**Case Study**

A bank’s chief diversity recruiter wonders whether to penalize managers who promote only white men. *by Martin N. Davidson*

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Did you see this?” Kumkum Bhatnagar asked incredulously. She held up a printout of an article by Will Sonenberg, the CEO of GlobeBank. It had appeared in a special online supplement of *Bloomberg Businessweek* on the subject of diversity, and it concerned the company’s efforts to increase female and minority representation in management. Charles Begley, GlobeBank’s managing director of diversity recruiting, was already reading it on-screen, dumbfounded.

“We worked with him on every draft,” he sputtered. “Where did this line come from? ‘A glance at the photos of our executive committee on our website is all it takes to see how little headway we’ve made on diversity.’ Who wrote that?”

“He must have written it himself, after we signed off,” Kumkum, Charles’s deputy director, said with a note of despair.

“Why would he take a swipe at us like this—and in public?” Charles asked.

“I don’t know,” Kumkum said. “But of course, when it comes to the executive committee, we both know he’s right.”

With Kumkum standing over him, Charles opened the executive committee page in the “About Us” section of GlobeBank’s website. Pictured among the 67 photos were eight white women, one black man (Charles himself), and one Hispanic (Hugo Suarez, of GlobeBank International).

“Probably what happened,” Kumkum said, “was that the web team had finished...
EXPERIENCE

African-American executives in the company were preventing it from attracting top women. "I've told my son that priority in the clearest possible way."

Lack of Diversity Disgraceful?' But you have to hand it to him—he does care about the issue. You can't take it personally,"

"If you ask me," Kumkum said, "this gets back to my old point: Executive diversity isn't just about the pipeline."

"Of course it is." It's partly about the pipeline—you have to have good people to promote. But we've always neglected the 'pull' part. We need to make sure that everyone in the upper echelons of this company is pulling folks up into management positions. I think we—you—have done a great job of nurturing diversity. But too many of the business-unit heads are still blockers."

You know we can't tell them specifically who to promote."

No—but as I've always said, the company could rewrite its scorecards so that executives are evaluated not just on whether they're good bankers but on whether they're hitting diversity goals."

Charles shook his head. He wasn't going to go there with Kumkum. "I don't want this company to be telling the head of investment banking, or trading, or risk management, that he has to promote a black woman if he thinks a white man is a better candidate," he said. "This is a business. The unit heads should have the freedom to make the best talent-management decisions they know how to make. Besides, Will would never go for it."

"This is a business—true," Kumkum replied. "But it's a business that has made promoting women and minorities one of its priorities. And Will has just reiterated that priority in the clearest possible way."

Life in the Pipeline

Charles had previously scheduled back-to-back meetings later that day with two young executives in GlobeBank's talent pipeline: Anthony Taylor and Trey Sugarman, African-American MBAs with Ivy League pedigrees whom Charles had been instrumental in recruiting. Anthony had made his appointment just to "check in," he said. But as he updated Charles on what he'd been doing, the real reason for the meeting became clear: He was bored and felt underutilized.

"I've spent the past month doing pitchbooks for a pulp-and-paper IPO that's never going to happen," Anthony said. "There are big deals being made—just like you promised—but I'm not getting staffed on them, which means no exposure, no recognition, nothing."

Afterward, when Charles met with Trey, he heard almost exactly the same complaint.

Charles had found Taylor and Sugarman at a competing bank and had been given permission to recruit them into GlobeBank's investment banking division at the VP level. He had wooed them with assurances that they would be working on the most important mergers, acquisitions, and IPOs in the world, and that they would quickly rise to the director level. But nearly 18 months (and two promotion rounds) later, that hadn't happened. And two intelligent, hardworking young men were wasting their time on insignificant deals.

That night, Charles kept thinking about Taylor and Sugarman as he watched the end of a basketball game with Jason.

"I've created a bench, and no one's getting off it," Charles said, more to himself than to Jason. But Jason asked his father to explain.
Charles sighed. “I’ve created a little ghetto in my own company, for people just like the kind of guy you’re going to turn into,” he said. Jason muted the TV—the game was a blowout anyway—and Charles told him the whole story: the CEO’s article, the conversations with Taylor and Sugarman, Kumkum’s philosophy. “I’m starting to think she’s right about the pay-for-diversity thing,” he said.

“We did the Bakke case in Mock Trial,” Jason said.

“The what?”

“Affirmative action,” Jason said.

“Quotas.”

“Oh, that.”

“And we learned about the quotas they have in Norway now to get more women on corporate boards,” Jason said.

“Yeah, but I’m not talking about quotas. Can you put the sound back on?”

“Sure you are,” Jason said. “You’d be telling your executives, ‘You have to hire X number of black people or your pay will be docked’—even if they’re not the best candidates.”

“It would never be as simple as that.”

“Personally, I wouldn’t want to work for a company that did that,” Jason said, putting the sound back on. “Not ever.”

Charles felt confused. Before going to bed, he forced himself to write an e-mail to Will. It wasn’t the angry response he had contemplated earlier. His tone was neutral. He simply said that he’d seen the revised article on the Businessweek site and he’d like to have a meeting with Will to talk about its ramifications.

**Stonewalling**

The next day, Kumkum was far from neutral. She was as animated as Charles had ever seen her. She handed him a two-page memo to Will that she’d drafted to outline her proposed incentive plan. If women and minorities were to crack the upper echelons of GlobeBank, she’d written, “senior executives’ evaluations and subsequent compensation must reflect their diversity promotions and hires.” She’d included a memorable line about executives’ needing to be reminded that “diversity is their day job, too.”

“This has got ‘quotas’ written all over it,” Charles said with exasperation. “When you impose quotas, you always get a backlash—not to mention unintended consequences. Managing directors will start promoting every nonwhite face they can find, and those people won’t be equipped to survive.”

“OK,” Kumkum said, “then we’ll include something about retention—they’ll be compensated not only for head count on day one but also for whether those people are still in place 18 months or two years later.”

She just didn’t understand the sort of uproar this would generate, Charles thought. In frustration, he went looking for Bernie Regan, the head of investment banking. Bernie’s booming voice signaled his whereabouts.

“Charlie, good to see you, man,” Bernie said.

Charles told Bernie he wanted to talk to him about Taylor and Sugarman.

“Oh, yeah—good guys,” Bernie said. “So? We brought them in to work on big deals. Why are they getting staffed on dead-end pitches?”

Bernie put his arm around Charles and walked him toward a quiet corner. Lowering his voice, he said, “You know I’m not involved in all those decisions. The MDs pick who they want on their deals. And then everyone votes on promotions. Don’t get me wrong—you did a great job recruiting those guys. But maybe it’s a seniority thing. They’ve got—what? Eight years of experience between the two of them?”

“So we should be giving them more experience, more exposure, at least a fighting chance to be a director. If they’re not given those opportunities, they’re going to leave. And what is Will going to say about that?”

“Don’t threaten me. Those guys will get their deals. They’ll get their promotions.”

“You’re not being straight with me.”

“You want me to be straight with you?” Bernie said. “I saw Will’s article yesterday. It was brutal. Will does that sometimes—he cuts your feet right out from under you.” He looked at Charles for a response, but Charles said nothing. “If I were you,” Bernie continued, “I’d think very seriously about what this job is doing to your career. Stay in it too long, and you never know—you could get tainted. You were such a great sales guy.”

The unsolicited advice irked Charles.

“There’s a lot more value in diversity than you—or the rest of the executive committee—realize,” he said.

“I’m sure you’re right,” Bernie said, giving him a pat on the back. “I’m sure you’re right.”

**CHARLES STOPPED** in the hallway to read a reply from Will. It had clearly been texted from Will’s car—it was ragged and full of typos—but the passion in it was clear.

“Sry to blindside you. that web page ticked me off. all white and male. were not making progress and i promised we wd. you knw about this stuff. tell me what to do and ill do it.”

_Tell me what to do, and I’ll do it_. What would Kumkum say if she saw that? Here was their opening to really shake things up. But would he be turning GlobeBank into exactly the kind of company his son wouldn’t want to work for?
The Experts Respond

**Steve Reinemund** is the dean of business at Wake Forest University. He retired as CEO of PepsiCo in 2006 and as chairman of the board in 2007.

**BUILDING A** diverse workplace requires more than the blunt instrument of financial incentives. Diversity must be a strategic imperative—one that is well understood and embedded in an organization. But if a company is serious about having executives who mirror the marketplace, incentives can be very helpful. It is simple: You get what you pay for.

The big picture is that a company needs to represent the marketplace from the boardroom to the front line. That is the only way it can make decisions that reflect its customers’ needs and be worthy of their loyalty. Furthermore, it is the right thing to do. So diversity initiatives like GlobeBank’s are essential, but actually making an organization diverse is hard work.

Some positions are easier to diversify than others. Front lines and boards usually get a lot of attention and are often the first areas of a company to accurately reflect the marketplace. Diversifying line managers and midlevel and senior executives poses a more complex challenge.

Today’s business climate is highly competitive and fast-paced, and staffing is more frugal than ever. To insert talent from outside a company or promote at an accelerated pace is tricky. Generally speaking, outsiders or fast-trackers have to be supercompetitors to survive, much less succeed, in positions that require company-specific situational experience on top of technical competence. To introduce aggressive diversity goals for these positions entails risk, both personal—for candidates—and organizational.

**Outsiders or fast-trackers have to be supercompetitors to survive, much less succeed.**

Supercompetitors are in high demand, and it is unrealistic to expect all diverse hires to be supercompetitors.

It doesn’t surprise me that the bank’s initiative to diversify its upper ranks has fallen short. Senior executives are often reluctant to take a chance on promoting outsiders or fast-trackers. That is why it is critical that companies get buy-in for diversity initiatives from all their most senior people.

More than a decade ago, PepsiCo was looking to renew its commitment to diversity in its line leaders. When we recruited minority MBA candidates for our leadership development program, we guaranteed them that within three to five years they would get line leadership jobs that would normally take 10 years. Senior leaders visited the top business schools with our recruiters to ensure that we attracted and landed supercompetitors, and this secured their buy-in from the start. In order to be recruited, candidates had to be interviewed at multiple levels of the company and win unanimous support from senior executives. That put the candidates on their radar screens and lowered the perceived risk.

Diversity, just like any other strategic imperative, should be aligned with compensation. We introduced meaningful financial incentives for our senior executives to achieve our diversity goals.

A corporate commitment to diversity as a strategic imperative and a cultural reality can’t be the goal of one person. It must be part of the corporate DNA. Even with this mandate, it is always hard work to attract, develop, and retain world-class talent that mirrors the marketplace.

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**I DO NOT** believe that employers should use financial incentives to increase the number of diversity promotions; such policies are neither ethical nor constructive. A more profound cultural shift over a sustained period is needed to embed a diversity agenda into the firm and make it the norm.

**Katarzyna Romanowicz,** senior associate, eg1

**AS A YOUNG** (34) African-American woman moving into my first VP role, I am against any quotas. I suggest that companies develop a pipeline for all employees who demonstrate that they can add value at the executive level, and that they pull from it when looking for talent to promote. Then every senior executive could be rewarded or penalized equally on the basis of whether the company reaches a set percentage of diversity promotions.

**Sheena D. Franklin,** government affairs executive

**A PLAUSIBLE SOLUTION** is to make leaders responsible for growing a certain number of high potentials in a given time period, with no two of a leader’s protégés being alike according to how the company defines diversity: by gender, race, skills, religion, or whatever. Leaders’ choices of protégés should be transparent and open to scrutiny. This would provide a good opportunity to develop a truly diverse culture without enforcing quotas.

**Pragati Dhingra,** founder, Programming Skills Development Institute
IT WOULD be a huge mistake to take the blunt approach advocated by Kumkum Bhatnagar. Executives should be measured and rewarded on diversity, yes, but not on the basis of how many minority candidates they promote—that just makes people suspect them of fulfilling a quota. The metric should be more subtle and more valuable: How many minority candidates have they positioned for success? That means leading initiatives that recruit, identify, coach, and mentor minority talent.

Throughout our organization, the focus is on providing diverse associates with opportunities to improve their skills rather than promoting them because they are members of minority groups. Every six months, the management committee meets to review the approximately 40 next-highest positions in the organization. We list three potential candidates for each and rate them on their readiness. We discuss their strengths and weaknesses. Then we take a second look to make sure diversity is well represented. If not, we add diverse candidates who we believe can become ready with support. We assign them mentors and accelerate their inclusion in our leadership-training programs to ensure that they have unquestionably earned any future promotions.

We also have a three-phase program that provides foundational training and cultural fluency to help highlight individuals’ diversity blind spots and erase the underlying nuances of discrimination. More than 90% of the people in the organization have attended the program’s courses. Additionally, executives have attended a course on cultural fluency in which they are privately and personally informed of their biases, resulting in increased self-awareness.

There’s more to diversity than having the right faces in the right places. In order to be receptive to diverse points of view, a company must have a climate of respect for the individual that makes it safe for people to speak up. Employees know the difference between a company that is simply telling them a good story and one that is authentically supportive.

GLOBEBANK HAS made an important statement by establishing diversity in its executive ranks as a foundational priority—a statement that is as much about its commitment to long-term success as about its values as a company.

Many corporations in America experience challenges like the ones faced by GlobeBank in its pursuit of greater organizational diversity. As with any worthy goal, however, it is critically important that those challenges be overcome.

There is no silver bullet. GlobeBank is trying to fix its problem all at once. That won’t work. I share Charles Begley’s aversion to quotas to address the issue. Quotas do not help a company overcome the diversity challenge; in fact, they often produce unintended negative consequences.

Individuals in all walks of life can be influenced by unconscious biases. In the business world, those biases can show up when managers, without realizing it, look out for and promote people who are like themselves. Companies must counterbalance this behavior—but without imposing restrictions. A policy of requiring a certain number of promotions from a given group risks undermining the belief that career success is based on performance. People who aren’t members of minority groups may think their own upward mobility is being constrained so that others can be favored. That has serious effects on morale, retention, and performance.

To increase the representation of women, ethnically diverse individuals, people with disabilities, LGBT, and other minorities in senior positions, a company must take a long-range view and start developing candidates at the very beginning of their careers. KPMG’s senior management team focuses on setting the vision and establishing broad goals such as ensuring that the company becomes more diverse in five years than it is today. Equally important is the focus we put on creating the right culture. We work to build a commitment to diversity throughout our organization’s strategy, structure, and governance. Finally, we ensure that leaders at every level are authentic about this commitment. Without all those elements working together, success would be difficult.

Knowing what the vision is, managers throughout the firm then establish their own metrics. For example, we can identify a certain number of women or African-Americans who are candidates to become partners in a given time period—and then hold leaders accountable.

In order to meet these challenging goals, we’ve also evolved from a mentoring to a sponsorship culture. Mentoring can be passive, whereas sponsorship is active. With sponsorship, the onus is on leaders to pull high-potential individuals up through the organization over a period of time by finding and creating career-defining growth opportunities, providing coaching and counseling, and assigning the individuals to the most important clients. Our Key Accounts Rotation program ensures that ethnically diverse associates receive such exposure. That way, when it comes time for someone to be considered for partner, everyone knows that the promotion is based on the person’s experience and performance.

We have not yet achieved all our goals, but attaining organizational diversity is a journey. It starts with a commitment to building a culture that supports the mission, and it includes goals to which leaders are held accountable—as well as programs and processes that make the attainment of diversity much more likely.

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