

Diversity in Dollars and Sense

By: Arin N. Reeves, Ph.D.



As U.S. companies seek to create competitive advantages in a rapidly changing global marketplace, workforce diversity has emerged as one of the primary sources through which a company can gain and sustain a competitive advantage. Today's discussion has evolved from one of moral imperative and being "the right thing to do" to the business imperative of being "the necessary thing to do."

Companies that integrate diversity into their business fabric as a core value are positioning themselves to maximize their organization's potential in the global arena, where diversity of perspectives at every level of an organization is critical to success.

Even as diversity differs in substance and form from organization to organization, integrating diversity into the business values of any organization starts in the same place—at the very top with the chief executive officer.

In the pages that follow, you'll read diversity profiles of CEOs representing seven of the most successful and admired corporations in the world. These CEOs are sharing their personal and business philosophies about diversity as a core business value guiding their organizations to national and global success.

Individually, each CEO highlights the importance of diversity for his own organization and leadership style. Together these leaders carve out a business case for diversity that cannot be ignored.

As each of the CEOs profiled have articulated so passionately, achieving sustainable diversity in organizations begins with committed leadership from the very top. In addition to personal and professional commitment from the CEO, the business case for diversity must be clearly defined, thoroughly developed, and effectively communicated to each and every employee within the organization.

As these business leaders have emphasized individually and collectively, diversity is no longer a choice for businesses that seek to compete in the global marketplace; it is a business imperative and a business necessity.

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F. Duane Ackerman, chairman and CEO, BellSouth

Inclusion is not just “nice to do.” It’s a must do! The first step is to help people within your organization understand why diversity is a business imperative and how it contributes to your company’s success. Once employees see this, your diversity efforts and activities won’t be just another task on the list of things to do—it will be seen as a means to accomplish that list.

“At BellSouth, we believe that a diverse and inclusive environment is not only the right thing to do, it’s also critical to maintaining a competitive advantage in today’s marketplace,” said F. Duane Ackerman, chairman and CEO, BellSouth.

Mr. Ackerman builds on this essential premise of BellSouth’s commitment to diversity by emphasizing that “we have long embraced inclusion as a strategic business imperative. We believe diversity is the right thing to do, so it’s not hard to build a business case for it.” Mr. Ackerman concentrates his leadership in the commitment to diversity on “diversity being an integral part of our mission to create shareholder value” where “an important part of building—and proving—a business case for inclusion is demonstrating the correlation between focused diversity efforts and company results.”

This combined commitment to the business bottom line, and the inclusion of the diverse backgrounds represented within the BellSouth team, has brought forth recognition and praise from business and minority communities. BellSouth has: won the NAACP Corporate Image Award (awarded for exemplary business practices and public service); been named in *Fortune* magazine’s “50 Best Companies for Asians, Blacks and Hispanics” for several consecutive years; was honored by *Hispanic Magazine* as one of its “Corporate 100: The One Hundred Companies Providing the Most Opportunities to Hispanics,” and garnered several awards from the national legal community on its advocacy for diversity within corporate legal departments and law firms.

BellSouth’s dedicated commitment to diversity specifically shines under the leadership of Charles Morgan, general counsel of BellSouth, who has been recognized as a national catalyst for diversity within the legal profession. Mr. Morgan authored the Diversity Statement of Principle, which has currently been adopted by more than 470 general counsel of major corporations. The statement reads: “We expect the law firms which represent our companies to work actively to promote diversity within their workplace. In making our respective decisions concerning selection of outside counsel, we will give significant weight to a firm’s commitment and progress in this area.”

Not only has this statement made a visible difference in BellSouth’s business case for diversity, but it has impacted the business case for diversity for law firms nationwide.

While BellSouth continues to execute its business and organizational commitment to diversity, Mr. Ackerman reflects on the journey as a “humbling effort. This is a journey, not a destination; we’re still learning and we’ll continue to make additional strides.” He advises other chief executive officers that: “Your commitment must start at the top—with you. I think the first step toward developing diversity as a core value is awareness and education.”

Profile by Dr. Arin Reeves



ALAN LACY

CHAIRMAN, CHIEF EXECUTIVE OFFICER

Sears, Roebuck and Co.

Research has shown that diverse organizations are consistently more creative, produce higher quality products, and achieve better returns for shareholders. Their products and services are also more appealing to a diverse customer base. We believe it is essential that vendors who provide service to Sears, including lawyers, must reflect the diversity and inclusiveness that are an inherent part of our culture. This can only result in a win-win situation for our customers, our associates, and our shareholders.

According to Chairman and CEO Alan Lacy, “diversity is not just the right thing to do at Sears, it is a business imperative.” Furthermore, “it gives companies a competitive edge in the marketplace. At every level, we need to look and think like our customers to truly understand and satisfy their needs.” In order to integrate diversity as a business imperative into Sears’ business strategies, Sears has created strategic programs that drive an inclusive corporate culture through clear communication of the diversity principles, talent and performance management systems that integrate diversity into their structures, and executive report cards, which make management accountable for upholding the diversity values critical to their business unit.

Moreover, Mr. Lacy takes personal responsibility for this programming by integrating diversity into all communication out of his office, “I am working to make it a part of the corporate vocabulary. For instance, ‘Be a diverse, high-performance team,’ is one of our four corporate priorities.”

In reflecting on the complexity of diversity within corporations, Mr. Lacy recognizes that creating an awareness of diversity sometimes has to precede the personal commitment to diversity on behalf of leaders: “We’ve established an awareness of the business case for diversity. Our next steps are focused on ensuring understanding that leads to new behaviors. Toward that end, senior leaders recently participated in a half-day diversity workshop. One key outcome: personal commitment to actions supporting diversity from each leader.”

Mr. Lacy communicates his personal and business commitment to diversity as a priority for the law firms Sears retains and states that: “the firms we retain know that diversity is an essential part of the criteria that we use to evaluate them. Our commitment to diversity is clearly stated in the retainer letter each law firm must sign before receiving any assignments from Sears. In addition, we monitor both the fees paid by Sears to minority- and women-owned firms, as well as hours billed by minorities and women working in majority firms.”

Anastasia Kelly, senior vice president and general counsel for Sears, reaffirms Sears’ intrinsic respect for diversity, “I have always found that we, as lawyers, are most creative when there is diversity of thought around the table. When we bring

very different backgrounds, cultures, and educational experiences to our professional lives, we not only do a better job for our business partners, but we also are able to enrich our own professional lives.”

Mrs. Kelly further affirms the effect of Mr. Lacy's commitment on the legal department's ability to assert diversity as a priority for itself and the law firms it retains. “We all look up to and listen to the CEO, and when he or she leads by example and also makes it clear that diversity is important to the company, it reinforces the importance of the effort, and gives it an impetus and an imprimatur that makes accomplishing our goals easier.”

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KENNETH D. LEWIS

CHAIRMAN, CHIEF EXECUTIVE OFFICER AND PRESIDENT

BANK OF AMERICA

Diversity of viewpoint, background and opinion helps us get to the right answers to tough, complex business questions. We rely on our legal counsel for advice about how to do business, defend our company, and navigate the legal system in a complex and diverse environment. A diverse legal team is critical in enabling us to achieve our goals.

Chairman, CEO, and President Ken Lewis summarizes his business case for diversity for Bank of America by stating: “I start with the premise that you will either succeed together because of diversity, or you will walk off a cliff together if you don't have a diversity of opinion and experience.”

“We will not be the most admired company in the world if we don't have a business strategy that is formed by a diverse body of thought.” Bank of America has clearly made its mark as one of the most admired companies in this country, as it gathers accolades for its commitment to diversity in the workplace from Fortune, Working Mother, and the Minority MBA magazines.

Bank of America, under Mr. Lewis' leadership, stresses the diversity in the demographic profile of its markets and aligns the rest of its business strategies to reflect this diversity.

Even as Bank of America upholds diversity as an intrinsic corporate value, Mr. Lewis acknowledges that in order for a corporation to truly embrace diversity, “the CEO has to believe in it and be passionate about it. I believe in it and am passionate about it.”

In articulating a strong business commitment to diversity, Mr. Lewis confirms an equally strong personal commitment to diversity so that he can “demand results” from every level of every business unit.

Bank of America's General Counsel, Paul J. Polking, reflects on how Mr. Lewis' personal commitment to diversity enables Bank of America's legal department to set and reach its own diversity goals: "Diversity is important in our legal department because it adds to our perspective, heightens the quality of our thinking, and enriches our discussions as a community of professionals dedicated to providing the most useful counsel to our clients on complex and sensitive legal issues. It is extraordinarily helpful to me and the legal department that our CEO feels so strongly about the importance of diversity."

Mr. Lewis acknowledges that there can often be a "pushback on diversity efforts early on because of the fear of the unknown." Moreover, "there's often more conflict to manage because difference of opinion adds an influx of new and contradicting opinions into the conversation." However, it is this very difference of opinion that creates a stronger and more competitive corporation, and with a consistent commitment from the top, diversity can be executed with profound results.

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J. W. MARRIOTT, JR.

CHAIRMAN, CHIEF EXECUTIVE OFFICER

Marriott International, Inc.

It's smart business. I value the presence of minority and women associates' perspectives. Those who don't have these perspectives cannot compete with those who do.

According to Chairman and CEO J. W. Marriott, Jr., "Marriott International's commitment to diversity is absolute. It is the only way to attract, develop, and retain the very best talent available. It is the only way to forge the business relationships necessary to continue our dynamic growth. And it is the only way to meet our responsibilities to our associates, customers, partners, and stakeholders."

Marriott International's statement on diversity firmly places diversity as a primary core value governing its business strategies, and Mr. Marriott's leadership at the helm of this organization supports the "absolute" commitment to this value at all levels of the company's structure: "Embracing diversity adds substantial value to the organization. It strengthens the company's culture and improves its ability to reach a changing and diverse marketplace."

Mr. Marriott makes a clear connection between a diverse workforce and the ability to compete in today's market and asserts that: "in today's marketplace, you have to be diverse to be competitive for consumer business and talented employees. A more diverse management team means better business decisions."

The company's commitment to diversity has resulted in Marriott International being ranked number one on the National Association for the Advancement of Colored People (NAACP) Hospitality Industry Report Card three times out of its five-year existence, in Fortune's Top 50 Companies for Minorities for the fifth consecutive year, and as the National Black MBA Association's Corporation of the Year (2002). Marriott International is also the recipient of the Catalyst Award (2002) for

advancing women's leadership in the workplace. Even with all these awards and recognitions under his belt, Mr. Marriott continues to push his board of directors and his management team to create a corporate culture where diversity continues to be prioritized as a business imperative.

Marriott International focuses on diversity because it is the business thing to do, and Mr. Marriott suggests that companies that do not focus on diversity will quickly fall behind in capitalizing on the consumer purchasing power as well as the employee talent rising from minority communities. He stresses this for every level within his own organization, as well as the service providers that Marriott hires, including law firms.

As Joseph Ryan, executive vice president and general counsel, echoes, "Mr. Marriott and Mr. Shaw [president & chief operating officer] are completely committed to having a diverse group of associates. Having that commitment at the very top of an organization is critical to developing successful, business-oriented diversity initiatives. The law department shares their enthusiasm because it makes sense in every respect; our associates, including, of course, the lawyers who represent us need to be representative of our community and our guests."

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PHILIP J. PURCELL

CHAIRMAN, CHIEF EXECUTIVE OFFICER

Morgan Stanley

First and foremost, lead the charge. Demonstrate publicly that you know and appreciate the importance of diversity. Second, drive the message down through the ranks of your organization. Give the day-to-day managers the support and resources they need to be successful in managing diversity. Third, have a plan. There should be a business plan on what will be done, when it will be done, and who will be responsible for doing it. Fourth, develop a system of accountability. Know who will be required to explain the success or failure of the diversity initiatives and reward them accordingly.

Morgan Stanley's commitment to diversity, as explained by Chairman and CEO Philip J. Purcell, is driven by the proposition that "diversity is important because, as a firm, we are only as effective as the people we employ. Different perspectives allow us to retain our competitive edge and to provide the best service possible to our clients."

Mr. Purcell clearly links the company's commitment to diversity with its commitment to business success. For a diversity initiative to be successful, he says, "it must be treated like every other business initiative, and it must be tied to the bottom line. We are a service business and our business succeeds or fails on the strength of our people."

Pursuing Morgan Stanley's goal to "be our clients' first choice" for financial services, "the firm must stay focused on being at the forefront of all critical business initiatives, including diversity," said Mr. Purcell.

This personal and professional commitment to diversity as a critical business imperative at the CEO level allows Morgan Stanley to set realistic and measurable goals around diversity as a core value for organizational success.

While Mr. Purcell encourages diversity initiatives in every part of his company, he recognizes that "our biggest challenge is that we are a results-oriented culture, where people expect immediate, tangible outcomes. That doesn't always happen—whether pursuing business initiatives or diversity initiatives."

He advises his senior management to "be patient and stick to your game plan. To sustain your diversity momentum, you must have a long-term focus. Change may not always occur instantaneously. Successful diversity initiatives are evolutions—a continuous process of change and development."

Mr. Purcell's commitment to diversity is especially tangible in Morgan Stanley's legal department. Donald Kempf, Morgan Stanley's chief legal officer, credits Mr. Purcell's leadership for the favorable recognition the firm's diversity initiatives have received in recent years. "Phil has shown the way. And not with rhetoric, but with action," said Mr. Kempf.

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MICHAEL I. ROTH

CHAIRMAN, CHIEF EXECUTIVE OFFICER

The MONY Group

Look carefully at your business partners. Listen to what your managers and employees have to say. They are close to your customers and employees. And always be aware that there is more you can do.

When Chairman and CEO Michael I. Roth speaks of the value of diversity in his company, his perspective is simple and clear: "We want our workforce to reflect the community in which we serve."

His overriding message within the company he leads is that "while diversity is good from an ethical point of view, it's also good for business." He explains this message further by articulating the business case for The MONY Group: "Our primary market, the U.S., continues to become more and more diverse. And for us to remain competitive in our industry, our organization needs to reflect this diverse community."

In considering companies who resist prioritizing diversity as a core business value, Mr. Roth reemphasizes that, "diversity is good for business" and urges these companies to rethink their business strategies. "It is wrong and a cop out to not make diversity a business value. You must have your head buried in the sand if you don't see the changing demographics of your future customers and your future employees. You are doing your company an injustice from a leadership perspective if you're not paying attention to diversity."

Although he recognizes the challenge that “people are extremely busy,” he stresses that “we need to make the time to ensure our workforce is as diverse as possible.”

One way to accomplish this is to employ a multitude of strategies ranging from “encouraging diversity as much as possible” to “making it a part of our business plans.”

Moreover, in order to be truly effective, diversity strategies must be communicated from the top. “Diversity is most effective if it comes from the top. It has more credibility and viability, and as a result, local managers become empowered by the message from the top.”

Mr. Roth reasons that, “if a company is not diverse, their talent base is not diverse, and their work product will not be as good. You cannot be myopic and ignore this business fact.”

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WILLIAM C. WELDON

CHAIRMAN, CHIEF EXECUTIVE OFFICER

Johnson & Johnson

More and more businesses face complex legal issues in today's marketplace. Any company will benefit greatly from being represented by diverse legal minds. If businesses fail to recognize this, we impair our ability to innovate and compete in the global workplace. Diversity should be a critical core value of every corporation and its legal staff.

According to Johnson & Johnson Chairman and CEO William C. Weldon, “Valuing diversity comes naturally to us. Diversity is naturally woven throughout the framework of our organization. It captures, in one word, the essence of an organization composed of nearly 106,100 individuals in 54 countries, serving customers across every age group around the world, with products covering nearly every facet of human health care.”

In 2002 alone, Johnson & Johnson topped the 6th annual “BusinessWeek 50” (BusinessWeek’s ranking of the nation's best-performing, large public corporations), scored the number one ranking overall in a recent evaluation of pharmaceutical company reputations (Pharmaceutical Executive Magazine), and was ranked the “7th Most Admired Company” in the world, and the third among pharmaceutical companies by Fortune Magazine.

As Mr. Weldon reflects, “diversity is of key importance to us if we want to remain the world’s best comprehensive health care company. We have to have a diverse workforce that reflects the diversity of our consumer base. And in order for us

to have a diverse workforce, we have to be an employer of choice so that we can attract talented people of all different walks of life.”

From the perspective of executing a diversity strategy in any corporation, Mr. Weldon stresses the importance of a CEO: 1) “creating a global diversity statement and vision,” 2) “communicating this statement and vision to all employees,” and 3) “demonstrating it through leadership.”

At Johnson & Johnson, diversity is a living and breathing principle that is integrated into all business initiatives by clear and consistent leadership from Mr. Weldon. “Whenever possible, I seek opportunities to speak about diversity. It’s a message from the top that diversity is a part of who we are at Johnson & Johnson.”

Not only does Mr. Weldon stress diversity as a competitive advantage for Johnson & Johnson, but he also stresses that companies that do not embrace diversity as a core value will not be able to compete in the global marketplace.

This emphasis on diversity extends to Johnson & Johnson’s legal service providers. “We ask for reports on a quarterly basis from law firms on minority and female attorneys working on our matters. Legal workplaces can be greatly affected by corporate diversity measures, and we make it clear that we want the benefit of diversity reflected in who gets assigned to do our work.”

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