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MARKET REPORT

The Importance of Diversity at all Levels of the Hospitality Industry

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Companies in the hospitality industry are choosing to make diversity and inclusion a priority. By doing so, their organization best represents today's market and also helps them attract and retain the best talent in the industry. Hiring a chief diversity officer, developing an inclusivity strategy, and connecting with their varied client base can ensure that diversity is being addressed at every level and companies are successfully achieving their goals.

As our world becomes increasingly diverse, the hospitality industry recognizes the need to reflect this in the way it operates. The multicultural and multinational market would benefit from hotels and leisure properties appointing diverse management teams that understand their backgrounds, needs, and desires, and can effectively reach a diverse target market.

This trend is getting support from an increasing number of directions including the Nasdaq, which recently filed a proposal to adopt new listing rules related to board diversity and disclosure. But how far along are we in these endeavors, and how much further do we still have to go before we achieve a fully diverse industry workforce?



Appointing a Chief Diversity Officer

One way to prioritize employee diversity throughout an organization is to appoint a Chief Diversity Officer, sometimes called a Chief Inclusion Officer, and we're seeing multiple large hospitality companies exercise this option successfully. Doing this offers benefits that include higher revenues, a happier corporate culture, improved retention rates, and an improved ability to reach target customers. These factors impact operations as well as growth and profitability.

I asked Randall Tucker, Chief Inclusion Officer at MasterCard (previously Head of Diversity at Starwood Hotels & Resorts as well as Darden Restaurants), for his thoughts on appointing a CDO, and he said: *"The benefit of having a CDO who is focused on diversity and inclusion company-wide is that you have an individual leading the charge to ensure a level playing field is created for all employees to feel valued, respected, and able to contribute at their maximum potential regardless of their background. At the end of the day, diversity enables organizations to attract and retain the best and brightest talent to problem solve and innovate. It's also the right thing to do.*

"Customers and guests expect companies to understand the nuances of their experience expectations. The only way to have that understanding is through having rich diversity at all levels of an organization."

Another company that has seen the success of this move is Marriott International (MI), which ranked #1 in 2020 on the DiversityInc Top 50 List for diversity programs and initiatives. MI's director of global supplier diversity is Casey Oakes, former Vice President of Corporate Relations at the National Gay & Lesbian Chamber of Commerce (NGLCC) in Washington, DC.

Industry Status Quo

The hospitality, travel, and leisure sector has made great strides in increasing diversity and inclusion over the past couple years, according to the 2020 Women in Hospitality, Travel & Leisure Annual Report. Statistics from the report show there remains a long way to go, however.

Ethnic Diversity: In spite of some increases in Black, Asian, and minority representation at senior levels, a study by the Castell Project found that in 2019 Blacks still held only 1.5% of hospitality industry executive positions at director level or above.

Disability: While MGM Resorts International has made a concerted effort since 2014 to employ people with intellectual disabilities such as Downs syndrome, autism, cerebral palsy, and traumatic brain injury in certain areas, top management is not one of them.

Sexual Orientation: Then there's the LGBTQ community. Approximately 5% of the U.S. workforce identifies as lesbian, gay, bisexual, or transgender. A survey[1] showed that 40% of LGBTQ employees remain in the closet at their place of work. Meanwhile, 75% of these employees reported experiencing negative day-to-day interactions during the past year relating to their LGBTQ identity. This doesn't indicate the type of positive and inclusive environment needed for them to thrive.

Developing a Diversity and Inclusion Strategy

Addressing these issues starts with developing an inclusion strategy to determine where to spend your efforts and resources to get the best result. Many hospitality companies have begun to recognize the benefits of having a diverse group of decision-makers. When it comes to drafting strategies to increase revenue and better penetrate and service target markets in different communities, it helps to have fresh sets of eyes. This enables companies to tap into target markets more effectively, which benefits all parties. A successful strategy needs to make diversity part of the common vision, get buy-in from stakeholders, provide a sense of purpose, and encourage commitment across the organization.

Next, companies should define the key diversity areas that apply to their particular market and employee composition. In addition to gender, ethnicity, LGBTQ status, and disability, other dimensions of diversity might be relevant. These include age, marital status, religious beliefs, education, and even possibly criminal record status. Expand your ideal candidate profile and broaden the search for candidates to include audiences in these categories.

"From a talent perspective, diversity is the who, and inclusion is the how," says Stephanie Piimauna, Chief Diversity Officer at Seminole Hard Rock Entertainment. *"It's very important how our employees feel. We want to create a safe and productive environment where all people thrive. Diversity and inclusion is at their best when they are so deeply embedded that employees don't realize when they are doing them. It results in more productive employees and higher retention rates.*

"In the end, it also helps with the organization's bottom line. How diverse and inclusive you are will ensure you make everyone feel welcome when they walk into your hotels, and this helps you to attract a diverse group of clients for conferences, weddings, and other special events."

All this might sound like a tall order for some hospitality organizations. Most HR departments are stretched to the limit with day-to-day activities. Additionally, unless they are themselves the product of careful diversity and inclusion hiring, chances are good there's a degree of unconscious bias in the team. Employing a chief diversity officer at a senior level is the best way to facilitate the implementation of your diversity strategy, and companies across multiple industries are following this trend.

Chief Diversity Officer Roles and Responsibilities

The position of chief diversity officer is arguably one of the hottest jobs in hospitality in 2021, but incumbents have a challenging task. They need the background and expertise to deal with both conscious and unconscious bias, in both the HR context as well as departmental and operational environments. Identifying the roles best suited to recruiting diversity candidates can be a fine balancing act, as companies seek to change the view of traditional roles and ensure a spread across different levels of seniority.

Then there's the task of recruiting top talent from the pool of diversity candidates. This can be extremely challenging, as companies of every size are competing for a relatively small group of known candidates. An innovative chief diversity

officer will look at long-term plans for improving diversity, and may identify existing employees to train and groom for future positions. This route requires an understanding of staff motivation and incentives, or you risk preparing people for senior positions only to lose them to a competitor when they're ready.

Staff training doesn't only apply to future management candidates, either. Employees at all levels may need diversity training to address their own bias and to learn to work side by side with people who are different from themselves. This requires rebuilding the corporate culture to embrace diversity, banish discrimination, and celebrate the success of all employees.

Benefits to the Hospitality Industry

With the wide diversity found in the hospitality market, the industry is under pressure to match the make-up of its audience. Doing so will enable it to reap multiple benefits, which range from increased productivity to better communication and innovation. Hiring people from different backgrounds and cultures brings fresh perspectives to the business. Research[2] shows diversity can lead to enhanced problem-solving, better decision-making, and new, innovative ideas.

Recruiting from a wider overall talent pool also leads to improved staff performance, because you're no longer limited to employees looking for 9 to 5 jobs with benefits. You'll access a greater number of candidates looking for space to grow, where they can feel accepted and welcome. Having a less homogenous group of people working for an organization can lead to breakthroughs in strategy and spark fresh ideas, which can in turn open new markets and better ways of reaching existing ones.

The mix of employee cultures and backgrounds also offers the opportunity to design and offer services for guests who reflect the company's staff composition, which is a sure-fire way to increase occupancy and profit. This isn't conjecture—a 2015 report by McKinsey on 366 public companies found that those in the top 25% for ethnically and racially diverse management were 35% more likely to generate higher financial returns than their industry competitors[3] .

The Take-Away

The hospitality industry is currently experiencing a trend towards increasing diversity in its ranks. This is supported in part by the recent filing of the Nasdaq proposal that, if approved, will require listed companies to employ a wider range of people in executive positions.

The development of an inclusion strategy and appointment of a chief diversity officer is a promising way for hospitality organizations to get started on their transformation, and to encourage diversity throughout their management team. Working with a recruitment company that has experience in placing chief diversity officers is a start, but it's also important to choose a recruitment partner who has relationships with the top candidates out there and an understanding of the challenges and benefits involved.

[1] BCG, A New LGBTQ Workforce Has Arrived—Inclusive Cultures Must Follow. Retrieved February 26, 2021.

[2] People Management, Diversity drives better decisions, Retrieved February 26, 2021.

[3] McKinsey & Company, Why diversity matters, Retrieved February 26, 2021.