



## Should Your Institution Consider Creating A CDO Position?

by [Steve Brown](#)



human resources

strategic planning

leadership

**Summary:** Chief Diversity Officers (CDOs) are fairly new positions. Yet, with growing diversity, equity, and inclusion requirements, continuing research around increased performance with executive diversity, and the need to represent more diverse communities, some financial institutions are adding this position to their C-suite. We give you three strategies if your institution is considering a CDO position.

Americans eat a lot of hamburgers — 50B burgers each year, according to the US Department of Agriculture. That equates to almost 2.5 burgers every day for each of us! While you think about where you will be getting today's burger, we share some ways that the financial industry is beefing up its diversity.

These days, more financial institutions are increasing their diversity, equity, and inclusion (DEI) programs, including elevating DEI initiatives to the C-suite by adding a Chief Diversity Officer (CDO). There are some good reasons for this.

### Publicly-traded reporting requirements

DEI is becoming a business imperative within the corporate world, particularly for publicly-traded companies, as the Securities and Exchange Commission stepped up its reporting requirements around employee turnover rates and training programs last August. Now the SEC is reviewing additional disclosure requirements on race and gender diversity.

### Performance increases

Even if your institution is not publicly traded, DEI improvements can also benefit the bottom line. [According to a McKinsey analysis](#), the higher the DEI representation on executive teams, the higher the likelihood of outperformance. When it comes to gender diversity, there is a 48% performance differential between the most and least gender-diverse companies. Regarding ethnic diversity, there is a 36% performance differential between the most and least diverse ethnically.

### Representing your community

Not only that, but your community is likely becoming more diverse. People are moving and populations are shifting. Representing these changes within your institution is good for your community and good for business.

### Examples of CFIs with CDOs

Because of these reasons and others, more institutions are creating a CDO position, including some community financial institutions (CFIs). A \$3.2B-asset credit union in NC hired a DEI expert to fulfill the new role, created to *"formalize DEI principles and practices into the institution's workplace culture, member service, and philanthropy."*

A larger institution, \$12.8B-asset community bank in MA, has already made *"significant strides in developing an inclusive and diverse workforce,"* and now the institution has named its first-ever CDO. This new executive will help to enhance the institution's efforts by directly collaborating with the rest of the executive team, as well as each of the institution's business lines.

This is definitely a new role that many CFIs may not be filling with a single position. However, some CFIs are looking into the requirements for such a role to guide them in DEI. When creating a CDO position, institutions will want to consider three strategies.

1. **Make this role distinct.** In other words, designate someone who is not also the HR director. This is often the first instinct. Yet, HR professionals already have enough on their plate. There are many elements and layers involved in these initiatives, such as analytics review and assessment, collaborating with other business leaders, and gathering information from various levels within the institution. So, consider the skills needed for such undertakings.
2. **Support this role with resources.** Provide the new CDO with the necessary resources to drive real change, including a dedicated budget and additional team members, for larger CFIs. CDOs should be able to leverage sophisticated analytics tools to measure not only the institution's progress in recruiting and retaining diverse individuals, but also why there may be trouble spots. CDOs also need the resources to implement targeted programs to close these gaps.
3. **Get high-level buy-in.** Make sure that your C-suite executives, function, and business line leaders truly buy into DEI initiatives. If the other managers don't follow through or live these principles themselves, efforts will always fall short. This is why it's critical for CDOs to have an actual seat at the senior leadership table, if your institution wants to see meaningful change.

A designated CDO may not be appropriate for every institution. However, if and when the time comes, it is important to know how to create this position, and with it the accompanying DEI initiatives, successfully.

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## ECONOMY & RATES

Rates As Of: 04/23/2021 07:51AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.03	0.00	-0.06
6M	0.04	-0.01	-0.05
1Y	0.06	0.00	-0.05
2Y	0.17	0.01	0.05
5Y	0.84	-0.10	0.47
10Y	1.59	-0.16	0.66
30Y	2.26	-0.15	0.61
FF Market	FF Disc	IOER (Interest on Excess Reserves)	
0.07	0.25	0.10	
SOFR	Prime	OBFR (Overnight Bank Funding Rate)	
0.01	3.25	0.06	

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