



THE FOUR DEI PITFALLS OF STARTUPS

Dr. Ella F. Washington

Awareness is the first stage of a necessary journey.

A person's or a company's progress on the necessary diversity, equity, and inclusion journey occurs in five stages. The first stage, awareness, describes organizations that are just beginning to understand the necessity of intentional DEI efforts. While you might wonder how any company today could be just coming to this conclusion, I have seen, before and after the events of 2020, countless organizations that are just entering the awareness stage and are standing at the very beginning of their journey.

Companies at the awareness stage have generally fallen into two camps. One group is the older, successful company that has never needed to prioritize DEI. For example, I worked with a hundred-year-old family-owned business in the Midwest. It had prided itself on being run by family values, and it struggled greatly to change its culture when a new CEO who was passionate about DEI joined in the mid-2010s. During initial conversations with the executive team, the new leader found that the most common thought on DEI was along the lines of, "I am not sure why we really need this; people love working here. If there were a problem, we would know." The organization did have an impressively low rate of attrition, which did suggest that employees valued working there. However, focus groups with employees and a cultural climate survey revealed issues the leaders never knew were present. The culture was rife with exclusionary practices, and leaders had no idea how to talk about topics such as gender and racial stereotypes that often surfaced on teams and interfered with employees' ability to get work done.

Ignorance is not bliss when it comes to DEI, and companies that have failed to openly discuss the need for DEI almost always have internal employee implications, even if the employees have been quiet about those challenges in the past.

The second type of company at the awareness stage is the startup so focused on survival that it neglects to create strong human capital practices, including DEI practices. Startup companies are often founded by a single entrepreneur or a few founders who come together to bring a business vision to life. The phrase *startup culture* is used to describe highly mission-oriented places where people wear many hats, have autonomy, and are encouraged to share their most creative ideas. Startup culture rejects layers of bureaucracy, rigid processes, slow decision making, and lack of employee voice. And still, these companies often whiff on DEI, because of a lack of role clarity, including who is responsible for the human capital work. Startup founders often think their mission is the same thing as their culture, and while the two inform each other, culture must be deliberately built in to be sustainable. I have seen many startups realize they are only at the DEI awareness stage because they did not focus on it from the beginning even with the best intentions from founders to create a workplace people want to be. Even companies with philanthropic and community-serving missions still have to be intentional about their internal DEI efforts.

Ignorance is not bliss when it comes to DEI.

Under founder Fawn Weaver's leadership, the whiskey maker Uncle Nearest learned from the mistakes of previous startups and largely avoided what I consider the four major DEI pitfalls that startup companies face. The company has intentionally tried to avoid these DEI missteps by fostering diversity of thought in potential candidates, even before they start working there.

LACK OF CULTURAL CLARITY

Weaver was crystal clear on the organizational culture and values she wanted Uncle Nearest to operate by, and her determination shows. When you visit the Uncle Nearest website to inquire about job opportunities, a statement immediately grabs your attention:

Prior to submitting your resume, however, please review our guiding principles. Every Uncle Nearest team member keeps the following as our company's north star, and that is an expectation our founders have of every person who joins this remarkable group of individuals.

Our guiding principles are:

- 1. We do it with excellence or we don't do it at all***
- 2. Every day, we pound the rock***
- 3. We accept each other's differences***
- 4. All team member opinions are welcome***
- 5. We are creating a culture of radical candor***
- 6. We are building a brand to outlive us***
- 7. The more we know, the more we have yet to learn***

8. We do all things best when we do them with honor

9. We speak life, we speak light

10. Even in business, family comes first . . . and rest is extolled

Weaver intentionally crafted this part of the company website. Notice how it encourages diversity of thought along with the more traditional view of what diversity is. “We are super clear about our company principles,” Weaver said. “A person can’t even apply to work here without seeing our ten principles, and diversity is one of those.”

Almost every organization has a list of values on its company website. What makes Uncle Nearest unique is the way these values come to life in the company culture and the expectations of all employees. Weaver is clear about the expectations; she knows that the company will not be for everyone, and that’s okay. It means that Uncle Nearest is more likely to hire someone who fits in from the start and who brings that diversity of thought that Weaver considers so crucial:

We have built a culture of confidence here. We want people who are going to challenge us, who are going to challenge our thoughts and our decision-making in the company. I don’t care if you are an executive assistant or if you’re a senior vice president. You have the same power in terms of opinion and thought and things that you’re bringing to the table. If you’re not a confident person, you won’t survive in my company. So don’t bother applying. What this means is, if you’re not comfortable being your truest self, your freest self, who you are when you’re at home and being that way, when you’re around the team, then it just doesn’t work. And so, for example, we don’t have people in our company that are in the closet, because that’s counter to our culture.

FAILING TO INTENTIONALLY CREATE A DIVERSE TEAM FROM THE START

Most companies today, even those identified as doing the best with DEI, are playing catch-up on their diversity demographics. Weaver set out to create a team that would embody diversity of thought and reflect the world around her. Yes, this approach would help her create the internal culture she desired, but equally crucial, the team would be a significant competitive advantage in the wine and spirits marketplace, she said:

From the beginning, I insisted that the right people be in the right jobs. I'm African American; the first two people that I brought in alongside me were White. I was looking for energy, not color. That being said, understanding that as I'm looking for the energy and as I'm looking for the diversity of thought, it was imperative that my company looked like America. Today if you look at my team, it is almost identical to the statistics of America. We are 50 percent women. If anything, we try to over-index on Black, Latinx, and LGBTQ populations, but the goal is to mirror America. I think one of the reasons why we've been so successful, we're doing something that other spirit brands haven't figured out how to do, which is to market to everyone. And we can do that because we literally look like the people we are marketing to.

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OVERLOOKING TRADE-OFFS IN A DEI STRATEGY

In 2020, I conducted DEI visioning sessions with more than three hundred global leaders across industries. Even though each organization was at a different place on its DEI journey, the most senior leadership teams had almost never sat down to have an explicit conversation about what the members truly believed about DEI or their own experiences with it. The purpose of the sessions was to get leadership teams talking, having honest conversations about what sacrifices and tradeoffs would be needed to make the vision come to life.

For example, one of the most common frustrations leaders share when they set off to hire candidates from diverse backgrounds at senior leadership levels is the lack of a pipeline. In 2020, Well Fargo CEO Charles Scharf received national backlash for his memo blaming the bank's lack of employee diversity on a "very limited pool of Black talent." In a later apology message to employees, he clarified his position, explaining that there was not a lack of Black talent in finance, but instead, the industry had failed to do its part to improve diversity. "I've worked in the financial services industry for many years," he said, "and it's clear to me that, across the industry, we have not done enough to improve diversity, especially at senior leadership levels."

Scharf's comments were poorly worded and ill-timed—at the height of a national racial reckoning—but many leaders feel similarly about the lack of a talent pipeline. There truly are fewer people from under-represented groups in major industries such as finance and technology, but the systemic structures that have historically limited access and opportunity for these people must be acknowledged. Weaver shared how she has seen pipeline challenges in the wine and spirits industry, even for a Black-owned and woman-owned business.

“We had to pull teeth to actually find African Americans to work for us,” Weaver said. “Those résumés were not coming in. We literally had to be very, very creative to seek out African Americans, and one of the things I realized was that if I wasn’t getting résumés of African Americans, then nobody in the industry was likely getting résumés of African Americans. So, the question became, ‘How do we get more African Americans interested in the spirit business? How can we be creative about building this longer-term pipeline?’”

To change the status quo, leaders must acknowledge these disparities and realize that any solutions will take time and sacrifice. If an organization is committed to increasing its diversity of leadership, it may have to keep a position open longer than expected to identify a diverse slate of candidates. It may have to recruit outside of the schools it typically draws from. It may have to reevaluate the requirements it always had for the job (such as a bachelor’s degree): Are the requirements actually indicators of success? An organization may even have to consider nontraditional candidates who have had career success in other industries or business functions. Leadership teams must explicitly create opportunities for the DEI strategy to be implemented. This approach will always require trade-offs. Weaver is vocal about her willingness to embrace the trade-offs to build the most diverse team:

I was very clear that we were building a family here, and we were building something to outlive all of us. I would keep a position open for two years before I put the wrong person in it. I can tell you, if we were, for instance, to fall to 40 percent women in team members, I would hold those positions open for women, because I want their percentages in my company to match that of America. That has been my goal from day one. And I’m okay with that. I’m okay that if I look at a position and say the attrition on African Americans has put us below what our percentages [is] in this country, that position is held for an African American. Take me to court over it. I’m okay with that.

ASSUMING THAT DIVERSE CULTURES DO NOT NEED EXPLICIT DEI INITIATIVES

Achieving demographic diversity doesn't obviate the need for DEI programs. You need to continue to build that culture through programming, or else the responsibility for DEI falls to people in underrepresented communities sharing their lived experiences and navigating difficult conversations about what it is like to be gay, or Indigenous, or disabled. It's unfair to expect anyone to be the representative for their entire group. This practice also creates an unfair, monolithic sense of diversity, for example, encouraging the idea that all Indigenous people have experiences like the one person who spoke up.

The reality is that while people can share their individual experiences, most people without specific education or training are not equipped to navigate conversations about difficult DEI topics. Thus, even organizations with demographic diversity and diversity of thought benefit from professional DEI education and other initiatives to create inclusivity.

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For example, as Weaver explained, even as a Black-owned company, the Uncle Nearest organization had to learn about the challenges of race in America: “We regularly have diversity training to educate our team on topics such as the Tulsa massacre and Juneteenth. We’ve done skills building on implicit bias to have everyone walk through their journey together and identify their own implicit biases. Every time we do training, team members share that one of their favorite parts of our culture is that we create space for everyone to learn about these topics together.”

Fawn Weaver’s vision of a workplace utopia seems clear; she’s busy creating it. 📖

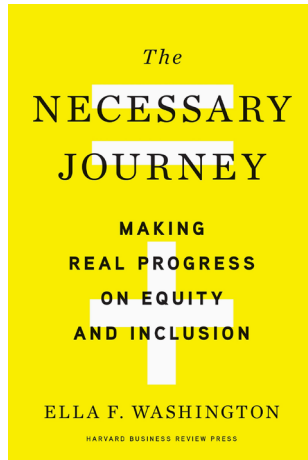
Adapted from *The Necessary Journey: Making Real Progress on Equity and Inclusion* (November 8, 2022) by Dr. Ella F. Washington, professor of management at Georgetown’s McDonough School of Business, organizational psychology, and Founder and CEO of Ellavate Solutions.

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ABOUT THE AUTHOR

Dr. Ella F. Washington is an organizational psychologist who finds inspiration at the intersection of business, diversity, and leadership. Dr. Washington has global consulting experience in financial services, sports and entertainment, oil and gas, higher education, and government. Both her research and her client work focus on structural barriers to inclusion for diverse groups in the workplace and working with organizations to build inclusive cultures. She also works one-on-one with leaders to develop their inclusive leadership skills. Previously, Dr. Washington worked at Gallup as a subject-matter expert in diversity and inclusion. In that role she provided insight to clients on issues of inclusion, culture, strategic diversity, and engagement. Dr. Washington is on the management faculty at Georgetown University's McDonough School of Business. She earned her PhD in organizational behavior from the Kellogg School of Management at Northwestern University and her BA in Psychology from Spelman College.



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