



BUILDING DIVERSITY INTO THE EQUIPMENT DISTRIBUTION INDUSTRY

A RESEARCH STUDY CONDUCTED BY DR. JOEL OLUFOWOTE,
COMMISSIONED BY THE AED FOUNDATION



DEAR AED MEMBER,


On behalf of The AED Foundation board of directors, I encourage you to examine the “Building Diversity into the Equipment Distribution Industry” research report prepared by Dr. Joel Olufowote for The AED Foundation. This report gives a look at some of the roadblocks and challenges minorities face and provides recommendations on how to best recruit and retain a diverse workforce.

In addition to the current report, The AED Foundation (AEDF) continuously funds research that backs up its claims on the importance of workforce development and shares data with legislators, educators, the media and other industry stakeholders.

The AED Foundation, through its Vision 2025 initiative, is creating a steady and robust pipeline of technicians for the future of the equipment distribution industry. By 2025, the Foundation is aiming to reach the following goals: 100 accredited college programs, 50 recognized high school programs, 10,000 skilled technicians entering the workforce, 500 certified managers, 10,000 tests administered, and 5,000 certified technicians. AEDF works to provide tools for dealers to recruit technicians, including its Careers in Construction Equipment and Distribution brochure, technician videos, and workforce events. In addition, the Foundation’s Dealer Learning Center is filled with many industry-specific learning opportunities, including online courses, on-demand webinars, and certified management programs in parts, service, rental, sales and branch management.

However, without the generous support of our investors, The AED Foundation would not be able to continue to deliver research reports or the services that AED members need to improve their companies and stay up to date with new business trends.

I encourage you to join me in supporting The AED Foundation by visiting bit.ly/2021aedfcampaign and making a tax-deductible contribution to ensure that AEDF can continue to provide this valuable information now and in the future.

Sincerely,


JEFFREY SCOTT
The AED Foundation
Chairman
Scott Machinery Company

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EXECUTIVE SUMMARY

“As college enrollments decline and demographics shift, this will inevitably place stressors on the more traditional, growth-minded industries. How businesses, like those found within the construction and equipment distribution industry, prepare themselves to embrace the arrival of the impending demographic cliff will shape their fortune for the foreseeable future. Unlike today, only preemptive, not reactive, organizations will survive.”

The global construction and equipment distribution industry as it is currently experienced (hereafter acronymed “CEI” to reflect the overarching construction equipment industry) is not a new one. In fact, some of the earliest recorded accounts of human civilization exhibit forms of construction and trade activity, albeit primitive, through use of handmade tools to erect structures such as mud huts and pyramids. After the onset of the Industrial Revolution, construction and manufacturing activity took on a new look, one that would become the engine of the global economy and be a measure of national health and economic stability. Today, the condition of the CEI is often thought to reflect a nation’s general well-being. Thus, growth in the CEI suggests that other industries are thriving. It means new businesses are being established and structures are being designed, developed and maintained. Of course, tangentially related industries that provide service to their communities (schools, restaurants, retail, etc.) are also impacted by the activity of the CEI. The CEI can arguably be considered the backbone of a nation.

The challenge for industries akin to the CEI that have long and storied histories and have built reputations of excellence often revolves around their abilities and willingness to adopt malleable strategies and initiatives that engage contemporary opportunities. Since other historically traditional-minded industries have achieved progress and excellence with minimal need to dramatically pivot (e.g., higher education, health care and the legal system, among others), the question of why the CEI should operate outside of the status quo is, indeed, a good one.

In this report, “Building Diversity into the Equipment Distribution Industry,” I examine the current landscape of the most recent and urgent opportunity facing the CEI – the recruitment, retention and promotion of a highly skilled diverse workforce. In doing so, I unabashedly engage the \$1.3 trillion (current estimated value of the CEI) question of why this traditional, growth-minded industry should care about diversity, equity, and inclusion, from the C-suite to the job site. I then provide strategic suggestions and recommendations to OEMs and distributor dealers to help them better navigate the critical opportunity ahead. The research presented contains firsthand and secondhand accounts that bring insight into the three motivating inquiries that drive this project:

1. What are some of the roadblocks and challenges that minorities in the CEI face?
2. How can the CEI recruit more minorities into the workforce?
3. How does the CEI open doors for minority-owned distributors?

This report will introduce and examine a few ideas that are impacting and will undoubtedly continue to shape the fortune of the CEI (the “demographic cliff” and the “thrills gap” in particular). As industries such as the health care and legal systems, higher education, law enforcement, and others begin to rapidly adapt to demographic and workforce shifts, it is imperative that the CEI take note, follow suit, and prepare itself to continue thriving in a changing world. Following are the high-level recommendations The AED Foundation suggests that its members consider in order to ensure operational longevity and institutional thriving:

The overall conclusion is that the future is getting very close – in fact, it is starting to happen right now. These changes will impact cars, buses, trucks, mining, construction, forestry and agriculture. There are opportunities and challenges, knowns and unknowns. That is why we encourage all of AED’s members to take an active role in planning for the future rather than waiting for it to happen.

RECOMMENDATIONS

AEDF suggests its members consider the following high-level recommendations to recruit and retain a diverse workforce across the five functional areas below.

1. Structure

- Hire a chief diversity officer for strategic planning and direct responsibility or supervision over recruitment, inclusive workforce development and employee retention.
- Implement human resources responsibilities to include employee talent acquisition and inclusive supply-side strategies.
- Install employee resource groups to facilitate belonging of underrepresented subgroups.

2. Operations

- Implement blind résumé reviews at the point of résumé collection and candidate deliberation.
- Consider cluster hires as a strategy to facilitate diversity of perspective and background.
- Conduct diversity mission and vision fit interviews to ensure value alignment of candidates.

3. Internal Policy and Procedures

- Develop or utilize a yearly diversity training and/or compliance program at company facilities.
- Create a standing DEI committee tasked with identifying challenges and opportunities.
- Implement bias reporting systems backed by clear, transparent accountability measures.

4. Strategy

- Create mentorship programs that connect newer candidates with veteran employees.
- Partner with local, state, and national entities promoting and advocating diverse subgroups.
- Form lasting relationships with technical and trade schools and sponsor multicultural events.

5. Public Policy

- Expand Pell Grant eligibility to short-term job training and education programs that lead to industry-recognized credentials and certificates.
- Provide tax credits and other incentives to companies that establish formal job placement partnerships with minority-serving institutions.
- Establish a federal grant program to reimburse low-income individuals for expenses associated with working in the construction equipment industry as a service technician.

CHAPTER 1 | What are some of the roadblocks and challenges that minorities in the CEI face?

Introduction

There is an observable gap in research specific to the racial, ethnic, and gendered disparities present in the equipment distribution industry. While this lack of knowledge creates openings, such as this, to better understand a niche within the broader CEI, the absence of readily available statistical information presents itself as a potent consequence. In this report, I make broad reference to and inference from research conducted across the broader construction industry, as it is the most reliable and valid point of comparison, and I capitalize on personal interviews conducted with AEDF member executives and OEM professionals to better capture the dynamics and nuances of the equipment distribution industry itself. While the observations and conclusions gleaned from this report represent an ideal first step into a better understanding of inclusive excellence in the equipment distribution industry, future research must dedicate itself to more proximate, empirical investigations that yield better descriptive and statistical outcomes.

Minority subpopulations in the CEI, specifically women and Blacks, lag considerably behind their national representation nationwide. Using 2020 data from the Bureau of Labor Statistics and 2019 data from the U.S. Census Bureau, **figure 1.1** below illustrates the stark contrast existing between national minority representation and minority subpopulation workforce trends in the CEI.

Racial and Ethnic Distribution in Construction Differs from the US as a Whole

Employed persons by race and ethnicity in construction compared to the total U.S. workforce. Totals do not add to 100% since Hispanic/Latinx workers can be any race, according to BLS.

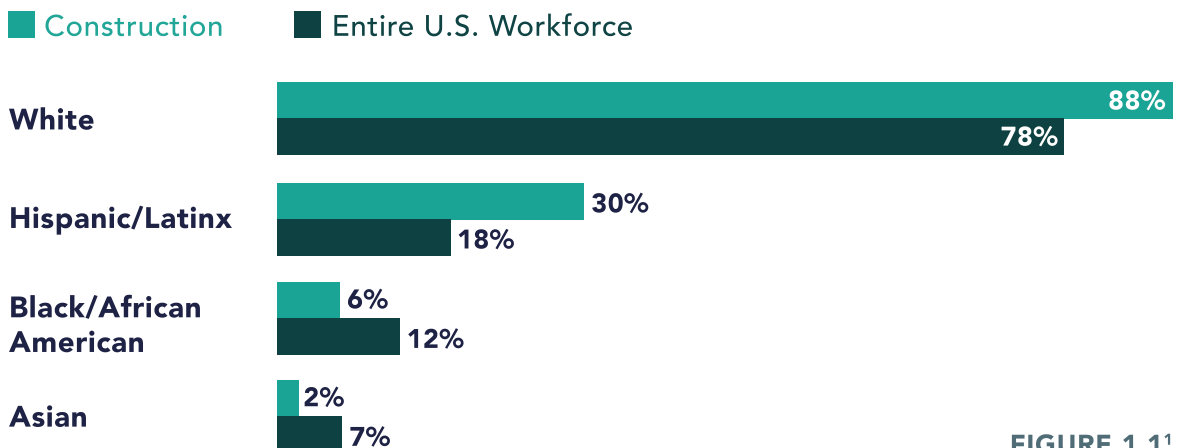


FIGURE 1.1¹

The resulting observation is that the CEI, and most likely the equipment distribution industry, tends to be a predominantly male, Anglo-Saxon workforce in its racial and gendered diversity. While identifying the challenges of diverse recruitment and exploring pathways to diverse enterprise ownership are logical next steps given the current state of the CEI workforce, these themes will be of exclusive focus in the following two chapters of this report. In this chapter, I will focus entirely on the challenges and roadblocks faced by minorities in the CEI. Some of the central challenges posed to minorities prevalent in predominantly white, homogenous workplaces and sites, such as systemic racism, implicit bias, and hegemonic masculinity, are thematic points of exploration.

¹ <https://www.constructiondive.com/news/despite-progress-ingrained-racism-still-runs-deep-in-construction/587391/>

This chapter will proceed in the following manner: I begin by providing brief definitional clarity to some key concepts and ideas that are central to this section and the overall report; I do so with full knowledge that familiarity, comfort, and agreement on the language around diversity, inclusion, and inclusive excellence is a critical prerequisite to understanding their organizational impact. I then move on to more in-depth analysis and account of how these systems and blind spots present themselves, primarily in unintended ways, to further marginalize and alienate the CEI minority workforce. At this point, focus will extend to the internal (emotional well-being) and external (belonging and advancement) manifestations of minoritization in the CEI and industries alike. I end this chapter with reflection on how a persistent focus on achieving diversity without simultaneous efforts behind inclusion strategies can, ironically, further contribute to the marginalization of minorities in the workforce.

Defining Key Concepts

- ▶ **Diversity:** any dimension that can be used to differentiate groups and people from one another.²
- ▶ **Inclusion:** a state of being valued, respected and supported. It's about focusing on the needs of every individual and ensuring that the right conditions are in place for each person to achieve his or her full potential.³
- ▶ **Equity:** recognizing that we do not all start from the same place and that we must acknowledge and adjust imbalances.⁴
- ▶ **Minority:** a culturally, ethnically, or racially distinct group that coexists with but is subordinate to a more dominant group.⁵
- ▶ **Marginalization:** the act of relegating someone to an unimportant or powerless position.⁶
- ▶ **Systemic Racism:** an infrastructure of rulings, ordinances or statutes promulgated by a sovereign government or authoritative entity, where such ordinances and statutes entitle one ethnic group in a society to certain rights and privileges while denying other groups in that society the same rights and privileges because of long-established cultural prejudices, religious prejudices, fears, myths, and/or xenophobia held by the entitled group.⁷
- ▶ **Hegemonic Masculinity:** gender dominance in cultural representations of males, reflecting normative behavioral ideals for males in a culture in a particular period (regardless of the actual prevalence of such behavior in that society).⁸
- ▶ **Implicit Bias:** having attitudes toward people or associating stereotypes with them without conscious knowledge.⁹

Implicit Bias and Structural Racism in the Construction Equipment Industry

To understand the pervasiveness of structural racism in the CEI, in-depth knowledge about the history of race and ways its construction intentionally created and has sustained two distinct American publics is critical.¹⁰ Similarly, a thorough comprehension of how hegemonic masculinity presents itself in the functional structure of organizations requires study of the intersection between gender order and cultural hegemony theories.¹¹ While the scope of this report precludes the intrinsic, in-depth analysis of these theories, I present, in this section, the resultant ways these paradigms can harm and disenfranchise the racial and gendered minority CEI workforce.

² https://www.hud.gov/program_offices/administration/admabout/diversity_inclusion/definitions

³ https://www.hud.gov/program_offices/administration/admabout/diversity_inclusion/definitions

⁴ <https://www.nacweb.org/about-us/equity-definition/>

⁵ <https://www.britannica.com/topic/minority>

⁶ <https://www.inhersight.com/blog/guide/marginalization>

⁷ <https://www.ohchr.org/Documents/Issues/Racism/WGEAPD/Session27/submissions-statements/mdshahid-systemicracism.pdf>

⁸ <https://www.oxfordreference.com/view/10.1093/oi/author.ty.20110803095928286>

⁹ <https://perception.org/research/implicit-bias/>

¹⁰ Rothstein, Richard. *The Color of Law: A Forgotten History of How Our Government Segregated America*. First edition. New York; London: Liveright Publishing Corporation, a division of W.W. Norton & Company, 2017.

¹¹ Artz, Lee, and Bren A. O. Murphy. *Cultural Hegemony in the United States*. Thousand Oaks, Calif: Sage Publications, 2000. Print.

Systemic racism presents itself when the collective biases of a group are backed in both legal and intuitional domains. Resultantly, these biases, armed with powerful authority and control, become reproduced in practice, impacting societal norms, values, policy and daily procedure. Although not a new discussion, the conversation around systemic racism in the United States and its structural realities in law enforcement intensified in the summer of 2020 on the heels of high-profile African American casualties at the hands of police.¹² Systemic racism has also reared its ugly head in recent times involving college admissions,¹³ health care,¹⁴ redlining in banking¹⁵ and the prison system,¹⁶ to name a few. As such, the interplay between unexamined implicit biases and the role they play in institutional operations is deserving of increased awareness and scrutiny.

The CEI is no different and certainly not immune to the challenges witnessed with inequitable patient care in the health industry or unequal sentencing in the legal system, to name a few. In fact, the year 2020 saw several workplace and sexual discrimination lawsuits in the CEI. An alleged 15 high-profile racial discrimination cases were reported last year alone,¹⁷ and several million dollars of settlement money was offered to victims of sexual discrimination and harassment on the job site.¹⁸ The time is ripe for all organizations and institutional bodies to concretely assess workforce policy and procedures for inclusive practices; the homogeneity present in the CEI may simultaneously, without intention, be actively preventing the inclusion of a diverse candidate pool and promotion of a highly qualified workforce.

The unique challenge with regulating implicit biases – social stereotypes about certain groups of people and individuals that are outside of one’s conscious awareness – stem directly from the unconscious ways they manifest into fruition. Unlike the more egregious high-profile cases mentioned above, unchecked implicit biases are exhibited in the day-to-day minutia of site operations without much effort or awareness. In fact, it is these often-subtle micro-aggressive discriminatory practices against underrepresented subpopulations inherent in American hiring practices and workforce cultures that propelled the nation toward the Civil Rights Act of 1964.¹⁹ In particular, Title VII of the Civil Rights Act barred race, religious, national origin and gender discrimination by employers and labor unions, while creating an Equal Employment Opportunity Commission with the power to file lawsuits on behalf of aggrieved workers. While the cases narrated above and other similar high-profile events receive national attention, countless other instances of racism and gender discrimination on the construction site go unreported and unreconciled.

An interview was conducted with Kristin Girard, director of distribution for North America West and Canada for Caterpillar Inc. and who also serves on The AED Foundation’s board of directors. She brings concrete examples of how biases work and often unintentionally marginalize and disenfranchise “outsiders.” According to Girard, dealers or distributors in the CEI are very generational. She goes on to say, “Dealers/distributors are hard to buy into and are mostly passed down from generation to generation.” She continues by saying that in the CEI, “this is your life, it is not just a job ... how do you get involved in a tight-knit family owned and operated culture? Do you trust others to take care of your equipment, property, finances? If there is not a natural assumption they will, that’s a barrier.”

As Girard establishes above, biases and stereotypes may not always be intentionally malicious and/or discriminatory. Well-intentioned businesses and operations appropriately feel a greater sense of safety and assurance with family, those of similar backgrounds, those they hunt with and have family get-togethers with, those they know they can trust with millions of dollars’ worth of equipment and supplies – but the unintended consequences of this trust and familiarity are found in the reproduced bias and static homogeneity that can occur as a result.

¹² <https://www.dailymail.co.uk/news/fb-8428923/George-Floyd-Breonna-Taylor-Ahmaud-Arbery-black-men-women-killed-police-2020.html>

¹³ <https://www.insidehighered.com/admissions/article/2020/10/26/will-conversation-turn-action-when-it-comes-issues-racial-equity>

¹⁴ Paradies, Yin, Mandy Truong, and Naomi Priest. “A systematic review of the extent and measurement of healthcare provider racism.” *Journal of general internal medicine* 29.2 (2014): 364-387.

¹⁵ Prasad, Ajnesh, and Tanvir Qureshi. “Race and racism in an elite postcolonial context: reflections from investment banking.” *Work, employment and society* 31.2 (2017): 352-362

¹⁶ Brewer, Rose M., and Nancy A. Heitzeg. “The racialization of crime and punishment: Criminal justice, color-blind racism, and the political economy of the prison industrial complex.” *American Behavioral Scientist* 51.5 (2008): 625-644.

¹⁷ <https://www.constructiondive.com/news/a-timeline-of-racist-incidents-on-us-and-canadian-construction-sites/586766/>

¹⁸ https://www.nny360.com/news/crime/18-women-receive-sexual-harassment-lawsuit-settlement/article_1b17bdf1-c656-572e-8a01-57f2979a6a2a.html

¹⁹ <https://www.nps.gov/articles/civil-rights-act.htm>

Workplace Culture

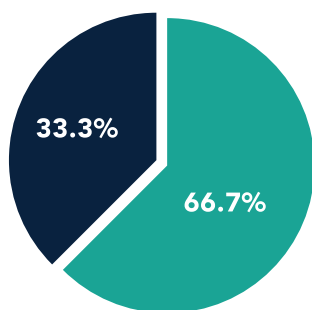
An anonymous respondent to a survey on racial discrimination disseminated by Construction Dive remarked that the CEI is in the middle of a racial pandemic. According to this survey, 22% of respondents said they have been the victim of a racist act on a construction site, and 77% of those victimized or that have witnessed victimization said that nothing was done about it.

FIGURE 1.2²⁰

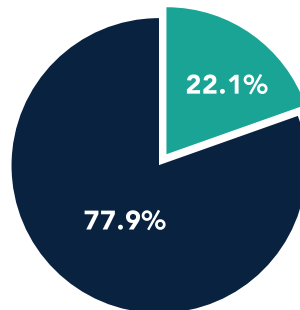
Two-thirds of respondents witnessed a racist act on the job

According to a survey of Construction Dive's readers

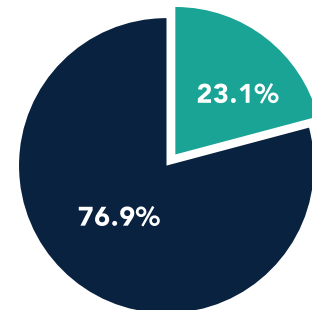
■ Yes ■ No



Have you witnessed a racist act on a construction site?



Have you been the victim of a racist act on a construction site?



Was anything done to fix the situation?

From swastikas on drywall²¹ to nooses found on the job site,²² from derogatory remarks and belittling postures²³ to requirements to conduct menial labor tasks,²⁴ from pay/salary inequity²⁵ to lack of opportunities for advancement despite merit,²⁶ the persistent, pervasive nature of discriminatory action in the construction industry may indeed be at an all-time high. According to Marquita Walker, professor in the Labor Studies Department at Indiana University South Bend and foremost scholar of discrimination in the construction industry, women's participation in the CEI is minimal due to "family/caregiving duties, inflexible and/or long hours of work, masculine workplace cultures, employer's stereotypical attitudes, and few work-life balance initiatives." As a result, implicit biases reproduce not only institutional norms that benefit/advance the CEI racial majority but also societal ones that historically "relegate women to secondary power positions resulting in discriminatory racial and gendered beliefs, injustices, and policies against women and other equity seeking groups."²⁷ According to the U.S. Bureau of Labor Statistics,²⁸ the construction industry has the second-highest rate of sexual harassment in the workforce.

²⁰ <https://www.constructiondive.com/news/racist-actions-attitudes-nothing-new-on-construction-sites/587210/>

²¹ <https://www.constructiondive.com/news/in-her-own-words-oregon-carpenter-succeeds-in-the-trades/588168/>

²² <https://www.archpaper.com/2020/06/nooses-found-at-construction-sites-in-las-vegas-toronto-and-elsewhere/>

²³ <https://www.enr.com/articles/49578-race-rises-as-a-top-construction-industry-issue-after-protests>

²⁴ <https://www.constructiondive.com/news/racist-actions-attitudes-nothing-new-on-construction-sites/587210/>

²⁵ <https://www.epi.org/publication/black-white-wage-gaps-expand-with-rising-wage-inequality/>

²⁶ <https://www.americanprogress.org/issues/race/reports/2019/08/07/472910/systematic-inequality-economic-opportunity/>

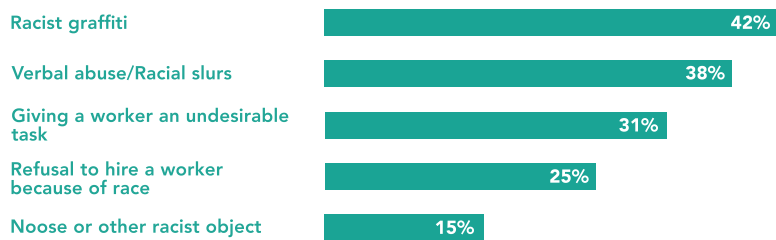
²⁷ <https://scholarworks.iupui.edu/bitstream/handle/1805/10524/Walker.pdf?sequence=1&isAllowed=y>

²⁸ <https://abcnews.go.com/US/women-workers-put-construction-industry-notice-sex-harassment/story?id=72221988>

Racist Incidents on US jobsites

FIGURE 1.3²⁹

Readers report a range of discriminatory attitudes and actions.



As a coping mechanism for the challenges experienced, it is not unusual for gendered and racial minorities in the CEI to begin exhibiting behavior that alienates them from the job site and workplace, further makes them targets of discrimination, and subjects them, potentially, to unfair conduct processes. Take, for example, the account of Melvin Norman, a 50-year-old Black scaffolding rigger, subject to riding in the bed of the company truck in triple-digit Louisiana heat so his white co-workers could

ride in the air-conditioned cab instead.³⁰ Or Leon Araiza, a Native American apprentice contractor in Salem, Oregon, who was told that his “Indian ass [would be thrown] off this building” for not moving fast enough,³¹ or Tierra Williams, a single parent making \$15 an hour at Trade Off (a subcontractor that provides nonunion laborers to construction sites) who claimed daily sexual harassment and lost her job two days after reporting it.³²

As racial and gendered discrimination is experienced on the construction job site, similar acts, albeit less pronounced and more subtle, are witnessed at other organizational levels of the CEI workforce. Diane Benck, vice president of general operations at West Side Tractor Sales Co., remarked during a recent interview for this report, “I didn’t find a ton of obstacles [entering and working in the CEI] because I was female ... but at the time I entered the business there were no women.” Benck, whose father started the family business in 1962, continued by saying that “in the 1970s I couldn’t be here because I was a girl, [yet] I was determined that there was a place for me in the business.” Benck has served diligently in the CEI for 30+ years and now resides in a C-suite-level position. Reflecting on her time spent in the industry, she remarked, “Even though I had the protection of being the boss’s daughter, the first 10-15 years [of working in the CEI] were the toughest because building credibility as a minority is hard.” She goes on to say that “we tend to be supported in more traditional roles, like product support, but not always in others, like sales.”

Patricia Nelson, manager of external training at Finning Canada, acknowledges the overarching workplace culture of the CEI that requires women and gendered minorities to continually prove themselves, a pattern she does not see explicitly replicated with males that work in the CEI. According to Nelson, who is responsible for training mechanics and technicians on trade proficiency, “we haven’t come as far as we think we have.” She recalls moments of hearing “you don’t look like a mechanic” and has sensed a consistent cultural pull to have to prove herself to be accepted as competent and as knowledgeable as her male counterparts. In fact, early in Nelson’s career, she found better success with trade internship and career opportunities when she shortened her name to “Pat,” although upon recruiters hearing her voice, she once again was thrown into situations of having to prove her ability to belong and thrive in the CEI workforce.

Similar to the thematic expressions of Benck and Nelson, Victoria Liwag, a Filipino-American corporate human resource manager at Komatsu, believes that “if you don’t have an inclusive culture, no one is going to want to come [work at your organization].” With similar lengthy experience in the CEI workplace with oversight on a variety of human resources functions, Liwag has noticed the slight and subtle culture of the CEI that has the ability to disenfranchise women who work there. According to Liwag, “There are times when I and other women have spoken up about an idea, initiative, or program and we’re viewed as opinionated. However, when a male does [the same], it is merely a statement.” Iris Farley, senior director of human resources at Komatsu, agrees. According to Farley, “Space [in the CEI] is very male and proud to be male. There is signaling that goes along with this culture, and I often wonder how to drive applicant interest in a white, masculine space.”

²⁹ <https://www.constructiondive.com/news/readers-respond-construction-faces-a-racism-pandemic/583848/>

³⁰ <https://www.constructiondive.com/news/racist-actions-attitudes-nothing-new-on-construction-sites/587210/>

³¹ <https://www.constructiondive.com/news/racist-actions-attitudes-nothing-new-on-construction-sites/587210/>

³² <https://www.goodmorningamerica.com/news/story/women-workers-put-construction-industry-notice-sex-harassment-72221988>

Coping Strategies and Industry Risk

Generally, the strategies that members of underrepresented groups in gender and/or racial hostile environments use to get through a toxic work culture include a heads-down attitude and not engaging with other workers. Kristin Girard mentions that “one of the things minorities need are examples.” Girard, who started her career in the CEI through a minority internship opportunity, claims that “while the culture [of female acceptance] inside the original equipment manufacturers is less difficult, the dealers that we work with have less examples of diversity.” She goes on to say that “as we do, they do ... [and] workplace culture starts at the manufacturer level.” From Girard’s perspective, and that of others interviewed directly for the purposes of this report, the OEM, its executive staff, its human resources function, and the distributors/dealers all have a key role to play in bringing about an equitable and inclusive workforce from the C-suite to the CEI job site.

Chris Trahan Cain, executive director at Silver Spring, Maryland-based safety consultancy CPWR, The Center for Construction Research and Training, doesn’t blame site workers for exhibiting such coping mechanisms but does believe “it’s risky for the employer, who may not know about it, or may not identify it as an issue. Providing a safe workplace is the requirement of the employer by law.”³³ Evidence from a 2018 report sponsored by the Associated General Contractors of America corroborates Cain’s assessment. According to the report, “workers who have not been integrated into a workplace culture, or who perceive themselves as ‘outsiders,’ are more likely to have accidents because of the increased psychological and emotional stress of being excluded.”³⁴ Despite the risks associated with “outsider” work site behavior due to marginalization and discriminatory practices, minority workers continue to choose the heads-down approach as a coping mechanism.

The CEI is at a critical juncture. The challenges of bias, racism, and discrimination against underrepresented populations in the workforce present CEI senior-level officials with a myriad of difficult decisions to make. First, acknowledging that structural racism and gender discrimination are alive and well in the CEI must be the leading impetus to change, otherwise all further actions will be mired in tokenism. As Deryl McKissack, CEO of McKissack & McKissack, states, “we have to admit that we have a problem. Just like an alcoholic has to admit they drink too much before they can start working on it. Because if you deny it, you don’t have to do anything about it.”³⁵ After genuine acknowledgment, CEI senior leaders have a variety of options available to pursue equity in the workforce. As the figure below illustrates, the perception exists that hiring more underrepresented and diverse candidates into the workforce is an ideal, if not the best, course of action to remedy institutional sexism and racism.

While the intent of hiring more minorities in order to achieve better equity and diversity in the workforce may optically look good, the cultural unintended consequences of a focus on diversity without equal focus on inclusive practices and postures can pose great risk to the long-term health of the business at hand. It is often said that diversity is akin to being invited to a dance, inclusion reflects being asked to dance, and belonging suggests you have a say in the song selection. The imbalanced efforts of acquiring a more diverse workforce yet remaining status quo on inclusion and belonging initiatives is likely to merely enlarge the number of disgruntled employees not being asked to dance or allowed to select the music of their taste – which then raises the question: why are they there?

What can companies do to help defuse racism on construction sites?

FIGURE 1.4³⁶

According to Construction Dive’s readers.



³³ <https://www.constructiondive.com/news/racism-on-the-jobsite-how-hate-erodes-constructions-bottom-line/587207/>

³⁴ <https://www.agc.org/sites/default/files/Files/Advocacy/AGC%20Report%20on%20Biz%20Case%20for%20D%26I%20FINAL.pdf>

³⁵ <https://www.constructiondive.com/news/fixing-constructions-racism-problem-will-take-an-industrywide-effort/587582/>

³⁶ <https://www.constructiondive.com/news/fixing-constructions-racism-problem-will-take-an-industrywide-effort/587582/>

As I transition into the second chapter of this report, which brings insight into strategies for recruitment of underrepresented subpopulations into the CEI, I'd like to conclude with some additional thoughts, at the macro level, about why the industry is also at risk. The "demographic cliff," a term coined by financial economist and forecaster Harry S. Dent,³⁷ paints a rather bleak enrollment picture for institutions of higher education over the next decade. In anticipation of markedly low high school graduation rates with increased nontraditional college-going subpopulations, few universities are expected to weather the storm of intense student competition and meet the needs of the growing diversity among them. Focus on how the demographic cliff impacts higher education has become a burgeoning research agenda, but study of its impact on the construction industry is lagging far behind. As college enrollments decline and demographics shift, this will inevitably place stressors on the more traditional, growth-minded industries. How businesses, like those found within the CEI, prepare themselves to embrace the arrival of the impending demographic cliff will shape their fortune for the foreseeable future. Unlike today, only preemptive, not reactive, organizations will survive.

CHAPTER 2 | How can the CEI recruit more minorities into the workforce?

Introduction

A number of industries wrestle with recruiting underrepresented subpopulations into the workforce.³⁸ Although the pursuit of diversifying is not unique to this industry alone, the perceptions of inequitable workplace and work site conditions plaguing the industry may put additional hurdles in the way. Creating and sustaining a diverse workforce in the CEI must be seen as both an art and a science that requires macro and micro levels of intentional focus. As a macro-level commitment, partnerships between the federal government and the construction industry that emphasize the necessity for workforce development strategies, educational pipelines and policy reform are key. Moreover, navigating the challenges of COVID-19, the existing skills-gap³⁹ and the impending demographic cliff cannot be ignored. As such, the expansion of career opportunities in the CEI for diverse populations is directly impacted by systemic and contextual factors as well as the medley of federal/state policy and laws enacted as a result. As new government leadership emerges at both national and state levels, it is vital that nonpartisan politics and sound scientific research and development agendas play an unrelenting role in reshaping the future prospects for minority employment in the CEI. While adapting to macro-level stimuli impacts the pursuit of a diverse workforce, enacting micro-level commitments is often where real transformation is artistically crafted and realized. Recognizing the innate difficulty of controlling macro-level phenomena (e.g., COVID-19 and the demographic cliff), this chapter provides strategies to enact association-level and member-level change factors capable of transforming business operation and culture in spite of challenging contextual climates.

Focus on Retention

AED and its members must include retention efforts as part and parcel of their minority and underrepresented subpopulation recruitment initiatives. Essentially, the pursuit of an inclusive workplace and work site culture must be held in similar regard to the pursuit of attracting qualified minority candidates. Why? Well, it is now no secret that diversity and inclusion are good for the CEI's bottom line.⁴⁰ Although there is appropriate disagreement on which is better for the bottom line,⁴¹ one cannot disregard that there are also moral and humanistic reasons why an equitable workforce in the CEI is desirable.

Retention and recruitment of diverse, underrepresented subpopulations is best achieved through a mix of horizontal and vertical leadership and oversight over inclusive excellence strategy and planning. To bear fruit, AED and its members

³⁷ Dent, Harry S. "The Demographic Cliff: How to Survive and Prosper During the Great Deflation of 2014-2019." (2014).

³⁸ <https://www.bls.gov/opub/reports/race-and-ethnicity/2018/home.htm>

³⁹ Wu, Wei, et al. "Closing the Skills Gap: Construction and Engineering Education Using Mixed Reality—A Case Study." 2018 IEEE Frontiers in Education Conference (FIE). IEEE, 2018.

⁴⁰ <https://www.bcg.com/en-us/publications/2018/how-diverse-leadership-teams-boost-innovation>

⁴¹ <https://www.fastcompany.com/90462867/why-the-business-case-for-diversity-isnt-working>

will be best served with organizational commitments to inclusive excellence at the senior administrative channels of AED, buttressed with point personnel responsible for proximate delivery and execution at the member dealer level. Research conducted by LinkedIn, detailed below, reflects the rapid rise of the “chief diversity officer” (CDO) role in C-suite decision-making teams over the last year. The systemic forces that work together to marginalize people of color and women have been intensified nationally, compelling organization executives to grapple with how their business and operations contribute to the plight of the underrepresented of society and how they can better use their leverage and influence to remove barriers to citizenship and belonging of the underrepresented in society.

The CDO role is an important one, for good reason. As a full member of senior level administration, the person in a CDO role is capable of removing power differentials between duties and responsibilities, thereby elevating the profile of inclusive excellence to that of finance, C-suite operations, and communication, among others.

Also, the CDO role places direct leadership over inclusive excellence administration and planning. It is not uncommon for senior administrative teams void of a CDO to have executive commitments in pursuit of inclusive excellence; however, this approach is often less effective, as it represents “one more thing” executives are responsible for.⁴³ A third way organizations benefit from the CDO role, potentially the most powerful, is in the role’s ability to deliver bias and anti-racist trainings and workshops, to institute bias reporting systems and conduct internal investigations of alleged misconduct, and to hold employees accountable with clear ramifications for undue behavior, among other initiatives. Quite frankly, the CDO role, when done well, can be a powerful contributor to the pursuit of inclusive excellence and its realized moral, humanistic, and financial benefits in the CEI.

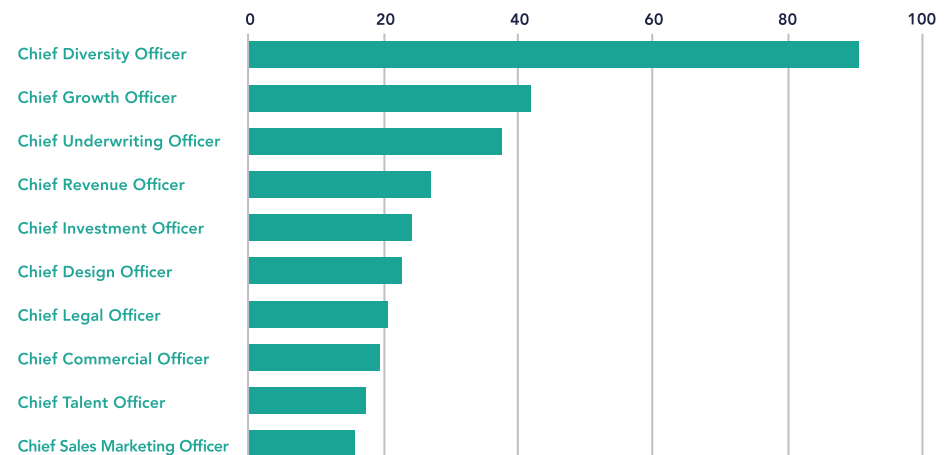
Although the horizontal leadership the CDO role provides is capable of setting organizations along the path of inclusive excellence, a complex organizational structure can hamper its full realization. The organizational structure of AED is one that will also require direct vertical leadership at the member level. According to Greg Page, CEO of Waldorf, Maryland-based Page Building Group, “Corporate has one attitude toward diversity and inclusion, but oftentimes that attitude and that culture is not transferred to the field. So, we’d have one relationship with the senior project manager going through preconstruction and going over the numbers. But then when it’s time to go, and we get out in the field, it’s a very different culture.”⁴⁴ In organizational models similar to AED’s, there can often be a dissonance between executive-level commitments and roles dedicated to inclusive excellence and where the bulk of interactions and business occur – the job site. Association members will be best served by appointing and/or conducting a search for highly qualified candidates versed in the philosophical and pragmatic values of inclusive excellence as its champion at the dealership level.

On the topic of the chief diversity officer, Iris Farley remarks that “it is time executive permissiveness shifts into an executive commitment.” Farley, who is a transgender female, sees the chief diversity officer as a “coach” that is charged

2020’s hottest C-suite titles

Year-on-year growth in hiring as a proportion of all C-suite hires, %
United States, January to October 2020

FIGURE 2.1⁴²



⁴² <https://www.linkedin.com/pulse/whos-reaching-c-suite-2020-16-roles-have-momentum-george-anders/>

⁴³ Olufowote, Joel. “Does Inclusive Excellence Require Exclusive Perspective?” Workshop conducted at 2019 Council for Christian Colleges and Universities Diversity Conference. George Fox University, Newburg, OR.

⁴⁴ <https://www.constructiondive.com/news/fixing-constructions-racism-problem-will-take-an-industrywide-effort/587582/>

with consistently driving the values of diversity, equity, belonging and inclusion across the overall business. According to Farley, Komatsu has an ever-growing commitment to diversity and inclusion that has “traditionally taken on a more vertical approach to its pursuit.” According to Farley and colleague Victoria Liwag, Komatsu is on the precipice of initiating a systematic process whereby the pursuit of diversity, belonging and creating a more inclusive workplace will become a more horizontal partnership and quest.

Training

Although federal policy around diversity, equity, and inclusion educational and compliance training has been a subject of national attention in recent months, CEI executive leaders, compelled by moral imperatives and financial anxieties, have begun to recognize how systemic forces have shaped toxic work environments and are swiftly moving to action. As mentioned above, retention of underrepresented subpopulations in the CEI workforce is accomplished through a medley of trainings, clear accountability measures and bias reporting systems. Anxiety over DEI training, however, has been reduced at the hands of newly elected President Joe Biden, who recently signed the executive order “Advancing Racial Equity and Support for Underserved Communities Through the Federal Government,” which requires all agencies to prioritize equity to create opportunities for communities that have been historically underserved. According to the order, federal agencies must evaluate the “systemic barriers to opportunities and benefits for people of color and other underserved groups ... [and assess] ... equity with respect to race, ethnicity, religion, income, geography, gender identity, sexual orientation, and disability.”⁴⁵ It is likely that this executive order will encourage even more CEI leaders, globally, to respond to the increased need to institute inclusive excellence training.

In a letter to employees, Peter Davoren, CEO of Turner Construction Company, wrote, “Recent events are a stark and painful reminder of the consequences of ongoing, undeniable racism that exists in our communities.” Davoren vowed that “racism and discrimination of any kind, in our offices and on our project sites, is not and will not be tolerated.” He went on to shut down two Ohio-based site operations for anti-bias training after being apprised of racist language and markings at the job sites.⁴⁶ Similarly, the Culture of CARE initiative of Associated General Contractors of America, led by Brynn Huneke, director of diversity and inclusion, is designed to help train contractors from the CEI to create more inclusive workplace environments, particularly those from diverse demographic backgrounds. Anti-bias and anti-racist training can be offered virtually, over time, and can be a powerful professional development tool for all employees while simultaneously accomplishing retention and recruitment at organizational levels.

As Kristin Girard notes, at Caterpillar, training current employees on strategies aimed at creating a diverse workforce and providing resources for sensitivity trainings are important pieces of overall workforce development. Most notably, the “Men as Allies” course that Girard herself has been involved in aims to bring awareness to how men can use their influence and platforms to create and sustain an equitable work environment, and “Breakthrough Leadership for Women” is purposed to equip women with the tools and skills needed for effective leadership as a gendered minority in the CEI. Similarly, Victoria Liwag of Komatsu uses her skill set in human resources and employee development to educate those she works with. According to Liwag, “We need to educate instead of forcing.” She strongly believes conversations regarding diversity, equity, and inclusion should be less about what is “right” and “wrong” and more about giving employees the tools to successfully navigate an increasingly growing diverse workforce. To facilitate the growth of a variety of employee resource groups (ERGs) at Komatsu, Liwag is currently spending time creating an Employee Resource Toolkit that will aid overall ERG procedure and praxis.

⁴⁵ <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/20/executive-order-advancing-racial-equity-and-support-for-underserved-communities-through-the-federal-government/>

⁴⁶ <https://www.constructiondive.com/news/construction-firms-step-up-efforts-to-eradicate-hate/587488/>

Bias Reporting Systems

Bias reporting systems (BRSs) have become increasingly utilized on university and college campuses nationwide and are seemingly gaining traction in the CEI as a tool to better manage incidents of discriminatory action and speech against employees on the job site. The BRS in higher education is often central to retention and recruitment efforts, as it signals institutional commitment to providing inclusive environments. A BRS is identified as a system that provides the following:

1. A formal or explicit process for or solicitation of
2. reports from organization employees and the community
3. concerning offensive conduct or speech that is protected by the First Amendment or principles of expressive freedom.

BRSs allow decision-makers to receive complaints about undue speech and conduct with avenues to provide a proper response to these incidents in a prompt and fair manner, with impartial discipline for instances of physical misconduct, true threats, or harassment. Teams responsible for BRSs have the ability to conduct an “investigation” of the incident and, if the “respondent” is found “guilty,” summon them for a “hearing” or an “educational” discussion, which may more closely resemble a reprimand than an enlightening exchange of views.⁴⁷ Since the CEI has shown success in improving safety outcomes by initiating BRS-like approaches toward hazardous site conditions, adopting BRS administration for bias-related offenses can be a natural next step. Michael Meagher, president at Chicago-based James McHugh Construction, remarks, “Our site safety managers conduct safety inspections to ensure compliance with OSHA. We could conduct audits to make sure the work environment is free from racism, too.” Similarly, Deryl McKissack believes a BRS approach has potential to be merged into business processes already present in industry. According to her, “Some private corporations actually use your safety rating as to whether you can work with them. Maybe there ought to be a racism rating, too.”⁴⁸

Personnel Accountability

It should come as no surprise that holding employees accountable for racist speech and discriminatory behavior is another powerful tool that will retain and recruit a quality workforce for the CEI. However, as you may recall from the Construction Dive survey noted above, over three-fourths of respondents who have witnessed discrimination on the job site reported that nothing was done about it.⁴⁹ Addressing discriminatory behavior on the job site needs to go beyond cultural training and BRS administration to involve accountability for employees who exhibit such undue behavior. According to Pat Daniels, executive director of Constructing Hope, a trade skill teaching organization, “It’s got to start from the top down ... If it’s the foreman who’s doing it, or giving everyone else the checkered flag that this type of behavior is OK, he needs to be terminated. There has to be action, not just talk.” Similarly, after discovering a racist message in a washroom stall at a Michael Garron Hospital construction site in East York, a spokesperson for EllisDon, the company managing the site, remarked, “We will not stop until the perpetrators are found and permanently evicted from our industry ... this hateful act is further demonstration that this problem is systemic in the construction industry,” adding that the elimination of this “despicable racist act ... will take time and sustained effort by many people, but we have already begun, and we will succeed.”⁵⁰

Focus on the “Thrills Gap”

By now, the CEI is well aware of the skills gap that is disrupting its workforce. The Brookings Institute defines the skills gap as “a fundamental mismatch between the skills that employers rely upon in their employees and the skills that job seekers possess. This mismatch makes it difficult for individuals to find jobs and for employers to find appropriately trained

⁴⁷ <https://www.thefire.org/research/publications/bias-response-team-report-2017/report-on-bias-reporting-systems2017/#:~:text=FIRE%20defines%20a%20bias%20reporting,faculty%2C%20staff%2C%20or%20the%20community>

⁴⁸ <https://www.constructiondive.com/news/fixing-constructions-racism-problem-will-take-an-industrywide-effort/587582/>

⁴⁹ <https://www.constructiondive.com/news/racist-actions-attitudes-nothing-new-on-construction-sites/587210/>

⁵⁰ <https://www.ellisdon.com/news/anti-black-racism-what-we-are-doing-to-help-2/>

workers.”⁵¹ To close this gap, decision-makers across the CEI spectrum are entertaining a range of workforce solutions and ideas, such as developing talent pipelines, providing foundation support to encourage education credentialing, joining professional membership organizations, creating partnerships with institutions of higher education, and crafting labor organizations to lobby state and federal entities, among others.⁵² While the verdict is yet out on how successful these intervention strategies will be, CEI executives across the spectrum have signaled sincere commitment to counteracting the skills gap through a medley of creative solutions. As industry leaders become inundated with closing the skills gap, inquiry around workforce desire to enter the CEI has taken a back seat, or even been overlooked altogether. According to research conducted by the Economics and Housing Policy Group of the National Association of Home Builders (NAHB), “The vast majority of young adults between the ages of 18 and 25 do not see themselves working in the construction trades.”⁵³ In fact, less than 4% of a queried group that indicated they know the field in which they want to have a career are interested in the construction trades. Moreover, 63% who indicated there was little or no chance that they would consider a career in the trades, no matter the pay, gave wanting a less physically demanding job (48%) and the belief that construction work is difficult (32%) as the two top reasons for disinterest. For the majority of this group, no amount of money could convince them to pursue a career similar to those common in the CEI.

All in all, nearly three out of every five 18- to 25-year-olds, regardless of income, said they are unlikely to choose a career in the construction trades. Although this revelation has received considerably less attention than the aforementioned skills gap, it seems as if the CEI suffers from a “thrills” gap that renders its work less attractive to young people than other professional opportunities. How, then, can the CEI recruit quality, skilled workers amid a pronounced yet largely unaddressed thrills gap?

David Hyland, vice president of operations at Equipment Corporation of America, and Michael Vazquez, vice president of MECO Miami, agree the skills gap is an observable challenge facing the CEI. According to Hyland, a major challenge associated with the skills gap is found in how businesses in the CEI market and brand opportunities of the trade. “Kids these days don’t even know what a crescent wrench is,” Hyland remarks. “Generational differences have impacted the attraction to manual labor and the ability to draw people in to work on heavy equipment that many just don’t know about.” Relatedly, Vazquez thinks generational differences have resulted in how opportunities are prioritized. In this interview, Vazquez goes on to recall moments of his life in grade school where he and his classmates had “shop” sessions in which they would learn about various trades, tools and career opportunities within the larger industry. “Are schools still doing this?” Vazquez wonders.

Alan McBride, manager of inclusion and diversity at Komatsu, believes that education is key and, indeed, a central element in fostering early engagement with exciting opportunities the CEI offers among elementary, middle, and high school students. Although Komatsu uses outreach as a key recruitment strategy, the dispersed nature of the OEM means “there is no real sustained outreach process because we have different locations, different leadership and different HR teams.” According to McBride, “We probably go to the same college every year. We need to branch out to more specialized schools and partner better with local organizations to increase our visibility.”

Incentives, Opportunities and Clear Career Pathways

Despite the sobering forecast for CEI participation among college-aged students and entry-level professionals, there still remain glimmers of hope on how to better recruit those already interested in pursuing a career in construction. As the chart below illustrates, respondents to the survey conducted by the NAHB suggest that the top perceived benefits to those with a desire to work in construction are pay, skills and career opportunities.

⁵¹ <https://www.brookings.edu/research/understanding-the-skills-gap-and-what-employers-can-do-about-it/#:~:text=The%20term%20%E2%80%9Cskills%20gap%E2%80%9D%20describes,to%20find%20appropriately%20trained%20workers.>

⁵² <https://1gyhoq479ufd3yna29x7ubjn-wpengine.netdna-ssl.com/wp-content/uploads/LEE-final.pdf>

⁵³ https://www.nahbclassic.org/generic.aspx?sectionID=734&genericContentID=255983&channelID=311&_ga=1.39149667.1346323624.1489973586

Most Important Benefits of a Career in the Construction Trades

(% of Respondents Who Want to Work in Construction Trades)

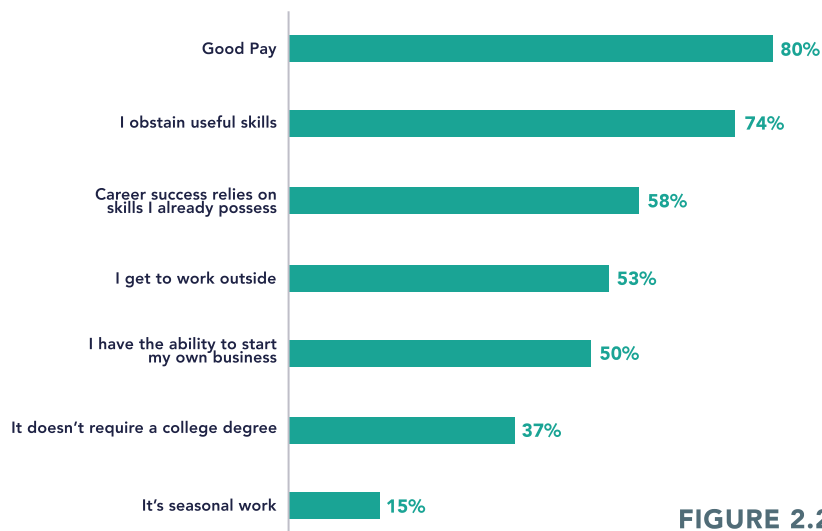


FIGURE 2.2⁵⁴

For the majority not interested in pursuing a career in construction – those situated within the “thrills gap” – other measures outside of, but including, the aforementioned factors must be used. The thrills gap plaguing the CEI is akin to the kind of admissions and enrollment management that operations of higher education face. Traditionally, the admissions function of higher education is staffed with younger professionals directly out of college or recently graduated. After all, the hope of most college and university brass is to have younger admissions counselors offer the perspective of college life to younger prospective students and visiting families. As such, it is not unusual that a majority of front-line

admissions counselors and tour guides are between the ages of 21 and 30. The unintended consequence of this well-intentioned approach is that, over time, cultural norms and expectations build to suggest that the admissions world is reserved for the young, who are primarily looking for a gap occupation as a fill-in while pursuing other more long-term options outside of admissions. As a result, hiring managers may often skip over or eschew altogether the “thrills” of obtaining a lengthy career in higher education admissions in favor of communicating the short-term benefits of the admissions “gig.” The thrills gap will present itself in any industry where officials responsible for hiring a workforce are not actively promoting the long-term career options and exciting opportunities that can emerge from choosing a lengthy, careered vocation in that industry.

Closing the Thrills Gap

For the CEI to better recruit diverse and skilled talent to its workforce, investing in front-loaded enticements, such as those listed below, carries the potential of attracting candidates interested in long-term careers as opposed to short-term gigs.

1. Stock/ownership share options
2. 401K/pension matching opportunities
3. Employee resource and affinity groups
4. Incentive-based compensation
5. Accruing leave/vacation policies
6. Company retreats
7. Educational sponsorship
8. Pretaxed medical/personnel funds (such as health savings accounts)
9. Generous sick/medical leave
10. Health and wellness programs
11. Mentorship and apprentice opportunities

Closing the thrills gap of the CEI must rise in priority to rival the attention that closing the skills gap has received in national media and communication. Consistent with the interplay between retention and recruitment, where focus on one must mean focus on the other, the CEI will profusely benefit from the simultaneous pursuit of closing both gaps.

⁵⁴ https://www.nahbclassic.org/generic.aspx?sectionID=734&genericContentID=255983&channelID=3111&_ga=1.39149667.1346323624.1489973586

Focus on Doubling Down

The pursuit of an inclusive workforce stirred up by valuing the merits of diversity and intercultural proficiency is a moral and humanistic journey. It also benefits the bottom line for employers that commit to it. The old adage “put your money where your mouth is” rings accurate but can also bring tremendous fiscal fortune and capacity to those who invest wisely and appropriately. For example, Credit Suisse performed a study of 30,000 senior executives located in more than 3,000 companies across the world; it found that companies in which women held 20% or more of the management roles generated 2.04% higher cash flow returns on investment than companies with 15% or less women in management roles.⁵⁵ In 2013, Deloitte published a report that linked diversity and inclusion to better business performance (83%), responsiveness to customer needs (31%), and team collaboration (42%).⁵⁶ In 2015, McKinsey & Company’s “Why Diversity Matters” found that businesses in the top 25 percent for racial and ethnic diversity among the workforce are more than a third more likely to financially outperform their industry competitors.⁵⁷ More recent research conducted by Boston Consulting Group (BCG) revealed that companies that have a total societal impact, i.e., community engagement, philanthropy, justice work, etc., are statistically significantly more likely to create a reliable growth path that reduces the impact of external shocks to the system and promotes longevity.⁵⁸ As vice president of technical services at Pepper Construction, Jennifer Suerth remarks, “Increased diversity in our industry ... will see increases in productivity because we will see new ideas being brought forward.”⁵⁹ “Doubling down” here refers to the dualistic approach the CEI must unequivocally commit to in order to make meaningful and purposeful impact with inclusive excellence. This is best achieved, first, through recognizing the intrinsic value of the person and, second, through realizing the instrumental benefit that support and care of the underrepresented brings to business operation and its bottom line. Again, you cannot do one without the other.

The construction industry is taking note. In late 2020, Caterpillar joined a new coalition of 37 private U.S. employers committed through 2030 to the training, hiring and retention of one million Black Americans, with a yearly financial investment of almost \$2 million into long-term career paths with tangible opportunities for advancement. Similarly, McCarthy Building Companies has taken multiple steps and approaches to ensure equity in its workforce, which has resulted in its being named a Forbes Best Employer for Diversity. Some of McCarthy’s initiatives are community outreach and economic inclusion, business imperatives that create opportunity by developing pipelines of industry talent. In addition, the employee resource group McCarthy Partnership for Women supports the recruitment, development and retention of women in the construction industry. McCarthy also financially partners with the ACE Mentor Program of America as they seek to influence the next generation of industry leaders.⁶⁰

As these cases exhibit, doubling down on the pursuit of inclusivity in the CEI workforce involves creative collaboration between industry, society, government, and educational institutions. Doubling down requires going further than the job site, going deeper than surface and token initiatives when what is required is a wholistic look at recruitment and retention, a comparable focus on the skills and thrills gaps, and a perspective that values the intrinsic worth of the individual and the instrumental competitive business advantage that diversity brings. In the words of Michael Vazquez, “We need funding for the jobs, training for the people, and to get good people, we need to double down and pay good money.”

⁵⁵ Richard Kersley, Eugene Klerk, Anais Boussie, Bahar Sezer Longworth, Joelle Anamootoo Natzkoff, and Darshana Ramji, *The CS Gender 3000 in 2019: The Changing Face of Companies* (Credit Suisse Research Institute, October 10, 2019): p. 22-23.

⁵⁶ <https://www2.deloitte.com/content/dam/Deloitte/au/Documents/human-capital/deloitte-au-hc-diversity-inclusion-soup-0513.pdf>

⁵⁷ <https://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

⁵⁸ <https://www.bcg.com/en-us/publications/2017/total-societal-impact-new-lens-strategy>

⁵⁹ <https://www.pepperconstruction.com/blog/need-more-diversity-improve-productivity>

⁶⁰ <https://www.mccarthy.com/about/diversity-inclusion>

CHAPTER 3 | How does the CEI open doors for minority-owned distributors?

Introduction

The preceding chapter sheds light on challenges the CEI faces in recruiting a diverse workforce amid several contextual and socioeconomic conditions, yet it provides insight on the opportunities available for industry leaders to strategically attract and keep diverse talent. Recruiting and retaining a diverse workforce is one avenue toward the growth and success of minority-owned distributors in the CEI but is not the only one. In this chapter, I focus exclusively on ways leaders in the CEI can help enfranchise minority and underrepresented entrepreneurial passions toward aspirations of ownership.

According to the National Minority Supplier Development Council (NMSDC), “Minority group members are United States citizens who are Asian-Indian, Asian-Pacific, Black, Hispanic and Native American. Ownership by minority individuals means the business is at least 51% owned by such individuals or, in the case of a publicly owned business, at least 51% of the stock is owned by one or more such individuals (i.e., the management and daily operations are controlled by those minority group members.)”⁶¹ The minimum requirements to qualify as a minority business enterprise (MBE) with the NMSDC or a local MBE program administered by a city, county or state are as follows:⁶²

- ▶ A for-profit business located in the United States
- ▶ 51% owned, operated, capitalized and controlled by a member(s) of a presumed group identified below, who is the top executive officer responsible for managing daily operations with a technical expertise (experience) in the firm’s primary business expertise
- ▶ Legal residents (green cards) are accepted by most MBE programs administered by a city, county and state; however, the NMSDC require U.S. citizenship (no exceptions)

In an effort to more equitably disperse the economic benefits of construction projects across communities, government agencies reserve some public works for contracting companies owned by MBEs and other traditionally disadvantaged groups. From federal to county levels, government agencies protect certain programs that offer certified minority- and women-owned business enterprises (MWBES) and other disadvantaged business enterprises (DBEs, such as those owned by service-disabled veterans) an equitable opportunity to bid on construction projects. The Small Business Administration, which runs the 8(a) certification program, requires that a qualified business be owned by at least 51% minority or disadvantaged owners.

Breaking Down Barriers

CEI involvement in and support of the development and growth of MBEs and minority-owned distributors represents the multifaceted partnership between industry, community, government and education, described in chapter 2, that inclusive excellence requires. It is of no surprise that minority business owners are challenged with economic, market, sociocultural, and institutional barriers that result from racial and gendered discrimination in the United States. For example, according to a study entitled “COVID-19’s effect on minority-owned small businesses in the United States,” healthy Black-owned businesses are critical in closing the United States’ Black–white wealth gap, potentially costing the economy \$1 trillion to \$1.5 trillion (in 2018 dollars) per year by 2028.⁶³ According to a 2019 McKinsey survey of consumer finances, Black Americans and white Americans rank unevenly in business ownership percentages. As the figure below illustrates, 15% of white Americans hold some business equity compared to just 5% of Black Americans. Of the Black Americans with business equity, the average amount is worth about 50 percent of the average American’s and a third of the average white American’s.

⁶¹ <https://nmsdc.org/mbes/what-is-an-mbe/>

⁶² <https://www.mwbe-enterprises.com/minority-business-enterprise-mbe-certification/>

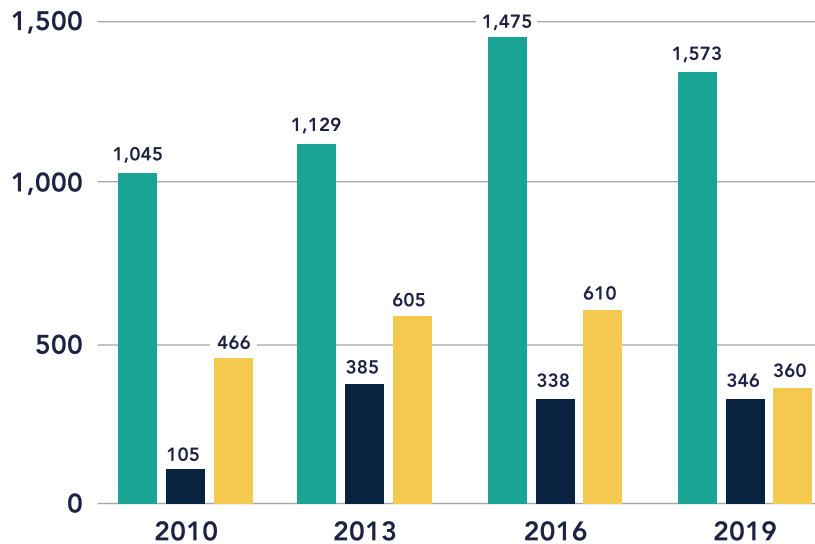
⁶³ <https://www.mckinsey.com/~/media/McKinsey/Industries/Public%20and%20Social%20Sector/Our%20Insights/COVID%2019s%20effect%20on%20minority%20owned%20small%20businesses%20in%20the%20United%20States/COVID-19s-effect-on-minority-owned-small-businesses-vF.pdf>

Black Americans hold significantly less business equity than their counterparts.

FIGURE 3.1⁶⁴

Status of business equity ownership in the United States, by race

Mean business equity, thousands of 2019 dollars



1 in 20

Proportion of Black Americans holding business equity

4x

Value of mean business equity held by white Americans relative to Black Americans in 2019

So, how can the CEI actively support MBEs toward a place of sustained growth and prosperity? Take Clark Construction, for example, which engages in a number of creative ways to directly attempt to break down the systemic and institutional barriers facing MBEs and women-owned construction businesses. Most recently, on a multibillion-dollar airport project in Kansas City, a Clark-owned developer and design-build partner provided generous support to the several hundred MBEs and women's business enterprises that worked on the project. In tandem with diversity business metrics and MBE participation goals, Clark Construction has awarded over \$200 million in contracts to such groups involving prime contracts. According to Geoff Stricker, the senior managing director of Clarks' developer agency, the company has ventured to partner with meaningful, purposeful programs that remove barriers that historically affect smaller MBEs and similar distributor dealers from winning bids on projects of this size. To accomplish these goals, Clark's project team initiated a "Pay Without Delay" initiative that ensures MBEs and the like receive compensation within two weeks of work completion. An interview with contractors of color conducted by Construction Dive suggests that late payment is a manifestation of institutional racism.

Edgemoor, Clark Construction's development agency, also offers programs that mentor, extend workforce training programs, and coordinate low-interest loans for equipment acquisition and to build working capital. Over two years into this particular project, several million dollars have been loaned to MBEs and women-owned firms. In addition, for more than 15 years, Edgemoor has run free executive MBA-style programs for MBEs and other minority-owned enterprises. A reported 84 local businesses have been represented in these classes, 12 of them small local businesses that have been awarded contracts. In the words of Stricker, "We really try to address all the issues that affect men and women who want to work in construction, both from a personal standpoint and a business aspect. We realize that with large contracts like these, minority- and women-owned businesses and other small businesses can take on a great scope of work if given the opportunity."⁶⁵

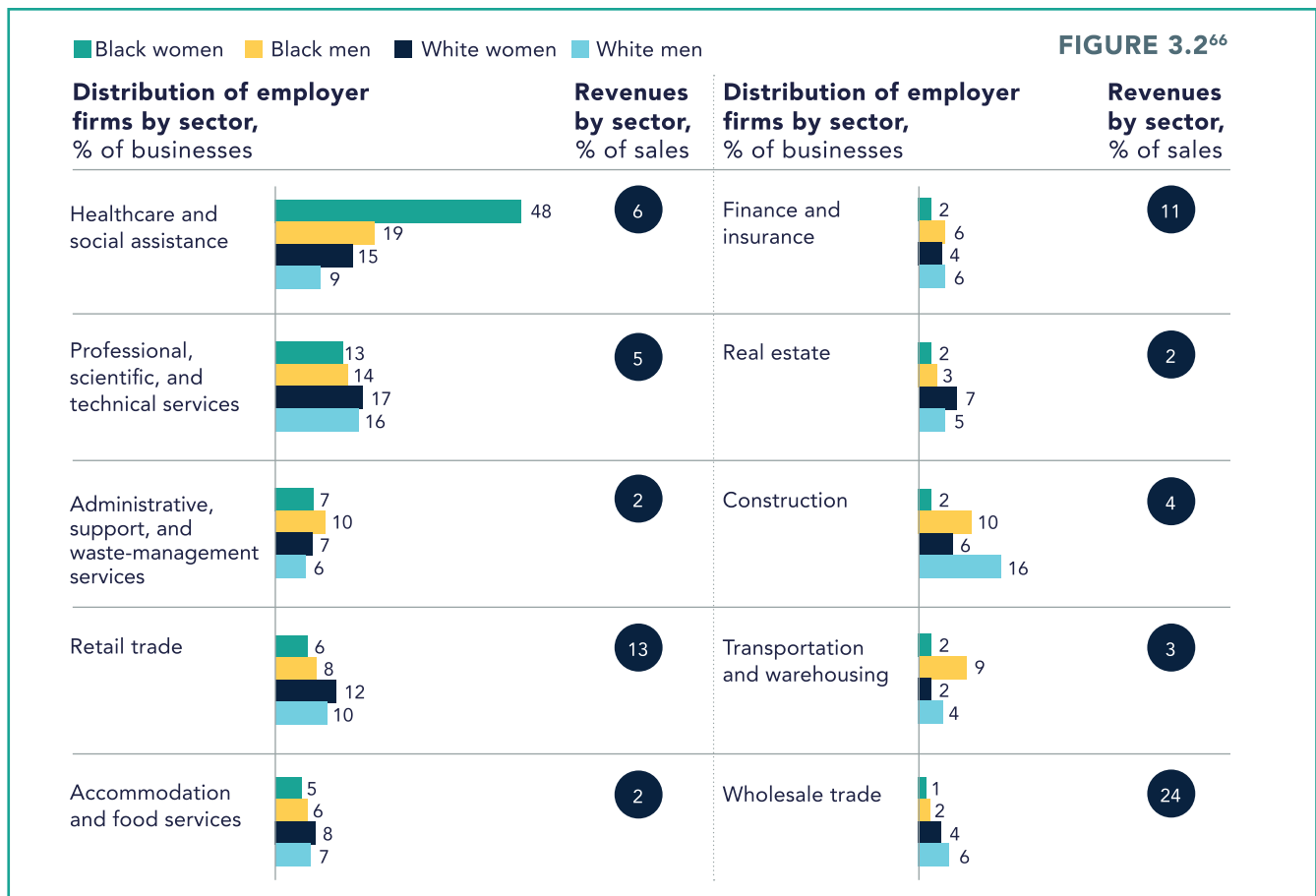
⁶⁵ <https://www.constructiondive.com/news/construction-firms-step-up-efforts-to-eradicate-hate/587488/>

Clark Construction and Edgemoor offer a robust template that others in the CEI, looking for tangible strategic ways to support MBEs and other minority-owned enterprises, can emulate. The rest of this chapter is dedicated to the primary ways businesses in the CEI can help support the growth and development of MBEs and other like-minded minority enterprises at critical junctures of the business ownership life cycle.

Knowledge Sharing

A 2012 survey of business owners and a 2016 annual survey of entrepreneurs, conducted by the U.S. Census Bureau, revealed that Black entrepreneurs are likely to make decisions in the business-ideation stage that will keep them small. The research suggests that Black entrepreneurs generally go after business in less lucrative sectors. As figure 3.2 illustrates, only five industries represent businesses that employ paid employees owned by 74 percent of Black women business owners and 62 percent of Black male business owners; these five industries are health care and social assistance; professional, scientific, and technical services; administrative support and waste management services; construction; and transportation and warehousing. And these sectors represent only 20 percent of business revenues overall.

In addition, location can disproportionately affect the business decision-making of minority and underrepresented entrepreneurs. For example, a 2017 American community survey conducted by the U.S. Census Bureau revealed that 65% of Black Americans reside in states that fall below the U.S. average on indicators of economic opportunity. Moreover, in these communities, Black Americans tend to be situated in marginalized neighborhoods, and the Black entrepreneurs from these communities are less likely to gain access to high-profile lucrative opportunities in comparison to their white counterparts. At the stage of business ideation, it is critical that the CEI and other industry leaders consider how preemptive knowledge and the sharing of know-how can tremendously impact the success and longevity of minority entrepreneurs interested in a business startup.



⁶⁶ <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/building-supportive-ecosystems-for-black-owned-us-businesses>

Equitable Access to Capital

According to a 2017 report conducted by Global Entrepreneurship Monitor, just 4% of the 20% of Black Americans that start businesses make it past the startup stage. A Stanford Institute for Economic Policy Research working paper entitled “Black and White: Access to Capital among Minority-Owned Startups” reveals a harrowing observation of startup capital disparities between Black and white entrepreneurs. According to the authors, Black entrepreneurs start their businesses with about \$35,000 of capital, whereas white entrepreneurs begin with approximately \$107,000.⁶⁷ As a McKinsey report goes on to corroborate, Black-owned businesses are likely, then, to report higher levels of debt relative to revenues, with a majority of this revenue going to service their debt. Sterling A. Bone, author of “Shaping Small Business Lending Policy Through Matched-Pair Mystery Shopping,” found that almost three out of every four Black loan applicants were asked to provide financial statements for their businesses, compared to just half of white applicants with similar profiles. This study also found that an eye-opening 31% of Black loan applicants were asked to submit personal W-2 forms, whereas no such requests were made of white applicants.⁶⁸ Findings of another study conducted on loan availability in urban minority communities make it clear that diverse ownership of a business is a significant explanatory variable of loan denial in white-majority communities. To better circumvent these systemic factors, MBEs and other like ventures need neutralizing direct investments such as grants, subsidies, loans, and revenue-participation agreements. For MBEs, aiding the availability of startup and expansion capital is critical for pipeline projects and initiatives. Below are some creative ways that CEI leaders can help support the capital needs of MBEs:

1. Reserve funds and special programs for entrepreneurs from marginalized backgrounds and vulnerable contexts, which will enable them to acquire more capabilities.
2. In an effort to counteract potential bias in the loan process, create policies and procedures that require fewer in-person transactions, thereby reducing the chance for race or other physical identifiers to be a factor in the approval of funds.
3. CEI executives can consider initiatives for high-yield, small-business investment companies that fund research and development activity. The goal is to further accelerate the growth of Black-owned businesses owning intellectual property, in an effort to foster Black entrepreneurship in high-growth industries.
4. Encourage the participation of cross-sector entities to support groups of Black fund managers that manage and issue equity and debt investments in small businesses. Since the SBA maintains activity that licenses small-business investment companies that guarantee funds invested in SMBs, encouraging the growth of Black fund managers while investing in Black managers carries the potential for producing exponential returns, and, as a byproduct, influencing and impacting pipelines within the Black community.

Sponsorship and Mentoring Programs

Sociocultural barriers often preclude Black and minority entrepreneurs from networking, mentorship and sponsorship opportunities. As mentioned in prior chapters, it is incumbent upon both horizontal and vertical leaders of the CEI to take action with retention and recruitment strategies that build more inclusive teams. The unconscious, pervasive, systemic and institutional forces that keep Black and minority leaders from entering and advancing in the CEI must be consciously counteracted by leaders across the CEI. According to David F. Larcker and Brian Tayan, who studied the C-suite organizational charts of Fortune 100 companies, less than 5% of current Fortune 100 company CEOs or other senior leadership positions that tend to accelerate career progression are Black.⁶⁹ Compounded by research that suggests mentorship and sponsorship are inherently subject to bias – people tend to gravitate toward people who look like them – the availability of such mentorship and sponsorship opportunities for self-starting Black entrepreneurs becomes even more rare with a lack of minority representation at senior levels of leadership.⁷⁰

⁶⁷ <https://www.gemconsortium.org/report/gem-2017-2018-global-report#:~:text=The%202017%2F18%20Global%20Entrepreneurship,86%25%20of%20the%20world's%20GDP.>

⁶⁸ Bone, Sterling A., et al. “Shaping small business lending policy through matched-pair mystery shopping.” *Journal of Public Policy & Marketing* 38.3 (2019): 391-399.

⁶⁹ Larcker, David F., and Brian Tayan. “Diversity in the C-Suite: The Dismal State of Diversity Among Fortune 100 Senior Executives.” *Rock Center for Corporate Governance at Stanford University Closer Look Series: Topics, Issues and Controversies in Corporate Governance* No. CGRP-82 (2020).

⁷⁰ <https://www.theatlantic.com/business/archive/2017/07/mentorship-implicit-bias/532953/>

Below are some ways CEI leaders can leverage their privilege and influence to expand the networking opportunities of budding Black and minority entrepreneurs:

- 1** Community programs that provide Black and minority entrepreneurs with access to high-profile community leaders and professional networks that provide insight to Black prospective business owners on how best to navigate through the system of pursuing business ownership.
- 2** Private sector and community partnerships that facilitate professional networking opportunities between seasoned businesses and the burgeoning ones in compatible industries.
- 3** A network of volunteer professional service providers and coaches could help Black-owned businesses navigate the process of obtaining loans, grants, and other affordable capital, including from large corporations and nonprofit organizations.
- 4** Establishing programs that recruit women and students of color, which teach in-demand construction craft skills and provide tangible professional placements for member participants.⁷¹ Alan McBride of Komatsu mentions the potential impact that connections with historically Black colleges and universities and experiments with new target markets can bring to the pursuit of a more equitable and inclusive workforce.
- 5** Blind résumés and loan applications. As Patricia Nelson of Finning Canada recalls, the name on her résumé alone severely impacted desired opportunities in the CEI. Others have remarked on the difficulty faced by ethnic and racial minorities in raising enough revenue to begin/enter CEI business ownership. Moving to a system in loan application models and HR functions where candidates need not reveal identifying characteristics is a powerful strategy for eradicating bias and providing opportunities for interested minority candidates.
- 6** Cluster hires.⁷² The concept of cluster hiring is one that emerged in higher academic circles around recruitment and retention and that is slowly gaining traction in the business world. In short, cluster hiring involves hiring new employees in groups rather than individually. As Carla Freeman states in an article for The Chronicle of Higher Education,⁷³ the main goal is to “prioritize and invest in multiple positions in a broad field, or across a range of related fields, rather than hiring ... members one by one in specific subfields. This increases the likelihood of a diverse pool of candidates and identifies synergistic connections among candidates that fosters collaboration and a shared experience.” Says Marquita Walker of Indiana University South Bend, “In business, companies sometimes hire entire teams, too, especially when an incoming chief executive decides to clean house. In recent years, new bosses at Uber, Chipotle, Borden and Bed Bath & Beyond, among others, have chosen to recast their executive teams.”
- 7** Advocates and sponsors. Probably the most direct and impactful way to encourage a diverse workforce in the CEI is for existing leaders to tap budding professionals for other key leadership positions. Diane Benck of West Side Tractor credits AED President Brian McGuire for tapping her into leadership and has since leveraged her role to do the same for other minoritized, talented CEI workers. Ensuring there are systems, policies, and procedures in place that intentionally identify budding talent to equip them with the skills necessary to further succeed at increased levels of leadership is a consistent theme that rises to the top of interview subjects.

⁷¹ <https://www.constructiondive.com/news/fixing-constructions-racism-problem-will-take-an-industrywide-effort/587582/>

⁷² <https://hrdailyadvisor.blr.com/2020/02/06/what-is-cluster-hiring/>

⁷³ <https://www.chronicle.com/article/the-case-for-cluster-hiring-to-diversify-your-faculty/>

CHAPTER 4 | Conclusion

As a high-yield and high-growth industry,⁷⁴ the \$1.3 trillion CEI is at a crossroads. Faced with changing political leadership in the United States, a global pandemic that has interrupted operations, skills and thrills gaps that create uncertainty about the future of recruitment, and a “racial pandemic” that intensified in 2020, how leaders of the CEI actively engage the intersection of these sociopolitical contexts and industry-specific challenges will determine the success of its future. For some of the business of the CEI, 2021 may represent either a year of creative collaboration and strategic posturing or the beginning of decline due to comfort with the status quo. I urge AED and member distributors to choose wisely and position 2021 as a year for non-complacency and for furthering their commitments to inclusive excellence in the workforce. The research is consistent and clear: as the CEI obligates itself to ensure a diverse, equitable workplace, the industry simultaneously further opens its doors to the promise that the next generation of leaders offers business and industry operations.

To do so, CEI leaders across sectors must unequivocally acknowledge the impact of systemic racism and gendered discrimination on their workforce. Without this critical, necessary first step, all resultant efforts will suffer. Leaders must also learn to hold, in high priority, dual objectives that seek to recruit but also to retain a highly qualified workforce, dual focus to combat the effects of the skills gap and the thrills gap, and dual initiatives that intrinsically honor and bring restorative justice to the individual while also contributing to the organization’s bottom line.

Supporting the recruitment and retention of Black and minority employees and supporting the establishment and growth of minority- and women-owned businesses will mean actively breaking down barriers. While underrepresented populations may have become accustomed to the systemic challenges that render ventures in business more difficult, the firsthand exposure that CEI leaders will undoubtedly witness in support of the marginalized in construction may, initially, be jarring and discouraging. I implore leadership of the CEI not to shirk these challenges but to rise up and use the acquired knowledge, no matter how disappointing, to better leverage their own influence and privilege to help budding minority entrepreneurs and new MBEs navigate systems that were not built for their participation.

Assisting underrepresented populations to more easily enter the CEI workforce and supporting MBEs and women-owned businesses through financing, mentorship, and networking represents a step in the right direction, but initiatives in this regard should not be seen as a point of completion or arrival. CEI leaders can leverage their influence to overhaul the system that keeps minority participation at a minimum, and this should go beyond simply providing strategies to navigate it. Transforming recruitment operations, reevaluating workforce practices, and integrating inclusive policies and procedures that invite members of underrepresented populations to “pick the songs played at the dance” better represents the heart of inclusive postures and inclusive excellence.

⁷⁴ <https://www.bls.gov/news.release/pdf/ecopro.pdf>



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