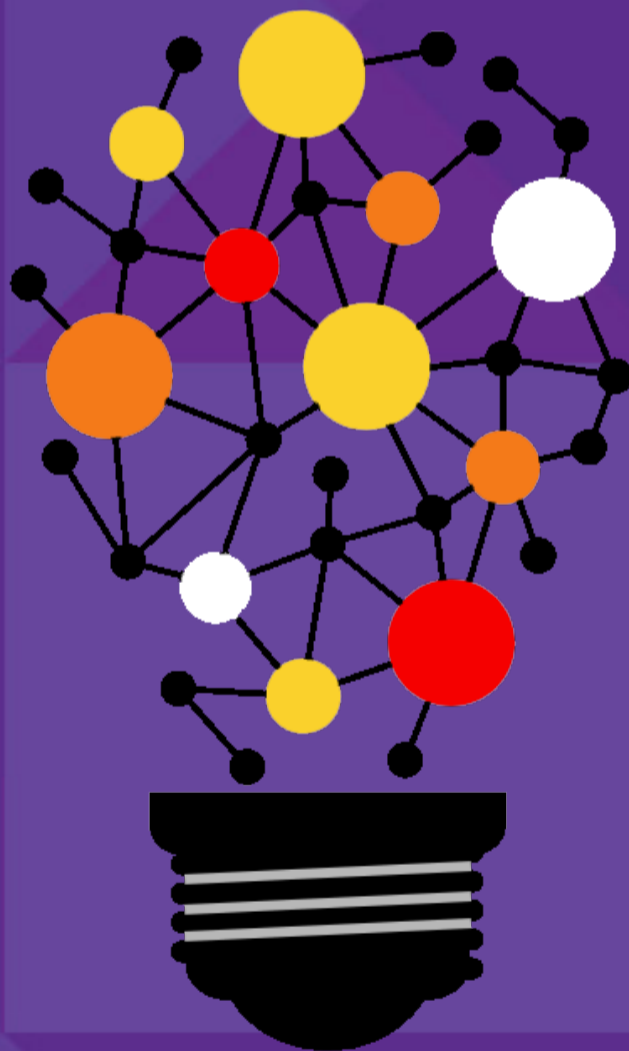


# THE INNOVATION-DIVERSITY CONNECTION

Volume II



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Edited by Indranil Ghosh

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This version published 05-04-2020**

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Investors, customers, and employees increasingly view diversity as a key element of a company's social license to operate. However, most organizations are falling short of their diversity goals, and are missing out on the boost in business performance that a diverse workforce brings.

In this report, Culture Shift Labs (CSL) shows how diversity drives innovation through the engagement of new customer segments, increased creativity flowing from multiple perspectives, and improved decision-making.

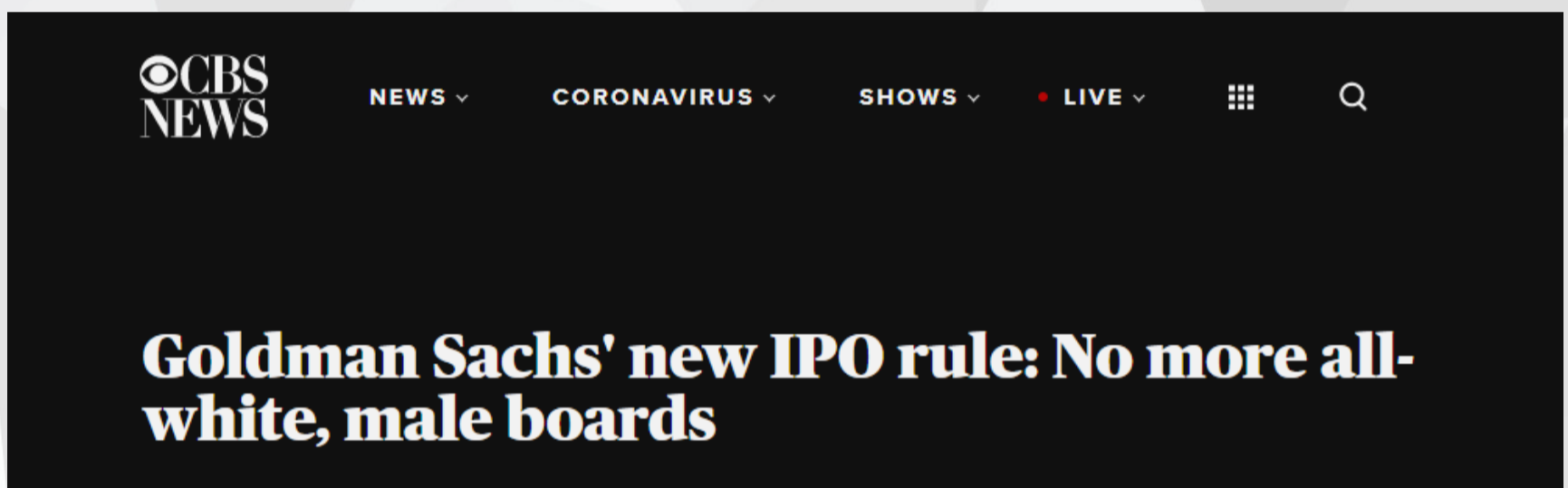
Drawing upon a wealth of case studies taken from leading corporations, the report also highlights the importance of tapping into diverse talent networks, nourishing those ecosystems, and leveraging tools to measure and track organizational skills pertaining to managing diversity.

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# Introduction

It seems that almost every week an investor, government or corporation makes an announcement vowing to become more diverse. In January 2020, Goldman Sachs announced that it won't take any company public this year if it does not have at least one woman or non-white board member. By 2021, Goldman will require its IPO clients to have two diverse board members.



In 2018, the Californian state government ruled that from 2019 all public companies must have at least one woman on their board. By 2021, this requirement will rise to three women in boards of six or more.



Due to legal and societal pressures, diversity on boards, and throughout a company's organization, is now a requirement for a company to maintain its social license to operate. If a company is not making efforts to become more diverse, it is at risk of building a negative reputation among core stakeholders like customers, employees, and shareholders.

However, companies are increasingly looking beyond diversity as the 'right thing to do,' and focusing on it as a catalyst for business performance. There have been so many studies now showing the link between diversity and business performance, that it deserves to be an axiom of business practice.

As Goldman's CEO put it in reference to his company's IPO policy: "Look, we might miss some business, but in the long run, this I think is the best advice for companies that want to drive premium returns for their shareholders over time."



“

**Look, we might miss some business, but in the long run, this I think is the best advice for companies that want to drive premium returns for their shareholders over time.”**

-David Solomon, Goldman Sachs CEO  
(CNBC Interview, January 2020)

Indeed, evidence strongly suggests that diversity drives business performance through increased innovation and improved decision making. And as Figure 1 shows, a virtuous loop exists: by innovating to achieve social impact, companies can themselves create diverse talent for the benefit of their company and ultimately society. However, companies are struggling to become more diverse. This is because they lack the tools to measure organizational skills pertaining to managing diversity, and its link to business performance. They also do not have access to diverse talent networks.

Following the framework in Figure 1, this white paper will explore the following four issues:



**1.** How diversity strengthens a company's social license to operate



**2.** How diversity drives business performance through innovation and improved decision making



**3.** How companies can innovate to benefit diverse communities



**4.** How companies can build the capabilities needed to build and maintain a diverse workforce

Throughout the report, we will show through case studies how leading companies are reaping the benefits of a more diverse workforce or contributing to more diverse talent through their social impact.

Figure 1: The Business Case for Diversity<sup>1</sup>



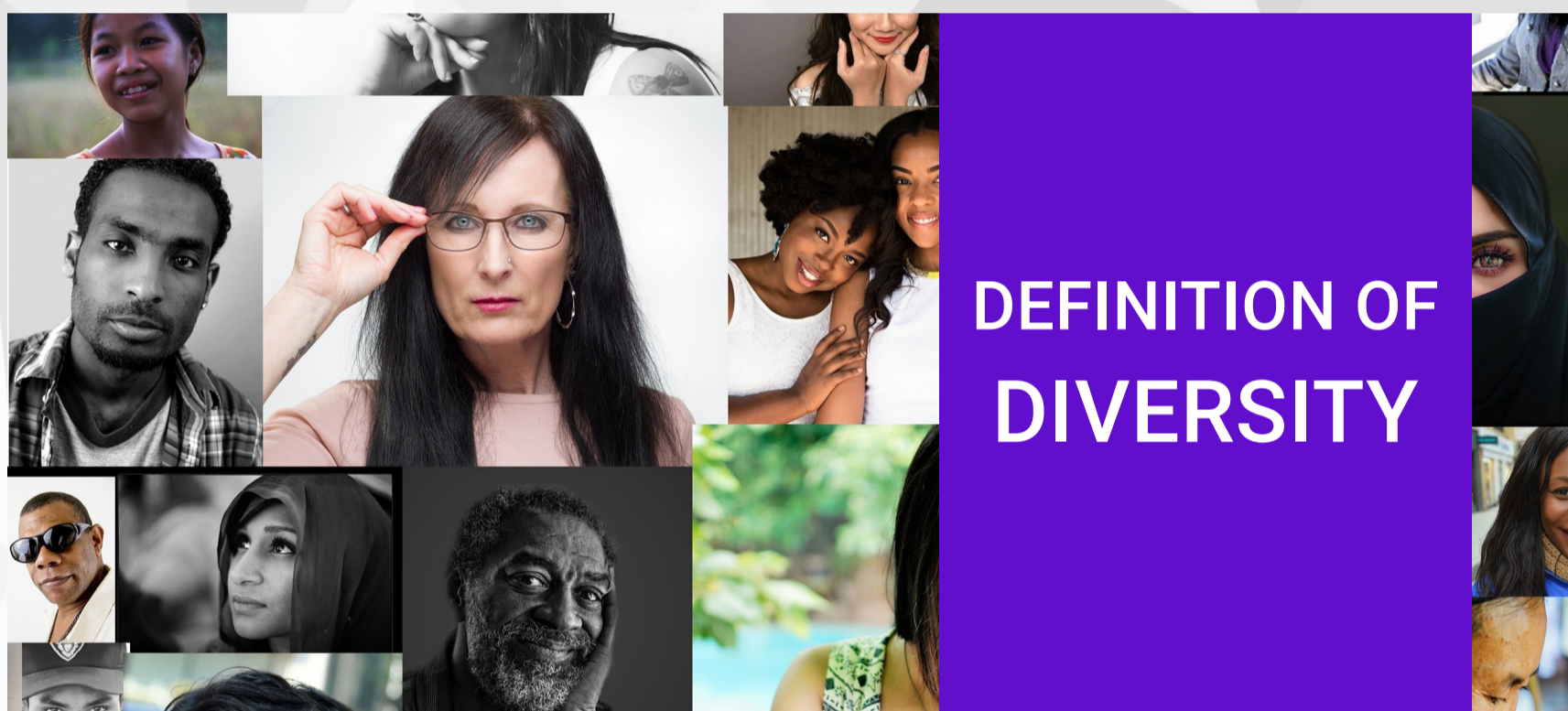
Note: This is the best working model we have come across in 20 years of work.

Base: 7,900 firms across 14 sectors.



# How Diversity Strengthens the Social License to Operate

Despite its frequent use, a clear, universally accepted definition of diversity is hard to come by. A European Commission report on the subject of “Diversity and Inclusion,” described it this way: “Diversity can be defined . . . across six clear demographic strands: gender, age, race & ethnicity, religion & belief, and disability.”<sup>2</sup>



For the purposes of this paper, diversity is context-specific: what matters in one situation may not matter in another. For instance, in the United States, where African Americans represent 14 percent of the population, including black employees in marketing, customer service, and product design teams intuitively makes sense. They understand the needs and preferences of the black populous in ways that non-black employees may not. On the other hand, if a company aims to design for and export to Asian markets, or to the growing US Asian population, the presence of Asians in management and employment ranks will matter and surely pay dividends in terms of innovation and effective marketing communications.

Diversity is increasingly essential to companies' license to operate with investors. WeWork learnt this painful lesson when its initial decision not to have a female board member contributed to its disappointing IPO that saw its valuation sink from \$47 billion to \$10 billion. It fitted in with wider doubts about WeWork's leadership culture, such as the way it handled mass layoffs.



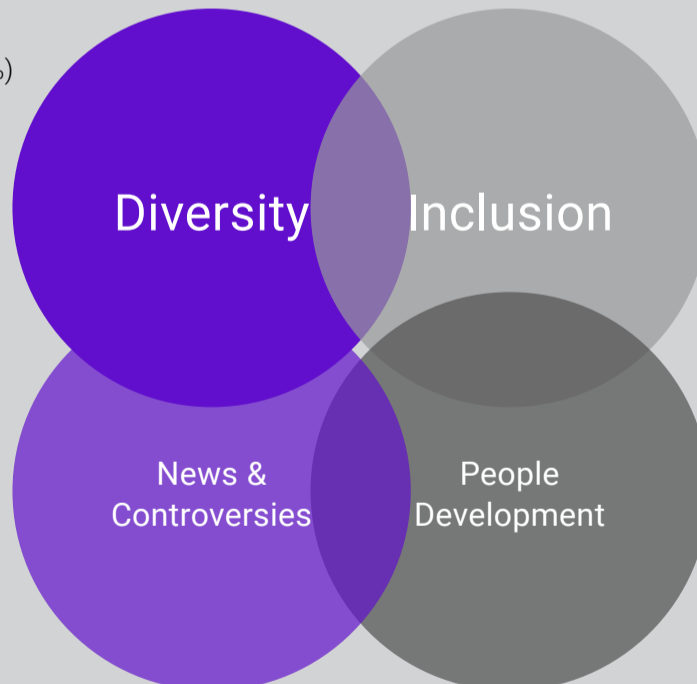
Diversity is also now integrated into environmental, social, governance (ESG) scores. Thomson Reuters, for example, has published a ranking of the most diverse organizations globally since 2016. It works with Morgan Stanley to use the diversity index as an investment tool to assess companies' value generation. Leading research and rating houses like S&P Global and MSCI also track diversity as a marker of a company's performance. Financial backers like Goldman Sachs see diversity as another intangible asset which affects a company's ability to generate value in the long-term.

### 24 Metrics That Decide Refinitiv D&I Index

- Board Gender Diversity (%)
- Board Member Cultural Diversity (%)
- Women Employees (%)
- New Women Employees (%)
- Women Executive Employees (%)
- Women Managers (%)
- Diversity Process (Y/N)
- Diversity Objectives (T/N)

- Diversity & Opportunity Controversies (Numeric)

- Wages or Working Conditions Controversies (Numeric)



- Flexible Working Hours (Y/N)
- Day Care Services (Y/N)
- Employees with Disabilities (Y/N)
- HRC Corporate Equality Index (Numeric)
- HIV/AIDS (Y/N)

- Internal Promotion (Y/N)
- Average Training Hours (Numeric)
- Management Training (Y/N)
- Career Development Processes (Y/N)
- Employee Satisfaction (%)
- Skills Training of Employees (Y/N)
- Training Costs per Employee (\$)

\*Note- Also included are News & Controversies published since the last fiscal year company update. These are two additional data points for the same News & Controversies measures shown above but in a more recent timeframe.

Adapted from "Diversity & Inclusion Ratings from Refinitiv; Methodology, June 2018



Employees are another key stakeholder. Millennials, who are expected to make up 75 percent of the workforce by 2025, are big supporters of diversity. The 2018 Deloitte Millennial Survey found that three-quarters of them believe that their organization is more innovative when it is more diverse.<sup>3</sup> By 2045, the US is expected to be majority non-white. It will therefore not be legitimate to have non-diverse workforces in the future.

Without customers a company has no business. Customers want to feel like they align with the values of an organization—and they are smart at picking up on inconsistencies. An essential part of WeWork’s brand is its focus on collaboration (“we”) as it purports to offer a platform for companies to be part of a community and shared culture. Yet to customers as well as investors it seemed that its management style was not gelling with this vision.

**75%**

of millennials believe that their organization is more innovative when it is more diverse.<sup>3</sup>

Finally, governments increasingly see diversity in the workspace as part of their purview, as in California. WeWork was not legally required to follow California’s rules as it is incorporated in New York but its likely California’s move will be replicated by other states.

# How Diversity Drives Business Performance through Innovation and Improved Decision Making

As important as social license to operate is, we're finding that the catalyst for change within companies is that diversity drives business performance. Increasingly, companies are realizing this and are therefore devoting resources to diversity. Diversity drives business performance in two main ways: it leads to better decision making and it generates more innovation.



## First, let's look at decision making.

Rosenberg Equities, the quantitative arm of AXA Investment Managers, makes a convincing case that diverse organizations—based on gender diversity and/or foreign board members—are more likely to be better quality stock picks, as measured by return on equity over the longer term. They argue this is because diverse firms are better at problem solving thanks to improved 'collective intelligence'.<sup>4</sup>

We find much evidence to support Rosenberg’s argument. For example, research on acquisition bids by S&P 1500 companies by academics at the University of British Columbia and University of Utah shows that each additional woman director on a bidder board reduced bid premiums paid by 15.4 percent—thereby driving more shareholder value.<sup>5</sup>

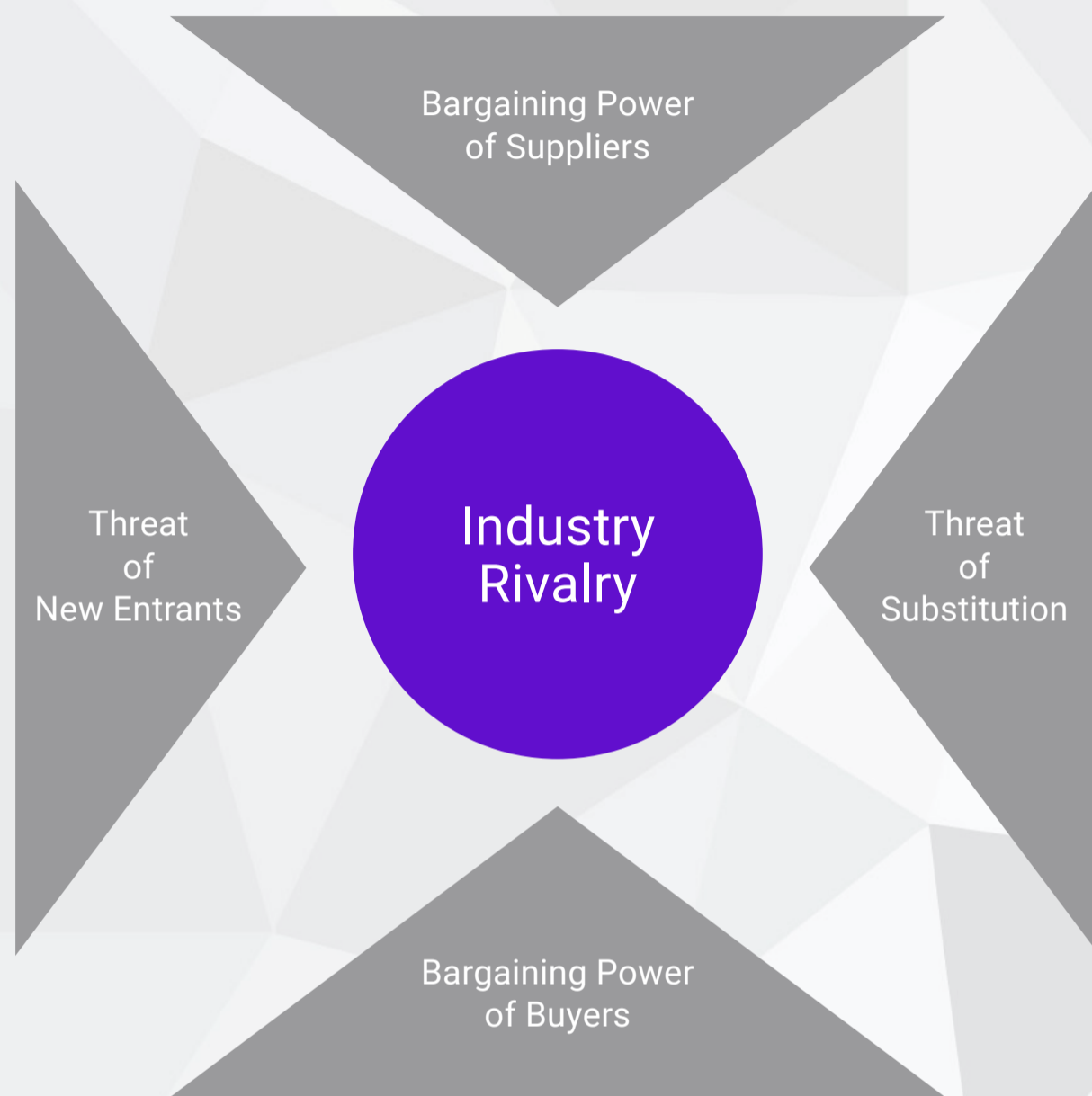
On the flip side, a more diverse workforce may have prevented PepsiCo from reputational damage as a result of its 2017 ad featuring Kendall Jenner. Released at the time of the Black Lives Matter and Women’s March movements, the ad showed Jenner leading a group of protestors who make a Pepsi peace offering to a police officer. After a public backlash, Pepsi pulled the ad and issued an apology.

Second, diversity leads to more innovation. The statistics back this up. A 2018 Boston Consulting Group study of 1,700 companies across Austria, Brazil, China, France, Germany, India, Switzerland, and the US found that companies with more diverse management teams have 19 percent higher revenues due to innovation. Diversity in BCG’s report meant perceptions among employees about how diverse their organization was in terms of gender, age, nationality, career path, industry background, and education.<sup>6</sup> Similarly, a 2018 report by McKinsey of over 1,000 companies globally showed that corporations that embrace gender diversity on their executive teams were 21 percent more likely to experience above-average profitability.<sup>7</sup>



Rosenberg shows that diversity acts as a “profitability moat,” helping companies to better withstand competitive market forces than their peers. Invoking Harvard Business School Professor Michael Porter’s Five Forces (see Figure 2), Rosenberg argue that diverse firms are particularly strong in two of them—fending off new entrants and preventing brand/product substitution by competitors. This is because they are more innovative. As Figure 1 shows, this works operationally in three main ways: more creativity, designing new products and services, and opening up new markets and customer segments.

**Figure 2: Porter's Five Forces**



Procter & Gamble (P&G) Japan went to great lengths in the 1990s to diversify its management to include more women. They noticed that ambitious high performing women sought P&G out due to its diversity policy, and that these women always performed more highly than their male peers.

As former P&G CEO and Chairman Bob McDonald recalled, "I would often meet with Japanese companies, our competitors, and generally the people I would meet were 70 year old Japanese men with white hair. . . The only women I'd see were serving tea in our meetings." But as P&G implemented its diversity policy "Women sought out our company," he continued, "because they knew that they would have a full and fulfilling career—and many rose to very high levels in our company."<sup>9</sup>



“

**Women sought out our company,” he continued... because they knew that they would have a full and fulfilling career—and many rose to very high levels in our company.”**

-Bob McDonald,  
Former P&G CEO and Chairman

McDonald attributed the hiring of talented Asian women to the successful introduction of the Pantene™ product line which was first sold throughout Asia and then the world. As a result of its diversity and the creativity this encouraged, P&G came up with the powerful marketing tag-line for Pantene—‘hair so healthy it shines’. The product line would become the world’s number one hair care brand, with sales revenues topping \$1 billion. Productivity also increased due to P&G’s higher performing talent pool as a result of diversity.

Diverse teams are also better at innovating to design new products and services, as the P&G example alludes to. The richest innovation outcomes often arise when employees are empowered to be their authentic selves. Multinational software corporation SAP has worked hard to embed this ethos within its organization such as with its Autism at Work program. Speaking of the contribution of neurodivergent employees to his organization, Brian Duffy, regional president EMEA North at SAP, said “The skill set that these individuals have has been earth-shattering in terms of the developments we’ve made around our products.”

For example, a member of SAP’s finance team hired through the program developed an innovative entire procurement solution that SAP is embedding into its intelligence suit.



“

**To compete in the innovation economy, companies need employees who think differently and are able to find unique solutions to challenges.”**

-Anthony Coletta,  
SAP North America CFO



Diverse teams are also often very effective at opening up new markets and customer segments. In the 1990s Frito-Lay, the \$16 billion unit of PepsiCo, was struggling to sell to the US' growing Hispanic population. Frito-Lay tapped into the knowledge and skills of its network of Hispanic employees—who form part of so called “employee resources groups” (ERGs)—to help design a string of new products which turned around sales to the US Hispanic population, such as a new guacamole flavoured chip which became a \$100 million product. It deployed the same strategy towards Asian demographics to much success.<sup>10</sup>

General Mills independently followed the same model in its successful revival of its flagging Betty Crocker corn muffin mix. Noting that African Americans were the primary customer segment for that decades-old product, General Mills asked its African American ERG for advice. Drawing on their input, the company changed the product's name and packaging to better align with its black customer base. Within a year sales increased by 22 percent.<sup>11</sup>



# How Companies Can Innovate to Benefit Diverse Communities

Not only can diversity drive innovation but the relationship also works the other way around. Innovation—if it targets society's challenges like the spiralling costs of education, healthcare, childcare, and housing—can deliver positive impact in diverse communities.

This drives the development of diverse talent and in turn improves outcomes of diversity recruitment initiatives for the company and wider society. Ultimately, it leads to a better-off society as more demographic groups are included in prosperity.

Companies that do this well address bottlenecks in their industry. Sylvain Kalache and Julien Barbier, two former employees of LinkedIn and Docker respectively, have been addressing a common problem in the tech world. Aspiring software engineers devote years to study and sometimes rack up hundreds of thousands of dollars in debt, but still lack the necessary skills to find a job in their field. Moreover, the high cost of a degree prices out many people from diverse communities. At the same time, tech companies routinely report that there are not enough skilled software engineers for them to recruit from.

Kalache and Barbier have set up Holberton School which teaches software engineering courses and lands students from disadvantaged backgrounds high-paying jobs in tech companies like Apple and Tesla. The school provides a foundational course, followed by a technological specialism, and 'career sprints' to make students employment ready. These sprints include workshops for resume preparation, networking practice, mock interviews and negotiation. Most importantly, Holberton makes education affordable, which ensures a diverse student pool. It does this by not charging fees upfront. Instead, students pay back a portion of their salary for 3.5 years once they are earning above \$40,000. A year after it was founded, 40 percent of students were women and over half minorities.

# How to Enhance Capabilities to Nurture a Diverse Workforce

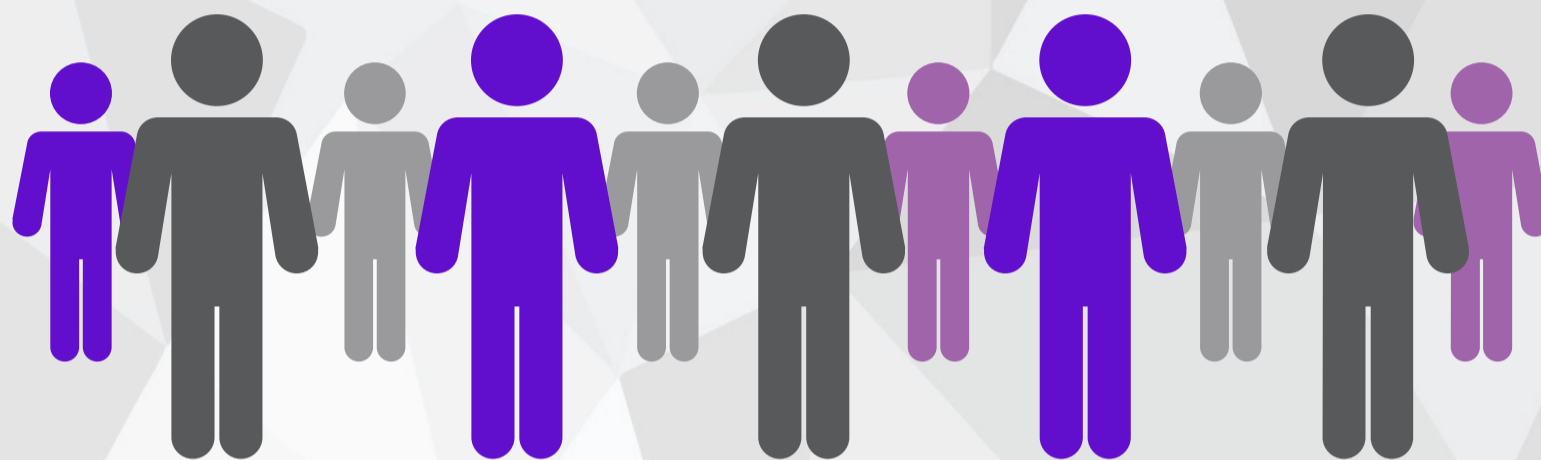
Figure 3: Principles Companies Should Follow to Increase Diversity

## Making it happen

**Introducing change is never easy, but these tips can help:**

- *Identify senior leaders in the company who are open to greater diversity and position it as a “pilot program.” In other words, start small and expand as success is demonstrated. Use examples of success in a variety of industries to motivate leaders’ collaboration.*
- *Create diverse cross-functional teams and set them to work on projects; but avoid tokenism; a critical mass of diversity is needed to reap the benefits of innovation.*
- *Have every team member take the Myers Briggs personality assessment test. Then discuss the results as a group. Myers Briggs scores help people to understand each other and the communication/thinking approaches that work best for each person.*
- *Sell the benefits of diversity to implementing managers. Break through resistance by appealing to their self-interest: the new products, and new marketing ideas that emerge from diverse groups will increase their bonuses.*
- *As Barclays has done, establish clear goals and metrics against which to measure progress.*
- *Make managers accountable for progress toward diversity goals.*
- *Share success across the organization.*
- *Create discomfort among your team about existing products, markets and processes before a more nimble organization or external disruptor cannibalizes your business.*
- *Partner with an organization that can enhance innovation such as Babson College and apply their Entrepreneurial Thought and Action Methodology™.*
- *Implement a Culture Shift Innovation Pop Up Lab to spark ideas from external disruptors that are proactive vs reactive.*

Companies are failing to significantly increase the diversity of their teams, and they still struggle to effectively use diversity to support their revenue and value-creation goals. Despite making waves with its original report on diversity in 2015, McKinsey found three years later that progress in improving diversity among companies it researched has been slow. Gender representation on executive teams increased by only 2 percent to 14 percent and ethnic and cultural diversity increased by just 1 percent to 13 percent. McKinsey also reported that many companies still don't know how they can most effectively use diversity to support their growth and value creation goals.



We think there are five important principles that need to be followed to improve companies' levels of diversity (see Figure 3 for these and others). To operationalize these principles, companies need better tools and networks than they currently have.

**First, buy-in from senior leadership is essential to instill a belief in diversity throughout an organization.**

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As SAP North America CFO Anthony Coletta puts it, leadership needs to “show up early and often”<sup>12</sup> to diversity initiatives. Companies should identify senior leaders in the company who are open to greater diversity and position initiatives as a “pilot program.” In other words, start small and expand as success is demonstrated. Companies can use examples of success in a variety of industries to motivate leaders' collaboration.

Second, companies should align diversity to high-value business drivers in order to motivate managers. Companies should explicitly appeal to managers' self-interest. They can encourage managers to see how launching a new product for a diverse customer segment, for example, would increase their bonus if successful. Also, show them how diversity can keep their products and processes competitive and prevent competitors from gaining market share.



**INNOVATION**



**STRATEGY**



**GROWTH**

Third, avoid tokenism. Companies should create diverse cross-functional teams, and set them to work on projects; but a critical mass of diversity is needed to have the sorts of meaningful impact seen in companies such as P&G, SAP, General Mills, and Frito-Lay.

Fourth, as the Holberton School example shows, companies can cultivate diverse talent via innovative business models. How to innovate for diversity will obviously depend on the sector and what particular expertise a company can bring. A healthcare company for example may be well-equipped to offer innovative healthy lifestyle products to improve the health of disadvantaged consumers. If the product is successful, it will improve the reputation of that company among the community it benefits. A real estate developer has a good oversight of the dynamics at play in providing affordable housing and may be well-placed to design innovative solutions which can improve access to housing for underserved communities.

Fifth, it's important to establish clear goals and metrics against which to measure progress. Barclays Bank has goals for improvement across five pillars: gender, disabilities, LGBT, multicultural, and multigenerational, with metrics to track performance across all five.

Companies are struggling to formulate such strategies because they do not have the tools to measure and improve diversity and have often treated it as a cost rather than revenue generator. They also don't have access to the right networks of diverse talent.

Culture Shift Labs can help on these fronts. Our Knowledge + Network Formula includes access to 8,000 black subject matter experts and a larger 100,000 ecosystem. Moreover, Katapult—the Diversity & Inclusion (D&I) SaaS Platform to improve workplace culture, workplace engagement, and business performance—enables companies to assess their diversity score tailored to their industry. It gives them a customized action plan with timelines and KPIs to improve their D&I performance. We then provide the resources to carry out that plan, including a talent pipeline, information on community organizations, niche media outlets, and more.

As company value hinges ever more on intangible assets like human talent, diversity is a key lever to drive performance. By getting smarter about it, companies can obtain a winning edge. Proper tools and deep networks are essential to that goal.

The 3 A's of  
Culture Shift Labs'  
Knowledge  
+  
Network™  
Formula

## ACCESS

Ecosystem of 100K &  
8,000 Black Subject Matter Experts



## ASSESSMENT

Katapult Diversity Score

## ACTION PLAN

Strategy, Timeline & Resources



# Case Studies: How Diversity Drives Performance

## Barclays Bank has Positioned Itself as the 'Go-to' Bank for its Most Important Stakeholders



Barclays Bank is one of the world's great banking institutions, with 85,000 employees serving customers around the globe with retail banking, wealth management, corporate and investment banking services.

The 325 year-old bank had made efforts toward diversity through the 2000s, but in 2011 it took a more strategic approach; it established a Global Diversity and Inclusion unit under the leadership of Managing Director Mark McLane. Its approach rests on five 'pillars'—gender, disabilities, LGBT, multicultural, multigenerational—and is linked to the bank's business strategy and overarching goal of being the 'go-to' bank for clients, customers, human talent, and stakeholders. Each of Barclays' five pillars has a goal and a specific set of performance metrics against which performance is monitored. For instance, on the gender front the bank tracks the percentage of women in senior leadership roles—i.e., in the top two layers of management. In 2013, women occupied 21 percent of those senior positions.



The goal was to increase their numbers by 1 percent per year. By 2015 the enterprise was on track to meet its intermediate goal of 26 percent in 2018. The women in leadership metric is now included in the bank's top-level business scorecard. Barriers to women's leadership progress in the bank's geographic operating areas are studied and ideas for overcoming them and for developing women's skills are implemented locally. While diversity has top level support within Barclays, much of the program's success can be attributed to support within the operating units. Each of the bank's operating functions currently has its own diversity council, each of which develops plans for how it will contribute to overall goals.

McLane sees diversity as creating business opportunities. But, he cautions, "It's not enough to have a diverse workforce. You have to listen to colleagues and customers." By listening, he says, the bank can identify customer needs it can serve through innovation. He cites the London LGBT community's annual Pride march as an example. Barclays participated as a march sponsor under its 'Bank of Choice' theme. In connection with the march it issued a special chip-enabled Pride wristband whose wearers could make quick and easy financial payments of £30 or less without having to fill out a form or dig into their wallets for a plastic bank card. They could use that mobile app to pay for a ride on the Tube, a restaurant tab, or make a donation to the Pride march. This innovation and the bank's presence at the Pride event was, as McLane puts it, "our way of saying to the LGBT community, 'Barclays welcomes you.'"

“

It's not enough to have a diverse workforce. You have to listen to colleagues and customers.”

-Mark McLane  
Managing Director, Barclays

Many other product and customer service innovations have emerged from Barclays' expanding awareness of diversity issues. For visually- and hearing-impaired retail customers, these include talking ATMs and bank debit cards that use distinctive colors and notched edges to distinguish themselves from other plastic cards in the purse or wallet. Another innovation is a tablet computer program that lobby 'greeters' can use to engage hearing-impaired customers through 'signing.' Awareness of the performance benefits that women bring to corporations has also led to another Barclays first: an exchange-traded investment fund indexed to companies that are either led by female CEOs or whose board are at least 25 percent female. That fund has been trading since 2013.



## Frito Lay Dramatically Increased Sales to Hispanics

In the late 1990s, Frito-Lay, a \$16 billion unit of PepsiCo, was struggling to appeal to the growing US Hispanic population. Market research revealed that the company's lackluster performance in that important market segment wasn't simply the result of bland tasting taco chips. US Hispanics, 63 percent of whom hailed from Mexico, had unique preferences in packaging, distribution, and the music used in TV ads. Within three years of addressing those preferences, the company's sales of its Dorito brand chips grew by 32 percent in Hispanic communities. And its new guacamole flavored chip went on to become a \$100 million product.

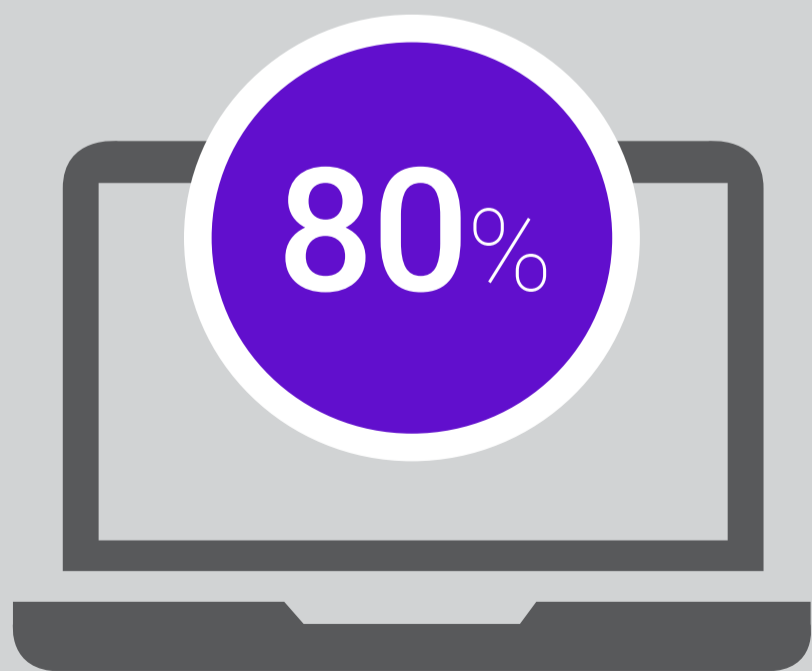


Having learned a valuable lesson, Frito-Lay began tapping into Adelante, an internal network of male and female Hispanic employees. In the years that followed, Adelante participated in the development and marketing of many Frito-Lay products, including Flamin' Hot Cheetos, Sabritas Adobadas, and tapatio-flavored Doritos and Ruffles.

Frito-Lay tapped into other internal networks—or “employee resource groups” (ERGs)— as it developed food products for consumers in other ethnic communities. Working with its Pan Asian Network, the company launched two highly successful new products. For the vast Indian market, it created “Kukure,” a curry seasoned chip with a lentil and rice base. And for far eastern markets it developed “Funyuns,” a wasabi flavored snack item.

## SAP and Nuveen Have Driven Innovation and Productivity by Hiring Staff With Disabilities

SAP’s outreach to people with autism is an excellent example of a company using diversity to power performance. SAP is the world’s largest business software company and has more than 90,000 employees across 180 countries. To stay ahead of competitors, it must continually think of new ways of generating innovation. As SAP North America CFO Anthony Coletta says, “To compete in the innovation economy, companies need employees who think differently and are able to find unique solutions to challenges.”<sup>13</sup>



of neurodiverse individuals do not have a job.

Started in 2013, SAP's Autism at Work program focuses on hiring employees that are on the autism spectrum—making it the first of its kind. People with autism often have unique skill-sets but 80 percent of neurodiverse individuals do not have a job. The initiative has hired more than 150 employees on the autism spectrum.

The program has found success by empowering neurodiverse employees to feel confident in being their true selves. As Brian Duffy, regional president EMEA North at SAP, says “Because these employees don't conform to how SAP or other people are operating, they are their true authentic selves.” Neurodiverse employees bring with them new ways of looking at problems which, according to Eva Woo, VP of Product Management at SAP SuccessFactors, encourages the wider team to start thinking creatively.

This has led to concrete results in terms of business performance. For example, a member of SAP's finance team hired through the program developed an innovative entire procurement solution that SAP is embedding into its intelligence suit.

Employees on the autistic spectrum require more guidance but SAP has established a system of support around these employees, including a mentorship program. As a result, retention of autistic employees is above 90 percent.

In a related example, asset manager Nuveen runs the Fruits of Employment program on its farms. Began in 2009, the program provides employment to 34 people with disabilities as of March 2019. Only 41 percent of the up to 40 million people with disabilities in the US are employed, resulting in a huge amount of untapped talent. Yet the workers with disabilities on Nuveen's farms have proven to be highly valuable employees—with many having worked on the farms since 2009. For a third of the workers, it was their first time having a job.

As well as providing meaningful work to those with disabilities, the program offers tangible benefits to farm managers. For example, managers found them to be more reliable employees because, unlike guest workers, they are resident all-year round. Therefore, the initiative has helped plug labor shortages, a perennial problem in the agriculture sector.

## Holberton School Creates Diverse Talent Pools

The problem Holberton School addresses is an archetypal example of a societal problem which is begging to be solved by an entrepreneur, and which could also earn that entrepreneur a financial reward. Recognizing this, Sylvain Kalache and Julien Barbier, formerly of LinkedIn and Docker respectively, set up a school that wouldn't charge fees upfront. Instead, it would require graduates to pay back a portion of their salary for 3.5 years once they graduated and were earning above \$40,000.

Because of Holberton's flexible financing plan, disadvantaged groups, often from diverse backgrounds, have had access to software engineering education opened up to them. A year after it was founded, 40 percent of students at the school were women and over half are minorities. The business model has helped reach people like Max Johnson, an African-American who had been living in his car because he could not afford rent in San Francisco—a city suffering from a severe housing crisis due to the lack of affordable options. Johnson now has a six-figure salary as a Software Engineer.

The two year program's curriculum is significantly influenced by tech companies, in particular LinkedIn and Docker. They are finding it a rich source of diverse talent. Kalache tells the story of how Apple visited the campus, hired a student and then made three more offers. Only one accepted as they already had strong offers lined up elsewhere, including from Tesla.

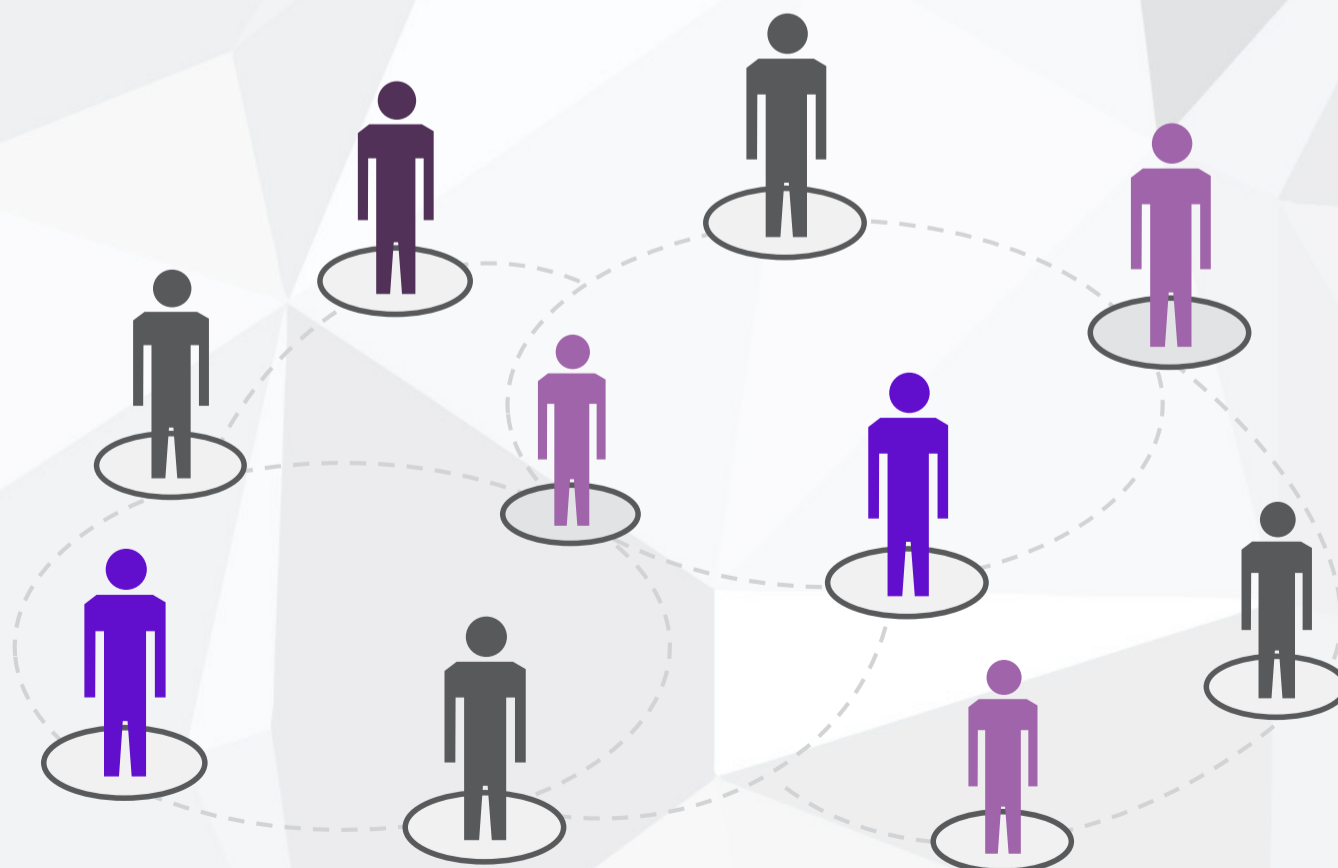


## Open Innovation Unlocks Talent That We Didn't Know Existed

Behind the closed doors of Silicon Valley, most insiders will tell you innovation comes from focus, patience, and looking at things in a new ways. But they'll also admit that fewer breakout ideas are emerging. The issue is not our ability to come up with new solutions. "We are great at coming up with unique solutions to tough problems" said one Head of Software Engineering at a multi-billion dollar digital consumer services company, "the problem is...we can no longer see the tough problems."

When everyone on an HR or talent acquisition team is trained to look at the world in just one way, the complex variety of problems gets lost. "Without seeing the problems, we are failing to recognize the wealth of opportunities that are right in front of us."

A major Silicon Valley technology company recognized they had a challenge in finding diverse talent. They knew there were problems in their hiring process but they didn't know what they were. They could also see that their internal capabilities and connections were limited in this regard. However, with Culture Shift Labs (CSL) they deployed an open, innovative approach to hiring which has brought results.



CSL drew upon a tailored version of our Think Tanks & Action Labs service. We developed this intellectual property in 2010 and now many leading organizations use it to help their HR, talent acquisition leaders, and line managers to think differently about finding, engaging, hiring, retaining, and promoting talent of color.

For this client we designed an immersive learning experience to hack tech diversity at mid to senior levels (e.g. Director +) while building diversity competency among leaders. Step one was to make them aware of the wealth of diverse talent that exists out there by introducing them to CSL's networks, and to encourage them to think about candidates' attributes beyond what was solely on their resume.

Step two was network creation. Companies will typically only seek talent when a job becomes available. This transactional approach can lead to outcomes such as "we tried that and failed" or "I couldn't find any" with regards to diversity. We helped embed innovative processes which have enabled the company to curate a rich network of talent. Building an ecosystem of talent that gets familiar with your brand and believes in your authenticity to improve tech diversity brings new talent to you, as this company found.

## THE RESULT:

The company gained access to talent it had no idea existed. Only one candidate out of the 200+ Black and Hispanic Product Managers and Software Engineering Directors CSL curated for the Think/Action/Innovation Lab in Silicon Valley was previously known to the client.

Step three was innovating the candidate profile selection process. We typically find companies have unconscious biases when designing a job specification which means they miss out on talent which doesn't match what the company thinks it needs. Moreover, often companies see a 2D image of a candidate rather than a 3D one—i.e. they see the skills and experience on paper but fail to uncover the attributes of a candidate which only become apparent when you form a relationship with him/her. Through CSL's networks, we provided 3D profiles of candidates, beyond their 2D resume, which helped the company remove their unconscious biases.

1. Adapted from: Centre for International Governance Innovation and Pierre Elliott Trudeau Foundation, "Diversity Dividend Canada's Global Advantage," 2017.
  2. Focus Consultancy, "Diversity and Innovation: A Business Opportunity for All."
  3. Deloitte, "2018 Deloitte Millennial Survey," 2018.
  4. Rosenberg Equities, "Does Diversity Provide a Profitability Moat?," June 2018.
  5. Journal of Corporate Finance, "Director gender and mergers and acquisitions," September 2013.
  6. Boston Consulting Group, "How Diverse Leadership Teams Boos Innovation," January 2018.
  7. McKinsey, "Delivering through diversity," January 2018.
  8. From Rosenberg Equities, "Does Diversity Provide a Profitability Moat?," June 2018.
  9. Bob McDonald's talk can be viewed on YouTube. Search for "A Special Series"-- Diversity Drives Innovation. Source: Procter & Gamble Co.
  10. "PepsiCo's Adelante named 2011 Employee Resource Group of the Year," 3 July 2012.
  11. Deanna Hartly, "Like Minds Think Great," Diversity Executive, September-October 2008, 29-30
  12. Anthony Coletta, "How diversity and inclusion improve your finance function," CFO Dive, December 2019.
  13. Ibid.
  14. Eva Woo, "Autism at Work: Encouraging Neurodiversity in the Workplace," October 2019.
  15. Nuveen website, "Socially beneficial and notably efficient: Fruits of Employment program."
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## about CULTURE SHIFT LABS

*We are a group of strategists, deal-makers, curators and problem-solvers who, for the last 13 years, have been applying the science of diversity and inclusion to help clients achieve their leadership, workforce, and commercial goals as much as 70% faster. As a professional services, strategy and activation consultancy, we help Tech & Fortune 500 Companies, Large Non-Profits, Leaders, Investors, Cities and Philanthropists drive revenue growth and accelerate innovation by applying our Knowledge + Network Formula™. This also increases diversity, inclusion and innovation on boards, in the c-suite, in venture capital, in mergers and acquisitions, and enhances business and corporate development efforts. Our services include: Strategy & Advising, Retained Search, Partnerships & Transactions, Think/Action Tanks, Innovation Labs, Custom and Signature Events, and enabling Connections. We are based in New Jersey with a satellite office in San Francisco, CA.*

# about ANDREA HOFFMAN

## Founder & CEO, Culture Shift Labs



*Andrea Hoffman is an advisor, dealmaker, strategist, speaker, author and the Founder and CEO of Culture Shift Labs (CSL) and Culture Shifting Weekends (CSW). Andrea consults with C-suite executives across a wide range of industries on finding new growth opportunities. By helping clients see past long-held perceptions regarding the intersection of innovation, inclusion and diversity, she guides them to insights that unlock new business opportunities. For the past two decades, Andrea has leveraged proprietary methodologies to solve diversity issues and expand revenue. Past and present clients include: BMW, Mercedes Benz USA, Carnegie Hall, Credit Suisse, GE Ventures, JPMorgan Chase, Lumina Foundation, Shutterfly, Kapor Center for Social Impact, Ford Motor Company, Verizon, Scholastic, Sony Electronics, Anita Borg Institute, and Time-Life, among others. Andrea serves on the D&I advisory board of Singularity University, a Silicon Valley think tank focusing on scientific progress and “exponential” technologies by offering educational programs and business incubation as well the JPMorgan Chase Advancing Black Pathways Advisory Council. She also leverages her knowledge and network as a Senior Fellow of Social Innovation at Babson College, a perennially top-ranked entrepreneurship business program. Andrea is the co-author of **Black is the New Green** and **50 BILLION Dollar Boss: African American Women Sharing Stories of Success in Entrepreneurship and Leadership** (nominated for a 2015 NAACP Image Award for Outstanding Literary Work). Andrea is also a frequent speaker, having moderated or participated in panels and key notes at Milken Global Conference, National Association of Corporate Directors, Congressional Black Caucus, Association of National Advertisers, Honda Motor Company, Billie Jean King’s Leadership Institute, XCON among others.*

# about INDRANIL GHOSH

## Founder & CEO, Tiger Hill Capital



*MIT-trained scientist Dr. Indranil Ghosh is a sustainable investor, author, and strategic advisor to governments and leading global corporations. Prior to Tiger Hill Capital, Indranil was Head of Strategy at Mubadala, Abu Dhabi’s Sovereign Investment and Development Fund, and held senior roles at Bridgewater Associates and McKinsey & Co.*

# Culture Shift Labs

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