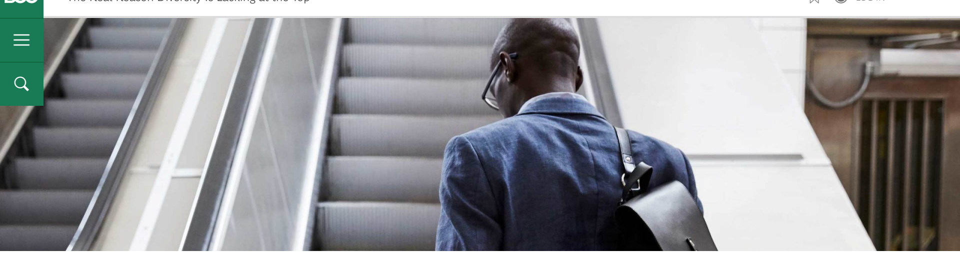

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The Real Reason Diversity Is Lacking at the Top

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It's a persistent myth: if a company recruits enough employees from underrepresented racial and ethnic groups, a sufficient number will, over time, rise through the organization to create a diverse culture at all levels. But that is not happening. Although efforts to recruit employees from racially and ethnically diverse backgrounds have become more effective, in many industries, these individuals, particularly Black and Latinx employees, are not advancing as successfully as their white counterparts.

To understand why, we took an in-depth look at our own industry: management consulting. The study, conducted in partnership with Management Leadership for Tomorrow (MLT), looked across the management consulting industry to understand why consultants fall off the promotion track, and we found five root causes that impact all consultants, regardless of their backgrounds. Of those five, two causes—a weak sense of belonging and difficulty navigating professional environments—are particularly challenging for consultants from underrepresented racial and ethnic groups.

Unfortunately, these root causes are often underappreciated barriers to diversity. Efforts to increase diversity typically focus on improving recruitment and on supporting the development of consultants from underrepresented racial and ethnic groups with training and skill-building opportunities. But none of these efforts, nor firms' performance management systems, address the most significant obstacles that are blocking advancement and retention.

> Efforts to increase diversity don't address the most significant obstacles to advancement.

The result for many companies is a frustrating cycle in which significant energy is continuously expended on activities that do not have an impact. Ultimately, confidence erodes that the problem can be solved.

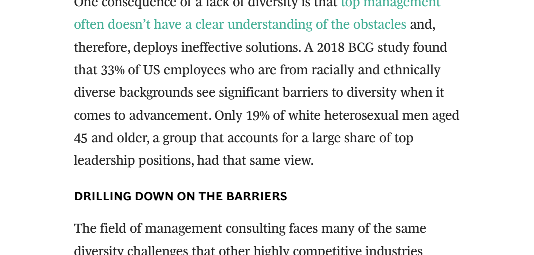
We have identified actions that can break this cycle—ways that companies can address the root causes of low promotion rates among employees from underrepresented racial and ethnic groups. And while our study focused on management consulting, the lessons learned are also relevant for other industries, including banking and technology, that have faced challenges in creating diversity and inclusion in the leadership ranks.

THE POWER OF DIVERSITY

The renewed focus on racial inequity, particularly in the US, has reinforced the commitment among many business leaders to promote diversity in the workplace. But there is also a practical reason for companies to support greater diversity: it improves financial performance. In a 2018 study, BCG found that companies with management teams with above-average diversity reported higher innovation revenue. For those companies, sales from products or services launched within the past three years was 19 percentage points above that of companies with below-average leadership diversity.

Unfortunately, statistics show that business leadership is not growing more diverse, especially at the most senior levels; rather, the percentages of leaders from underrepresented racial and ethnic groups have hardly changed. In 2018, for example, Black managers represented only 3.3% of senior management in the US, down slightly from 3.6% in 2007. Interestingly, the percentage of Black midlevel managers in the US has been higher than the percentage of Black senior managers, but it increased only slightly, from 7.3% in 2007 to 7.5% in 2018. (See Exhibit 1.)

EXHIBIT 1 | Business Leadership in the US Is Not Growing More Diverse



Source: U.S. Equal Employment Opportunity Commission.

This data suggests not only that the percentage of Black leaders has stagnated but also that Black professionals are plateauing in middle management and not rising to the most senior ranks. Some industries are particularly lacking in diversity at the top: Black executives hold only 3% of senior management positions in finance and insurance and 2% in the IT industry.

One consequence of a lack of diversity is that top management often doesn't have a clear understanding of the obstacles and, therefore, deploys ineffective solutions. A 2018 BCG study found that 33% of US employees who are from racially and ethnically diverse backgrounds see significant barriers to diversity when it comes to advancement. Only 19% of white heterosexual men aged 45 and older, a group that accounts for a large share of top leadership positions, had that same view.

DRILLING DOWN ON THE BARRIERS

The field of management consulting faces many of the same diversity challenges that other highly competitive industries confront. Although there has been a concerted effort to improve diversity through recruitment as the industry has grown, our interviews found a consensus that the number of partners from underrepresented racial and ethnic groups has not grown in proportion to the number of employees.

Given that the first promotion is particularly critical, often signaling whether an individual has the skills to rise in the organization, we focused on identifying the challenges that have impeded the early progress of consultants from racially and ethnically diverse backgrounds. (See "Putting Consulting Under the Microscope.")

PUTTING CONSULTING UNDER THE MICROSCOPE +

Eight Limiting Challenges. An obvious question is whether the advancement gap can be explained by differences in the levels of skills and expertise among individuals when they are hired. To address this, we took a look at the key metrics for students graduating from the top 20 MBA programs in the US in 2019. We compared the qualifications with those of business school graduates who earned their MBAs in 2015, 2016, and 2017, participated in MLT's Professional Development program for underrepresented groups, and then were hired by top consulting firms. The two groups served as proxies for our analysis: the former reflects typical entry-level consultants at top-tier firms, and the latter represents new consulting hires from underrepresented racial and ethnic groups.

The result? The profiles for the two groups are similar: when hired, those from racially and ethnically diverse backgrounds had achieved the same level of academic excellence and had comparable work experience as those from the top 20 MBA programs that generally make up the universe of new recruits. (See Exhibit 2.)

EXHIBIT 2 | The Typical Profiles of Entry-Level Consultants

		Graduates of the top 20 MBA programs, 2019[1]	Graduates of MBA programs who participated in the MLT program, 2015–2017[2]
Academic background	Undergraduate major	38% Business or economics 30% Science, technology, engineering, and mathematics 31% Social sciences or humanities	44% Business or economics 29% Science, technology, engineering, and mathematics 27% Social sciences or humanities
	Undergraduate GPA	3.17–3.86 (mid-80%[3])	3.00–3.80 (mid-80%[4])
	MBA program	100% Top 20 programs	90% Fellows in one of the top 15 MBA programs
	Score on GMAT	663–755 (mid-80%[5])	630–740 (mid-80%)
Prior work experience	Industries	44% Consulting or finance 12% Military, nonprofit, and government 44% Other	47% Consulting or finance 17% Military, nonprofit, and government 36% Other

Source: BCG analysis.
Note: MLT = Management Leadership for Tomorrow; GPA = grade point average; GMAT = graduate management admission test.
[1]Class of 2019: Columbia Business School; Duke University's Fuqua School of Business; Emory University's Goizueta Business School; Haas School of Business, University of California, Berkeley; Harvard Business School; Kellogg School of Management Northwestern University; McCombs School of Business, The University of Texas at Austin; MIT Sloan School of Management; New York University Leonard N. Stern School of Business; Samuel Curtis Johnson Graduate School of Management; Stanford Graduate School of Business; Stephen M. Ross School of Business, University of Michigan; Tepper School of Business, Carnegie Mellon University; Tuck School of Business at Dartmouth; UCLA Anderson School of Management; UNC Kenan-Flagler Business School; The University of Chicago Booth School of Business; UVA Darden School of Business; The Wharton School, The University of Pennsylvania; and Yale School of Management.
[2]MLT data; n = 75.
[3]Based on schools reporting the range for the middle 80% of the population: Duke University's Fuqua School of Business, New York University Leonard N. Stern School of Business, and Yale School of Management.
[4]Data isn't limited to 2015–2017; because of incomplete grade-point-average data on MLT's alumni, we incorporated all years for MLT alumni in consulting (n = 291).
[5]Based on schools reporting the range for the middle 80% of the population: Duke University's Fuqua School of Business; New York University Leonard N. Stern School of Business; Stephen M. Ross School of Business, University of Michigan; UCLA Anderson School of Management; UNC Kenan-Flagler Business School; and Yale School of Management.

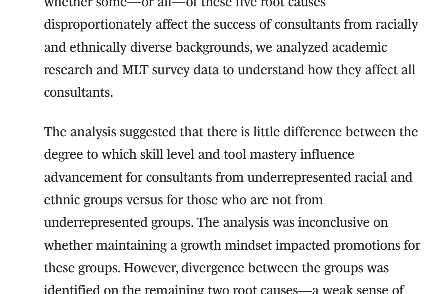
So, if the starting points are the same, why are consultants from underrepresented racial and ethnic groups less successful at landing promotions? From our interviews with managers, we found that all consultants are sliding off the promotion track if they are unable to meet one or more of the following eight observable challenges:

- Demonstrate analytical or problem-solving skills
- Drive work independently, rather than wait for direction
- Assert their own position in a case team environment
- Ask for actionable feedback
- Fully address feedback in a timely manner
- Request help, rather than wait until it's too late
- Attract the support of an advocate or a sponsor, or both, for career progression
- Have mentors who are willing to invest in their apprenticeship

To understand the dynamics behind these challenges, we performed a root cause analysis until we zeroed in on five root causes that drive all eight challenges. (See Exhibit 3.)

- A weak sense of belonging
- Difficulty navigating professional environments
- The lack of a growth mindset toward development potential
- A subpar consulting skill set
- Poor mastery of consulting tools

EXHIBIT 3 | Five Root Causes Fuel Eight Challenges, Which Explains Why Some Consultants Are Not Promoted



Source: BCG and MLT analysis.
[1]A sense of belonging includes feeling socially connected, supported, and respected, as well as feeling appreciated as an individual (rather than being stereotyped), confident in one's value proposition to others, and capable of advancing to the next level.
[2]Navigating a professional environment includes adapting to a firm's culture and norms, power structures, internal politics, and expectations for promotion.
[3]A growth mindset toward development potential includes believing that hard work leads to improvement, that intelligence is expandable, and that adversity can be overcome.
[4]A consulting skill set includes expertise to solve problems, derive second-order insights, produce client-ready materials, own the answer, communicate clearly, and form client relationships.
[5]Consulting tools include Microsoft Excel, Microsoft PowerPoint, and data analysis and visualization programs.

The Disproportionate Impact of Two Causes. To understand whether some—or all—of these five root causes disproportionately affect the success of consultants from racially and ethnically diverse backgrounds, we analyzed academic research and MLT survey data to understand how they affect all consultants.

The analysis suggested that there is little difference between the degree to which skill level and tool mastery influence advancement for consultants from underrepresented racial and ethnic groups versus for those who are not from underrepresented groups. The analysis was inconclusive on whether maintaining a growth mindset impacted promotions for these groups. However, divergence between the groups was identified on the remaining two root causes—a weak sense of belonging and difficulty navigating professional environments.

Consider the issues around a weak sense of belonging. A robust body of academic research suggests that feeling socially connected, supported, and appreciated as an individual is essential to perform well.[1] However, 45% of survey respondents from underrepresented racial and ethnic groups reported feeling a weak sense of belonging at their respective firms, a result that is consistent with findings across other professional and academic settings. That feeling can erode individuals' confidence in their value to their organization and their ability to advance to the next level.

The research also shows that a weak sense of belonging is a greater barrier to success in highly challenging and demanding environments, such as a consulting firm. A study by Stanford University professors Greg Walton and Geoffrey Cohen examined experiences at colleges and universities, casting a spotlight on this barrier.

> A weak sense of belonging is a barrier to success in highly challenging and demanding environments.

Specifically, the study found that Black students were likely to interpret challenges and adversity as signals that they didn't belong in that environment. As a result, their sense of belonging declined as adversity increased. However, white students didn't have the same reaction; their sense of belonging was unaffected by the daily challenges. Importantly, this study also showed that well-designed programs can help Black students maintain their sense of belonging, improving their academic performance and their ability to make connections in the college community.

Similarly, consultants from racially and ethnically diverse backgrounds disproportionally struggle with navigating the professional environment created by their firms. Our work uncovered two contributing factors to this root cause:

- First, a wealth of research finds that employees from underrepresented racial and ethnic groups find it more challenging to create networks that support their professional growth.[2]
- Second, these professionals are more likely to be first-generation college graduates than their peers. Consequently, they have less exposure to the unspoken and unwritten rules that impact career trajectory, including how to build relationships that will advance their career and how to promote themselves.

The disparity among first-generation graduates exists at the top universities where many consulting firms recruit. For example, in 2019, 27% of Harvard University's students from underrepresented racial and ethnic groups were the first in their family to attend college, compared with 13% of students from other backgrounds.

In many industries, consulting included, there are tremendous advantages to skillfully navigating the organization. It can lead to higher-quality feedback, better assignments, access to more-effective managers, and greater support for professional opportunities, such as graduate school sponsorship.

Currently, the consulting industry does not appear to be aggressively tackling the root causes of weak promotion and retention rates for employees from underrepresented racial and ethnic groups. When consultants from diverse backgrounds were asked about support mechanisms that were already in place across the consulting ecosystem (which includes MLT and similar organizations, academic programs, and firms), respondents cited assistance in developing consulting skills and mastering tools—essentially the hard skills—as the most available. Specifically, training programs on Microsoft Excel, basic modeling, and slide writing are offered throughout the ecosystem. However, companies do not invest as much effort and resources into building a culture that creates a sense of belonging or into helping consultants learn how to navigate the professional environment. The consultants surveyed noted that they tend to rely on the network aspect of MLT and their firm's affinity groups to provide a sense of belonging and guidance on navigating their firm.

ACTIONS TO PROMOTE ADVANCEMENT AND RETENTION

Consulting firms and other companies in industries with similar diversity challenges should take a comprehensive approach to supporting the advancement and promotion of employees from underrepresented racial and minority groups. Such efforts must do more than improve recruitment and support the development of new skills and expertise.

To move the needle, employers should take aim at the root causes that limit the advancement of all employees, tailoring assistance and support to the specific background and starting point of the employee. At the same time, companies need to pay particular attention to the two root causes that disproportionately hinder employees from racially and ethnically diverse backgrounds.

We recommend five actions:

- **Improve employees' sense of belonging.** Although belonging is a complex topic because it means different things to different people, there are proven approaches to improving and encouraging a sense of belonging. These include helping employees from underrepresented racial and ethnic groups to build a robust support network and to interpret daily challenges as common and surmountable. Creating an inclusive work environment—one in which employees feel valued, respected as individuals, and free from bias and prejudice—is also critical to encouraging a sense of belonging. An important institutional lever to advance belonging in an organization is proximity training for white managers. This approach grounds those managers in the realities of how employees from racially and ethnically diverse backgrounds experience the organization differently, even if they attended the same schools and worked previously in the same organizations.
- **Support employees in navigating the professional environment.** According to the academic research and our own findings, improving outcomes for employees from racially and ethnically diverse backgrounds will require programs that enhance their networking abilities and make them comfortable navigating the professional environment. Improving outcomes will also require structures and processes that promote equity. For example, companies with staffing processes that are heavily reliant on networking should develop structured approaches that ensure employees from underrepresented racial and ethnic groups are staffed on marquee client teams (which are often led by the highest-performing managers) as frequently as their white peers. Companies also should do more than formalize sponsorship and mentoring programs for employees from underrepresented racial and ethnic groups; companies should provide the kind of professional, safe-place coaching that is normally reserved for senior executives during crucial transitions. Such coaching should take place during the first year at the firm (when a high-performer narrative is established) and the year before the promotion window (to clarify the requirements for advancement and the decision-making process).

> Improving outcomes will require programs that enhance networking abilities and structures and processes that promote equity.

- **Instill a growth mindset.** During entry-level training programs, companies should highlight the processes and best practices for giving and receiving feedback. They should also coach managers on how to provide constructive feedback that highlights areas of strengths, frames areas for development as both common and manageable, and outlines tactical actions for addressing those areas for development. In addition, companies should highlight and reward managers who excel at developing talent within their teams, while coaching managers who are less adept in this area and helping them improve.
- **Help employees enhance their skills.** Companies must

ensure that managers are clearly modeling what good performance looks like. In addition, entry-level training programs should include guidance on how to structure one's work, how to team with clients, and how to communicate effectively.

- **Enable recruits to master tools.** Companies should support employees in excelling in the use of critical tools, such as Microsoft Excel and data analysis and visualization tools. Such support could include developing on-demand online-learning modules so employees can access training programs when it is convenient.

In addition to these steps, companies need to ensure that they have sufficient internal capacity to tackle these issues. They must have the right leadership and talent within the organization to set a strategy for addressing the root causes of diversity challenges and for rigorously measuring the outcomes. Then human resources must support line managers with the resources, expertise, and capacity to execute, and it must hold them accountable for progress. It isn't realistic to ask line managers to figure out how to implement the strategy and measure outcomes using only a small percentage of their time.

Our research on the consulting industry has implications for a variety of highly competitive industries where diversity gains at the top remain elusive. Although recruitment remains a crucial way to improve diversity and inclusion, filling the pipeline with more highly qualified employees from diverse backgrounds won't solve the problem.

Companies must instead focus on why they are not able to retain and promote many bright employees from underrepresented racial and ethnic groups. Certainly, academic institutions and outside programs, such as the one offered by MLT, can help ensure that people from diverse backgrounds are as prepared as possible for a demanding and intense professional environment. But if companies don't dig in to understand what is blocking the success of those individuals, their efforts to create diverse and inclusive workplaces will come up woefully short.

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