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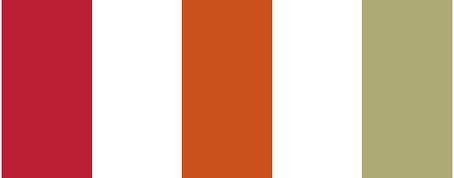
SOLUTIONS BRIEF

Diversity and Inclusiveness in Corporate Philanthropy

July 2008

This solutions brief was produced as part of Philanthropy Solutions: Promising Practices in Corporate Giving. Philanthropy Solutions is a project of the Council on Foundations that addresses top-of-mind issues in corporate grantmaking in order to promote and facilitate knowledge sharing among corporate grantmakers. The information in this Solutions Brief represents the opinions and insights shared by corporate grantmakers during a Philanthropy Solutions roundtable discussion on Diversity and Inclusiveness held in New York City in April 2008, at a subsequent town hall teleconference with corporate philanthropy practitioners, and from the field.

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Diversity and Inclusiveness in Corporate Philanthropy

As the priorities of a global economy demand that companies evolve and respond in new ways, diversity and inclusiveness play a more critical role in the workplace than ever before. Companies are realizing that thoughtful attention to issues around diversity can offer many benefits, from helping to drive employee retention and productivity to improving the ability to reach new markets.¹ It is also clear that companies can achieve greater outcomes—both business and social—by approaching philanthropy through the lens of diversity. This brief explores the unique interplay between diversity and philanthropy and offers real solutions recommended by your peers for enhancing your efforts in this area.

Defining Diversity

Diversity can be defined in many different ways, encompassing a variety of differences associated with race, gender, gender identity, ethnicity, sexual orientation, age, religion, cognitive style, education level, socioeconomic status, class, physical ability, national origin, and more. Every company must develop its own parameters for defining diversity based on its culture, values, and goals. When determining what diversity means to your company, it is important not to overlook some of its less obvious manifestations. For example, while a multinational company may consider cultural differences between countries, it may fail to acknowledge the regional differences that exist; culture gaps can occur just as easily between Minneapolis and Miami as they can between Dublin and Dubai.

Spotlight on Mitsubishi Electric America Foundation: Defining Diversity

“We take a broad definition to diversity within the company and within our grantmaking. This is probably most apparent with our grantmaking, because we focus on the full inclusion of young people with disabilities. The “ability” measure is often overlooked as far as diversity goes, yet people with disabilities make up about 20 percent of the population of the United States, making it a significant minority group. The group cuts across all different sectors of society, including race, ethnicity, economic standing, and social class, so ability is something that needs to be considered and should be included in definitions of diversity.”

Kevin Webb
Mitsubishi Electric America Foundation

¹ 2001 Survey by the Society of Human Resource Management and *Fortune Magazine*.

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Making the Business Case

Of course, no matter how good your intentions, without resources and internal support from executive leadership, it is difficult to achieve meaningful change around diversity and inclusiveness. The key to obtaining buy-in for your diversity efforts—and the assistance necessary to achieve your goals—is to instill the viewpoint that incorporating diversity and inclusiveness into the corporate culture is not just the right thing to do, but a business imperative in order to grow, change, and evolve in the marketplace. In other words, many organizations lead with the economic argument.

In his book *The Difference: How the Power of Diversity Creates Better Groups, Firms, Schools and Societies*, Scott Page, a professor of complex systems from the University of Michigan, shows that when problem solving and other tasks where multiple perspectives are included and valued, more diverse groups and teams are indeed more effective in a variety of types of organizations.

With turnover costs between 100 percent and 150 percent of a position's salary, failure to acknowledge issues pertaining to diversity and inclusiveness can be costly.² Consider the following:

- According to a national study of employees conducted by the Tannenbaum Center for Interreligious Understanding, 66 percent of employees reported some evidence of religious bias at work and 20 percent reported personal experience with religious intolerance in their workplaces; nearly 50 percent of those who had experienced religious bias sought alternate employment or reported diminished productivity.³

- The Corporate Leavers survey⁴, which looks at the costs of employer unfairness based on race, gender, or sexual orientation, found that U.S. employers lose some \$64 billion annually in employee turnover. Employees leaving due to perceived employer unfairness are more likely to discourage potential customers and new employees from having dealings with the company.

Spotlight on KPMG Foundation: Diversity Recruitment through Philanthropy

Frustrated by the relatively small number of students of color majoring in business—particularly in finance and accounting—in 1993, the KPMG Foundation embarked on what it describes as a systemic, creative, high-risk program whose goal was to increase the number of minority business school faculty members in the belief that diverse faculty would help attract diverse students and thus create a larger diverse talent pool from which to recruit.

The outcome was The PhD Project, a nonprofit organization administered by KPMG (the project was a KPMG program until it became a separate 501(c)(3) entity in July 1995) that identifies and attracts minorities already in careers and provides support and networks during their doctoral programs. Since 1994, The PhD Project has more than tripled the number of minority business school professors from 294 to over 909, with another 450 minorities currently in doctoral programs. The students who take classes from these professors and doctoral students report overwhelmingly that they feel much better prepared to function in a diverse society and to work in a diverse workplace.

Often, the first time that people must deal with individuals different from themselves in different roles is when they enter the workplace. As Bernard Milano, KPMG Foundation president, points out, "If we can move that process back to the producers—the universities—we will all be better off."

² The Hay Group, 2004

³ Tannenbaum Center for Interreligious Understanding, 1999

⁴ Corporate Leavers Survey. "The Cost of Employee Turnover Due Solely to Unfairness in the Workplace." Conducted by the Level Playing Institute, 2007.

Diversity Strategies That Work

According to Doug Freeman, founder of the World Diversity Leadership Summit and CEO of Virtcom Consulting, a strategy management consultancy focused on solving complex global diversity management challenges, “best-in-class” diversity strategies have four main elements. Below, we use these as a framework for discussing promising practices for achieving positive outcomes around diversity. Know that if you are just starting out, building a culture of diversity and inclusiveness does not happen overnight. It’s easy to create a values statement around diversity; it’s more difficult to truly view the company through a diversity lens. Here are some tips for instilling inclusive practices in various facets of your business and philanthropy.

■■■ DIVERSITY TENET #1: TALENT MANAGEMENT

Companies need to recruit and retain diverse talent, and to create opportunities and support systems for their employees’ development and advancement.

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- Advertise jobs broadly and don’t rely on word-of-mouth searches. Such searches are often limiting, focusing on the same pool of people.
- Use employee referral incentive programs to raise awareness of talent in the organization. Encourage current employees to recruit diverse applicants from both inside and outside of their organizations by recognizing, rewarding, and prioritizing their referrals.

- Remember that potential recruits look carefully at how a company treats its current employees. Commitment to diversity cannot stop at recruitment. Invest in your retention efforts by making certain you provide a supportive climate for inclusiveness in both formal and informal work settings. Ensure that individuals who bring diversity to your company feel valued for their viewpoints and opinions as well as their expertise.

Spotlight on Arrow Electronics: Using Employee Referrals to Achieve Diversity

Arrow’s Connections Program awards employees monetary compensation for successful referrals. While increasing diversity is only a secondary objective, the program has achieved a marked increase in employee referrals, which means an overall larger and more diverse pool of qualified candidates. The program is marketed heavily to employees via periodic announcements and other communications to ensure it is always top of mind.

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- Leverage your philanthropy as a recruitment marketing tool; highlight the grants and initiatives that foster both your business and diversity goals and help diverse populations. With evidence that the company is concerned about the community, employees will have a greater sense that the company is truly committed to diversity.
- Use affinity groups to increase visibility among key audiences as well as to nurture talent. PSEG, a New Jersey-based energy company,

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has a budget allocated to affinity groups for activities that raise awareness and thus aid in recruitment.

- Create a philanthropic initiative solely focused on fostering your diversity goals around talent.
- Remember, personal biases and intergroup conflict can arise when individuals of diverse backgrounds come together. Diversity is not a panacea. Sometimes, the going can get tough. But continuing to address issues when they arise will go a long way toward creating a more inclusive workplace.

III DIVERSITY TENET #2: DIVERSIFIED BUSINESS STRATEGIES

In order to achieve diverse business strategies, companies must involve executive leadership, promote supplier diversity, and market to diverse consumers.

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- Be transparent about your company's commitment to diversity. Communicate internally and externally about your efforts and consider creating a branded program.
- Create a diversity council that can act as the "board" of decision makers for the office of diversity. Involve employees at all levels, including C-suite individuals. Consider

RECRUITMENT AND SELF-DEALING

Self-dealing rules prohibit a private company foundation from making grants that result in a tangible economic benefit to a disqualified person, such as a sponsoring company. For this reason, foundation grants should not materially assist the company in recruiting or training employees. Self-dealing is not a concern if grants come directly from the company.

including external stakeholders, who can bring valuable perspectives to a diversity council's work.

- Use a diversity lens in all training, including for sales and customer service.

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- Establish a supplier diversity program. Work with the procurement office to build relationships and negotiate with vendors that represent diverse populations or are owned by women. Information about minority-owned businesses can be found through networks such as the National Minority Business Council (www.nmbc.org). Potential partners include the National Minority Supplier Development Council (www.nmsdc.org), Women's Business Enterprise National Council (www.wbenc.org), and the National Gay and Lesbian Chamber of Commerce (www.nglcc.org).

Spotlight on General Motors: Communicating a Commitment to Diversity and Inclusion

Diversity statement: *"At GM, our people touch six continents, 192 countries, 23 time zones, and speak more than 50 languages. Our mission is to create a culture and a business environment based upon inclusion, mutual respect, responsibility, and understanding."*

Website: *GM has an extensive website section devoted to diversity, featuring news, resource links, and information about GM's many affinity groups, awards, and other recognition.*
(www.gm.com/corporate/responsibility/diversity/)

Signature initiative: *"I am GM" is a company-wide program representing individuals of many ethnic backgrounds, cultures, ages, sexual orientations, and physical abilities, which seeks to highlight the value of each person and the rich diversity of GM's workforce.*

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- Purchasing goods and services that support your company's operations can be an indirect way of supporting economic development of local minority communities. Because supplier diversity programs often target small companies, they can lead to more personalized and better quality service. Using diverse vendors can help you gain recognition in the marketplace as a company that values the loyalty of its diverse customer base. And, according to Daisy Auger-Dominguez, associate vice president for diversity at **Moody's**, securing diverse vendors is not always incompatible with obtaining low-cost options.
 - Ensure that senior executives play a leadership role in affinity groups and are integrated into their activities. At **Lehman Brothers**, affinity groups' activities have evolved from social gatherings to volunteerism. Rather than meeting for a social hour, groups paint fences or work with disadvantaged children. Such activities place employees in new settings and foster greater teamwork. Individuals get to know each other better as well as learn from the experience and insights of others.

■■■ DIVERSITY TENET #3: A CULTURE OF INCLUSIVENESS

By promoting a culture of inclusiveness throughout the company, you can generate a collective identity that will unify disparate groups within the company, create a more representative environment to help retain employees, and allow everyone to feel a part of the whole.

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- Hold diversity training sessions as part of a multipronged approach. Delegate responsibility for promoting diversity throughout the company using vehicles such as staff positions and task forces. Integrate diversity training into your company's education and training systems and combine it with other diversity initiatives. Encourage candid, difficult conversations at diversity training sessions. While these can be heated and uncomfortable, it is best to bring the issues to the table rather than ignore them.
- Break down the silos between the diversity, philanthropy, and HR functions. Collaboration is necessary to ensure business alignment, so bring everyone to the table.
- Make diversity training and cultural competency a baseline practice for all staff. While education may not always result in enlightenment (although we hope it does), at the very least, required training conveys the importance of diversity and inclusiveness from the top down.

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- Organize volunteerism projects that build employees' personal awareness by placing them in an environment different from that to which they are accustomed. Work with grantees to identify upcoming events or activities that will teach employees about the organization as well as help them understand the community's aspirations and solutions it seeks. Employees benefit from getting out of their neighborhoods and their comfort zones.
- Rotate your staff. Tiffany Calderon, community relations manager of the **Ameriprise Financial** giving program, moved from the diversity arena to the philanthropy side, which has enriched her perspective on good corporate grantmaking and volunteerism. She now always reviews grants with an eye to the diverse populations being served. **Assurant** alternates members of corporate contributions group every few years to bring in new people. Fresh perspectives enable the contributions department to understand the priorities of the employee base and set priorities that are representative of the company.
- Align employee interest in supporting diverse populations with philanthropy. Use affinity groups as a means for forging connections, showing support, and identifying emerging issues.

Spotlight on Lehman Brothers: Using Affinity Groups to Support Philanthropy

At Lehman Brothers, philanthropy and diversity converge with the company's affinity groups. Every affinity group has a philanthropy subcommittee with a company-allocated budget that can be directed toward grants serving their constituent communities.

Philanthropy team members help the committee develop criteria, vet the nonprofits referred by the affinity group members, and help the group to make informed funding decisions.

In this way, the firm shares the grantmaking process with employees, who are empowered to make decisions around issues that they care about.

■■■ DIVERSITY TENET #4: METRICS

Establishing accountability through a measurement system enables a company to demonstrate progress toward diversity goals.

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- Measure diversity management in a number of areas, such as organizational culture, demographics, and accountability. Incorporate diversity and inclusiveness objectives into senior executive compensation requirements. This both conveys the company's values around diversity and ensures executives are actively working toward diversity goals.
- Provide internal diversity awards and seek external recognition through vehicles such as the Human Rights Campaign Foundation's Corporate Equality Index, *Working Mother Magazine's* 100 Best Companies, and

DiversityInc's Top 50 Companies for Diversity. Attention to such awards ensures you are up to speed on what others are doing and always aspiring to be the best.

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- When sending checks to grantees, be sure they know how and when to provide the demographic data you request.
- Ensure that the grantee demographic data you collect is put to good use. For example, request ZIP codes for the communities your grantees serve and cross-reference those data with their congressional districts. Use stories, data, and partnerships with your grantees to advocate for the issues you support in your community.
- Ask grantees to make their own commitment to diversity and inclusive practices in their organizations.
- Be aware of legislative interest in mandating foundations to report demographic information about their boards, staff, grantees, and grantees' boards.

LEGISLATING DIVERSITY: A.B.624

In 2008, one house of the California legislature passed a bill (A.B.624) that would have required foundations with assets greater than \$250 million to collect data about ethnicity, gender, and sexual orientation related to governance, grantmaking, and business contacts and then to disclose the data publicly. While the bill was withdrawn, it serves as a signal that legislatures may become more active in attempts to legislate increased disclosure and/or outcomes related to diversity in grantmaking and other practices of the philanthropic sector.

The Bottom Line

Fostering a diverse and inclusive workplace is about more than simply increasing the demographic mix of a company's employee base; it entails looking at every aspect of the business through the lens of diversity and taking a comprehensive approach to instilling such values company-wide. Similarly, a company's approach to philanthropy should not merely entail making grants to diverse populations. It must also ensure that diversity and inclusiveness is built into the grantmaking function itself, from the way it is staffed to the vendors with which it works and its methods for collecting data from grantees.

Established for the purpose of promoting responsible and effective philanthropy, the Council on Foundations has a mission that inherently requires a commitment to inclusiveness. We believe strongly that by bringing together individuals from different cultures and backgrounds, companies perform better. In the words of Chris Park, president of **New York Life Foundation** and a former Council board member, "When people of diverse perspectives are brought together, the combination of differing outlooks brings out more creative thinking, which results in better outcomes and ultimately greater impact."

For a list of resources, visit www.cof.org/philanthropysolutions and go to "Promising Practices."



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