Case Study M2 – GlobeBank Diversity Case

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Should GlobeBank advocate for financial incentives to increase the number of diversity promotions in order to create a more ethnically diverse executive workforce? Why or why not?

I. Introduction

This case study first identifies the key facts and issues addressed in the GlobeBank diversity case in the article *How Hard Should You Push Diversity* by Davidson, M. N. (2012). The paper then analyzes the problems and provide solution and recommendation as opposed to advocating for financial incentives to increase the number of diversity promotions.

II. Background Information

According to Davidson (2012) in the article *How Hard Should You Push Diversity*, Charles Begley, GlobeBank's managing director of diversity recruiting, an accomplished recruiter with a trust of his boss, Will Sonenberg, the CEO of GlobeBank, faces a dilemma. The CEO has publicly acknowledged that the company had made "little headway" on diversity because the company's executive committee has only white males. (Davidson, 2012)

To address the CEO's dissatisfaction, Kumkum Bhatnagar, Charles' deputy director advocates for financial incentives to increase the number of diversity promotions. She proposes that the evaluations and subsequent compensation of the company's senior executives must reflect their diversity promotions and hires. In other words, senior executives would receive financial incentives from the company if they promote minority members. Kumkum's rationale is that diversity is also a day job of those senior executives. (Davidson, 2012)

Charles meet with two African American employees in investment banking division, Anthony Taylor and Trey Sugarman, whom he recruited into the company 18 months ago with promises that they would take on significant duties and that they would quickly be promoted to the director level. However, he learns that not only they have been greatly underutilized despite their intelligence and high potentials, but after two promotion rounds, they have yet been promoted. (Davidson, 2012)

Charles then meet with the head of investment banking, Bernie Regan, and learns that the reason behind Anthony and Trey not been promoted may be that the company's managing directors adopting a "seniority" approach when they select people to promote. (Davidson, 2012)

Although Kumkum's proposal goes against Charles' principles, Charles is unsure of what recommendations he should make to the CEO. (Davidson, 2012)

Problems Identified:

- The company does not have a definite approach to promoting minorities, nor does it have clearly defined criteria for promotion in general
- Not everyone in the company understands the benefits of a diverse workplace
- The financial incentive approach advocated by Charles' deputy director has a focus in short-term returns, which is an example of poor strategic leadership (Hitt, M. A., Haynes, K. T., & Serpa, R., 2010)

III. Alternatives

The article *How Hard Should You Push Diversity* presents an alternative approach of providing financial incentives to increase the number of diversity promotions (Davidson, 2012). However, it is not an appropriate approach. Providing financial incentives may serve to solve the company's immediate problem by increasing the number of diversity promotions, but it can produce many more problems. For example, there may be a sudden surge of unqualified minority employees being promoted due to the incentives. This could cause retention rates to drop quickly as those unqualified minorities are forced to eventually leave the company for their unsatisfactory performance. The costs of engaging in hiring activities would then increase in order to keep filling the pipeline.

As Watkins (2004) suggests in the article *How Managers Become Leaders*, enterprise leaders should “follow less on solving problems and more on defining which problems the organization should be tackling (Watkins, 2004).” Below, I provide my solution and recommendation that solve the problem and at the same time address issues at a broader scope.

IV. Solution and Recommendation

In my opinion, GlobeBank should not advocate for financial incentives to increase the number of diversity promotions. Financial incentives may provide short-term benefits to the company as minority employees could quickly rise to the executive level; however, in the long run, it is rather harmful to the organizational culture. I suggest that the company adopt the “principle of distributive justice” approach in their decisions to promote employees in order to create a sustainable culture that fosters diversity. “Principle of distributive justice”, as stated by Jones and George (2016) is “a moral principle calling for fair distribution of pay, promotions, and other organizational resources based on meaningful contributions that individuals have made and not personal characteristics over which they have no control.” (Jones & George, 2016, p.136)

For my proposed solution, the company should first and foremost convey to its senior executives and managing directors about the advantage edge of creating a diverse workforce. By developing and communicating a clear vision, a collective vision is shared by everyone in the company which in turns establish an effective organizational culture.

In addition to filling the pipeline with minorities, the company should define a retention approach to keep these employees, specifically an approach to promoting these minorities. The company should also explicitly define its criteria for promotion in general. Promoting people with a consideration of their seniority, for example, may hinder the company's retention agenda.

Thirdly, the company should make sure that the company's diversity agenda is a collective effort and that the governance of diversity is clearly defined. Specifically, if Charles Begley, the managing director of diversity recruiting, is responsible for the company overall diversity strategies, he must expand his control to promotions beyond recruiting.

At all events, Charles is clearly a driving force in pushing the company's diversity reform since he has the CEO's trust. His empathy as a father of a minority child provides him with a "personal", "active" attitude (Zaleznik, 2004) towards diversity. These qualities make him in a great position to take on leadership role in advocating for a different approach.

Last but not least, I emphasize that "execution", a strategic leadership capability prescribed by Hitt et al. (2010) in the article *Strategic Leadership for the 21st Century*, with the spirits of "getting things done" and "getting them done correctly" should serve as a guiding principle in answering to the question of this case study.

Something more to consider: Besides a more ethnically diverse workforce, the company could also consider including other sources of diversity in their recruitment efforts such as age, capabilities/disabilities, sexual orientation, and other characteristics. Managing diversity effectively has immense benefits and can greatly improve organizational effectiveness (Jones & George, 2016, p.126).

References

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