

Breaking down barriers: eradicating racial inequality in the corporate world

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Racial equality: Is the corporate world ‘walking the walk’ towards achieving more diversity and equality in the workplace?

2020 has been a challenging year on a number of fronts: beginning with a global pandemic which led to an economic and business downturn on a scale not experienced for many years. However, the continued challenges that have evolved into an escalation towards global social unrest and turmoil in support of the Black Lives Matter movement may be amongst the most testing challenges in this current climate. The collective response across the world – further to the events in the United States that have brought to the fore generations of systemic racial injustice against Black people and other ethnic minorities – has been overwhelming. These extraordinary events have been a catalyst for global corporations and businesses to unite in an effort to create a firm and collective response to help break down the barriers of racial inequality in the corporate world.

As part of the Reed Smith Racial Equity Action Plan, in which one of our key objectives is to foster deeper collaboration and partnerships with our clients on this important issue, we organised an intimate roundtable forum with some of our key clients to discuss the topical issues surrounding the Black Lives Matter movement and how it has impacted the BAME communities within global corporations. Our goal was to consider what practical changes corporations need to make to engender a truly diverse and inclusive workforce. The conversation with our clients was honest and direct, and we appreciate them sharing with us some of the issues, challenges, and dilemmas their organisations are facing in this space.

This roundtable was part of our 2020 virtual roundtable series that we have developed and designed in order to create a platform for senior business leaders, general counsel, legal and business teams, and senior management representatives to share relevant business experiences, discuss live issues, and explore strategic ideas for the future. Through this established roundtable programme, we aim to foster a real peer-to-peer learning environment for our clients in an informal but informative setting.

Please note: Throughout this report quotes in *“red italics”* are direct quotes from the session

Our roundtable events, in their virtual and in-person formats, are held under Chatham House Rules. Therefore, as always with our follow-up thought leadership reports, we have not provided specific names or examples and have kept this report confined to themes. This report outlines the key themes that emerged from our discussions and some of the challenges and best practices that were highlighted during the conversations with our clients.

As we continue to explore some of the critical issues in-house legal teams are dealing with, we are grateful to the participants for their honesty and candor, and we look forward to a continuing dialogue with them as together we work towards achieving greater racial equality in the corporate world.



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Awareness: assessing current events to determine future actions

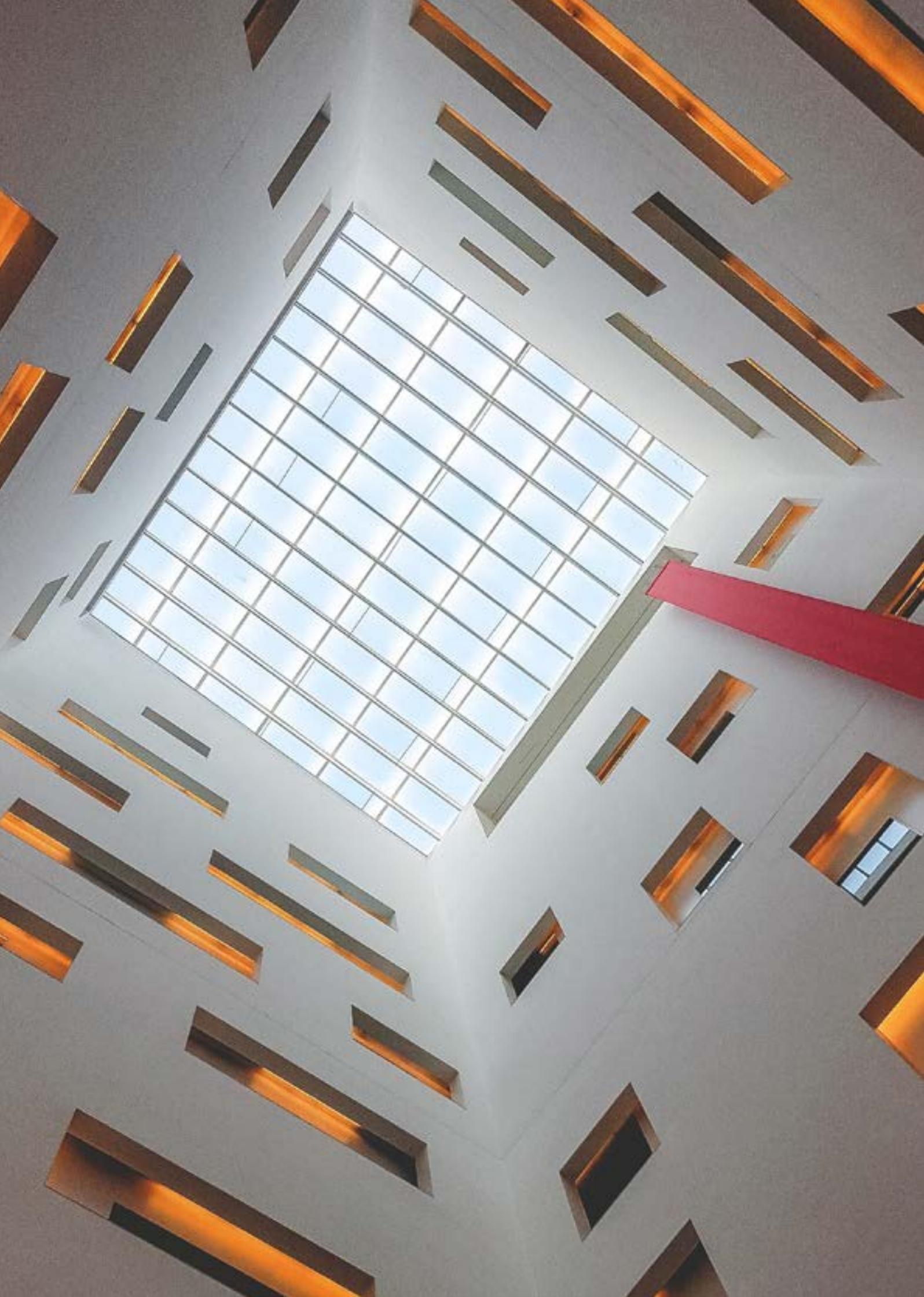
Further to the recent events in the United States, the topic of racial equality has dominated many organisations' diversity agenda with a new and fresh impetus for change. Although diversity and inclusion have always been high on the corporate agenda, the global response to the recent U.S. incidents has generated a fresh focus and a renewed priority on the importance of racial diversity and inclusion for many businesses around the world.

- The Black Lives Matter (BLM) movement is thought to have accelerated a process that was already in place for many global corporations, and it has helped to put the issue of racial equality in the spotlight.
- Some clients see this as a truly transformational opportunity, with one stating:
“There is this social awareness today, an openness and willingness to talk about these issues more than ever before.”
- This renewed attention to the BLM movement has inspired many clients to initiate open and honest conversations with their senior management to assess what they need to do to implement changes in their organisations.
- Clients admitted that some of these conversations were *“very raw”*, most notably for clients based in America who felt directly affected by the events following George Floyd’s death, including the BLM movement and the resulting social unrest across many U.S. cities.
- In other geographies, the response was noted to be *“more subtle”*, with the teams based in the Asia-Pacific region being described as *“more quiet”* but prone to a deeper one-to-one dialogue, and EMEA teams being described as *“more neutral”*.
- A common theme which emerged for clients with a global footprint was that one of the major stumbling blocks for them is identifying what diversity really means in different locations and jurisdictions, and they have had to ask themselves *“is diversity going to be the same in San Francisco versus Sydney or Singapore?”* – i.e., **what does diversity mean in different countries?**
- There was a common consensus that *“each jurisdiction has its own challenges, history, and culture”*, and while multinational companies need to have a firmwide, global value set and approach to racial equality, they also need to ensure that their response respects local nuances and has regard to local sensitivities and specific challenges.

Where we are versus where we want to be

- Clients believe that the BLM movement has been a real game changer: it has helped to change the way people and global corporations think and approach this issue: *“For organisations, we can’t take a step backwards now; we can’t let people forget that this is a real thing that needs to be moved forward.”*
- For some organisations that were already advanced in the space of diversity and inclusion, BLM provided an opportunity to *“crystallise what we want to do and has allowed us to join up our BAME efforts globally in a new way.”*
- Looking at current events and their impact on the BAME communities within global organisations, some clients shared that their teams feel more overwhelmed than ever *“because of the sudden interest from many people and parts of the business”* that has not been there before.
- While global organisations are trying to set out global strategic action plans in relation to their racial equity efforts across the board, they will also need to start paying more attention to the views of their workforce within the context of their own cultures.





The power of strong leadership and engagement

Diversity starts at the top. Unanimously, clients expect to see greater support and emphasis on the issues of racial equity at board and top management level – *“it has to start at the top level, people in senior roles need to get behind the cause”*. The principles and values need to come from the highest level and need to be visible to everyone. However, they also recognise the importance of middle management taking proactive steps in joining these efforts and initiating meaningful conversations with their teams across different levels and jurisdictions. If the messages from the top are not practised by middle management, the corporate ethos on diversity is then perceived as corporate rhetoric.

- Clients recognised the importance of strong leadership and engagement in order for the corporate sector to make some real and significant changes and overhaul the existing workforce structures and numbers.
- They saw support at board and top management level as crucial for the success of any racial equality programming, with one client stating ***“This philosophy needs to be propagated from the highest levels.”***

- Communication has been crucial in recent months, and many global organisations have launched new internal communication campaigns with an *“institutional message”* to their teams with *“messaging right from the top, through videos, live town hall [meetings] and written communications.”*
- Clients shared that top-level management has provided an immediate response and have encouraged employees to share their personal experiences and stories with the wider internal community in order to help educate the wider workforce on how racism impacts real lives and real people.
- Part of the reason for the vacuum between the messaging from senior management and middle management implementation of that messaging, it was suggested, is the fact that middle managers might not necessarily be aware of or be familiar with some of the actual *“systematic issues that go beyond the employee experience.”* It was evident, therefore, to our participants that further education of the workforce beyond the senior levels, and particularly in middle management, is critical to enable the communication delivered by the top and the implementation of that messaging by the mid-level management to align.

Where we are versus where we want to be

- There was unanimous consensus that the voice of senior management and the public response from many multinational companies have helped to accelerate the progress of the BLM movement, and this has also helped to get the attention it needs on a global scale.
- In order for racial equality to be truly achieved in global corporations, *“the starting point is [at the] top level; people in senior positions need to show their support and get behind this”*.
- It was expected that for some large organisations, this will drive the need for a meaningful restructuring of reporting lines at the top, with more directors with a diversity and inclusion background sitting on boards and with a direct line to CEOs. This is already happening at some companies.
- However, clients also expressed the importance of the role of middle management in the overall organisational culture to help implement changes on the front line. Mid-level managers could be a source of powerful support and a voice for the BAME community across all levels at global organisations.
- Companies should consider investing more resources in order to help incentivise diverse and inclusive behaviours at the middle management level. In the past, management goals have been skewed towards short-term objectives, and given that diversity and inclusion is not an overnight fix (i.e., it takes time to see results), it has not been prioritised, and underfunded or under-supported diversity and inclusion initiatives have not always been successful.
- Companies should also consider providing support and devoting budgets for training to enable middle management to learn and understand these issues and to provide a ‘safe zone’ for them to ask sensitive questions without the fear of judgment and repercussions. This was suggested as critical to help to drive a cultural shift from the top to the bottom and vice versa.
- One suggestion was that *“employers might want to provide a list of recommended reading”* to help their managers self-educate and to encourage them to ask themselves meaningful questions before approaching their teams, e.g., *“What have I learned about these issues? What value can I add to you? What constructive questions can I ask you?”*



Breaking down the barriers

As communities across the world have provided a stronger than ever protest over racial inequality, the corporate sector has responded by considering what practical, effective, and impactful changes they need to make to address these issues on a more granular level, with a view to creating a long-term and a deeper impact on their business.

- Many global organisations already have effective diversity and inclusion and racial equality programming in place, e.g., mentoring and reverse mentoring schemes, programmes for allies and champions in different geographies and jurisdictions, and employee training programmes on unconscious bias. However, more needs to be done.
- Clients noted that **“there has to be a safe space for the majority and minority groups to communicate on these issues”**, and such programmes enable these groups to connect, share experiences, and fulfil their potential in a meaningful way.
- Some companies are at the beginning of their racial equity journey and are delving deeper into the issue of how to deploy effective recruitment and retention practices in order to attract and retain more talent from black and minority backgrounds.
- Recruitment and retention have been described as the *“the chicken and egg issue”*, meaning if organisations have a robust recruitment process for the BAME workforce, but then don’t have effective retention and promotion strategies in place, they are then failing in their mission to maintain a diverse workforce.
- Some clients noted that they are looking to expand their talent pipeline by widening the network of schools and universities they are targeting to attract new talent coming through the system, with one client stating *“we’re trying to expand our recruitment efforts to universities which are over-indexed on BAME representation, to accurately represent our communities and our customer base”*.
- Our participants felt that companies need to make a conscious effort to unblock some of the challenges for BAME talent to kick-start their careers within the corporate sector, for example, eliminating unpaid internships, which help to foster a culture of attracting talent from privileged backgrounds, and replacing them with paid internship opportunities.



Where we are versus where we want to be

In order to implement pragmatic and achievable solutions, clients recognised the need to deploy a “multifaceted approach” which tackles multiple existing issues in critical areas for the BAME community. For example:

- Firmwide programming such as mentoring, reverse mentoring, and training on unconscious bias were highlighted as proven, successful tools that help to link underrepresented groups with the rest of the workforce within an organisation.
- Setting up or strengthening of existing employee resource groups, with more groups being sponsored and co-chaired by senior figures with influence and authority, was also seen as a powerful way to give voice to the BAME communities within multinationals.
- Careful evaluation of recruitment, retention, and promotion opportunities was also seen as a critical area for action, with one client saying: *“A lot of minority groups cannot perform to their best abilities – because of the lack of inclusion, they tend to be ‘underperformers’. But it is the environment that does not allow them to thrive, it’s not that they underperform.”*
- An improved recruitment process delivers the benefit of bringing *“critical mass numbers”*, it was noted, but without an effective long-term retention and promotion strategy, *“recruitment is not enough”* to build a diverse talent pipeline.
- Clients discussed what the right balance should be between deploying resources for recruitment and deploying resources towards retention and promotion, noting that most companies are *“a profit business with limited time, limited resources, limited [number of] people”*, and the question is: *“What are you going to focus on in your quest for D&I?”*



Uncovering insights: The importance of data to advance diversity, equality, and inclusion in the corporate world

Global companies should take a data-driven approach to help tackle the fundamental issues within their workforce structures. Measuring and tracking diversity data would enable companies to identify existing gaps and critical areas for change, and to develop an understanding of any silos that need to be broken.

- Clients believed that *“if you are serious about D&I, you have to have a charter, a vision, and metrics that are actually measurable.”*
- By analysing data, organisations can *“hold [themselves] accountable”* and *“figure out where we are today and put together an action plan for where we want to be tomorrow.”*
- However, within the corporate sector, setting up a charter with specific metrics and goals is often seen as *“very controversial”* because although *“metrics are a very powerful tool, people think metrics mean quotas.”*
- Some considered that, similar to the gender pay gap reporting (required in the UK), reporting imposed by the government, or even the later peer pressure, induced voluntary disclosure of ethnicity pay gaps, could be key in achieving a more transparent and equal workplace, and could serve as a powerful step towards accountability.
- However, conversely, some also stated: *“I just want to hire the best people, and if the right people are white male, then that’s who I am going to hire”* – the point being that if they want to recruit the best people for the job, and if that means recruiting a man or a woman, someone from a minority background or not, then employers should be able to do so and without being restricted by quotas or reporting metrics.

The now and the next

- Data was described by clients as “crucial to measuring success.”
- Within the corporate context, some powerful metrics that could help advance an organisation’s diversity and inclusion goals could be:

Inclusion engagement surveys to assess how inclusive companies are – preferably these are run by someone independent, so it provides a safe environment for employees to share their honest feedback and without repercussion.

Recruitment metrics – assessing the percentage of diverse versus nondiverse job applicants. This will help track the background of companies’ job applicants and identify if there is a gap of diverse candidates applying for roles at the organisation.

Retention metrics – assessing attrition rates for companies’ minority employees versus the rest of the employees, as well as voluntary versus involuntary attrition.

Promotion metrics – dissecting and backtracking through companies’ promotion processes, e.g., who gets promoted and what percentage of the promoted employees are of diverse backgrounds?



Moving from awareness to action: what does the future look like for the BAME employees in the corporate sector?

The Future: where we want to be

- More than ever, global companies are determined to implement real changes in the corporate world. We have passed the **'rhetoric stage'**, and there is now an overwhelming desire to move towards the **'implementation stage'**.
- The renewed attention to the corporate sector's attitude and behaviours on racial inequality will result in increased pressure and accountability from both shareholders and clients to invest in companies that have made conscious decisions and steps to embed meaningful environmental, socially impactful, and sustainable practices in their business core values and operations.
- Unanimously, among clients, there was a shared feeling of hope, enthusiasm, and optimism, with one client stating *"this is a unique moment in time... We need to grasp this moment, this momentum and not allow ourselves to fall into complacency."*
- When it comes to their own organisations, clients believed that *"the biggest thing is for organisations to take responsibility for the change they need to make."*
- Across the board, our participants were looking for the right answers and trying to figure out ***"the steepness of the hill that we need to climb, but we think the view at the top is worth the climb."***
- Our participants were hopeful that, ultimately, there will be more diversity across all levels, including in boards and C-suites because *"we need to look like what our customers look like"* and because *"you want an organisation that portrays the world that we live in."*



“ The future has to be action,
and action has to be based on
transparency, real statistics,
and stated goals. ”

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