Driving an Inclusive Culture:
Internal Audit's Role in
Recruiting, Retaining, and
Developing Diverse Talent

Introduction

Many studies have confirmed that diverse organizations are more innovative and productive than homogenous ones. Among the latest, a *Wall Street Journal* analysis found that 20 of the most diverse companies in the S&P 500 have an annual stock return of 10% over five years, compared to a 4.2% return achieved by their least diverse counterparts.[1] There is a similar trend seen in high-growth brands compared to low-growth. High-growth brands (defined as those with annual revenue growth of 10% or more) are more frequently establishing specific performance metrics for diversity, equity, and inclusion (DEI) than their lower-growth competitors.[2]

While the business case alone is compelling, the changing workforce dynamics are a juggernaut that could shift the prevailing view of DEI proficiency from merely *beneficial to essential*. Over the past decade, highly educated professionals have increasingly sought out employers who are committed to making an impact in the world, such as by demonstrating sustainability, philanthropy, or social justice. Now, as reflected in the collective findings of the Deloitte Global 2022 Gen Z and Millennial Survey, many Generation Z (ages 19 to 27) and millennials (ages 28 to 39) want companies to do more than contribute money to a cause or to behave in an environmentally responsible way—many want their employers to fundamentally reshape themselves into diverse, equitable, and inclusive organizations.[3] This includes not only hiring a more diverse group of employees but also helping this group of employees advance through the ranks into the executive suite. It also means taking the initiative to have difficult conversations about implicit bias, systemic racism, and pay inequities.

Organizations that are unwilling or unable to respond to these shifting dynamics may find themselves at a competitive disadvantage in terms of talent. In a recent survey by Glassdoor, 76% of employees and job seekers indicated a diverse workforce was important when evaluating companies and job offers.[4] The survey findings further indicated that diverse job seekers and employees are willing to "vote with their feet" when their expectations around DEI are not met. Nearly half of Black (47%) and Hispanic (49%) employees and job seekers reported they had quit a job after witnessing or experiencing discrimination at work.[5] And 37% of employees and job seekers said they wouldn't apply to a company that had negative satisfaction ratings among people of color.[6]

Today, the need to develop a diverse and inclusive workforce is largely a given. To get there, many companies may need to update—if not redesign—their recruitment, development, and retention strategies. Internal audit can help facilitate this shift by considering the following leading practices in developing its audit programs as well as by setting an example in managing its function's activities.
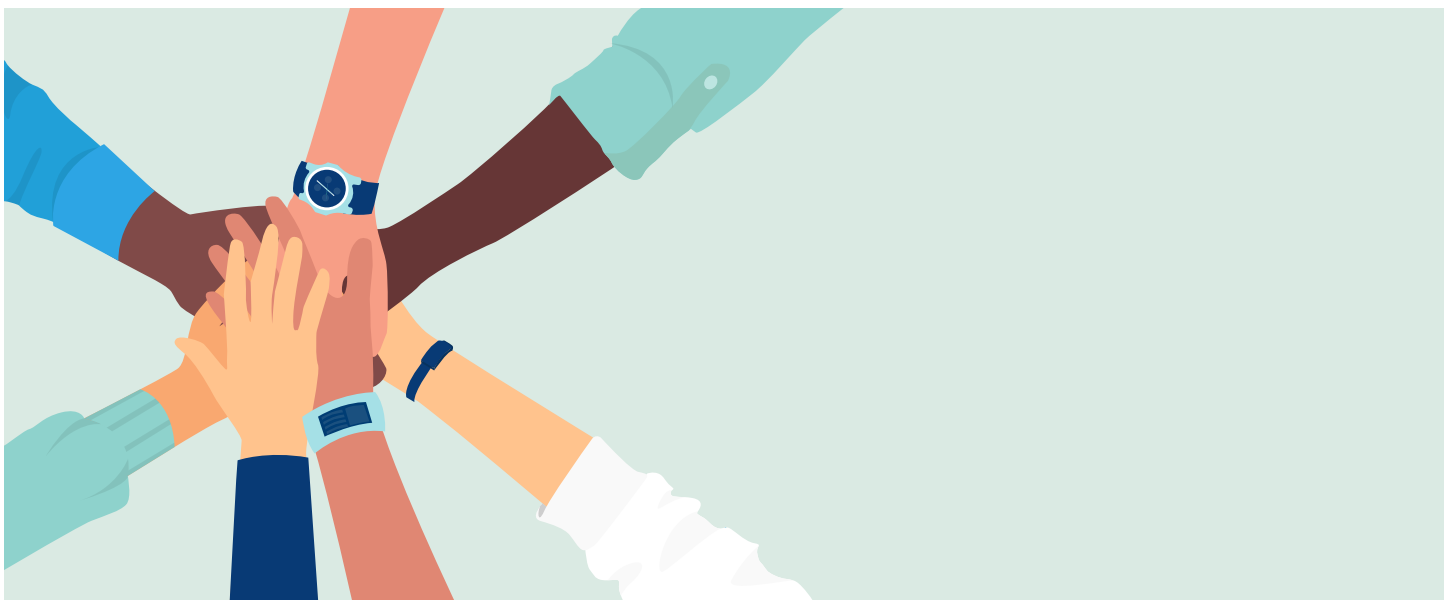
Purpose-driven internal audit: The change agent

A modern internal audit function is responsible for much more than traditional assurance activities. Working across the four A's—Assure, Advise, Anticipate, Accelerate[7]—internal audit has an opportunity to foster the inclusion of DEI in recruitment, retention, and development, both within the function itself and throughout the organization. More specifically, internal audit can assist in creating allies and driving an inclusive culture by fulfilling the following roles with respect to DEI in alignment with the organization's human resource (HR) and legal policies:

ASSURE

- Confirm benchmarking of recruitment and retention goals for a diversified group of candidates.

- Evaluate whether the organization has developed key performance metrics and how it plans to measure them.

- Analyze whether management has established clear, detailed plans to challenge bias in each cycle of the recruiting process as well as goals for recruiting diverse talent.

- Implement mandated training for recruiters and hiring managers to help them become more attuned to the experiences, sensitivities, and behaviors of diverse candidates. The internal audit function should validate that records are being maintained to track who has completed the training.

- Review and challenge management's recruiting plan. For instance, how does the recruiting plan help the business achieve its DEI goals? Are job descriptions unbiased? Are diverse institutions, as well as alternative gathering places, being considered for recruitment?

- Analyze human-capital disclosures related to environmental, social, and governance (ESG) reporting requirements.

ADVISE

- Incorporate questions about inclusivity into departmental or cultural audits.

- Assist management to identify potential cognitive biases in the recruitment, retention, and development processes.

- Determine if goals for recruiting, retaining, and developing diverse talent across multiple business units, functions, or merger and acquisition (M&A) targets are aligned with the overarching DEI goals of the enterprise or institution.

- Provide a perspective on DEI progress to management and the board.

- Evaluate succession planning processes for leadership roles to see if they meet the DEI goals of the organization.

- Evaluate training programs to support education and learning on DEI topics and allyship.

ANTICIPATE

- Report emerging risks and regulatory demands that could hinder achievement of DEI objectives or opportunities to improve processes, performance, or outcomes.

- Monitor DEI risk indicators across a panoramic landscape of internal or external data to provide forward-looking DEI insights on emerging risks.

- Combine cognitive technologies and analytics to help anticipate DEI risk events and their causal relationships.

ACCELERATE

- Review pay scales to assess equitability across skills, roles, and experience.

- Identify DEI behaviors that inspire the organization and can be tracked for progress.

- Propose ways to promote, support, and activate DEI in the recruitment and retention of diverse talent.

- Assist management in identifying and remediating potential root causes of an organizational culture that does not support DEI principles.

- "Walk the talk" by modeling DEI leading practices within the internal audit department.

If the organization is at the beginning of its DEI journey, the internal audit function still has an opportunity to initiate conversations with leadership about the value of DEI and the risks of failing to embrace it. Internal audit can also "lead by example" by embodying DEI principles within its own operations.

Leading practices for recruiting inclusive talent

In the competition for talent, some companies are revamping their recruiting strategies to broaden the pool of diverse candidates and to build an employment brand that is seen as fully inclusive. Since diversity takes many forms, recruiting efforts should consider moving beyond diversity categories of race, gender, and ethnicity to include veteran status, disability, age, sexual orientation, and diversity of thought, background, experience, and work styles. To obtain a mix of these traits, organizations might consider the following leading practices:

1. GO BEYOND FAMILIAR SOURCES.
One effective way to achieve greater diversity is to source candidates from a variety of places, rather than from a handful of familiar sources. This includes recruiting from a broad range of public and private colleges, universities, and business and technical schools. It can also involve considering the actual skills that are needed to do the job and where these skills can be found. For instance, those pursuing liberal arts or criminal justice degrees might be well-suited for a cybersecurity position, since curiosity and critical-thinking skills are essential to such roles. Similarly, some back-office roles, such as data entry, information technology (IT) support, or bookkeeping, may require technical training and not necessarily a college degree.

Beyond expanding the scope of educational institutions, organizations can often find diverse candidates in the places where they socialize and support each other. For instance, there are many online and offline forums for minority groups, such as Black business leaders; Lesbian, Gay, Bisexual, Transgender, Queer or Questioning, Intersex, Asexual, and more (LGBTQIA+) people in technology, working mothers, etc.

2. USE BLIND RESUMES AND GENDER-NEUTRAL LANGUAGE.
Unconscious bias often creeps into the recruiting process right from the start, for instance by writing job descriptions with biased language, posting educational requirements that might not be required to fill the role, and inferring from candidates' names or resume pictures that they may not be a good fit for the team or that they may have challenges interacting with clients.

To reduce unconscious bias during the initial candidate selection process, an increasingly popular technique is to remove personal information, such as names, photographs, and specific locations from resumes, which can reduce the likelihood that implicit bias will obscure the candidate's true qualifications. Organizations should also be sensitive to the language used in the job descriptions, examining them for gendered wording and characteristics that do not directly apply to the job being advertised.

Researchers from Waterloo and Duke Universities found that gendered wording can have a chilling effect on ad effectiveness. When job ads included more masculine than feminine wording, study participants perceived more men within these occupations, and crucially, women found these jobs less appealing.[8] Furthermore, a recent Appcast study of 473,742 jobs from August 1, 2020 through August 31, 2020 indicated that job ads with gender-neutral language resulted in 44% more applications per job compared to ads with female gender-coded words, and a 20% better application rate compared to ads with male gender-coded words.[9]

3. INTERVIEW THE WHOLE WAY THROUGH.

Recruiters and managers may not be attuned to the experiences, sensitivities, and behaviors of candidates. For instance, candidates may have had nontraditional college paths due to economic disadvantages, or they may be extra nervous in an interview setting. These differences can lead to common interview mistakes such as anticipating whether a candidate will perform poorly before or during an interview, focusing on appearance or mannerisms unrelated to job criteria, or allowing a weak introduction to overpower the remainder of the interview. Recruiters and managers may also have a narrow view of required experience or fail to consider how alternative paths can result in the same qualifications. For example, someone who worked full-time in college might not have been able to do an internship, or a parent who stayed at home to raise children and missed out on years of work experience.

Many of these potential pitfalls can be avoided with patience and understanding. It is important to be cognizant that an applicant's college experience can vary based on several factors, including background, finances, and access to scholarships and financial aid. While internships can demonstrate a person's ability to learn and operate in a work environment, so can other experiences, such as taking a leadership role in campus or other activities or juggling caretaking responsibilities and a full course load. The idea is to be open to different circumstances. Also, candidates may not have had prior exposure to a corporate setting. This unfamiliarity may result in some interviews getting off to a slow start, which is why it is important to be open-minded. Instead, give each candidate a full and fair shot to communicate their experience and qualifications. The interview process should be treated the same way any other business process would be treated; with careful planning, clear metrics, and continual actions to create equal and fair opportunity for all candidates during the recruitment process.

4. EVALUATE EVERYONE BASED ON CONSISTENT CRITERIA.

Often times, candidates display cultural or behavioral patterns that can be misinterpreted. For instance, uninformed recruiters and managers may discount a candidate's ability to interact with colleagues because they come across as reserved, and therefore may give more credence to their confidence rather than their skills. Or, they may assume that someone with nontraditional work experience lacks business acumen.

Consistency is key to understanding the true value a candidate can bring to the organization. This means evaluating everyone based on the same criteria. Recruiters and managers should consistently check references for all candidates. They should also avoid making inferences about a candidate's business knowledge or ability to commit given their unique characteristics that are identified during the recruitment process. Also, it's important to recognize that everyone has different communication styles and personalities. It is essential to focus on the candidate's job-related skills and experience in tandem with their personality or how much confidence they project.

5. CLOSE THE LOOP, NOT THE DOOR.

All too often a candidate will think the interview went well but the hiring manager or recruiter suddenly stop all communication with them at the end of the process. Sometimes recruiters and managers will only close the loop with candidates they feel comfortable with, such as those possessing similar backgrounds or communication styles. Recruiters and managers should consistently inform all candidates of their decisions. This is important not only for providing closure but also for leaving the door open for future opportunities.

Leading practices for retaining and developing inclusive talent

The business case for diversity is undeniable. However, it is not possible to achieve diversity without inclusion. Having one without the other will likely negate many of the benefits the organization aims to achieve. Inclusion is seminal to retaining and developing diverse talent. Both research and common sense suggest that employees who feel excluded will be less engaged, will have low morale, and will perform suboptimally—not to mention they will be more likely to leave their roles.[10]

Organizations that help people feel included are more likely to retain talent and reap other benefits, such as better job performance, greater innovation, and enhanced problem-solving. To inspire the team to appreciate each other's differences, savvy leaders will demonstrate that they value members and encourage them to bring their authentic selves to the workplace. In other words, effective team leaders need to become "allies" in promoting inclusion. An essential building block for inclusivity, an allyship is the practice of empathizing with the experiences of systemically-disadvantaged groups, looking out for biases, and actively using your voice and power to advance equity. Allyship is a personal responsibility and life-long journey. It is not a destination or self-assessed title; others must see you as an ally.[11]

Being an ally requires both humility and courage. Humble allies have the willingness to learn, embrace new ideas, understand different perspectives, admit mistakes, and accept feedback without getting defensive. Courageous allies are willing to speak up, be authentic, and live their values. Overall, allies can showcase both humility and courage as well as model other inclusive behaviors by:

1. DEVELOPING SELF-AWARENESS.
Allies should pay attention to their initial thoughts and be sensitive to how they engage and evaluate their teams. For example, are they viewing a request for flex time differently for a woman with children differently than for a single man? Could they consider an employee passionate or rude for interrupting during a meeting based on gender? Do they use inclusive language, such as inviting employees to "bring a guest" to the holiday party instead of stating "spouses are welcome"? Awareness often precedes positive change. To become an effective ally, the next step involves making a conscious effort to alter engrained thoughts and behaviors. Organizations that seek to create equitable and inclusive workplaces should provide allyship and bystander awareness training to ensure that employees have the awareness, sensitivity and knowledge of techniques to provide meaningful allyship.

2. DEMONSTRATING CURIOSITY AND EMPATHY.
Curiosity is about being open to new and different ideas or experiences. Empathy is about understanding how others feel about situations. Allies do not have to fully understand a colleague's experience to empathize with them; they simply need to respect the uniqueness of the other's experience and consider it compassionately.

3. PRACTICING MICRO-AFFIRMATIONS.

Allies should practice micro-affirmations, which are small expressions that signal they value people and their contributions. For example, micro-affirmations include making eye contact (that is, literally seeing someone), greeting someone, recognizing good work or effort even if it is inherently expected as part of the job, saying what they mean, encouraging quiet colleagues to engage during meetings or team discussions, and giving diverse teammates the time and space to develop ideas.

4. DELEGATING WORK AND OPPORTUNITIES EQUITABLY.

Allies should share tasks, opportunities, and responsibilities related to DEI and career advancement, equitably. For example, recruiting related to DEI initiatives should not fall solely on diverse employees, nor should women exclusively be expected to do the administrative work. By the same token, high-profile opportunities should also be assigned equitably. This can be accomplished by proactively identifying diverse groups of candidates early for advancement opportunities, and actively providing them access to the skills, experiences, and roles on visible, important, and complex projects required to develop and advance. "This approach looks ahead at the positions for which an individual shows potential and creates the opportunities for growth required to meet the advancement criteria."[12] At the end of the day, true allies will stop to consider if everyone has been given the chance to shine.

5. ESTABLISHING MENTORSHIP AND SPONSORSHIP PROGRAMS.

Employee affinity groups can be vital for networking and knowledge-sharing. Sponsorships and mentorships, which offer one-on-one tutelage and advocacy, are also critical for providing equitable opportunities for career advancement.

6. MONITORING EMPLOYEE SATISFACTION.

Allies should keep their fingers on the pulse of employees' experiences, irrespective of their diversity, through both formal and informal feedback loops such as anonymous surveys, one-on-one meetings, and focus groups. If surveys are employed, make sure they are evaluated correctly to understand how employees feel about inclusivity. For example, a survey may find that 85% of staff believe the organization has an inclusive culture. However, if the responses predominantly came from non-marginalized demographics, then significant issues may be hiding in plain sight.

Authenticity drives inclusivity

In 2019, The Institute of Internal Auditors issued the practice guide, *Auditing Culture*, to assist internal auditors in understanding risks associated with organizational culture and to articulate how effective management of those risks supports an effective control environment. As a component of culture, DEI signifies an area where internal auditors can act as trusted advisors by assessing whether programs for recruiting, retaining, and developing diverse talent are meeting their intended objectives and by reporting the findings to boards and senior leaders. Also, as diversity goals and targets are becoming increasingly codified—as in the SEC's decision to approve Nasdaq's rules requiring companies to reach specific race and gender targets for boards—internal audit is well-equipped to provide assurance regarding reporting and compliance.

Internal auditors also have an opportunity to add value in a more personal way. Humans, and therefore organizations, have implicit biases. Internal auditors can "walk the talk" by uncovering and addressing their own implicit biases to become agents of change that help the organization to foster inclusion and develop a strong and desirable recruiting brand.

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Endnotes

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