

The Diversity Drop-Off

There aren't many leaders of color at Twin Cities companies. So what's being done about it?

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Ravi Norman is tired of the “white benefactor” narrative. The African-American CEO of Thor Cos., one of the largest black-owned construction firms in the country, is more interested in bootstrap success stories. “Minority workers are always getting pitched in this subsidy, needy, deficit situation where they look to the white power structure to solve their problems,” says Norman, leader of Fridley-based Thor since 2009. “But there are a lot of positive things happening. I hope that’s the narrative you put forward.”

Of course, there is no single narrative in the fight for racial equity in Minnesota’s job market. It’s an epic story with twists and turns, power struggles and little victories—Game of Thrones minus the dragons. Some of the plotlines, like Norman’s, inspire. In the early 2000s, he was a star manager and loan officer at Highland Bank, keeping pace with his older, better-compensated coworkers. When his request for equivalent pay fell on deaf ears, he quit and started a management consulting firm, with Thor among its clients. Norman later joined Thor full-time, growing annual revenues to well over \$200 million thanks to high-profile gigs like U.S. Bank Stadium, where it served as associate construction manager.

It’s a good story on its own, but it loses some sheen in context. Though the number of minority-owned businesses in Minnesota spiked by 53 percent between 2007 and 2012 (the most current Census data available), those companies accounted for just under 10 percent of the state’s businesses in 2012. As of 2016, minority firms comprised 7 percent of Twin Cities businesses, while minorities themselves made up about 22 percent of the metro population. With non-whites driving most of the state’s population growth, the #minnesotasowhite excuse no longer explains such disparities: Between 2010 and 2015, the state added four times as many people of color as white; minorities now account for 19 percent of the state’s population, a figure the state predicts will hit 25 percent by 2035.

The numbers reveal other plotlines. According to one-year estimates from the 2016 American Community Survey, the state’s 2016 unemployment rates were 3.1 percent for non-Hispanic whites, 6.4 percent for Hispanic/Latino, 10.7 percent for African-Americans and 12.8 percent for American Indian and Alaska natives. Another story: When adjusted for population, minorities are at least twice as likely as whites to hold low-skill service and labor jobs, according to the latest statistics from the Equal Employment Opportunity Commission. The same data shows that whites are about 1.5 times as likely than are non-whites to hold better-paying jobs that require higher education—think sales, technician and professional positions.

One number in particular brings the imbalance into focus: White Minnesotans are three times likelier to hold senior management, C-suite and other leadership positions relative to their prevalence in the workforce. The power gap in the Minnesota workforce is “an epidemic,” says Sara Taylor, a diversity and inclusion (D&I) expert whose Woodbury-based deepSEE Consulting firm has worked with 3M, General Mills and Wells Fargo, among others. “A lot of companies are aware of the diversity drop-off [at the top], but not all are actively doing the work to shift that tide.”

None of Minnesota’s 17 Fortune 500s has a CEO of color. (Speaking of Fortune, the magazine featured exactly zero Minnesota businesses on its 2017 list of the “100 Best Workplaces for Diversity.”) While our big-fish companies are relatively diverse at the bottom, they become increasingly white as you go up the ladder. According to its 2016 employee demographic report, U.S. Bank’s sales and admin category was roughly 35 percent racially diverse, compared with senior management, which was about 9 percent diverse. Taylor sees this slide at small and mid-size companies, too. “It exists in organizations and industries across the state and, frankly, across the country.”

With a strong grip on power positions, whites also control the talent pipeline. Norman, for his part, saw the writing on the wall and left traditional banking to strike out on his own. Today, he’s an outlier: a minority executive at a large minority-owned firm. (Norman also writes a regular column for TCB.) Dipanjan Chatterjee, a strategist at Minneapolis branding firm Zeus Jones, is concerned by the diversity drop-off but sees potential for a more optimistic storyline. “Companies make more money with diverse teams, plain and simple,” he says. Like Norman, Chatterjee bristles at the “needy minority” narrative. “When white [business leaders] try to determine how to diversify in this almost philanthropic way—that doesn’t work,” he says. “The question they should be asking themselves is, ‘How do we capitalize on diversity throughout our company?’ ”

Norman agrees. “It’s time for a paradigm shift. And it starts at the top.”

In search of solutions

Harvard sociologist Frank Dobbin has spent a lot of his career thinking about the elephant in the room that is workplace diversity. “Over the past 40 years, the educational attainment of blacks and Hispanics has shot through the roof,” he says. “It’s still below whites, but way above what it was. So what we’re seeing in EEOC data is blacks and Hispanics, in particular, have increased their numbers in professional jobs that require an advanced degree—your lawyers, doctors, accountants, etc. But there’s been slow growth in senior management jobs.” Dobbin explains that for generations, minorities knew that professional degrees led to professional jobs. The qualifications for upper management, by contrast, are more nebulous.

On top of that, white executives bring inherent bias to the hiring process, says Dobbin, pointing to a study showing that African-American men rise through the ranks more slowly than their white counterparts do. “White executives take longer to become familiarized with African-American men and become comfortable moving them into management and executive jobs,” he says.

White gatekeepers also can confuse perception with reality. “We perceive ourselves to be more competent than we are,” says Taylor. “So, as organizations, we say we want diversity and inclusion—it’s a good thing. And because we say it’s good—because we say it out loud—it will happen. Not true.”

A recent survey underlines this disconnect. In 2016, the state’s Department of Employment and Economic Development (DEED) polled 1,049 Minnesota companies about diversity in the workplace. Eighty percent of respondents said they have a diverse workforce, with DEED defining “diverse” as employing one or more people of color. Even with the bar set so low—and with EEOC numbers showing otherwise—companies still viewed themselves as diverse.

“Diversity and inclusion is often treated as theater,” says Chatterjee, whose first job out of college was a sales manager role for an office furniture manufacturer based in Michigan. “The company was not super-progressive with diversity,” says Chatterjee. “Everyone was really nice, but diversity was not a priority. They were very white.”

Chatterjee’s recruiting class, however, was atypical. “They hired me—the Indian guy—along with another Indian guy, an Asian girl and two white people,” he says. The company quickly scheduled a photo shoot of the group for its marketing materials. “I made the photographer uncomfortable,” Chatterjee recalls. “I said, ‘I bet the reason I’m here is because of my perfect bone structure.’ He looked at me like I was crazy. I said, ‘Man, I’m joking.’” Jokes aside, Chatterjee’s not entirely sure why his former employer made a fuss over his recruiting class. “Were they proud of this diverse group of new hires? Were they exploiting us? Both?”

Chatterjee says his old company’s amorphous attitude toward diversity is hardly unique, nor was its racial makeup. He sees similar homogeny in the ad and branding world. In its 2016 survey of Twin Cities marketing firms, the non-profit BrandLab found that minorities made up 6.3 percent of total employees in the poll. Their research also found that less than half of respondents collected demographic information on their employees. Minneapolis-based BrandLab works to bridge this gap by helping minority students land internships at local agencies like Zeus Jones. “Zeus is trying,” says Chatterjee. “They are well aware of the problem.”

“The lack of diversity in our industry [comes from] a lack of awareness,” says Dorion Taylor, one of the few minority leaders in Twin Cities marketing. Taylor, an African-American, is a partner and director of new business at Carmichael Lynch. “As a person of color in a senior position, I feel a responsibility to bring about awareness. Any chance I get I’m mentoring students, educating others in the industry.” There’s an awareness problem everywhere you look, says Sara Taylor. “It’s not about a lack of good intent,” she says of D&I efforts. “It’s literally about the lack of competence to make systemic, sustainable changes that are needed to attract and retain diverse talent.

The futility of initiatives

If there’s a through-line in Frank Dobbin’s research, it’s that workplace diversity initiatives generally fail to increase the number of employees of color at all job levels—especially the top. In 2016, Dobbin and colleague Alexandra Kalev wrote an article for Harvard Business Review

titled “Why Diversity Programs Fail.” They paint a fairly grim demographic picture of America’s job market:

“Although the proportion of managers at U.S. commercial banks who were Hispanic rose from 4.7 percent in 2003 to 5.7 percent in 2014, white women’s representation dropped from 39 percent to 35 percent, and black men’s from 2.5 percent to 2.3 percent. The numbers were even worse in investment banks (though that industry is shrinking, which complicates the analysis). Among all U.S. companies with 100 or more employees, the proportion of black men in management increased just slightly—from 3 percent to 3.3 percent—from 1985 to 2014. White women saw bigger gains from 1985 to 2000—rising from 22 percent to 29 percent of managers—but their numbers haven’t budged since then.”

The problem is rooted in control tactics, says Dobbin. After the EEOC launched in 1965, American employers started holding “race relation workshops”—a forerunner to modern D&I training used by HR departments. Thus began the era of compliance-based diversity programs. If you want to avoid a discrimination lawsuit, the old line of thinking goes, you’d better train away bias in your managers and add performance ratings, hiring tests and grievance systems to hold leaders accountable. “We want to believe if you stick [in] some rules about how managers can make hiring and promotion decisions, you can erase biases,” says Dobbin. “But we have evidence that mandatory training backfires and actually reinforces biases.”

Companies can get stuck in this defensive, preemptive mindset. “There are different professions that will require continuing education credits to eliminate bias, and that’s impossible,” says Sara Taylor. “The legal profession, for example, requires attorneys to do that.” She sees many employers taking a “flavor of the month” approach in their efforts to be more inclusive or racially balanced. “I’ve heard employers say, ‘This month let’s talk about Somalians, next month let’s talk about Hmong people.’ They keep it at this level that’s all about how others are different.”

Taylor has a go-to thought experiment to help her clients see the futility of their D&I initiatives. “A lot of organizations pull volunteers to lead monthly brown bags dedicated to diversity,” she says. “When I hear this, I insert ‘finance’ for ‘diversity.’ Can you imagine an organization saying, ‘We’re going to redo our financial practice, so let’s call on folks who love balancing their checkbooks to redo our financials. This shows we care.’ It would be ludicrous.”

Taylor, Dobbin and other experts prefer long-view tactics such as targeted recruiting at diverse colleges, hiring a diversity and inclusion manager, and forming a task force to monitor a company’s racial and gender demographics. “Companies that proactively build D&I into their culture have more success,” Taylor says.

Caroline Wanga, Target’s vice president for diversity and inclusion, views parity in the workplace as an “ecosystem.” You start by looking in the mirror, says Wanga, explaining Target’s use of unconscious-bias training—not to train away bias but to help employees see how their preconceptions influence hiring and management decisions. “Traditional diversity training asks you to look away from yourself at others,” she says. “It’s ineffective and reinforces stereotypes.” The mega-retailer’s diversity ecosystem also includes “reverse mentorships” where

a lower-level employee of color might teach a white director about what's happening on the ground. A happy by-product of these relationships? Junior workers connect to power networks in a meaningful, more democratic way.

A large part of the ecosystem is Target's 100-plus employee resource groups (ERGs), some based on race and ethnicity, others on religious affiliation, still others on various factors (there's even one for pet lovers). ERGs have been around in corporate America since the 1970s. Some companies, including Deloitte, are disbanding such groups, viewing them as archaic and isolating—the corporate equivalent of an echo chamber. Though research by Dobbin and others has shown the weaknesses of ERGs, Wanga remains a fan—but only if they serve a purpose beyond being a support network. Target changed its approach to ERGs years ago evolving them beyond support networks. The African-American employee group, for example, gives Target insight into the needs of black consumers. It also counts white leaders among its members, which creates an organic mentorship dynamic.

Target's holistic approach to diversity appears to be working. In 2016, racial and ethnic minorities accounted for 25 percent of the company's leadership team, well above baseline goals of other Fortune 500s. In 2017 that percentage jumped to 36 percent. Target's board is now 42 percent diverse, up from 38 percent in 2016.

General Mills is another relative success story. Between 2006 and 2016, its minority officers increased from 10 percent to 19 percent. James Momon, senior director of global inclusion and staffing, attributes the jump to a philosophical shift. "We've focused on ensuring that we've had a diverse workforce for quite some time now," says Momon. "Some of that is EEOC compliance driven, but frankly, for us, today it's values driven. We want a workforce representative of our consumer base." Like Target, General Mills recruiters visit diverse college campuses across the country. "When you're headquartered in Minnesota," Momon notes, "diversity doesn't necessarily sit in your backyard."

General Mills CEO Jeff Harmening reviews the company's diversity and inclusion progress on a quarterly basis. Sara Taylor applauds this top-down D&I strategy, which is also used by Target CEO Brian Cornell, Healthpartners CEO Andrea Walsh and other local executives. "With cultural competence, a group within an organization can't be farther along than its leader," says Taylor. "Leaders need to establish competence first, not be driven by it."

White-driven flight

Gina Kastel, vice chair and chief operating partner at Faegre Baker Daniels law firm in Minneapolis, acknowledges that challenges remain with D&I, especially in the notoriously white legal industry. One of those challenges, she says, is retention. Kastel and the firm try to fight that problem by "making sure we're engaged with relevant stakeholders in the community." This includes a partnership with Twin Cities Diversity in Practice, a nonprofit dedicated to attracting attorneys of color to the region, and retaining them once they're here. FBD hosts events for the nonprofit, and three of the firm's partners sit on its board.

Keeping workers in-state is an issue across the Minnesota professional landscape. In 2016, economic development nonprofit Greater MSP surveyed 1,200 local professionals of color about the metro job market. Sixteen percent of respondents said they would likely move out of state in the next five years; the percentage jumped to 22 percent for workers 30 and under. Those who plan to leave said a lack of diversity and cultural awareness, both in and out of the office, influenced their decision more than the cold weather.

Nearly all respondents noted a lack of diverse leadership at their workplace. Source after source for this story had a similar refrain. Many spoke under the condition of anonymity; one interviewee, an Asian-American employee at a local software developer, described his company's leadership as "embarrassingly white."

Camille Chang Gilmore didn't realize she was black until she went to college. "I'm a unique bird," she says. "I'm Jamaican Chinese. I was born in Kingston, Jamaica, where, instead of race distinction, there's class distinction." As an incoming freshman at Penn State in the late 1980s, Chang Gilmore remembers filling out a financial aid form at the school. When she got to the race section, she checked the "other" box, only to have the woman at the front desk erase the checkmark and say, "No, honey, you're black."

"That's when I knew there was a lot of work to be done in the diversity and inclusion space," says Chang Gilmore. Today, she's vice president of human resources for Boston Scientific's Maple Grove-based Interventional Cardiology Group and leads the company's global D&I efforts. Chang Gilmore views diversity as a business imperative: "Research by McKinsey has shown that racially diverse teams see 35 percent better financial returns than their peers."

Chang Gilmore won't share Boston Scientific's employee demographics, but she says she's proud of improvements in the company's approach to D&I. Rather than parachuting in senior leaders of color from the outside, the medical device manufacturer now works hard to promote minorities to top positions from within its ranks. Chang Gilmore is a prime example—she spent about a decade exclusively in interventional cardiology before her role expanded in 2014. For all her rah-rah positivity, however, she admits that there's room for improvement at Boston Scientific: "I have a saying: Progress over time, not overnight."

Sara Taylor says that building cultural competence into company DNA increases diversity at all job levels, but argues that "we can't just expect our employers to solve racial disparity and unconscious bias. We need to look at this systemically as a community."

Ravi Norman of Thor echoes this sentiment. "If we want to attract business leaders from around the world, we can't be known as the region or state where communities of color don't thrive," he says, adding that the Trump school of homogeneity and nepotism won't cut it in workplaces of the future—especially in Minnesota, which is staring down a serious labor shortage. Beyond investing in piecemeal D&I efforts, Norman says businesses need to invest in marginalized communities—not in the white benefactor sense, but in a proactive way that brings economic opportunity.

That's the story Norman really wants to hear. Rather than the same old inequity narratives, he craves a happy ending wrapped in a solution. Well, here's one: This spring, Minnesota's largest minority-owned business will move its headquarters to the corner of Plymouth and Penn avenues in North Minneapolis, one of the poorest, most segregated areas of the Twin Cities. Thor's four-story, 92,000-square-foot development will feature both retail and office space. Among the development's investors? Target.