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## RADICAL ACTIONS THOUGHT PAPER SERIES

### The evolving role of the D&I function – stepping up to the challenge

In our [introduction](#) to New Financial's *Radical Actions* thought paper series, we set out our case for the need for radical action to drive a step change in diversity to a new equilibrium.

This paper discusses our first proposed action: a reassessment of the role of the internal teams that historically have been charged to oversee diversity initiatives – diversity and inclusion professionals, HR teams and in some organisations, corporate responsibility functions. For brevity, this paper will use 'D&I function' as a catch-all for any role that is responsible for delivering the diversity agenda.

Over the past two years, the D&I landscape has shifted significantly, with increased reporting requirements, both voluntary (for example, HM Treasury Women in Finance Charter) and compulsory (for example, gender pay gap reporting); greater accountability around diversity to more stakeholders, including government, regulators, clients, investors and staff; and diversity being pulled into the matrix of business functions rather than sitting in an HR silo. These pressures have catapulted the diversity discussion onto the C-suite agenda and are not going away any time soon.

In turn, what is being expected of the D&I function is also changing rapidly. The focus has shifted from box ticking and awareness raising to demands for action and results. We are beginning to see more calls for top D&I roles to have real teeth as change has been so slow, for example at the [BBC](#).

But, up to now, D&I professionals have struggled with limited budget, small teams and crucially a lack of mandate and authority from the top to do what needs to be done and challenge those who need to be held to account.

Here we argue that D&I professionals who have long been frustrated with the slow pace of change have an opportunity to lay the groundwork and step up into more empowered roles.

In this paper, we ask:

- Why are we looking at this now? What is the problem?
- How has the D&I function evolved?
- What are the implications of the changing context on the D&I function?
- Does the D&I function require a change in mindset?
- Are different skills required to meet the demands of the changing environment?

This paper is not intended to reprove the D&I function and declare it unfit for purpose. Instead it is our intention to:

- 1) inform and prepare leaders for high-level discussions with their D&I teams in order to acknowledge the new responsibilities on their plate, and
- 2) inspire the community of D&I professionals in financial services to rise to the challenge ahead by seeking out the levers, resources and authority that will make genuine, sustainable change possible.

## This paper in summary

Here are our top five takeaways:

1. **Rise to the challenge:** The new context requires D&I functions to become trusted partners and consultants to the business. D&I functions have a great opportunity to flex new muscles and become vital agents of change for their organisations.
2. **Shift in focus on accountability:** D&I teams cannot be accountable for decisions that they are not making (for example, hiring and promotion). A reset is needed to embed accountability throughout the organisation and across a range of different stakeholders.
3. **Shift in the use of data:** D&I functions need to be able to analyse and talk to the trends that diversity data is showing and focus on impact rather than activity.
4. **Change the default:** D&I functions are well placed to help leaders shift their thinking on their default position and interrupt bias within organisational processes and policies.
5. **Shift the conversation:** It's time to get comfortable with having uncomfortable conversations – whether that be with network groups focussing on non-strategic issues, with leaders who are reluctant to change, or with colleagues who are not delivering what is required of them.

## What's the problem?

When businesses see a problem, the immediate reaction is to throw (some) money at it. Hiring a head of diversity, or beefing up an existing team, or expanding someone's job title has been a common response to the increased pressure on financial services organisations to shift their numbers.

But it's not enough. Some (arguably *all* the largest) companies have had a head of diversity for a decade (or even two!), yet change has been marginal at best. We often hear the frustration of diversity leads: "I've pulled every lever I can pull. What more can I do?"

Are these people all just rubbish at their jobs – or have they been set up to fail? We certainly see D&I professionals with great integrity, commitment and passion for their work frustrated by the slow pace of change, but, rather than deliberately being set up to fail, we argue they have not been equipped to succeed. The simple fact is that while the D&I function can put in place policies and advise on best practice, it is *not* the D&I lead who makes the hiring and promotion decisions that drive the numbers.

As the diversity agenda has become more hard-edged, firms are looking more closely at what's required to drive genuine, sustainable change. As highlighted by the HM Treasury Women in Finance Charter [Annual Review 2018](#), firms are beginning to share accountability for change throughout the business by engaging divisional heads to lead diversity initiatives that are customised to their distinct areas. We also see a growing recognition that line managers need to be brought into the discussions in order to affect change at a localised level.

Such moves have contributed to a growing appetite for data to inform actions and to avoid a scatter gun approach that hinders the measurement of what interventions are needed or are working. Organisations are becoming more strategic and attempting to align diversity efforts with core business aims and values.

But in order to do this, the D&I function needs to ask itself hard questions about how equipped it is to confidently deliver in this changing context.

## The evolution of D&I

This inflection point doesn't mean that the role of the D&I function has stood still for the last 15 years. It has changed considerably from being a side of desk activity for someone (usually in HR), to a standalone function commanding a sizable team. Here we use the word evolution because the development has been so gradual, many may have gone with the flow without realising the significance of the overall shift.

### What's in a name? The evolution of job titles

Job titles have also changed from the days of the Equal Opportunities Officer, through to Head of Diversity, and now Head of Diversity, Inclusion and Wellbeing.

This reflects the growing remit and understanding of diversity within organisations. For example, "diversity" has gradually been joined by "inclusion" in job titles as firms realise that the two terms mean different things and their focus shifts from who is "getting in" to who is "getting on". More recently we have seen the addition of "wellbeing" to job titles as firms launch programmes around wellness and mental health, acknowledging the links with the wider D&I agenda. Occasionally we see organisations with "culture" or "sustainability" as part of the job titles within the D&I function, again indicating how organisations are beginning to connect the dots between diversity and these themes.

### Who's the boss? The evolution of reporting lines

D&I functions sit under a variety of reporting lines, with HR being the most common, whether for a solo player or a large team. Some report directly to the HR director, others via another member of the HR senior leadership team, for example learning and development, or policy.

Some organisations use "corporate responsibility" as an umbrella function to pull together environmental, ethics, D&I and community engagement activity, for example the Financial Conduct Authority, Northern Trust and Baker McKenzie. The advantage of this is the function usually sits outside HR and reports into the executive committee, which is beneficial to those firms trying to position diversity as a business issue.

Direct reporting into the executive committee – whether that be the chief executive or another executive accountable for diversity – is a more recent model. Exco reporting lines offer the D&I function access to an exco level of strategic oversight into other business areas, which can help D&I professionals network and build connections with leaders who can be leveraged to drive change. The advantage of the direct reporting line to the CEO, or via the chief of staff, is that (in theory) the D&I function should have the mandate of the CEO to challenge peers and processes throughout the organisation.

Should the D&I function sit outside HR? This is indeed a loaded question for many organisations, but we do not ask it lightly. D&I needs to achieve the buy-in of senior management, carry their authority and mandate, command their respect and be seen as their peer – including the head of HR. We see numerous examples of how sitting within HR or being seen as an adjunct to HR undermines the D&I function's ability to challenge at this senior level, although it is not always the case. The question of where D&I should sit is answered best when it is considered strategically, based on where the D&I function can have the greatest impact, rather than assuming the default position of sitting under HR is optimal.

## Implications for the D&I function

So, what does all this mean for the D&I function? Does it have both the mindset and skillset to deliver change in this new context?

### Changing mindset

For a risk-averse firm that is easing itself into the early stages of its diversity agenda, what is required from the D&I function is encouragement, reassurance and awareness-raising.

Even though diversity progress has been painstakingly slow, it's important to remember how far some organisations have travelled. It is only relatively recently that the default has shifted towards firms sponsoring Pride, hosting a Women's International Day event or supporting a leader in sharing details about their mental health condition. But this shift was hard won over many years – for example, introducing a rainbow lanyard was a big win five years ago and it is still not standard practice; when HM Treasury launched the Women in Finance Charter in March 2016, targets were a real shock to the system.

With increased pressure to produce results, D&I functions may need to ask themselves some existential questions to prepare for a new mindset:

- What are the pros and cons of diversity practitioners coming from within organisations – is it easier or harder to impact change? Is it a sign of maturity when an organisation recruits its first external D&I professional?
- To what extent has the trend for diversity professionals to come from certain diverse groups helped or hindered diversity efforts? For example, has the preponderance of practitioners to be white females or gay men helped some areas (gender, LGBT+) but hindered the growth of others (ethnicity)?
- Is there an issue with D&I professionals moving from one role to another within a sector? How do they find inspiration and avoid recycling the same ideas?
- For those who have been doing this for a while, how are they challenging themselves to reframe what the diversity issues are in this new landscape? How do they avoid tinkering around the edges and adopting legacy issues and mindsets as opposed to tackling the really hard questions? What support is required to develop resilience?

As an organisation matures, D&I needs to take a firmer approach. We are already seeing evidence of this, with D&I functions shifting from being encouraging and nurturing cheerleaders to becoming strategic advisors and holding the business to account. We believe that the change in expectations of the D&I function provides the perfect opportunity for D&I professionals to step up:

- **Ask for what you need**  
Just because the D&I function has not previously had an exco-level of strategic buy-in doesn't mean it has to continue to languish in a corner. Have the confidence to ask for what you need in order to do your job and deliver what is being asked of you – take this thought paper with you!
- **Break free of legacy thinking**  
What has gone before has not yielded results. Think outside the traditional D&I box in terms of why diversity is important to the business, what the D&I function does and who it interacts with.
- **Be bold enough to innovate**  
Changing the status quo on diversity requires innovation – we cannot just wait until we have five-year trend data to show us what has been proven to work for peer groups. Using diversity data to identify key barriers, unpick them and ensure action points are aligned to overcome barriers will deliver results and blast through diversity fatigue. Success will also provide a platform to continue innovating and challenging the organisation in the often-overlooked diversity strands relegated to the too-difficult box, such as social mobility.

## Changing skill set

Alongside a changing mindset, D&I functions need to develop different skills to deliver in a results-focussed environment:

### 1. **Being strategic**

Keeping D&I on the priority list requires business acumen. The D&I function has to articulate the business case and how diversity can help the organisation achieve its business objectives in a way that makes leaders listen. Just as with any other business area, D&I needs to keep its eyes and ears open to changes in the mood music, both internally and externally, and prepare to respond accordingly so the D&I agenda remains relevant and reflects what is strategically important to the organisation.

### 2. **Holding leaders to account**

Armed with a mandate from the CEO and/or exco, holding leaders to account requires the D&I function to develop a thick skin. D&I professionals need to learn how to say no, stick their head above the parapet, to be brave when challenging senior leaders, and have the courage of their convictions to intervene when processes (or people) are biased.

### 3. **Applying intellectual rigour with an evidence-based approach**

Firms are demanding clarity on what needs to be fixed and the underlying causes. By developing high quality internal data, D&I functions can offer a clear evidence-based diagnosis, tailored action plans to unpick systemic bias and measure the impact of those actions. This approach will help the function become effective agents of change rather than just reacting to ad hoc issues. The data can also be applied to the business – for example, EY has found its own diverse teams have [+10 points higher revenue growth and +6 points higher gross margins](#).

### 4. **Talking data**

D&I teams need to get comfortable with the data – and this is of particular importance in financial services organisations. It may not be the D&I function itself that pulls together the data, but it is their job to analyse it to extract trends and use their insight to highlight relevant actions. D&I teams risk losing this crucial role if they can't speak the same language as their senior leaders who live and breathe data.

### 5. **Tailoring the story to the audience**

It is up to the D&I function to understand the story the data is telling, layer in the different internal and external stakeholder discussions, and then weave these ideas together into coherent messages that are actionable. The drivers for change will vary across an organisation, so the messaging needs to be reframed to suit and motivate each specific audience depending on their business line, their function or level of seniority.

### 6. **From doing to coaching**

As accountability moves beyond the HR silo, D&I teams need to equip leaders and line managers to take ownership and lead implementation. For example, leaders should cascade D&I business benefits to their teams rather than delegating to HR or D&I; communications professionals should learn to deliver inclusive comms both internally and externally; risk teams should pull D&I into their risk frameworks. This requires the D&I function to shift from executing all these aspects themselves to coaching others to execute with D&I's oversight.

### 7. **Becoming a trusted partner and internal consultant**

Establishing a coaching approach positions the D&I function as a trusted partner and internal consultant, working in partnership with the business and those executives named accountable for diversity to achieve diversity outcomes. The D&I function then becomes a peer, commanding mutual respect, rather than viewed as a subordinate and occasional irritant.

### **8. Building an internal network**

Getting to know who can (and is willing to) drive change in other parts of the business raises the profile of the D&I agenda and increases the D&I function's ability to leverage buy-in and resource in untapped areas. Building these connections will take time and effort but can reap enormous rewards to elevate the D&I discussion and disseminate it across the business. A D&I function with a good firm-wide overview can also act as organisational glue, not only connecting colleagues and ideas, but also increasing the consistency of the wider approach to diversity to ensure everyone is pulling in the same direction.

### **9. Dismantling the myths and spotting bias**

Equipped with the data, the D&I function is perfectly placed to use evidence to lance the common pushbacks, such as “the talent isn't out there”, “our performance appraisal approach is objective” and “D&I targets lower standards”. D&I teams need to systematically expose and highlight bias, eg, identify examples of non-inclusive comms, analyse potential issues with the supply chain or pinpoint where bias is creeping into a recruitment process.

### **10. Reassessing priorities**

While the D&I function is expected to expand its remit, more than likely there will be little (if any) additional resource available. This means that ruthless reprioritising is essential to ensure that the function focuses on work that matters and will make the most impact within its resource constraints.

## Conclusion

In conclusion, the changing diversity landscape provides exciting opportunities for the D&I function. We believe that the essential skills requirements of D&I professionals will need to be explicitly redesigned, and new expertise will begin to feature in job descriptions, for example data analytics, organisational development, behavioural psychology and strategy.

These are exciting times for the D&I function to ensure it is at the vanguard of driving organisations to a new equilibrium where they can truly reap the benefits of diversity.

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## About New Financial

New Financial is a think tank and forum that believes diversity in its broadest sense is not only an essential part of running a sustainable business but fundamental to addressing cultural change.

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