs and affinity networks for women and minorities. Texaco's report on its progress after five years championed the programs but did not make clear whether diversity had actually increased.

Coca-Cola's 2000 race-discrimination settlement promised similar improvements. Under its consent decree, Coca-Cola agreed to pay $192.5 million, $35 million of which was to fund half a dozen major diversity programs. In 2005, Coca-Cola reported to the court that women and minorities held 64 percent of salaried jobs, up from 61 percent in 2000.

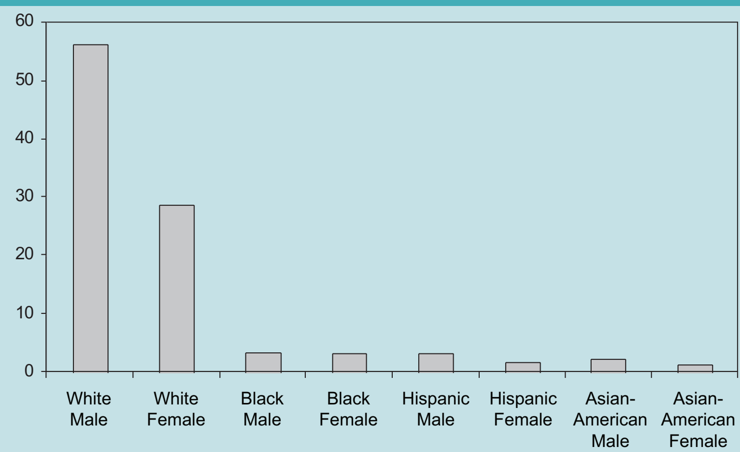
Should Texaco and Coca-Cola be models for the rest of corporate America? How can we judge which of their programs should be copied elsewhere? Proponents of equal opportunity and diversity have faced this question for decades. Case studies and theories offer a variety of prescriptions for ending workplace inequality, but, as in medicine, discovering which remedies work best requires a large number of cases observed over time.

In the decades since Congress passed the Civil Rights Act of 1964, firms have experimented with dozens of diversity measures. Consultants have been pushing diversity training, diversity performance evaluations for managers, affinity networks, mentoring programs, diversity councils, and diversity managers, to name a few. But some experts question whether diversity programs are counterproductive, raising the hackles of white men who, after all, still do most of the hiring and firing. Certain programs even seem to get firms into trouble—Texaco executives were recorded talking about "black jelly beans" after hearing the term in diversity training seminars.

Until recently, no one had looked systematically at large numbers of companies to assess which kinds of programs work best, on average. Our research shows that certain programs do increase diversity in management jobs—the best test of whether a program works—but that others do little or nothing.

The good news is that companies that give diversity councils, or diversity managers, responsibility for getting more women and minorities into good jobs typically see significant increases in the diversity of managers. So do companies that create formal mentoring programs. Much less effective are diversity training sessions, diversity performance evaluations for managers, and affinity groups for women and minorities. There is no magic bullet for the problem of inequality. Programs that work in one firm may not work in another. Programs that fail on average may be

percent of managers from each racial, ethnic, and gender group, 2002



Source: EEO-1 Reports, Equal Employment Opportunity Commission.

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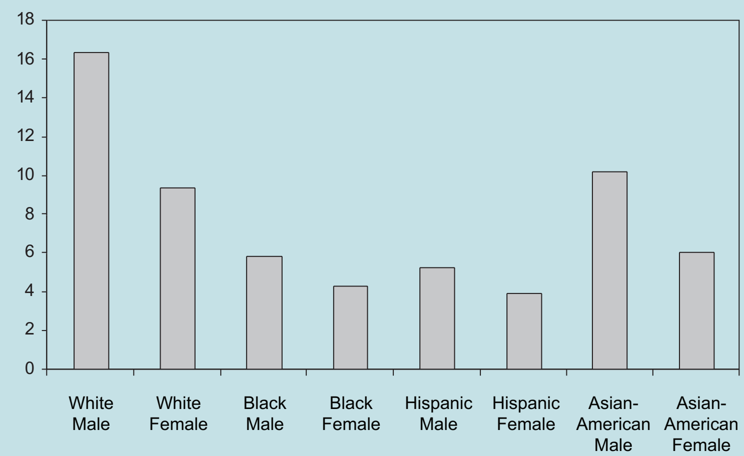
just what the Acme Rocket Co. needs. But we are beginning to understand what works in general and what does not.

how diverse are america's managers?

The workforce as a whole has become dramatically more diverse since 1964. One reason is that mothers of young children are much more likely to be in the workforce than they were half a century ago. Another is that America has seen a new wave of immigration from Asia and Latin America. Yet white women, and African-American and Hispanic men and women, remain rare in management. Our first figure (page 21) shows the percentage of managers from each of eight groups, among firms with at least 100 workers. Fifty-six percent of managers were white men. Only 3 percent were African American women. Here we lump all managers together, but all management jobs are not created equal, and inequality is greatest at the top. While women made up more than one-third of all managers by 2002, they made up only 2 percent of Fortune 500 CEOs.

percentage of group members who are managers, 2002



Source: EEO-1 Reports, Equal Employment Opportunity Commission.

Our second figure (above) shows the percentage of people from each group who were managers. While 16 percent of white men were managers, only 9 percent of white women, 6 percent of black men, 4 percent of black women, 5 percent of Hispanic men, and 4 percent of Hispanic women were managers. Among Asian-Americans, 10 percent of men and 6 percent of women were managers.

from affirmative action to diversity management

Until the 1960s, companies in both the North and the South practiced discrimination openly. King David Holmes had grown up in Connecticut and went off to college in the 1940s. When he returned with his degree at the end of the decade, he went to the local brass mill where family members had worked: "I came back, went in the employment office, said 'I want a job.' I filled out my form—'College graduate.'" Holmes wanted a job in sales, for which any college graduate should have been eligible. The personnel man made no bones about it: they were not hiring blacks in sales: "Oh, that's reserved," he said. They hired Holmes to make sheet metal in the old north mill, a job that required no reading or writing.

In his first year as president, John F. Kennedy decreed that companies wanting to do business with the federal government would have to take affirmative action to end discrimination of that sort, expanding orders from Roosevelt, Truman, and Eisenhower that applied to military contractors. The year after Kennedy's assassination, Lyndon Johnson signed the Civil Rights Act of 1964, outlawing discrimination in education, housing, public accommodations, and employment.

In principle, Kennedy's affirmative action order and the Civil Rights Act made discrimination illegal in the private sector. In practice, most employers did not think the order would much affect them. Most thought they would have to take down "No Negroes" signs, and that would be the end of it.

Over time, however, Congress and the courts strengthened equal opportunity legislation. By the mid-1970s, the federal government was getting thousands of complaints a year, and personnel experts were setting up equal opportunity programs in the hope of fending off complaints and providing a defense in lawsuits. Because the law did not

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photo by Heinz Linke

specify how employers should combat discrimination, firms experimented. Early on, they installed formal job tests, job ladders, and annual performance evaluations—measures designed to take the guesswork (and bias) out of hiring and promotion. The Supreme Court vetted many of these programs but overturned others, such as job tests that had been used as a subterfuge to exclude blacks from the workforce.

By the time of Ronald Reagan's election in 1980, most big employers had hired equal opportunity managers, if not entire departments, and were in the process of creating race-relations workshops, special recruitment systems, and a host of programs designed to improve opportunities for women and minorities. After Reagan's campaign vow to put the brakes on federal regulation, equal opportunity managers began to rebrand themselves as diversity managers. New programs emphasized business preparedness for an increase of women and minorities in the workforce. The forward-thinking executive would plan for change not because it was the cautious thing to do given the likelihood of lawsuits, but because it was the rational thing to do given growing numbers of African-Americans, Latinos, Asians, and women in the workforce.

Employers have invested in three broad approaches to increasing diversity: (1) changing the attitudes and behavior of managers; (2) improving the social ties of women and minorities; and (3) assigning responsibility for diversity to special managers and taskforces. We set out to discover which of these approaches works best.

the study

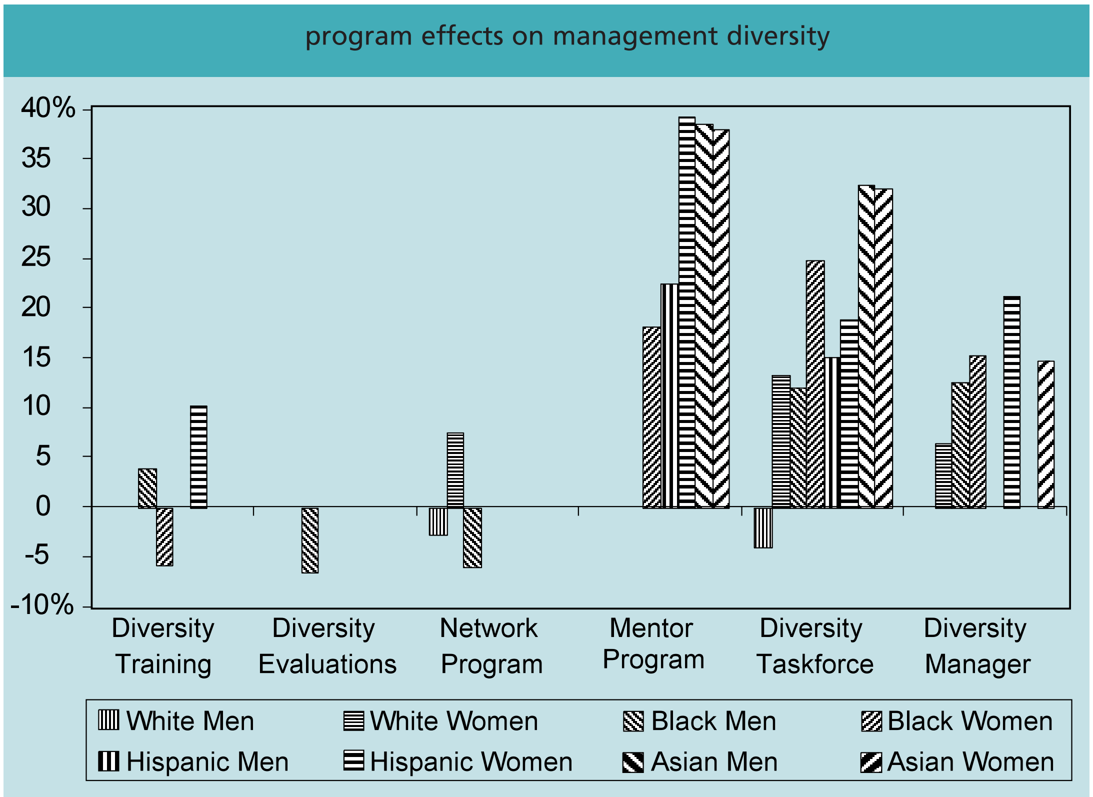
Texaco and Coca-Cola spent more than $7 million a year on diversity programs created under their consent decrees. Even Fortune 500 companies not under consent decrees can spend millions of dollars a year on trainers alone, without accounting for lost work time or travel expenses. Yet it is not easy to determine whether these programs actually improve opportunity for women and minorities.

Our challenge was to get accurate data on workforce diversity and on diversity programs for enough companies, over a long enough period of time, so that we could use sophisticated statistical techniques to isolate the effects of, say, diversity training on the percentage of black women in management. Our first break came when we obtained access to the EEOC's EEO-1 reports under a federal program requiring strict confidentiality. Every private firm with 100 or more employees must submit a form each year detailing workforce race, gender, and ethnicity in nine broad job categories. Those data are in good shape back to 1971. Because we were only interested in conducting statistical analyses, we were happy to pledge to maintain the confidentiality of records for individual companies. Our second break was that the EEOC had not changed job, race, or ethnicity categories, allowing us to compare trends over time.

We surveyed 829 of the companies covered in the EEOC's massive data file, putting together a life history of employment practices at each. We asked companies whether they had used dozens of different programs, and when those programs had been in place. Our research question was simple: If a company adopts a particular diversity program, what effect does it have on the share of women and minorities in management? To answer the question, we conducted statistical analyses on the 829 firms over 31 years. Some firms were not founded until the middle of our time frame, but we have more than 16,000 data points (each being a workplace in a particular year). Our analyses considered more than 60 workplace characteristics that might affect diversity so as to isolate the effects of diversity taskforces, training, and so on.

changing managers' behavior

One source of gender and racial inequality in the workplace is stereotyping and bias among managers who make hiring and promotion decisions. Research shows that educating people about members of other groups may reduce stereotyping. Such training first appeared in race-relations workshops conducted for government agencies and large federal contractors in the early 1970s. An industry of diversity trainers emerged in the 1980s to argue that people were unaware of their own racial, ethnic, and gender bias-



es and that sensitivity training would help them to overcome stereotypes. Item number 1 in Texaco's 1997 settlement agreement was a "mandatory diversity learning experience," which included both regular diversity training and continuing education.

Some diversity experts dismissed training, arguing that attitudes are difficult to alter but that behavior can be changed with feedback. Instead they supported performance evaluations offering feedback on managers' diversity efforts. Laboratory experiments support this idea, showing that subjects who are told that their decisions will be reviewed are less likely to use stereotypes in assigning people to jobs. General Electric first created equal opportunity performance evaluations in 1969, arguing that the key to achieving equal opportunity is a "measurement system with rewards and penalties designed to produce behavioral changes in managers." Nearly 30 years later, Texaco's settlement called for a new Leadership Performance Factor (LPF) system for evaluating each manager's progress on diversity. Bonuses were tied to the LPF score. Coca-Cola called its new diversity evaluation system People Metrics.

The current enthusiasm for training and evaluations has made them widely popular. Four in ten of the firms we surveyed offered training, and one in five had diversity evaluations. But these programs did not, on average, increase management diversity.

Our third figure shows the percentage change in the proportion of managers from each group as a consequence of each program—holding the effects of other factors constant. Because minorities are rare in management to begin with, for them the bars represent small numerical changes. African-American men held about 3 percent of management jobs in 2002, and so a 25 percent increase does not translate into big numerical gains. For white women, the numerical changes are more dramatic. But for all groups, an increase is an increase. Where the effect is not statistically significant, we show it in the figure as zero.

Network programs do little on average, but mentor programs show strong positive effects.

Training had small negative effects for African-American women and small positive effects for Hispanic women. Evaluations had only small negative effects on black men. In very large workplaces, with 1,500 or more workers, diversity training has a small positive effect on other groups, but nothing like the effects of the mentoring programs and taskforces discussed below. Evaluations were no more effective in large workplaces.

Some psychological research supports our finding that training may be ineffective. Laboratory experiments and field studies show that it is difficult to train away stereotypes, and that white men often respond negatively to training—particularly if they are concerned about their own careers. If training cannot eliminate stereotypes, and if it can elicit backlash, perhaps it is not surprising that, on average, it does not revolutionize the workplace.

We suspect that the potential of diversity performance evaluations is undermined by the complexity of rating systems. The diversity manager at a giant communications company told us that diversity performance makes up 5 percent of the total score. With so much of the score riding on other things, like sales performance, perhaps putting diversity into an employee's annual evaluation score is not enough to change behavior.

Overall, companies that try to change managers' behavior through training and evaluations have not seen much change. That is disappointing, because training is the single most popular program and, by most accounts, the most costly, and because many companies have put their money on diversity evaluations in recent years.

creating social connections

Another way to view the problem of inequality in management jobs is from the supply side. Do women and minorities have the social resources needed to succeed? Many firms have well-educated white women and minorities in their ranks who fail to move up, and some sociologists suggest this is because they lack the kinds of social connections that ambitious white men develop easily with coworkers and bosses. Strong social networks and mentors have long been thought crucial to career success. Mark Granovetter's 1974 classic book, *Getting a Job*, showed that people often find jobs through their social networks. A *Harvard Business Review* article from 1978 titled "Everyone Who Makes It Has a Mentor" suggested that mentors are crucial. The idea that women and minorities have trouble moving up because they lack good network contacts and mentoring relationships has caught on among diversity experts.

Consultants argued that formal programs could help women and minorities develop social networks at work. Company affinity networks became popular. Ford's website boasts a wide range: African-Ancestry Network; Asian Indian Association; Chinese Association; Finance Network; Gay, Lesbian or Bisexual Employees; Hispanic Network; Women's Network; Women in Finance; Parenting Network; Interfaith Network; Middle Eastern Community; Employees Dealing with DisAbilities. By 2001 Texaco had established seven employee networks, and in 2004 Coca-Cola set up a "networking for success" program. Under these affinity networks, people gather regularly to hear speakers and talk about their experiences.

Many companies also put in formal mentoring programs that match aspiring managers with seasoned higher-ups for regular career-advising sessions. These programs can target women and minorities but are often open to all employees. The Texaco and Coca-Cola settlements both called for new mentoring programs.

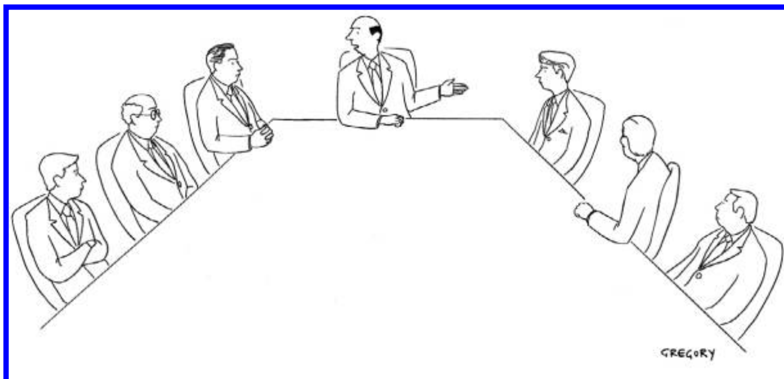
When it comes to improving the position of women and minorities in management, network programs do little on average, but mentor programs show strong positive effects. In the average workplace, network programs lead to slight increases for white women and decreases for black men. Perhaps that is not surprising, as studies of these network programs suggest that while they sometimes give people a place to share their experiences, they often bring together people on the lowest rungs of the corporate ladder. They may not put people in touch with what they need to know, or whom they need to know, to move up.

Mentor programs, by contrast, appear to help women and minorities. They show positive effects for black women, Latinos, and Asians. Moreover, in industries with many highly educated workers who are eligible for management jobs, they also help white women and black men. Mentor programs put aspiring managers in contact with people who can help them move up, both by offering advice and by finding them jobs. This strategy appears to work.

making someone responsible

It is a shibboleth of management theory that organizations, stuck in their ways, have trouble changing traditions and conventions. Take hiring in academia. Department heads used to hire new assistant professors simply by picking up the phone. A big-ten department chair might call the chairs at Yale, Columbia, or the University of Michigan to ask if they had any good prospects. Today, despite new university rules about advertising open positions, many departments still rely on word of mouth to find new recruits.

The best way to bring about change, management the-

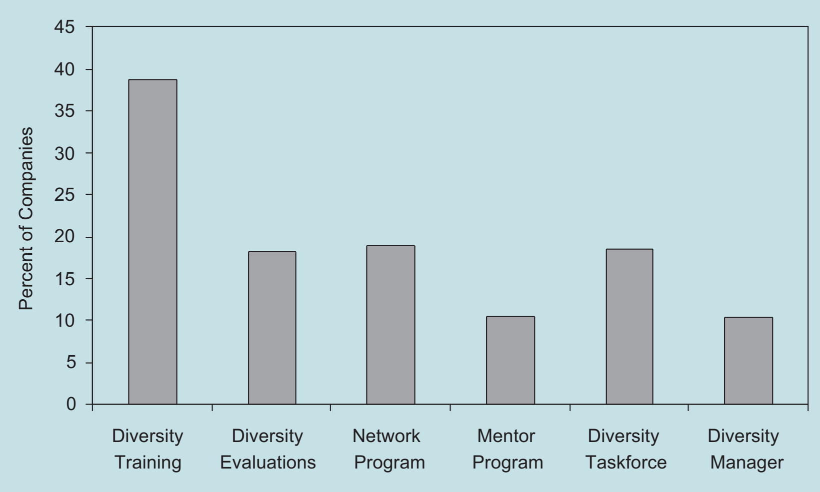


"In the interest of cultural diversity, we've hired Jason, here, who owns a number of hip-hop CDs."

Cartoonbank.com

orists argue, is to make new programs the responsibility of a person or a committee. Instead of just sending around a memo asking managers to practice equal opportunity, military contractors, fearful of losing their contracts in the 1960s, put someone in charge of affirmative action programs. That person's sole job was to make sure the firm hired, and kept, women and minorities. Now that is the job of the diversity manager, or chief diversity officer. Recently firms have also put in taskforces, or diversity councils, comprising managers from different departments and charged with finding ways to increase diversity. The accounting giant Deloitte and Touche set up taskforces responsible for analyzing the gender gap, recommending remedial steps, and establishing systems for monitoring results and holding managers responsible.

popularity of diversity programs



Both Texaco and Coca-Cola have diversity managers, and both set up external taskforces to oversee their settlements. Coca-Cola's seven-member task force was headed by former Secretary of Labor Alexis Herman.

Our analyses show that making a person or a committee responsible for diversity is very effective. Companies that establish taskforces typically see small decreases in the number of white men in management, and large increases for every other group (white men dominate management to begin with, so a small percentage decrease for white men can make space for big percentage gains for the other groups). Firms that put in diversity managers see increases for all groups of women, and for black men.

In interviews, executives tell us that diversity managers and taskforces are effective because they identify specific problems and remedies. If the taskforce sees that the company has not been recruiting African-American engineers, it will suggest sending recruiters to historically black colleges. If a company has trouble retaining women, the diversity manager may talk to women at risk of leaving and try to work out arrangements that will keep them on the job. Managers and taskforces feel accountable for change, and they monitor quarterly employment data to see if their efforts are paying off. If not, it is back to the drawing board to sketch new diversity strategies. Taskforces may be so widely effective, some tell us, because they cause managers from different departments to "buy into" the goal of diversity.

lessons for executives

What are the most cost-effective strategies for increasing diversity? Our last figure shows what companies were doing in 2002. Many companies were not investing in the strategies that have proven most effective. Three of the four most popular programs—diversity training, evaluations, and network programs—have no positive effects in the average workplace. The two least popular initiatives, mentoring and diversity managers, were among the most effective.

On average, programs designed to reduce bias among managers responsible for hiring and promotion have not worked. Neither diversity training to extinguish stereotypes, nor diversity performance evaluations to provide feedback and oversight to people making hiring and promotion decisions, have accomplished much. This is not surprising in the light of research showing that stereotypes are difficult to extinguish.

There are two caveats about training. First, it does show small positive effects in the largest of workplaces, although diversity councils, diversity managers, and mentoring programs are significantly more effective. Second, optional (not mandatory) training programs and those that focus on cultural awareness (not the threat of the law) can have positive effects. In firms where training is mandatory or emphasizes the threat of lawsuits, training actually has negative effects on management diversity. Psychological studies showing backlash in response to diversity training suggest a reason: managers respond negatively when they feel that someone is pointing a finger at them. Most managers are still white and male, so forced training focusing on the law may backfire. Unfortunately, among firms with training, about three-quarters make it mandatory and about three-quarters cover the dangers posed by lawsuits.

Our findings suggest that firms should look into how they can make training and evaluations more effective. Some experts suggest that training should focus on hiring and promotion routines that can quash subjectivity and bias. Others suggest that diversity performance evaluations based on objective indicators (minority hiring and retention, for instance) and tied to significant incentives (attractive bonuses, or promotions) would work. But few companies follow that model.

One piece of good news is that mentor programs appear to be quite effective. Such programs can provide women and minorities with career advice and vital connections to higher-ups. While mentoring can be costly—involving release time for mentors and mentees, travel to meetings, and training for both groups—the expense generally pays off. One reason mentoring may not elicit backlash, as training often does, is that many companies make it available to men and women and to majority and minority workers. The theory is that women and minorities less often find mentors on their own (if they did, there would be less of a problem to start with), and thus benefit more from formal programs.

> Managers and taskforces feel accountable for change, and they monitor quarterly employment data to see if their efforts are paying off.

Another piece of good news is that companies that assign responsibility for diversity to a diversity manager, or to a taskforce made up of managers from different departments, typically see significant gains in diversity. Management experts have long argued that if a firm wants to achieve a new goal, it must make someone responsible for that goal. To hire a diversity manager or appoint a taskforce or council is to make someone responsible. Both managers and taskforces scrutinize workforce data to see if their efforts are paying off, and both propose specific solutions to the company's problems in finding, hiring, keeping, and promoting women and minorities. Taskforces have the added advantage of eliciting buy-in—they focus the attention of department heads from across the firm who sit together with a collective mission.

Many executives bemoan the fact that their companies saw increases in diversity in the 1970s but have been at a standstill ever since. Innovative strategies come and go, but diversity in management jobs does not seem to budge. To return to Texaco and Coca-Cola, while it may be impossible to judge the effectiveness of any individual innovation at either company, our study of more than 800 workplaces shows which innovations are most likely to be effective. Programs that do not increase diversity elsewhere—diversity training, diversity performance evaluations, network programs—are not likely to do so at Texaco or Coca-Cola. Those that do increase diversity elsewhere—mentoring programs, diversity taskforces, diversity managers—probably do contribute to diversity at Texaco and Coca-Cola.

If companies regrouped and put their time and energy into programs known to work elsewhere, they would likely see small but steady increases in the representation of women and minorities in management jobs. Programs that assign responsibility for change and that connect promising management talent with mentors (another, less formal way to assign responsibility), seem to hold the best hope. Managers might also spend more time assessing programs that don't seem to be working and trying to figure out how to make them effective.

recommended resources

David A. Thomas and John J. Gabarro. *Breaking Through: The Making of Minority Executives in Corporate America* (Harvard Business School Press, 1999). How do some minority managers break through to upper levels of management? Thomas and Gabarro look at minority executives and examine what contributes to their success.

Rosabeth Kanter. *Men and Women of the Corporation*, 2nd ed. (Basic Books, 1993). What happens within the corporation to prevent women from getting ahead? Kanter's classic book suggests answers, and sketches promising remedies.

Louise Marie Roth. *Selling Women Short: Gender and Money on Wall Street* (Princeton University Press, 2006). To understand why women fare poorly on Wall Street, Roth compares the careers of women and men with similar backgrounds over a decade.

Alexandra Kalev, Frank Dobbin, and Erin Kelly. "Best Practices or Best Guesses? Diversity Management and the Remediation of Inequality." *American Sociological Review* 71 (2006): 589–617. The present *Contexts* article draws on the statistical analyses in this article.