

CORPORATE SOCIAL RESPONSIBILITY

## DEI at the Top

by Angela Vallot and Mitchell Karp



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### *What it Will Take to Accelerate Progress for Black Professionals at Elite Organizations*

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The last two years have seen an unprecedented boom in business pledges to diversity, inclusion, and equity — especially for Black employees since the 2020 murder of George Floyd. Some companies appear to be meeting their commitments. LinkedIn's Black

workforce **increased more than 50% last year**. At Facebook parent Meta, the percentage of Blacks in U.S. leadership jobs **doubled between 2018 and 2022** (to 4.9%). In 2022, the percentage of Microsoft's Black employees (6.6% of its U.S. workforce) **rose faster** than in any year since 2017.

But the picture is not as rosy in America's elite organizations — providers of high-priced knowledge and financing and known for putting pedigree on a pedestal. They include prestigious professional services firms (law, consulting, financial, accounting, tax, and other expertise), as well as private equity, investment banking, asset management and venture capital firms. In these organizations, there's a dearth of Black professionals, especially at the most senior levels. **Just 2.2%** of partners at U.S. law firms and a paltry **3% of investment partners** at U.S. venture capital firms are Black. Only **1%** of managing directors of 24 U.S. and Canadian PE firms are Black. And Blacks make up a scant 1% to 2% of PE companies' investment deal **teams**.

Beyond the image problems and moral dilemmas these statistics pose for elite firms, research shows they may also be harmful to their financial performance. Companies across industries with above-average racial diversity in leadership (including Blacks) generate **more revenue from innovation and are more profitable**, according to Boston Consulting Group. And McKinsey's ongoing DEI research shows companies with greater racial, ethnic and gender diversity are more likely to have **superior financial performance** in their sectors.

What will it take for a much higher number of Blacks to enter and crack the top echelons of elite firms? From our research, discussions with managing partners and CEOs of elite firms that have made strong progress in promoting Black talent, and our consulting firm's 20 years of experience, we know much more can be done. But it must be done systematically, starting from the top, and be an ongoing priority, meaning not a one-time initiative. Perhaps most of all, firm leaders are more likely to be DEI champions when they see the economic opportunity at hand, rather than act out of fear about their public image or in response to employee and client discontent.

In this article, we lay out five elements that have significantly increased Black demographics at more than a dozen elite organizations.<sup>1</sup> But before we dive into them, it helps to understand three beliefs that many people in these organizations held before they could move their DEI initiatives in a more fruitful direction.

## Beliefs That Block Progress

The first belief is about the value of pedigree. In elite organizations, especially top-tier professional services firms and financial institutions, many long-held recruiting practices emphasize academic or social credentials — credentials that lead to a high degree of White homogeneity. By recruiting primarily or exclusively at elite colleges, these firms overlook many talented individuals who are similarly capable. Take the U.S. legal industry. **In a study** of 14 randomly selected U.S. law firms among the 250 largest ones, only 48% of 1,833 partners attended a top-10 law school, and only 26% graduated with honors. There is little correlation between where they attended college or law school and professional success.

The meritocracy myth constitutes the second belief: that the most talented and hardest-working professionals will rise to the top. These firms can be blind to the advantages White professionals often enjoy in forming relationships with powerful partners and having informal mentors as career advocates. These relationships can help new employees understand the unwritten rules of success and buffer the fallout from mistakes. Many years ago, we interviewed an Orthodox Jewish partner at a big professional services firm, who insisted the firm was a meritocracy. During the interview, he talked about a second-year female associate (also an Orthodox Jew) who was underperforming. He sought her out, provided constructive feedback and coaching, and helped raise her standing. When we asked whether he would have done the same if the associate had come from a different background, he quickly answered, “Of course not.” Did this change his thinking about meritocracy? He acknowledged this was an “aha moment.”

The third misconception is that diversity results in lower standards. We come across this frequently in one-to-one meetings with firm partners. Many express concerns that promoting diversity would force them to reduce their intellectual standards for job

candidates. Such bias has been confirmed in research, too. A **2014 study** of 53 partners at 22 law firms found that when they were given a fictitious memo riddled with grammatical, technical, and factual errors, those who were told it was written by a Black attorney found twice as many errors than those who were told it was written by a White attorney.

To overcome these barriers, leaders of elite firms must first acknowledge that these often unconscious, yet deeply embedded beliefs exist. When they do, it is much easier to adopt five practices that have helped many elite organizations hire and promote a greater number of Black employees.

## Five Paths to Inclusiveness

The firms we talked to or studied include big law firms such as Akin Gump, Dentons, Greenberg Traurig, McGuireWoods, Paul Weiss, and Skadden Arps; large private equity firms such as Vista Equity Partners; major consultancies such as Deloitte and Accenture; and large architecture firms (i.e., Perkins & Will).<sup>2</sup>

Analyzing their collective experiences, we see five ways to make elite organizations more inclusive for Black professionals.

### **1. Articulate a powerful case about the business benefits – not just the moral imperative – of increasing Black demographics.**

The deaths of George Floyd and other Blacks in the U.S. over the last decade unleashed a wave of soul-searching in corporate halls. And while these killings accelerated many DEI programs, they haven't been enough to move the needle. The firms that we know with the greatest progress also have made a direct connection between increasing Black representation and business growth.

Their leaders took the time to learn about the obstacles overcome by Blacks who hold big jobs at elite firms. And they familiarize themselves with the stories of Blacks who left such firms to build their own successful organizations: Robert Smith who exited Goldman Sachs in 2000 to launch private equity firm Vista Equity Partners, which now has \$95 billion in assets under management; John Rogers Jr., who resigned from William Blair & Company in

1983 to launch Ariel Investments, whose mutual funds control \$18 billion in assets; and Tracy Maitland, who departed Merrill Lynch in 1995 as global head of sales for convertible bonds to start Advent Capital, which manages more than \$9 billion in investments.

Jéan Wilson, managing shareholder of the Orlando office of global law firm Greenberg Traurig LLP, tried to convince leadership at a largely White law firm where he worked previously that public finance for municipalities (where many decision makers were Black) could be a lucrative legal practice. The senior lawyers at his previous law firm discouraged him. “They said this type of work was too sophisticated for Black lawyers,” he told us. Wilson proved them wrong, building a large practice in his current firm’s Orlando and Atlanta offices.

A common thread in these stories: They saw opportunities their White colleagues hadn’t seen. For Wilson, it was that public finance for municipalities was a growth area. For Smith of Vista Equity, it was that enterprise software vendors could be lucrative acquisitions for PE companies. Rogers’ innovation 40 years ago at Ariel was discovering undervalued but fast-growing small companies. All three were unconventional notions at the time.

They are just more living proof of how lucrative it can be to bring a diversity of life experiences into elite firms.

## **2. Rigorously assess demographics and the inclusivity of firm culture.**

Successful firms begin by measuring exactly how diverse they are – especially by race and gender – at all levels. They also scrutinize their hiring, staffing, professional development, mentoring and promotion processes. While some of this data can be gathered through online surveys, it’s important to not stop there and conduct focus group and one-on-one interviews. If you don’t get qualitative data, you are not likely to get candor (which is more likely with one-on-ones) and a deeper understanding of how identity affects day-to-day interactions and decisions.

Asking employees about how they are staffed on work can be revealing. Do they get stretch assignments? Are they put on big projects? Do they get the chance to pitch work to clients? Questioning them about mentoring is vital. Do they get real-time feedback on their performance? Do they feel their assigned mentor is truly looking out for them?

We worked with one law firm to understand utilization rates by race and gender across practices. When the general counsel presented the data at an internal DEI workshop, the numbers revealed how even well-meaning partners and senior attorneys unconsciously let their assumptions about competency, trust, and collegial comfort influence staffing assignments.

Successful firms work hard to uncover how Black professionals and staff members view their business culture. This has been critical to the progress made at multinational law firm Akin Gump Strauss Hauer & Feld LLP. In 2020 after George Floyd's murder, chairperson Kim Koopersmith and other leaders held open forums with attorney affinity groups to understand how Black associates experienced the firm. "It sent an important signal that we're looking at the actual experience of working here, how assignments are handed out, how we're developing associates, and how we're viewing partner engagement and commitment to diversity and inclusion," she says. Today, Blacks comprise 5% of partners at Akin Gump — more than twice the average for big U.S. law firms.

### **3. Embed DEI into the firm's strategy, operations and culture.**

Elite firms that have made substantial progress in increasing Black representation convened a diverse group of employees to develop an action plan. Things go better when there is a person whose full-time role is DEI. But these plans must also be led by the managing partner, managing director, or CEO. If the head of DEI is the only person devising and driving the plan, efforts often stall.

Creating broad responsibility for diversity has been a lynchpin of multinational law firm Skadden Arps, Slate, Meagher & Flom. The firm has one of the highest representations of Black attorneys among big law firms and has doubled the number of attorneys of color who made partner, according to executive partner Eric Friedman. After George Floyd's death, four senior leaders created a working group focused on recruiting, developing, and supporting Black talent. The group — which included senior management, practice leaders, associates, and attorneys from its Black lawyers affinity group — set common objectives to improve the work environment, and develop and advance Black attorneys and staff.

To be effective, such goals need to be actionable, measurable, and attainable. For example, set percentage increases in candidate pools, offers made and accepted, promotions, and other concrete metrics.

Recruiting at non-traditional places is also crucial. At Paul, Weiss, Rifkind, Wharton & Garrison LLP, a major law firm, Brad Karp, chairman and managing partner, has pushed the firm to widen its recruiting beyond the top law schools. “You have to go to law schools outside the mainstream and broaden your horizons.” he told us. “That’s where the diverse talent is. I am a big believer that students at the top of their law school class proved that they know how to succeed in a competitive environment.”

Mentorships and sponsors are essential parts of any DEI plan. In 2020, Dentons, the world’s largest global law firm by number of employees, implemented two aggressive DEI programs in the U.S. One pairs sponsors (partners) and sponsees (counsel and/or associates) to work on professional development and client development. The other matches members of the firm’s U.S. board with people of color and other associates from other under-represented groups for career development. With strong leadership support, the programs have quickly gained traction, according to Dentons U.S. CEO Sonia Martin. Two-thirds of participants in the sponsorship program have been promoted to equity partners.

Successful firms also create a culture of inclusion, not just diversity. They do so by orchestrating one-to-one, small-group, and firm-wide social interactions that connect people across race, tenure, and level. Dentons launched an “allyship” program in which employees across U.S. offices meet monthly in virtual groups of up to 10 people. One session focused on overcoming challenges associated with “covering” – downplaying one’s identity to fit in.

#### **4. Create individual accountability.**

Big changes in recruiting and promotion of Black professionals happen only when firm leaders are held accountable.

Law firm Paul Weiss has monitored and measured partners on whether they are helping the firm reach its DEI goals. Important metrics such as the diversity of client teams managed by partners have improved significantly, says Karp.

At McGuireWoods LLP, a large international law firm based in Richmond, Va., its 10-year-old Diversity Action Council meets monthly to assess progress on diversity goals. Each department head must also discuss the status of their pipeline of future partners, and the numbers affect their own performance reviews. Some 5% of the firm's 400 partners are Black — more than twice the industry average. And its leader, Jonathan Harmon, in 2017 became the first Black chairman in its 188-year history.

Since 2019, Vista Equity Partners has tied executive compensation to performance on DEI goals. The firm also accelerates vesting of compensation for senior leaders who demonstrate progress on several DEI fronts. Vista has also developed a Conscious Inclusion program where every employee is rated by peers and direct reports on how well they foster a culture of inclusion. Those with low scores get additional training and/or coaching.

## **5. Monitor progress and make adjustments.**

The best firms at developing Black professionals continually track progress on diversity goals such as recruitment, attrition, promotion, and utilization rates, as well as the number of Black professionals across the firm. When they see troubling signs, they move quickly to course correct.

Nearly four years ago, Paul, Weiss instituted an annual review that asks each partner to explain how they improved DEI during the previous 12 months. “It is something they think about every day as they do their jobs because they know at the end of the year they’re going to have to justify and lay out what they’ve accomplished on the DEI front,” Karp explained to us. “It’s had an enormous impact.” These and other measures have increased lateral recruitment of people of color.



# Learning from History

These actions show that progress can be made if elite firms work intentionally, from the top-down, to make racial diversity a business imperative. To be sure, it isn't the first time elite firms have had to overcome antiquated views about hiring and promotion.

Decades ago, Jewish and Roman Catholic lawyers **faced similar discrimination** at New York City's big law firms. Skadden was launched in the 1940s by three lawyers who felt they would be shut out of top leadership levels at the traditional "white shoe" law firms of the day.

We'll know elite firms are succeeding when their percentage of Black professionals at the top is similar to the ratio at entry level.

## Notes

1. We realize that other racial groups at elite firms also experience bias and many of the recommendations offered here are applicable to helping those groups overcome challenges.
2. Greenberg Traurig, Paul Weiss, Skadden, Akin and Vista are past clients. Neither Dentons nor McGuireWoods are currently clients.



Angela Vallot [Follow](#)

Angela is a nationally recognized consultant, lawyer, & adviser on diversity, equity and inclusion (DEI) issues. She has been a DEI advisor for more than 30 years, serving first as Chief Diversity Officer for two major corporations (Texaco and Colgate Palmolive) and then as co-founder of VallotKarp Consulting.



Mitchell Karp [Follow](#)

Mitchell has 25-plus years of experience as an organizational development consultant, trainer, facilitator and executive coach. Mitchell holds a B.S. in Industrial and Labor Relations from Cornell University, a J.D. from Rutgers Law School, and a Masters of Organization Development from American University.