



2008 GREATER CLEVELAND EMPLOYERS SURVEY ON DIVERSITY™

EXECUTIVE SUMMARY

Report administration and analysis were funded in part by a generous grant from



I. Introduction

For the past eight years, the Commission on Economic Inclusion has worked to help ensure that minority businesses and minority workers have the opportunity to participate in the economic prosperity of Northeast Ohio. With a broad-based coalition of 101 Northeast Ohio employers (Commission members), the Commission is led by business leaders who have joined together to implement regional initiatives that address challenges to economic inclusion. The Commission has sought to be a regional catalyst for economic development by creating, supporting, and implementing initiatives that will significantly improve economic inclusion within Northeast Ohio's employer community.

In 2008, the Commission was ably led, for the fifth year, by Christopher M. Connor, chairman and CEO of The Sherwin-Williams Co., and Brian E. Hall, chairman and CEO of Industrial Inventory Solutions LLC. The Commission continues to draw upon the resources of its member organizations to support the work of its committees. A complete listing of 2008 leadership volunteers is included as Appendix A, in Section VIII, Appendices.

The Commission's work is based on the idea that partnerships that lead to the inclusion of minorities in economic activities are vital to the overall economic well-being of Greater Cleveland. In a diverse environment such as Northeast Ohio, economic growth cannot be sustained without the inclusion of minority leaders, a diverse workforce, and the utilization of minority suppliers/vendors.

The Commission's approach is fundamentally simple. We:

- Periodically assess the status of diversity and inclusion efforts within the Northeast Ohio employer community
- Establish benchmarks for improvement
- Encourage member organizations to develop or enhance practices that foster inclusion
- Facilitate the identification of resources
- Measure and report on progress on a regular basis
- Assist minority businesses in developing and securing business deals with Commission member organizations

Assessing the status of diversity and inclusion efforts by Northeast Ohio employers is the first step in the process of economic inclusion. Measurement has been conducted annually, utilizing the Commission's *Greater Cleveland Employers Survey on Diversity*[™], now in its eighth year. The survey has been updated several times, based on participant feedback. The Commission's Membership Impact and Member Products & Services Committees have taken the lead in overseeing the design, distribution, and analysis of the survey. This report presents the 2008 survey findings and makes recommendations for future diversity management and economic inclusion goals and activities.

II. Executive Summary

The Commission has administered its annual *Greater Cleveland Employers Survey on Diversity*™ for eight years. For the second year, the survey incorporates comparative data and best practices provided by *DiversityInc*, a leading national publication and diversityinc.com, a Web site that reports on diversity and inclusion trends, issues, and strategies in the workplace. This data is drawn from their most recent administration numbers for the *DiversityInc Top 50 Companies for Diversity*® survey. This partnership allowed the Commission to add national reference data, including scores related to the four metrics that the Commission survey has monitored since 2001: board diversity, senior management diversity, workforce diversity, and supplier diversity. Data was compared on the actual percentages for each metric and for the presence of related policies and practices within the responding organization. As expected, the majority of the average scores of the companies selected by *DiversityInc* as top 50 performers, exceeded the Commission survey averages, particularly in board, senior management and workforce areas. These scores serve as aspirational targets for Commission members.

This executive summary provides an overview of the 2008 survey results. In reviewing the results, a few general areas represent positive progress from 2007 to 2008. This includes:

1. For the year-to-year group of survey participants, minority representation rose within the organizational leadership. Board minority representation rose from 16.9 to 18.8 percent. Senior management minority representation rose slightly from 11.9 to 12.1 percent.
2. Companies that include diversity management goals and objectives within the business or strategic plan increased from 65 percent to 71 percent of the year-to-year group.
3. Total dollars spent with minority businesses within Northeast Ohio rose for both the year-to-year (from \$133 million to \$ 172 million) and the aggregate groups (from \$181 to \$285 million).
4. The incidence of formal supplier diversity programs rose sharply for the year-to-year group (30 percent to 45 percent).
5. Commission organizations reported a higher percentage of their chief diversity officers reporting directly to the CEO at 31 percent (aggregate group). This is greater than the *DiversityInc* Top 50, which is at 28 percent.

From a historical perspective – looking at the survey results from the survey’s inception in 2001 through the current 2008 survey – there are a few general areas that represent positive progress from 2001 to 2008. These results compare the aggregate groups in 2001 and 2008. Results include:

1. **Minority inclusion on boards** rose from 14 percent to 17.5 percent.
2. **Minorities as a percentage of senior managers** increased from 9 percent to 13.8 percent.

3. **The number of participants reporting and the corresponding spend with minorities** increased. Six organizations reported a negligible amount for 2001, while 59 organizations reported total and/or regional spend in 2008. Total 2008 aggregate minority spend was \$1.24 billion dollars.

All of the aforementioned points represent positive highlights for Northeast Ohio. The remainder of this report covers many more data points and findings. A brief description of the six remaining sections of the report is included below.

Section III. Survey Administration and Methodology

This year, 96 companies (53 for profits and 43 nonprofit) participated in the survey, vs. 101 last year. Although this is a slight decrease, the region still remains committed to inclusion. The 96 companies participating this year represent 177,005 employees in Northeast Ohio. The survey incorporates comparisons on peer-to-peer, industry, and the *Diversity Inc.* Top 50 companies.

The *Employers Survey on Diversity™* is a confidential tool that helps companies assess their commitment to diversity and inclusion. It also allows a company to identify strengths and weaknesses to be addressed in their diversity plan as they embark on organizational change. The Commission uses the survey to drive systemic change, encourage members to adopt best practices, and guide the work of Commission initiatives.

This survey was distributed to Commission members with an expected completion date of April 2009. For the most part, analysis of the data focuses on calculating the averages across the participants. It is important to note that all questions are not completed by all participants, and thus the reported averages are based on the responses to each question. The data is broken down between for profit and nonprofit. The data also is analyzed at the aggregate level, incorporating all 96 participants, and at the year-to-year level, which incorporates 83 companies that participated in the survey for both 2007 and 2008.

Section IV. Context

Each year, the Commission works to add value for our members, by putting some context around the survey results. Last year, we added national benchmarking data from the *Diversity Inc.* Top 50. This year, working with *Diversity Inc.*, in addition to the benchmarking data, we also reviewed results from Columbus, Ohio, and Jacksonville, Florida – cities that have some similarities to Cleveland. This will help to provide yet another perspective on how other cities have dealt with the diversity challenge.

A. Columbus, Ohio

Columbus, Ohio, has been recognized for its impressive downtown-revitalization. In the late 1980s, the downtown area began to decline as businesses began to move to the suburbs. Downtown Columbus had one of the highest building vacancies in the nation. Likewise, employment in the downtown area services industries dropped 30 percent.

Faced with these major challenges, the leadership in Columbus developed a strategic plan, with a focus on four key items:

1. Public/private partnerships that encouraged leading companies to stay committed to the city
2. Job creation that leveraged central location of the city and transportation accessibility (highways and aviation)
3. Workforce diversity efforts that recognized the growth in Hispanic and Somalis immigrants moving to the city
4. Business development efforts that supported the growth of small and minority-owned businesses

As a result of these efforts, large businesses have remained in Columbus, new businesses have moved into Columbus, job opportunities are attracting a younger population, educational institutions are producing a highly educated workforce that is attractive to employers, and the number of small businesses has increased – 14 percent of the businesses are owned by African Americans and 1.3 percent are owned by Latinos versus 4.4 percent and .9 percent respectively for the rest of Ohio.

B. Jacksonville, Florida

Jacksonville, Florida has a strong history of organizations coming together to increase opportunities and inclusiveness. The city has significant CEO commitment to diversity, and the human capital of the larger companies in Jacksonville, mirrors the local demographics. Their workforces are 29.3 percent African American, 4.6 percent Latino, and 6.5 percent Asian. Between 2002 and 2007, more people were moving out than people moving into the city. The city was experiencing “Brain Drain”, as it appeared that more educated individuals were leaving.

To address these challenges, Jacksonville developed a plan of attack that included:

1. A consolidated city government to be more efficient and corporate friendly in public/private partnerships
2. An economic inclusion organization composed of 30 major corporations, which supports the growth of groups that are traditionally underrepresented (this is similar to the Commission on Economic Inclusion)
3. A strategic talent attraction program
4. An investment in workforce and youth development

Consequently, Jacksonville has developed a great quality of life for the residents. New diverse companies are moving to Jacksonville – creating new high-paying jobs, and the per-capita income of the residents has increased 4 percent over the past four years – attracting high-income, skilled workers.

The “compare and contrast” to Cleveland is not totally similar, but there are a few key lessons that might be learned. While many cities have suffered during economic downturns, some have learned how to recover, while others have not. Cleveland appears to have the talent, resources, and leadership commitment to stage a comeback. We have to channel our resources into a focused effort, as have the cities that have recovered.

Section V. Overview of Findings

Each survey section contains several questions related to a particular topic. This overview section examines some the critical questions within each topic. In 2008, there was a pattern of modest changes in minority representation in the five survey areas: organizational leadership; CEO commitment, human capital-workforce; human capital-retention; and supplier diversity. A brief summary of the overview of findings by each survey topic is listed below.

A. Organizational Leadership

Organizational leadership measures inclusion from board and senior management perspectives. Both senior management and board diversity increased from 2007 to 2008. Additionally, in comparing 2007 to 2008, the number of organizations whose boards had a written policy on diversity and inclusion in board membership increased.

B. CEO Commitment

For the second year, the survey included questions on CEO commitment. The focus of this area is to measure the level of CEO commitment to diversity and inclusion. In particular, it seeks to measure:

- CEO leadership role on diversity council(s)
- CEO commitment to and participation in diversity councils
- Compensation tied to diversity goals
- Evidence of diversity metrics
- Supplier diversity goals
- Appointment of a Chief Diversity Officer

Overall, the survey results indicate that the scores for the aggregate group of respondents on this item, representing 96 companies, lagged significantly when compared to the *DiversityInc* Top 50.

C. Human Capital - Workforce and New Hires

The goal in this area is to measure inclusion around workforce and new hires. The focus is to understand the composition of the workforce and new hires as they relate to minorities. Between 2007 and 2008, the percentage of minorities in the workforce, for the year-to-year group rose by a percentage point (23 percent in 2007 and 24 percent in 2008). For the *DiversityInc* Top 50, minorities in the workforce equaled 32.8 percent. Among Commission survey participants; there was a slight decrease for minorities, dropping from 28 percent to 27 percent as a percentage of new hires. One other important element is having a written policy for recruitment of minorities, and 62 percent of respondents reported having such a policy in both 2007 and 2008.

D. Human Capital - Retention

Within this area, the goal is to measure inclusion around retention. The focus is to understand the level of retention in the workforce and on the management team. It is particularly important to compare retention of whites versus minorities. Interestingly, for the aggregate group for total workforce retention and in Northeast Ohio workforce retention, white employees were at the lower end of the range of averages for racial and ethnic groups. For the total workforce group, whites averaged 77 percent retention, and minority groups ranged from 78 percent to 87 percent. For Northeast Ohio workforce retention, whites averaged 78 percent as did African Americans, while other minorities ranged up to 88 percent. Another way of looking at retention, is to understand management representation and promotions, comparing whites to minorities. As with workforce retention, white managers' retention fell at the lower end of the racial group year-to-year comparison – both for total management retention (whites 75 percent, minorities 77 percent to 89 percent) and in Northeast Ohio, (whites 74%, minorities 77 percent to 90 percent)

E. Corporate Practices

The focus of this area is to measure the level of commitment to employee resource groups and diversity training:

- CEO leadership role in diversity council(s); and
- CEO commitment and participation in diversity councils.

The Commission survey respondents had mixed results in this area. The overall year-to-year group fell from 44 percent to 42 percent in those having official employee resource groups. For profits increased from 39 percent to 41 percent in the year-to-year comparison, while nonprofits dropped from 50 percent to 42 percent. An increase from 77 percent to 84 percent was reported in funding for such resource groups by the overall survey participants, compared to 88 percent of the *DiversityInc* Top 50 group.

F. Supplier Diversity

Supplier diversity is the area that measures procurement dollars spent with Minority Business Enterprises (MBEs). In analyzing 2008, the results were mixed with a decline in the percentage of total procurement with minority-owned businesses (from 5.2 percent to 4.6 percent for the year-to-year group). This compares to 5.4 percent for *DiversityInc* Top 50. The Commission's year-to-year group increased its regional spend with minority companies from 9.4 percent to 11.1 percent of its overall spend in Northeast Ohio.

- Total procurement spent with MBEs reported by the aggregate group declined by \$1 billion (\$2.4 b. to \$1.24 b.) This likely can be explained, in large part, by the absence of data from one large local company that typically reports minority spend in this range. At the regional level, the aggregate group of respondents spent \$285 million with minority-owned companies, compared with \$181 million for the 2007 aggregate group.

Section VI. Survey Item Responses

The detailed responses to all of the survey questions are documented in this section, which provides both a year-to-year comparison of the 2007 and 2008 responses from the 83 organizations that participated in both years, and results for the 96 organizations that participated in 2008.

Section VII. Conclusion and Next Steps

In reviewing the 2008 survey, the results are mixed. There are positive signs of progress from the historical perspective of the survey. Over the eight-year history of the survey, in comparing 2001 to 2008 results, there is no doubt that the region is much better off today compared to 2001. We have many more survey participants, higher levels of board representation, and higher levels of senior management representation in organizations across the region. Additionally, significantly more data is available on supplier diversity and on expenditures with minority owned companies, and many more organizations are focusing on increasing spend in that area.

Going forward, the challenge is to avoid becoming complacent and, more importantly, not go backwards. The Commission is working closely with our Commission members to identify, recommend, support, and drive positive results around economic inclusion. In addition, the Commission has established three-year goals, 2008-2010, to drive and monitor change. There is opportunity to do much more, and the Commission is uniquely positioned, as a program of the Greater Cleveland Partnership, to help integrate economic inclusion into the region's overall economic development agenda.

Section VIII. Appendices.

This section contains the appendices for the report, including a list of survey participants, the Commission's Advisory Board and committee volunteers.