

HEALTH WEALTH CAREER

THE MISSING LINK: SUSTAINABLE DIVERSITY AND INCLUSION THROUGH ORGANIZATION DESIGN

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1

INTRODUCTION

Recently, we spoke with the chief diversity officer (CDO) of a large multinational company who heads up one of the longest-established, most robust and respected diversity and inclusion (D&I) initiatives in the world. Based on rigorous data analysis, she has developed D&I strategies that are closely aligned with her company's business goals and won the support of senior leaders. She has embedded D&I in business and talent processes and has created innovative D&I programming. Her success has earned her a reputation in the field as an innovator and a thought leader.

We asked her, given all the progress she's made, what issues were at the forefront of her mind. Her answer was consistent with the thoughtful approach to her work. Despite all the advances D&I has made in her organization, she was worried about sustainability of her company's D&I efforts. Being fully aware that change is inevitable, she was concerned with the long-term ability of her company to respond to new D&I challenges as they arise.

Her remarks echo similar concerns we've heard from other diversity leaders who are still building or reinvigorating less mature initiatives. Even though some of these leaders might enjoy support from their senior executive teams, they continue to be challenged with making D&I truly come alive for their organizations to become a bedrock principle for business and talent decisions.

And yet we realize there is a fundamental similarity among the challenges facing diversity leaders at every stage of the maturity curve. Many organizations are struggling with the next phase of their initiatives, whether they're just starting out or contemplating long-term sustainability. In almost every case, there's an important missing link

in their D&I efforts, the link that ensures compelling strategies actually achieve lasting impact. All our work with D&I initiatives in large, global organizations has convinced us that the missing link is not a hot new theory or program that's going to turn everything around. It is, in fact, such a basic element of organizational work, so unglamorous, that it's almost always overlooked. The missing link is simply organization design. Design of an organization's D&I efforts has a tremendous and often underappreciated effect on the ability of the company to execute a strategy, assimilate D&I principles into everyday business activities and ensure those new insights and habits are transmitted from one generation of leaders to the next.

In this paper, we examine the principles of organization design that have the greatest impact on the long-term success and sustainability of D&I efforts. We also share insights from the research we conducted last year highlighting how various organizations design their D&I efforts. The research took place in three stages:

1. A survey of members of Mercer's Global Diversity Forum
2. "Hackathon" meetings with groups of diversity leaders to discuss the survey findings and tease out nuances of the responses
3. Interviews with a smaller subset of companies representing a range of organizational models and experiences¹

In this paper, we offer diversity leaders a framework and methodology for designing their own highly effective, sustainable D&I efforts based on empirical evidence and the best thinking on organization design. Using examples from our study and our practical experience, we also offer answers to the most common organization design questions asked by D&I and business leaders.

¹ The results of the survey and hackathons have been distributed to members of the Mercer D&I Networks.

2

DESIGNING D&I EFFORTS FOR SUSTAINABLE IMPACT



Organization design involves decisions about the configuration of formal and informal structures, processes and systems that enable people to achieve the strategic goals of the enterprise and sustain high performance over time.

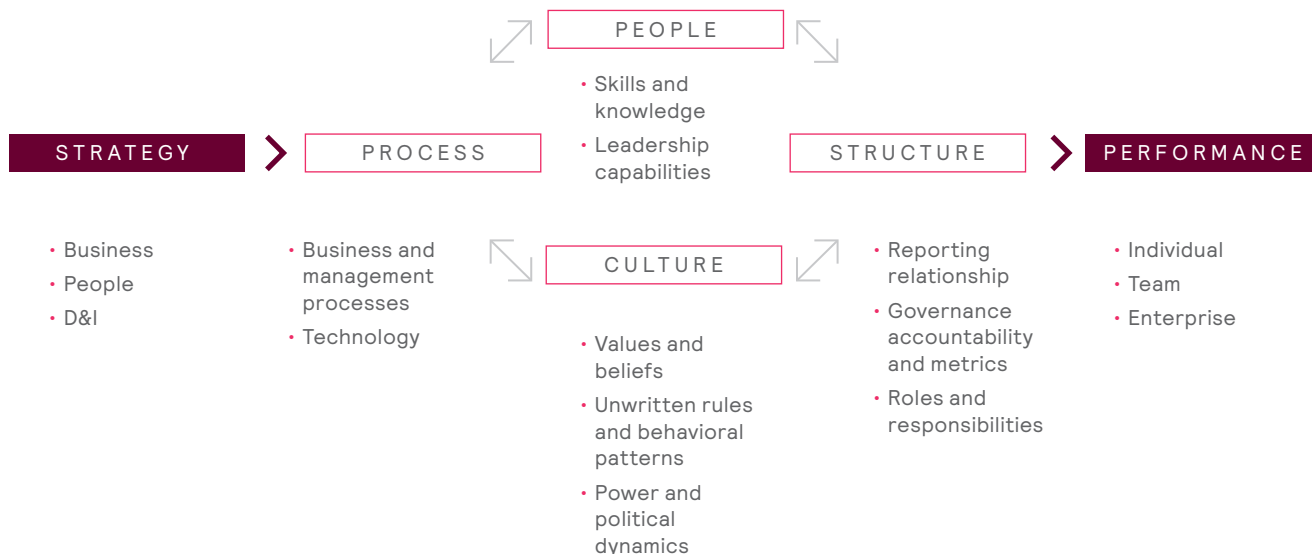
An effective organization design of D&I efforts must meet three criteria:

1. Optimal leverage of shared resources, expertise and support functions
2. Structure, systems and processes that shape desired behaviors, drive accountability, minimize cognitive biases and encourage inclusive actions
3. Effective channels for disseminating information and knowledge throughout the organization

Fundamentally, organization design is a tool for implementing business, talent and diversity strategies and converting them into individual, team and organizational performance. Often, however, as strategies and organization designs evolve, they drift apart. When organization design and strategy no longer align, they can start to work against each other, which can erode the sustainability and impact of D&I efforts. In addition to alignment with the strategy, the design of the organization's "hardware," such as structure and processes, needs to be congruent with the organization's "software," such as people and culture. D. Nadler and M. Tushman describe this dynamic very well with their Congruence Model of Organizational Behavior.²

² Nadler D and Tushman M. *Competing By Design: The Power Of Organizational Architecture*, New York: Oxford University Press, 1997.

FIGURE 1. THE CONGRUENCE MODEL (ADAPTED FROM NADLER AND TUSHMAN)



A congruent organization — one in which all the elements work in harmony with each other — ensures there is a clear pathway from strategy to performance. A congruent organization greatly simplifies the D&I leader’s task of influencing attitudes and marshalling resources. Instead of being the broker who is continually called upon to apply their own energy, powers of

persuasion, organizational savvy and resourcefulness to bridging business and D&I strategies, the D&I leader who acts as an organization architect creates a system that makes those connections seamlessly.³

In this paper, we focus on the structural element of D&I efforts. This is not to say that the other elements can

or should be ignored, but structure is a good place to start practicing organizational architecture. Structural arrangements are easier to modify than human behavior, yet they have a major impact on behavior. Well-designed structures can motivate and facilitate desired behaviors and can constrain those that are not desirable.

³ Indeed, in her recent book, *Gender Equality by Design: What Works*, Iris Bohnet argues convincingly that, instead of addressing biases among individuals, it would be more effective to redesign our processes and practices to de-bias our institutions. Bohnet I. *What Works: Gender Equality by Design*, London: Belknap Press: An Imprint of Harvard University Press, 2016.

3

LANDSCAPE OF TODAY'S D&I EFFORTS DESIGN

First, let's look at what we learned from our study⁴ about the current state of D&I efforts and structures and get a sense of how well these designs are fulfilling their function of enabling D&I performance. We found a spectrum of design options, ranging from D&I efforts that operate almost entirely independently of the rest of the enterprise to those that are almost completely integrated with business operations. Figure 2, on the following page, shows typical design features at the two ends of the spectrum. Most organizations' efforts contain elements of both.

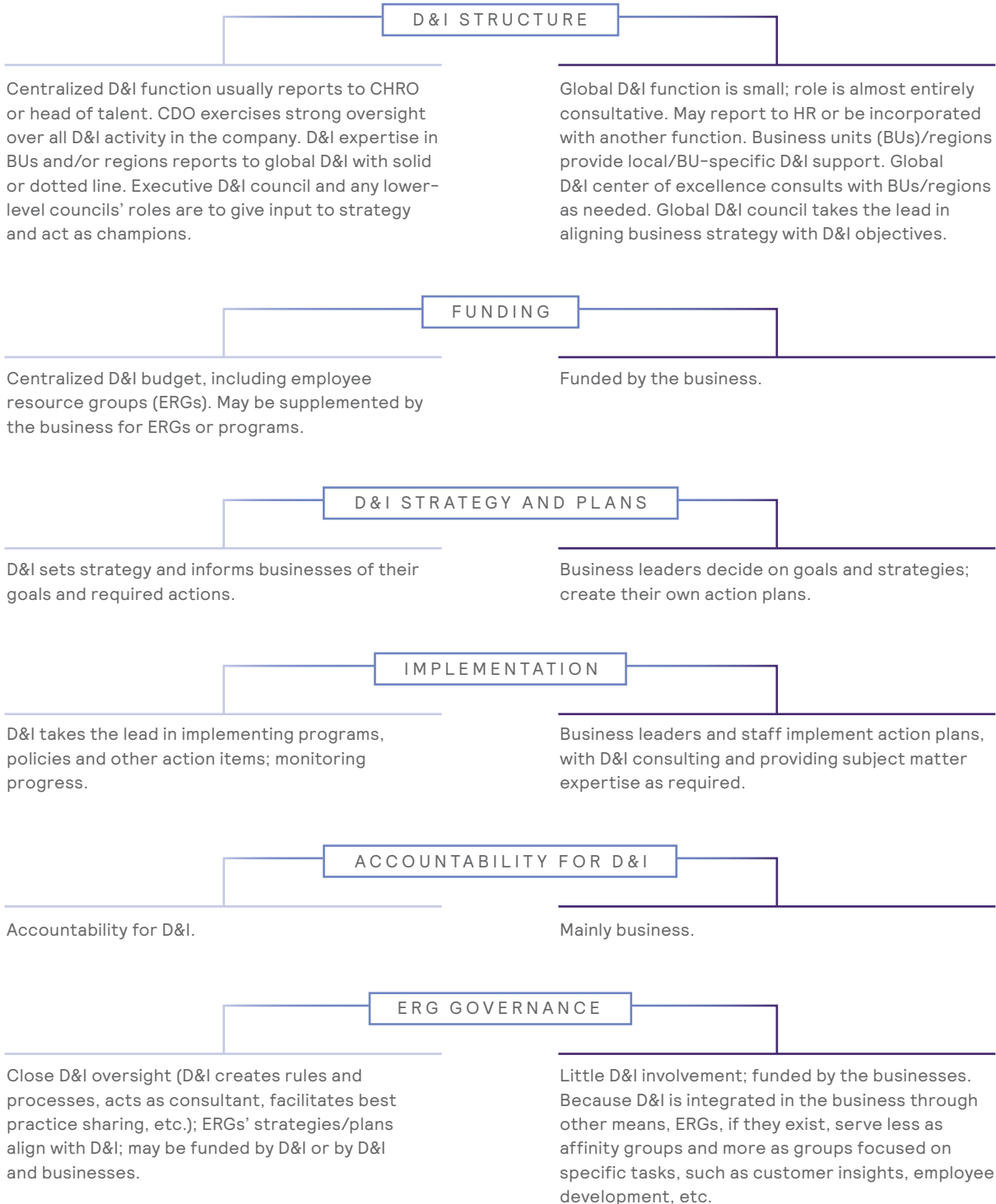
⁴ Mercer's *Global D&I Governance Study* for the Global Diversity Forum, 2016.



FIGURE 2. COMMON DESIGNS OF D&I EFFORTS

INDEPENDENTS – D&I LED

INTEGRATIONISTS – BUSINESS LED



INDEPENDENTS – D&I LED

INTEGRATIONISTS – BUSINESS LED

MECHANISMS FOR ENGAGING MIDDLE MANAGEMENT PROFESSIONALS

ERGs, training.

Accountability at middle management levels.

ROLE OF DATA ANALYTICS IN D&I

Representation by level and employee engagement scores; extensive data analysis is done mostly for government reporting purposes.

Advanced analytics, modeling; D&I integrated with the HRIS and other systems.

D&I ROLE IN BUSINESS STRATEGY

Talent strategies and HR policies are informed by D&I considerations.

D&I are core drivers of product/service design, mainstream marketing strategy, supply chain, organizational structure and other primary business strategic decisions.

SUSTAINABILITY OF D&I INITIATIVE

No strategy for ensuring sustainability of the initiative.

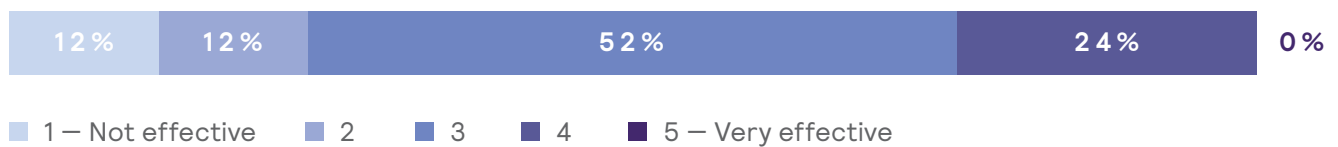
Business leaders and managers selected in part for their commitment to and previous success in D&I. Orientation and training for all leaders and managers include D&I skills.



Only 24% of D&I leaders who participated in our study believe their D&I efforts are designed effectively. Another 24% rate their D&I efforts' designs as downright ineffective. More than half, however, find the D&I model they're using to be mediocre at best – not an active impediment to progress but not a positive enabler of change either.

FIGURE 3. EFFECTIVENESS OF D&I ORGANIZATIONS

DO YOU THINK YOUR GLOBAL D&I MODEL DESIGN IS EFFECTIVE?



The total may not equal 100% due to rounding.

It's particularly interesting to note that no one type of organization design was associated with effectiveness of D&I efforts. The set of survey participants that rate their organization design highly includes companies located toward the integrated end of the spectrum as well as those that tend toward a more standalone configuration. This might be partially driven by the subjectivity of companies'

perceptions of their own success. However, the reality is that both "independent" and "integrated" design options can be effective depending on the organizational context. When it comes to organization design, there is no one best option. All design options have their pluses and minuses. However, as we discussed earlier, the most optimal design alternative is the one that allows you, in your specific context, with

your specific strategic and operational realities, to meet the three criteria of effective organization design:

1. Optimal leveraging of resources
2. Structures and systems that shape people's behaviors
3. Effective dissemination of information and knowledge

So how do we design effective and sustainable D&I efforts?



4

GROUPING AND LINKING:

THE BUILDING BLOCKS OF ORGANIZATION DESIGN⁵

As diversity leaders put their organization designer hats on, they need to ask themselves two basic questions:

How should I bring people together – those under my direct control and those elsewhere in the organization – so that I can deploy their expertise in the most efficient and effective manner?

How should I link those groups with each other and with the rest of the organization so that they can share information, ensure accountability, provide oversight and feedback, and point everyone in the same direction?

Grouping and linking are the building blocks of designing effective D&I efforts, so let's briefly review what they are.

⁵ Nadler D and Tushman M. *Competing By Design: The Power Of Organizational Architecture*. New York: Oxford University Press, 1997. See also Nadler D, Gerstein MS and Shaw RB. *Organizational Architecture: Designs for Changing Organizations*, San Francisco: Jossey-Bass, 1992.



GROUPING

Grouping is the aggregation of individuals, jobs, functions or activities into standing or ad hoc units. Such groupings are not static structures; they are fluid arrangements that overlap, merge and flow apart as necessary. One individual may be a member of several different groups at the same time for different purposes. Groupings may be of any size. There might be hundreds of people across a global enterprise who work together on shared goals, or there may be one or two people who are accountable for a certain activity or result.

Typically, a D&I leader can group people together based on their expertise, their outputs or the internal customers they serve:

Expertise-based groupings

assemble individuals who possess certain types of knowledge or skills. In the D&I context, the shared expertise could be functional; for example, talent acquisition, legal compliance or diversity procurement. Or it could be dimensional expertise, such as inclusion of people of different race/ethnicity, gender, disability,

sexual orientation, age, etc. Depending on the requirements of your D&I strategy, you might choose to assemble groups based on either functional or dimensional expertise or both. The advantage of expertise-based grouping is that individuals can be deployed to and paid for by multiple units and projects. The disadvantage is that expertise-based grouping

imposes greater distance between people with specialized skills and knowledge. If there are no linkages inherent in the grouping to help people coordinate their efforts, they run the risk of losing touch with what's happening on the ground or effectively contributing to cross-functional or cross-dimensional efforts.

Output-based groupings

bring members from different functions to work together on a product or service. For instance, content developers, graphic designers, media experts and facilitators might all be assembled in a standing group to create and deliver D&I training. The advantage of

output-based grouping is the ability to focus all those various experts on a single, high-priority outcome. The members of an output-based grouping quickly learn how their contributions dovetail with those of their colleagues and enjoy physical or at least organizational proximity to their collaborators, all of

them working in concert to make a high-quality final product. However, this arrangement may sacrifice some of the efficiency and cost effectiveness that could be achieved from being able to deploy individual members' skills to other kinds of projects.

Customer-based groupings

are organized according to the users of their services. For example, internal D&I consultants who serve the different business units might be housed in one team or work group with a common leader. Frequently, customer-

based groupings are matrixed, accountable to multiple bosses for multiple outcomes. Business unit D&I consultants may be HR business partners or talent managers who also have D&I expertise or who are the conduits for expertise borrowed from a central resource. For D&I

purposes, they may report up to the head of D&I, but their solid-line boss may be the business unit or regional leader or an HR executive. Although customer-based groupings might come at a cost, they have the power to respond directly to the needs of businesses and regions.

The choices D&I leaders make about where to position D&I resources are completely dependent on their strategic priorities and operational constraints. If their strategies are heavily weighted toward delivering programs and services (as opposed to consulting with other areas of the business that are developing them), then grouping based on output would make the most sense, because it brings resources together and focuses on the quality of service or program delivery. On the other hand, internal customer-based grouping might be more effective when most D&I work involves supporting the efforts of business units and/or regions. If budget is a major concern, expertise-based grouping will help control costs by avoiding duplicative operations and providing economies of scale.

When we bring people together to optimize coordination and information processing within the group, we also end up creating natural barriers that impede interactions with other groups. So, in deciding how to configure D&I teams or working groups, it's important to weigh the advantages of proximity for people in a group versus the disadvantages of separating them from each other or other groups and the degree to which the linking mechanisms can fill in the spaces.

LINKING

Linking involves the construction of mechanisms connecting separate groups that have to coordinate their work. Regardless of the overall grouping patterns, groups within organizations must have some way to share and act upon essential information. Linking mechanisms can assume a variety of forms depending on the organizational setting and the availability of individuals suited to particular roles. Here are some of the more common linking mechanisms:

Liaison roles: These are generally performed by trusted and respected individuals in addition to their normal duties. A typical example would be an HR business partner taking on D&I responsibilities.

Cross-unit groups: These mechanisms may persist long term or come and go on an ad hoc basis. They may focus on processes, output or customers, or any combination of the three. Examples of cross-unit groups include D&I taskforces, global D&I councils and, in some cases, employee resource groups.

Integrator roles: These mechanisms introduce general management functions into the linking process. Integrators monitor projects and processes involving people from multiple groupings and make sure those involved stand by their commitments. A typical example would be a D&I project or program manager.

Now let's look at how organizations use grouping and linking to design their D&I efforts. Consider the French "quality of life" services company, Sodexo, which offers a case study in how the three types of groupings can be helpful in designing a complex and highly successful global D&I organization. Sodexo employs 425,000 people in 80 countries. Under the CDO, Dr. Rohini Anand, the company has become recognized as a leader in D&I. Sodexo achieves these results with a relatively small core group of D&I professionals who are mixed and matched with other resources through an integrated system of groupings.

Each of five global managers reporting to Dr. Anand is responsible for D&I efforts in specific regions globally. Each of them also has responsibility for D&I in one or more business units. In these customer-based groupings, the global managers work with and through business leaders who have been designated as D&I champions for their regions and/or business units as well as with HR. In addition, each global manager leads an output-based group focused on delivering a particular program, such as an employee network, D&I training, mentoring, flexibility or metrics program. This is scaled globally through project teams of D&I champions from the business and HR. When special skills are needed — for example, graphic design for an online training program — they're borrowed on a project basis from another function or a center of excellence. Finally, each global manager

acts as an expert on one of the diversity dimensions (for example, gender, disability, race/ethnicity, etc.), leading a global task force of business leaders and providing consulting services across the global enterprise.

By investing these five managers with responsibility for three different types of groupings, Dr. Anand is able to reap the benefits of each type while mitigating their downsides. Every business unit and region has a dedicated D&I leader who, working in conjunction with resources within the region or business unit, understands its local issues and can help it develop customized solutions. Those same D&I leaders bring their local familiarity with them to the development of global programs but also have easy access to the local knowledge and domain expertise of their four other colleagues.

Shell's D&I function is another example of a hybrid model that makes good use of more than one type of grouping. The global D&I team consists of just three members: the CDO and two senior advisors who reside in the talent management function. This team focuses on cross-business strategic themes (dimensions), such as inclusive culture, gender balance, disability and sexual orientation, as well as supporting infrastructure, such as communications, assimilating best practice and brand (output). Although the central team is responsible for developing and implementing the overall D&I strategy, planning and execution is devolved to a business unit at the local level, where it's managed in the same way as other business priorities. This hybrid approach relies on various linking mechanisms to connect the groupings.

Shell didn't start its D&I efforts with this type of organization. Originally, it organized D&I resources in a larger, output-based grouping that delivered much of the D&I products and services to the businesses. According to Shell CDO Graham Sparks, that model worked well at the time but became rather top heavy: "D&I is now a core activity as the businesses have gained in pertinence and confidence and the business case for D&I has been strengthened. This actually enables us to accomplish more in total through better collaboration with the business. Support to the businesses comes in the form of HR analytics, which provide new insights, clear accountability for target setting in combination with D&I learning. This approach is integrated with leadership development and a continuous improvement effort to embed D&I in day-to-day activities."

There's no question that creating optimally designed groupings and linking mechanisms can be a daunting task. And the truth is that most organizational structures are not a product of purposeful, strategic deliberation. Instead, they grow up over time in reaction to outside stimuli, such as headcount changes or changes in business structure. However, creating a structure that will fully deliver on the promises of your specific D&I strategy in your specific organizational context requires a disciplined thinking process.



5

A DISCIPLINED APPROACH TO ORGANIZATION DESIGN

There are myriad possible permutations of organization design. To wrap their heads around all the possibilities and decide among them wisely, the design team will find it useful to have a road map such as this one to follow:

THE SEVEN STEPS TO DESIGNING A SUSTAINABLE D&I EFFORT



1. ESTABLISH DESIGN CRITERIA

Analyze the organization's D&I strategy to decide on the criteria you'll use to assess design options. Those criteria will be influenced by factors such as the customers of D&I efforts, the priorities and primary focus of your D&I initiative (are you primarily focused on talent issues, communicating with diverse markets, building relationships with outside communities, etc.?) and the type of expertise and resources you need to execute your strategy. The challenges and opportunities that might arise given your company's current culture, leadership, D&I capabilities and maturity will also factor in.



2. EVALUATE GROUPING ALTERNATIVES

Create a number of alternative groupings, and assess them against the design criteria; narrow down the alternatives, and refine those that seem most viable.



3. DEVELOP LINKING MECHANISMS

For each alternative grouping pattern, design a set of linking mechanisms that will address the coordination requirements implied by the design criteria. Assess each alternative in terms of those criteria, and eliminate, modify or combine alternatives as necessary.



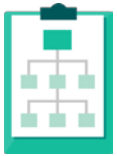
4. CONDUCT IMPACT ANALYSIS

Look at the surviving alternative designs/groupings and their associated linking mechanisms. Analyze each in relation to the elements of the congruency model we described earlier: Does the structure you're considering fit within the culture of the organization? Do you have people with the skills required to make it work? Are the processes through which the organization gets work done congruent with the proposed structure, and, if not, how would they need to change? How will everything fit together, and what impact will they have on each other?



5. CHOOSE AND REFINE DESIGNS

Based on the impact analysis, arrive at a preferred design, and refine it as needed.



6. PINPOINT NEEDS FOR MORE DETAILED, NEXT-LEVEL DESIGN

Based on your impact analysis, determine where more details about the way work will be organized are needed. For example, you may want to put more definition around roles and accountabilities or specify timing and processes for linking meetings.



7. IDENTIFY ISSUES FOR IMPLEMENTATION

Looking back at the issues uncovered during the impact analysis, predict challenges that are likely to arise while implementing the new design.

A NOTE ON ASSEMBLING A D&I DESIGN TEAM

A new organization design, like any change, will have a significantly better chance of success if those responsible for making it work have a hand in its shaping. It's extremely valuable, therefore, for the design team to include both senior executives and a nucleus of respected and influential lower-level managers. And since the best designs emerge from the widest possible range of alternatives, those two groups should represent as wide a range of expertise and experience as possible. The team needs people who have a firm grasp on the operations of the organization at the big-picture level as well as those who understand the way changes trickle down to the ground level and the problems that are likely to arise during implementation.

6

APPLYING THE PRINCIPLES TO COMMON D&I DESIGN CHALLENGES

Among all the questions we're asked about how leaders can configure their D&I efforts, the following are the top three:

To whom should the CDO report?

Do we need a D&I council, and, if so, how should we set it up?

What is the optimum role of ERGs in the D&I efforts design?

TO WHOM SHOULD THE CDO REPORT?

This is one of the enduring questions about the D&I reporting relationship, and conventional wisdom about it has changed over the years. There was a time when reporting to the CEO was the holy grail for chief diversity officers. That made sense when D&I's primary strategic goal was gaining credibility among senior leaders, and it might still be a good solution when major strategic goals of the business depend on partnership with D&I.

In other situations, however, it would be more efficient for D&I to report to the executive with direct oversight of the

function most important to the D&I strategy. For example, when the strategic focus is on talent issues, the head of HR or the head of talent may be a better-informed champion with more power to bring together the interested parties and drive changes to systems and processes. Since 88% of organizations in the survey are focused on talent-related priorities, it makes sense that 85% would report to either the CHRO or the head of talent.

When the strategic focus is on business development, the CDO would ideally report to the head of the business unit

or the marketing function. In reality, however, this is rarely the case. Although 19% of survey participants have among their strategic priorities enhancing the company's position in the market, none has elected to have the CDO report directly to a business leader. In many cases, this may be due to the business leader's reluctance to take responsibility for a function the leader is uncomfortable with, uninterested in or feels incapable of leading. These objections tend to fade as executives become more involved in D&I efforts and more invested in their success.

FIGURE 4. GLOBAL HEAD OF D&I REPORTING RELATIONSHIP

TO WHOM DOES YOUR GLOBAL D&I LEADER DIRECTLY REPORT?



* Other includes COO and dual, direct-line reporting to vice president, HR and president's chief of staff.

The total may not equal to 100% due to rounding.

An effective middle ground is for the head of D&I to report functionally but to maintain a dotted-line relationship to the CEO. Almost one-third of the participants in our survey sample have opted for this structure, which lends CDOs quite a bit of power while maintaining their primary link to the organizational unit that most closely fits their strategic orientation.

This approach is taken by BNY Mellon, where the CDO, Jyoti Chopra, reports to the CHRO and has support from and active involvement and engagement with the CEO. Mrs. Chopra presents regular progress updates to board members and senior executives at headquarters and across the regions, all of whom she taps frequently to host and attend events and participate in D&I programs. Mrs. Chopra believes this first-hand exposure to diversity issues and practices and to the people across the company goes a long way toward winning commitment and support from the top of the house. At the same time, by reporting directly to the head of human resources, she can work closely with the HR team to “embed D&I across the life cycle of talent practices and to integrate the appropriate checks and balances into the system.”

Thomson Reuters chose to combine D&I with corporate responsibility to create a center of excellence (COE) called Corporate Responsibility and Inclusion, which reports jointly to the chief of staff in the CEO's office and the chief HR officer. One of the key objectives of the company's D&I strategy is to enhance the employee value proposition. By aligning D&I with community investment, volunteering, matching gifts and environmental sustainability, the company has been able to build a strong case for why people should want to work there. These arrangements have resulted in a number of opportunities for D&I to collaborate effectively with the various segments of the COE – for example, by working alongside the matching gifts and community investment groups to recruit more women engineers while partnering with the sustainability team on gender equity in the field.

DO WE NEED A D&I COUNCIL? HOW SHOULD IT BE CONSTITUTED?

Global Councils

Global diversity councils have a long history as one of the primary linking mechanisms connecting D&I leaders with the business, and, in many companies, they sit at the very core of the D&I strategy and practice. These multifunctional, cross-business advisory groups, comprising senior leadership and representatives of the HR team, typically have a strategic mission: setting global strategy, advocating publicly for D&I and holding executives accountable for progress.

Only 41% of our survey sample employ global D&I councils. There are various reasons an organization might choose not to:

- Lack of buy-in by the CEO or other key executives
- Executive preference to manage D&I under the same governance structure as other strategic initiatives
- Completely decentralized D&I efforts with no central global oversight structure

In general, however, we've found that senior-level councils with a global reach are a very important part of the D&I organization, serving to:

- Link D&I efforts to business needs and link initiatives around the world to global goals and strategies
- Engage business leaders in D&I in a direct and personal way
- Hold leaders accountable for D&I progress

Companies that choose to install global diversity councils generally use one of two basic models. Which one you choose — and how you choose to modify that model — will depend on what you expect the council to accomplish.



The **decision-making council** model works well when the goal is to place responsibility for D&I squarely on the shoulders of business leaders. In this model, the global D&I council takes total business control of D&I strategy and implementation. The council comprises top-level business executives, executive committee members, presidents of operating companies or regions, and heads of major global functions — and is often chaired by the CEO. The CDO acts as a consultant, but the council itself sets D&I strategy, assigns responsibility for execution, tracks progress and distributes consequences for performance. The members, in turn, are accountable for their performance on the council to the CEO and/or the nonexecutive board of directors.

The **advisory council** model applies to organizations that see the global council as a means of providing input to the D&I function, which will retain primary responsibility for formulating the D&I strategy, creating and overseeing programs, and mustering support among all the functions and layers of management. An advisory council makes sense when business leaders aren't yet experienced enough with D&I to take greater responsibility and accountability for outcomes or perhaps haven't fully accepted the value of the work. Their experiences on the council will help educate them and demonstrate the strategic advantages of D&I efforts while providing the CDO with crucial business intelligence and networks.

A choice to dispense with a central council should be made deliberately, with full recognition of what would be given up and plans for how to fill the gaps that would be left in information flow, oversight and accountability.

Council Membership

The size of the council can have a significant impact on how well it operates.

An advisory council, whose main function is to engage and educate leaders while communicating business concerns to the D&I group, can afford to be fairly large. But decision-making councils work better when they're smaller — say, 8–10 people chosen for their knowledge, their positions in the organization and their ability to provide the exact kinds of information and connections that will advance the strategic initiative.

The process for selecting members may need to change over time as well. Many companies start out by inviting members who are enthusiastic supporters of D&I efforts. As the work of the council becomes more formulated and targeted, however, the membership composition should be reviewed to make sure the right kinds of expertise are represented and the members are not only enthusiastic but also influential and capable of driving change in the organization.

Additional expertise can be provided by individuals and functions acting in an advisory capacity without actually sitting on the council. Some companies (36% of our sample) include their legal advisors on the global council. If the D&I strategy is focused on legal compliance, or if the company is recovering from prior legal challenges or under government oversight, a lawyer could be a valuable addition to the mix. Otherwise, legal expertise can be sought from the legal department when necessary.

DECISION-MAKING COUNCIL	ADVISORY COUNCIL
<p>PURPOSE</p> <ul style="list-style-type: none"> • Set strategy. • Assign responsibility for execution. • Monitor performance. • Hold implementers accountable. 	<p>PURPOSE</p> <ul style="list-style-type: none"> • Provide information and expertise to D&I function. • Engage and educate business leaders.
<p>COMPOSITION</p> <ul style="list-style-type: none"> • 8–10 members • Top-level executives • Functions and units critical to the strategic objectives of the initiative 	<p>COMPOSITION</p> <ul style="list-style-type: none"> • 10–25 members • Top-level executives • Line executives • ERG leaders • Influencers

WHAT IS THE OPTIMUM ROLE OF EMPLOYEE RESOURCE GROUPS (ERGS) IN THE D&I EFFORTS DESIGN?

ERGs have long held a central role in many diversity efforts. Beginning as support groups for individuals from underrepresented groups, ERGs evolved into an effective tool for encouraging engagement on a meaningful personal level from executive sponsors, allies and advocates at the top of the organization as well as among grassroots (although predominantly professional) employees. They have served as an important conduit for spreading D&I values throughout the organization and for helping to execute parts of the diversity strategy, especially in hiring and developing underrepresented populations. In the last several years, the role of ERGs has shifted again in many organizations, where they now act as a link to diverse markets while also becoming a way to tap into expertise

and creativity in lower levels of the organization.

As ERGs' roles have changed, or as aspirations for the roles they could be playing have grown, oversight structures and processes haven't always kept up. Therefore, we see many companies beginning to refocus on ERG structure and ask questions such as "Who should be responsible for them?" and "How can we make sure we're getting a return on the investment we're making in them?" The crucial question, of course, is whether the ERGs are set up to achieve the strategic purpose they're now meant to serve.

As our research confirms, where companies choose to house ERGs within the larger organizational structure is largely dependent on the work

they're expected to accomplish. When ERGs are focused on inclusion, they're more likely to be located in the D&I reporting structure, with governance and funding being directed from D&I. When the groups are more focused on business strategy, as some of the newer business resource groups (BRGs) are, they may report to the business unit itself (function, region, line of business) through the mediation of a diversity council. Since the diversity council generally comprises representatives of the key business areas and functions, it's an efficient mechanism for delivering support to the ERG/BRGs regarding questions of marketing and branding, risk management, shareholder relations, strategic priorities and other questions that impact their initiatives.



Funding is the tool most often wielded to maintain control of ERGs. Many organizations require that ERGs meet certain standards and direct their efforts to strategically important initiatives in order to qualify for funding. Nevertheless, rarely does the amount of funding relate in any quantifiable way to the groups' actual value to the enterprise. This isn't surprising, since measuring the effectiveness of ERGs remains rudimentary. Sixty-five percent of respondents in the survey cite the number of members as the key indicator of the groups' effectiveness. If CDOs are serious about analyzing ROI of ERGs, for better or worse, they might consider metrics such as:

- Evaluating completion of work plans
- Achievement of goals and financial significance of those goals to the organization
- Evidence of community outreach and quantifiable outcomes as a result
- Evidence of outreach within the organization beyond the constituent group and quantifiable outcomes as a result
- Evidence of ERG members' advancement/retention/higher engagement within the organization
- Business development opportunities

Overall, the effectiveness of ERGs is often determined by the effectiveness of their organization design and its alignment with the business, talent and D&I strategies. A thoughtful organization design of ERGs can save companies a lot of angst and frustration and make a difference in the ERGs' contribution to the organization's D&I efforts and business success.



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CONCLUSION:

USING ORGANIZATION DESIGN TO ACHIEVE ORGANIZATIONAL CONGRUENCY AND SUSTAINABLE IMPACT

It takes significant time and the continued focus of many people to design and curate a congruent organization — one that is systematically configured to enable the most effective execution of the D&I strategy and in which all the moving parts (governance structures, processes, people and culture) are working in concert. But the effort is well worth it. Risk is reduced when decisions are made by the right people in the right forums. D&I considerations are embedded more smoothly in the strategic and operational plans of the business when the D&I efforts have been deliberately built around the decision-making processes and organizational structure. Initiatives are more likely to succeed and have a more powerful, long-term impact when all the organization's resources are pointed in the same direction.

Although organization design is the tool that can help ensure such congruence, it isn't the top skill of many of today's D&I leaders. It's common to see organizations growing like medieval cities: decisions are made in response to the most urgent demand of the moment, and little fixes and workarounds pile up. One way or another, the initiative keeps going. However, D&I work has become too important to the health and success of today's companies, and too many resources are being invested in it, to continue in this hit-or-miss fashion. D&I leaders are the stewards of those resources, even when the budget or headcount isn't under their direct control, and they're accountable for showing a return on investment. D&I leaders cannot afford to disregard one of the most powerful tools they have at their disposal to ensure the success and sustainability of their organizations' D&I efforts — the organization design.



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