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CORPORATE RESEARCH FORUM

Diversity and Business Performance

"It may be that the business case rhetoric has run its course. Diversity professionals might do better to recognise that diversity is a labour-market imperative, societal expectation and value."

Kochan et al: The Effects of Diversity on Business Performance, 2003.

Report sponsored by **SpeechlyBircham**

Diversity and Business Performance

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Foreword

Employees are generally the most important resource of any business. Much has been written about the changing generational demands of employees, and whether and how employers should adapt to meet these needs. Speechly Bircham has surveyed HR year on year to understand what it considers to be the real employee issues. Diversity has remained a consistent theme relevant to employee engagement, retention and business performance.

We are delighted to be able to support this research from CRF. The report answers many key questions as to why businesses lack diversity at senior management and board levels, particularly in terms of gender. Having identified a spectrum of reasons, the report then considers whether the benefits of diversity can be documented or not, and under what circumstances.

It draws on reliable statistics and case studies, which reflect the gains and losses - and where companies have gone wrong - before reaching the overriding conclusion that those with a higher proportion of women in their top management, for example, have better financial performance. The broader range of benefits for organisations with higher levels of diversity are reported. Having established that diversity pays, how greater diversity can be introduced is examined.

The report tackles some of the difficult aspects of diversity, which are essential to problem-solving - the diversity paradox, for instance, that diverse groups are more prone to conflict - but recognises that conflict forces a group to go beyond the easy solutions common to like-minded people. Interestingly, the report notes the need to promote diversity from the top down, and that rather than just focusing on improving diversity at board level, senior management level representation is equally, if not more, important.

Improvements in diversity should not equate to positive discrimination - which is unlawful except in cases of disability - but positive action. The latter is promoted under the Equality Act 2010 in 'training and encouragement' (permissible from October 2010) and 'recruitment and promotion', from April 2011.

Speechly Bircham is pleased to be able to recommend this insightful report to improved business performance and diversity.

Our employment team is one of the leading City employment practices. We offer pragmatic solutions to the full range of employment issues through a joined up, open-minded approach. Recognising that employment law is essentially about human interaction, our advice is given at a human personal level by professionals who understand the context in which it is received.

Emma Bartlett leads our diversity and discrimination practice, while Richard Martin is head of the overall employment team.

Wanda T. Wallace, Ph.D.   **Gillian Pillans**

About the authors

Wanda T. Wallace, Ph.D.

Dr. Wanda Wallace is President and CEO of Leadership Forum Inc which designs and delivers innovative programmes that enable leaders to improve their leadership ability and skills in strategic thought, team building, talent development, cultural inclusivity and strategic execution. She has worked closely with many international blue chip clients including BP, BT, Deutsche Bank, GlaxoSmithKline, Merrill Lynch and PricewaterhouseCoopers.

Prior to founding Leadership Forum, she was Executive Vice President of Duke Corporate Education, which she joined after her tenure as Associate Dean of Executive Education and Professor of Marketing at the Fuqua School of Business, Duke University. Dr Wallace received her PhD from the Psychology Department at Duke University with special emphasis on cognitive and thought processes. A frequent speaker at large scale events, as well as company-specific functions, she also teaches short and multi-day seminars and coaches executive men and women.

Gillian Pillans

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Acknowledgements

About CRF

Since 1994, CRF's membership has grown to well over 100 international companies and prominent public sector organisations. The Forum brings together subject experts and experienced practitioners through research projects, events and publications to share ideas, good practice, objective analysis and recommendations. As part of CRF, member organisations

- develop and implement more effective business-focused HR/OD policies

- actively participate in cutting edge research projects such as this report that address issues relevant to large employers

- develop senior executives, HR leaders and the HR team

- improve organisational learning and knowledge

- engage in networking, peer learning and sharing experiences with other members who face similar challenges

- enjoy unlimited access to CRF's extensive resource base of research and publications, and the resources of our partners.

Member organisations are typically represented by their director of HR or OD, or a senior executive in those functions. They often comment on how CRF's work makes a real difference to organisational performance and effectiveness. To join CRF or to find out more, e-mail info@crforum.co.uk, call (+44) 020 7470 7104, or see www.crforum.co.uk.

EXECUTIVE SUMMARY

1. For many organisations, diversity has become a front page issue. Greater expectations and pressures - individual/group, business, legal, regulatory, market, customers, societal, etc - continue to ensure this, as demands also increase for organisations to be more inclusive, fair, representative, transparent, balanced and moral.

2. From many interpretations, we accept the definition of diversity as 'aiming to create an inclusive culture that values and uses the talents of all would-be members'. Beyond that, however, are many minority, geographic or under-represented groups. Diversity priorities, therefore, have become organisation and context specific in having to reflect the realities of an organisation's circumstances and its workforce.

3. While many examples of useful thinking and practice for diverse groups are provided, the emphasis of this report is on gender issues, especially the under-representation of women at senior levels in organisations. The reasons for this, the pitfalls and the ways forward are discussed in detail.

4. A combination of research and expert views has led us to identify seven distinct 'opportunities' to help focus or renew the diversity efforts of members - market, stakeholder, talent, financial, reputational, legal and regulatory. Work in each, we argue, can produce a range of business benefits.

5. However, the jury is out as to whether diversity, generally, leads to better organisational performance. Research is often contradictory without clear conclusions. Virtually no studies can demonstrate causation - connection, yes, but not a provable link between diversity effort and outcomes.

6. Diversity is a naturally complex area of role conflicts, deeply-rooted assumptions and paradoxes. For example, we show how organisations have to make judgements on the potential gains from diversity work but also, at the same time, trade off process losses and unintended consequences. It is difficult work for the ill-prepared.

7. We have identified barriers that hinder diverse practice and results. They include lagging career paths, traditional structures, dated management, unsupportive cultures, stereotyping, communications - and an inability of some people to navigate an organisation's politics and networks. Sometimes a lack of individual confidence is key.

8. Many approaches and tools are offered in this report - ranging from a new CRF model of the diverse organisation with five levels of organisational achievement, to a chapter focused entirely on practical actions that members can use for seven aspects of diversity provision, and another chapter with three tools.

9. Valuable practices, challenges and key messages are also to be gleaned from reporting long-term diversity efforts at American Express, BBC, Credit Suisse, Deutsche Bank, Egon Zehnder International, Ernst & Young, Nestlé, Thomson Reuters and Transport for London.

10. For us, the critical success factor emerging from all our research is for organisations to try to create an inclusive culture where difference is valued with committed leaders and inclusive management styles. We believe these triple edges can begin to open the way to diversity being a sustainable source of competitive advantage.

WHAT'S THE ISSUE?

Topics covered

Introduction

In this chapter we flesh out some of the diversity issues and pressures organisations face - in addition to highlighting useful approaches which are described in more detail in other chapters. We believe diversity is an important, but also a complex, topic.

1.1
Important but complex topic

Diversity has become increasingly important in organisations today. They are interested in the subject for sound business reasons, not because of political correctness, or because it is perceived as a 'good thing to do'. These reasons include

- responding to customers' needs
- tapping into a larger talent pool
- reducing turnover
- responding to regulatory and governmental pressure.

Various practices and approaches are being adopted to improve diversity, and many organisations are aiming for a more inclusive culture.

The business case for diversity is complex. A considerable amount of research questions whether diversity leads to better organisational performance, though much of this is contradictory or does not reach clear conclusions. However:

- some evidence suggests that companies with strong gender diversity on their boards achieve superior business performance
- diverse teams can perform better - providing the organisation creates an environment of trust and mutual support which allows them to flourish.

The issue for research is that it is difficult to show causation, to prove that it is diversity - rather than any other management practice - which leads to a performance advantage. Nevertheless, organisations generally are convinced that investments in diversity are worthwhile.

1.2
Issue of representation

Diversity can be defined narrowly as visible differences including race, gender and sexuality or, more broadly, as a culture which supports and values difference - whether visible or otherwise - and even capitalises on diversity for competitive advantage.

Gender is still the main diversity issue for organisations, which is not surprising given that women make up half the population. While much progress has been made in increasing women's representation at work, it is still very low at senior management levels. Much of the diversity debate focuses on how to improve this situation.

Obviously, other issues such as age and religion are important and may become more so over the coming years due to changes in society. Current discussions about the ageing population are an example.

Under-representation at the top

- There has been a strong focus over recent years on improving the representation of women at board level.

- While this is welcome, they still remain under-represented in senior operational management - that is, one or two levels below board level.

- Arguably, this is where the organisation's management power base lies.

- Where they are present at this level, women are often in support functions such as HR or Legal.

- Many are appointed to boards as non-executive directors - not to the executive roles which have the most influence over how the organisation is managed.

1.3
Pressures organisations face

This report reflects what organisations told us - that gender is the most pressing and most widely-addressed diversity issue. However, actions in addressing gender gaps - if applied across the whole organisation - are likely to help other minority groups because processes and practices tend to become fairer and more objective. This helps create a culture that benefits all minority groups. Note these cautions, however.

• Minority groups still face barriers to career progression. This is especially true of women, for whom it is a huge challenge to reach senior management.

• The factors which make progression difficult are complex.

• They include how organisations work, how women promote themselves and communicate with others, how they manage their careers, their aspirations and the jobs they do.

• Although having children and balancing career and family life are factors, they are not the only or most significant barriers which women have to overcome.

> There are growing pressures from governments and regulatory bodies for organisations to improve diversity, particularly with regard to women, but there is general opposition to imposing quotas, apart from in a few countries.

However, we are likely to see more pressure on companies to comply with aspirational targets - such as the recently-formed 30% Club in the UK - or explain their failure to reach these levels. At the very least, they are likely to come under increasing pressure to provide information in their annual reports to explain progress and what actions are being taken to promote minorities.

1.4
What works well?

We have found that certain types of organisation culture support and sustain a diverse workforce.

• The most important factor is an inclusive management style where diversity is managed proactively, trust within teams is fostered and developed and differences are valued.

• Visible commitment of senior management is also seen to be critical in implementing and sustaining diversity efforts.

• Organisations also need to keep management processes under review to ensure that minority groups are not inadvertently disadvantaged.

Many strategies and techniques are used to encourage and manage diversity. These include

- mentoring and sponsorship programmes

- establishing networks or affinity groups to support specific minority groups

- diversity awareness training

- training managers in the effective management of diversity

- establishing internal structures and reporting mechanisms to set objectives and track progress

- reviewing management and HR processes to check they are consistent with diversity goals, and initiating flexible working policies.

An effective diversity strategy is likely to include a combination of these.

In summary, our research suggests the most effective way of creating an inclusive culture and gaining maximum benefit from diverse teams is to train managers in team development and conflict management skills. We also argue that senior management mentoring or sponsorship of high potential individuals from minority groups is most effective in boosting representation at that level.

CRF APPROACH TO DIVERSITY

Topics covered

Introduction

This chapter sets out the aims of our research and clarifies the interpretation of diversity used to focus the work. It also provides a five-level model, and re-states the business case for diversity.

"Diversity aims to create an inclusive culture that values and uses the talents of all would-be members."

Cedric Herring, University of Illinois.

The issue of geographies

- Research mainly occurs in the US and the UK and, to a more limited extent, in Europe.

- The diversity picture is very complex when we look at different geographies.

- For example, it is less culturally acceptable for women to work and have children in Germany and the Netherlands.

- In Asia there are cultural sensitivities associated with managers from one country managing staff in another - for example, Singaporeans have difficulties when managed by Indians.

- Organisations operating in different markets and locations need to give careful consideration to these complexities, though they have not been a main focus in this report.

Source: Herring, C, Does Diversity Pay? Race, Gender, and the Business Case for Diversity, *American Sociological Review*, Vol 74, April 2009, pp 208-224.

2.1
Research aims

It has been several years since CRF last tackled the topic of diversity. During that period, it has become increasingly important to members, and many have invested heavily in diversity initiatives. Somewhat surprisingly, we found, companies continued to do so through the recent economic difficulties, which suggests that diversity provision is not just a 'nice-to-have' option.

In framing our research, we sought to

- examine the rhetoric and understand what business practices are important for diversity
- identify what works well in helping organisations improve diversity practice
- provide some practical pointers to help members focus their efforts in the most needed areas
- identify how best members can build on their work so far.

2.2
What do we mean by diversity?

We found many different definitions of diversity, ranging from a narrow one covering immediately visible differences such as race, gender and age, to collections of personal and demographic characteristics, including personality and preferences. Diversity can be an all-inclusive term that incorporates people from many different classifications.

We particularly like the definition above by Cedric Herring. "Diversity aims to create an inclusive culture that values and uses the talents of all would-be members".

This frames diversity very broadly in terms of organisation culture. It is a good way of viewing the subject, as any actions taken to create and sustain an inclusive culture are also likely to have a positive effect on more traditional aspects of diversity such as gender and ethnicity. Note from our research the following.

- Many practitioners prefer the more active term 'inclusion' to 'diversity', as it conveys a sense of valuing all differences, not just the immediately visible ones. And, importantly, it is more about the organisation's mindset than a focus on targets and measures.

- Most businesses have now achieved diversity in a numerical sense, particularly at lower levels in the hierarchy - but that does not necessarily mean they have succeeded in creating an inclusive culture.

We have focused as much as possible on a broad definition of diversity. It is a wide-ranging and complex subject. For example, we found that much source material and practices among surveyed organisations centred on women - and to a lesser extent, ethnicity, religion, age, sexual orientation and disability. There are geographic factors too, as noted in the column.

Although we have highlighted good practice for other minority groups as much as possible, our report is weighted towards gender issues and the actions organisations can take to improve the representation of women at senior levels. We have also focused on what they can do to develop more inclusive cultures, which is likely to benefit all minority groups.

2.3
Model of the diverse organisation

A further aim of our work was to develop a model of diversity practice, which is offered here for members to evaluate their current approach and to guide any post-evaluation improvement. It has five levels and is designed as a hierarchy. At Level 1, diversity is essentially ignored by the organisation, whereas at Level 5, its inclusion is so ingrained in the culture that it does not need to be treated as a separate business issue.

Level	Description
Level 5 Achieving high performance through diversity	• Diversity **embedded** in organisation practices • Diversity not considered as a separate issue as it occurs naturally as part of the organisation's DNA • Organisation builds diverse teams, providing them with support/ management to maximise performance and benefit from diversity • Diversity leveraged to obtain competitive advantage • The organisation's values and purpose transcend the interests, desires and preferences of any one group
Level 4 Everyone treated as an individual	• Diversity concerned with **integration** and **inclusion** • Multicultural rather than culture-blind • Performance measures are objective and transparent • Different approaches/expectations are recognised and valued - it is accepted that there is more than one way to achieve results • Employees don't feel they have to become like their boss to progress • Managers manage diversity well and develop people from different groups • Systems for recruitment, promotion, career progression and appraisals are regularly checked to ensure outcomes do not inadvertently place different groups at a disadvantage • Diverse teams/task forces are actively brought together to address specific issues
Level 3 Everyone treated the same	• Diversity concerned with **assimilation** • Clear articulation of business rationale for diversity • Formal diversity management structure and measurement systems in place • Fair treatment promoted by adopting practices that are, apparently, gender-blind and culture-blind. There may be an assumption that measuring everyone in the same way is meritocratic - while superficially appealing, this can perpetuate hidden barriers that make it difficult for minority groups to progress • Progress is measured by how well the organisation achieves recruitment, retention and promotion goals - rather than how culture allows employees to draw on personal perspectives to work more effectively
Level 2 Policies and procedures in place	• Diversity is seen as a **compliance** issue • Policies - flexible working, for example - meet minimum legal standards • Diversity efforts are focused on risk management and avoidance of discrimination claims • Basic level of diversity awareness training in place • Networks/affinity groups are established and meet regularly • Some basic monitoring is in place
Level 1 No action on diversity	• Diversity not recognised as an issue or considered by the organisation • No diversity policies or procedures in place • High risk of discriminatory practices

2.4
Why diversity is important

In Chapter 4, we consider in detail why companies are investing in diversity. In short, it is viewed as an increasingly important business issue for reasons such as these.

Market opportunity: customers are diverse and this requires a response to the commercial and marketing challenges.

Stakeholder opportunity: clients, investors and other stakeholders are increasingly demanding that suppliers demonstrate their diversity credentials.

Talent opportunity: there are benefits to be gained in building and tapping into a deeper pool of talent.

Financial opportunity: the financial cost of replacing staff who leave is considerable - improving retention rates should improve profitability and productivity.

Reputational opportunity: there are less visible costs - such as loss of goodwill - when talented individuals leave, and junior staff from minority groups become discouraged about their prospects when more senior people like themselves leave.

Legal opportunity: the consequences of failure to get diversity right can be severe - including the cost of legal claims and the associated damage to corporate reputation.

Regulatory opportunity: there is increasing regulatory pressure from bodies such as the UK's Equality and Human Rights Commission, and the prospect that governments will impose quotas for female representation at senior level in particular, if companies do not act quickly enough to improve their diversity practices and performance.

HOW DIVERSE ARE ORGANISATIONS TODAY?

Topics covered

Introduction

It can be argued that demographic diversity will have been achieved when the employee profile of organisations matches that of the general population - at all levels. This chapter explores how close to that we are today.

"The stall in women's progress has been surprising because the shift to a knowledge-based economy seemed to support women's talent, skills and capabilities." **Helgesen and Johnson, 2010.**

3.1
Women in the workforce

In many countries today, parity of numbers between men and women taken across the working population has more or less been reached. Many organisations we spoke to have achieved gender parity - and many now hire a majority of women at entry level. In some countries, more women than men are obtaining degrees.

However, there is still a gap between men and women in terms of equality of pay and the proportion of women in senior management, as the column notes show.

In spite of the advances noted in the column, there is still a significant pay gap between men and women, estimated to be 12% in the UK for 2009 and 15% in Europe for 2004 (equalised for part-time working). In 2005, US women employed full-time earned only 81 cents for every dollar earned by their male equivalents.

3.2
Women in senior management - a way to go

Reviewing the picture for women, it might be argued that waiting a generation will achieve gender parity at all levels, including senior management - that is to suggest, the female pipeline is in good shape and, over time, any senior management gaps will sort themselves out.

Although the proportion of women in the workplace has increased significantly, gender parity in senior management is far from being achieved. Clearly, there is another story to be told, considering the findings below and in the column.

- Cranfield Business School's 2010 *Female FTSE Board Report* found that 12% of FTSE 100 directors were women, a rate which has barely increased for three years - only 18 of the 135 female directors held executive directorships, the vast majority being non-executive directors.

- 2010 female representation on FTSE 250 boards is even lower at 8%, which may partly debunk the notion that it is easier for a woman to become a director of a smaller company.

- In 2007, the Equal Opportunities Commission estimated that it would take another 65 years at current rates of progress before gender parity would be reached in UK boardrooms. In 2004, Catalyst estimated that it would take 40 years among corporate officer ranks in the US. If these estimates are correct, gender parity is a very distant prospect.

- In their 2007 report, *Women Matter*, McKinsey found that women made up, on average, only 11% of the membership of the governing bodies of listed companies across Europe. This ranged from 1% in Luxembourg to 32% in Norway - see the following diagram.

An imbalance...

Education: in 2004, UK women accounted for over 56% of first degrees and 49% of higher degrees. Comparative US figures are 57% and 58% - and 50% of doctorates. Across Europe, women accounted for 55% of university graduates.

Employment: 2009 US Department of Labor figures show that women comprised 47% of the labour force. UK employment levels for women are lower - 66% of women against 76% of men, according to the EHRC's 2010 Triennial Review: How Fair is Britain? - but continue to rise towards parity.

Managers/professional: in 2007, 36% of UK managers were women, while the US Bureau of Labor Statistics estimates that women now hold 51% of managerial and professional jobs - up from 26% in 1980.

Part-time working: in the UK, 26% of women work part-time compared to 6% of men. The figures for Europe are 33% and 7%.

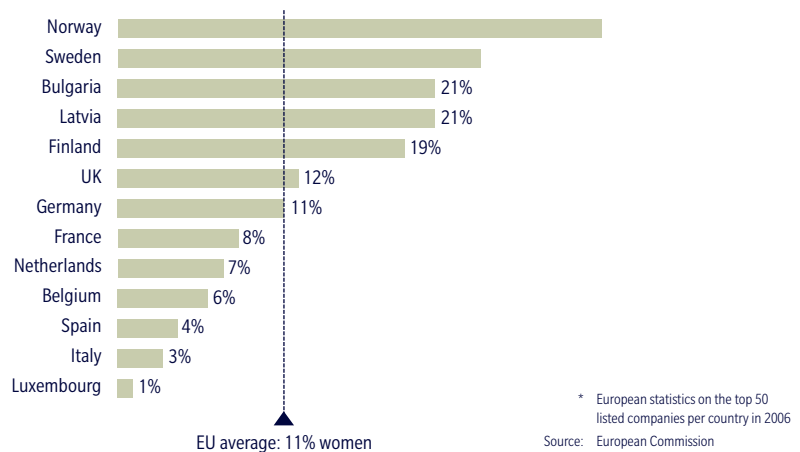**Note:** percentages rounded for clarity.

"Assumptions about demographics and life choices have become handy excuses for gender inequity in the management ranks, but they're red herrings that don't account for why women continue to lag.''
Catalyst, 2009.

Women at the top - more findings

• In the US, only 3% of Fortune 500 CEOs are women.

• In 2009, Catalyst found that women made up 15% of the directorships of Fortune 500 companies, a level which has remained stagnant for five years.

• Less than one-third of US MBA students are women - whereas they make up at least 50% of students in law and medical schools. **Wittenberg-Cox and Maitland, 2008.**

• In 2005, only 17% of partners at top US law firms were female. The picture in the UK is similar. **Wittenberg-Cox and Maitland, 2008.**

• In the UK, Maternity Action reckon that 30,000 women in the UK lose their jobs every year as a result of pregnancy discrimination.

Share of women in executive committees in the top European companies*

EU average: 11% women

*   European statistics on the top 50 listed companies per country in 2006
Source: European Commission

Overall then, there has been little progress in the proportion of female representation at senior level in the last few years. Further, recent research by Catalyst and Herminia Ibarra suggests that women continue to lag behind men at every stage of their careers. This research surprisingly showed that women tended to begin their professional careers at a lower level than men with similar qualifications. It also found that, having started out behind men, women do not progress as quickly, and do not recover their initial career disadvantage.

It is tempting to explain away this phenomenon because of women choosing to have families. However, Catalyst found that the career disadvantages women suffer hold true regardless of whether or not they have children. In Chapter 5, we explore the complex barriers women face which are partly rooted in cultural norms and stereotypes that can be difficult to overcome.

Government action

Increasingly, governments are taking an interest in women's representation at senior levels and some countries - Norway, Spain and France, for example - have either introduced or are considering legislation which requires listed companies to meet quotas for women on the board. See the examples below and in the next column.

In Norway, legislation introduced in 2008 requires at least 40% of board members of listed companies to be women - non-compliance can lead to a company being dissolved. By 2009, over 30% of directorships in the country's top 100 companies were held by women, compared with 7% of female board directors in 2002.

The law appears to be having the desired effect in increasing female representation, but there is little research at this stage as to the effects on corporate performance.

In the UK, Lord Davies, former Chairman of Standard Chartered Bank, has been commissioned by the government to prepare a report - to be published in February 2011 - on how to promote more women to executive jobs. It is expected that the review will fall short of imposing quotas on businesses, but will look at other ways in which companies can redress the balance on gender diversity at senior levels.

Pressure is also being applied by the CBI to require companies to 'comply or explain'. Those that fail to meet a gender target will have to provide an explanation in their annual report - as with current obligations for other aspects of corporate governance.

3.3
Diversity and other population groups

Although most diversity research is focused on women's issues, there are workforce pressures from other minority groups. Increasingly, organisations are becoming interested in how they can benefit from the different perspectives and interests these groups may offer, and how to ensure they are adequately represented.

The ageing population

- Steadily declining birth rates in western countries mean there will be fewer people at work in future decades.

- By 2008 in the UK, there were more over-65s than under-16s for the first time in history. **Donkin, R, Future of Work, Palgrave Macmillan, London, 2010.**

- The employment rate of older workers in the UK has risen faster in the last decade than for any other group. **Donkin, R, 2010.**

- A 30 million shortfall of US workers will occur over the next 20 years as baby boomers retire, because of fewer births after 1964. **Donkin, R, 2010.**

- The expectations of different generations are increasingly being factored into organisations' diversity plans.

Ethnicity and religion

From the data we have collected, it appears that religion and ethnicity are becoming increasingly important - and are likely to have business impacts in the future.

Throughout the 19th and 20th centuries, waves of emigration and immigration in the UK, Europe and the US have radically changed the ethnic composition of those nations. See recent trends in the column.

US and UK practice

- The US Securities and Exchange Commission recently introduced a rule requiring board nominations committees to explain diversity practice when selecting new directors.

- The UK's Combined Code also now requires board nominations committees to give due regard to diversity in making appointments.

- The concept of quotas may not yet be gaining traction in the 'laissez-faire business culture' of the UK and US.

- But the need for companies to improve the numbers of women at senior levels is increasingly being acted upon as pressure to improve diversity is applied.

Figures on ethnic make-up

- According to the Pew Research Center (Passel, Jeffrey, S and Cohn, D'Vera, *US Population Projections: 2005-2050)*, 13% of the US population was black or African-American in 2005, and 14% was of Hispanic origin.

- Furthermore, whites are likely to be in the minority (47%) by 2050.

- However, blacks lag behind other ethnic groups for their level of employment.

- According to the 2001 census, 92% of the UK population was white.

- In the second quarter of 2009, the employment rate of ethnic minorities was 57%, compared to 70% for the population aged 16 to 64 as a whole. **Office of National Statistics.**

In certain countries, religion is also going to be an increasingly pressing social and diversity issue facing organisations over the coming decades. The UK's *Citizenship Survey 2007-08: Race, Religion and Equalities Topic Report*, found that 62% of people believed religious prejudice was greater in Britain than five years previously. In some regions of the UK - Northern Ireland and parts of Scotland, for instance - the distinction between Roman Catholics and Protestants continues to be an influence in the workplace and, indeed, in social life.

Disability

- The UK's Labour Force Survey 2009 reports over 6.7 million disabled people of working age, representing 18% of the national workforce.

- Of these, only 50% are in employment, compared to 70% of 16 to 64 year olds.

Sexual orientation

- In September 2010, the Office of National Statistics reported that 1% of adults classify themselves as gay, 0.5% bisexual, and 0.5% as 'other'.

- The Final Regulatory Impact Assessment made in the context of the Civil Partnership Act 2004 estimated that the LGBT (lesbian, gay, bisexual and transgender) population of the UK was between 5% and 7%.

- As sexual orientation tends to be a more sensitive issue than other aspects of diversity, it is more difficult for organisations to track. However, many we spoke to have taken specific actions related to LGBT employees, such as setting up specific networks.

Frank Douglas, HR Director of Transport for London, believes that, in the UK in particular, diversity is narrowly-defined with a heavy emphasis on gender issues. He finds this frustrating, particularly for his organisation which has to consider the needs of its highly diverse customer base. Douglas would like to see more balance in the diversity debate to take into account the needs of racial and ethnic minorities, and the disabled in particular.

DOES DIVERSITY PAY?

Topics covered

Introduction

This chapter examines research into the links between diversity and business performance, whether diverse teams perform better than others and organisations' reasons for investing in diversity.

"The business case for women in management contends that companies achieving diversity and managing it well, attain better financial results than others." **Catalyst, 2004.**

4.1
The value of diversity

Organisations are increasingly devoting financial resources and management time to diversity efforts. It is important to understand whether there is a payback to these investments. Over recent years, a number of studies have considered

- whether there is a link between diversity and bottom line performance
- whether diverse teams perform better.

The organisations we surveyed do not see diversity as a 'nice-to-have' and have sound business reasons for investing in diversity activities. Below, we consider what the research says about the benefits of diversity, and the reasons why organisations are focusing on it as a business issue. More importantly, we consider what makes a difference in making diversity efforts pay off.

4.2
Links between diversity and business performance

Most research looking at the financial impacts of diversity focuses on the representation of women in senior management. Two particular examples are the work of Catalyst, a US research-led membership organisation focused on inclusive workplaces and women's advancement, and McKinsey.

Catalyst study

In 2004, Catalyst compared the financial performance of over 350 Fortune 500 companies for gender diversity at senior levels. Key findings were as follows.

- Companies with the highest representation of women at the top experienced better financial performance than those with the lowest representation.
- Average ROE for companies in the top quartile for women's representation was 4.6% higher than those in the bottom quartile - the Total Shareholder Return was almost one-third higher.
- Although some industries studied had lower average female representation than others, the positive correlation between financial performance and women's representation held true in each of those covered.

Using reverse analysis, Catalyst reported that, on average, companies with the best financial performance had more women on their top management teams than lower-performing companies. However, this analysis needs to be treated with some caution.

- The data was gathered in boom times, so the findings may not be reflected in difficult economic conditions.
- The differences between top and bottom quartile companies in the number of women on boards is small - between 0 and 3 - and the positions held are an important factor. Some roles have more responsibility than others.

Four references for 4.2

- *The Bottom Line: Connecting Corporate Performance and Gender Diversity,* Catalyst, 2004.

- *Women Matter: Gender Diversity, A Corporate Performance Driver,* McKinsey & Company, 2007.

- *The Bottom Line: Corporate Performance and Women's Representation on Boards,* Catalyst, 2007.

- Herring, C, Does Diversity Pay? Race, Gender, and the Business Case for Diversity, *American Sociological Review,* Vol 74, April 2009, pp 208-224.

"If one woman's a token and two's company… it seems that three's a competitive advantage."

Peninah Thomson and Jacey Graham, 2008. This view appears to have become common wisdom over the last few years.
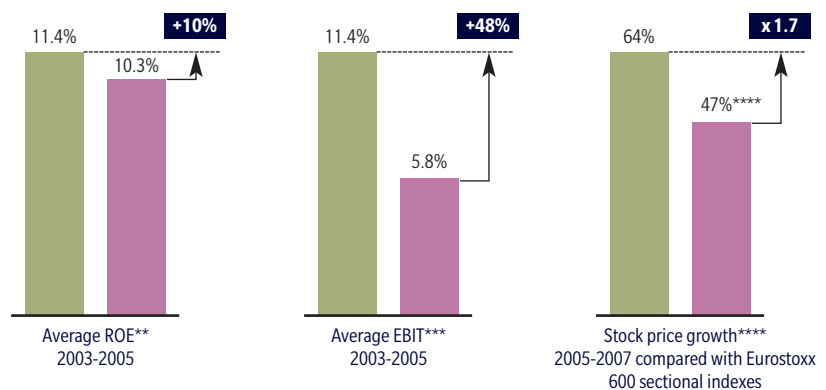
- As discussed further below, Catalyst leave unanswered the question of causation - does a performance differential arise directly from having more women in post or can it be explained by other factors, such as better management practices? Or, is it that rapidly growing companies - those likely to have better financial performance - do not have enough 'traditional' talent to fit all needs and so reach out to women to place them in strong positions?

McKinsey report

For its 2007 report, McKinsey measured 231 public and private companies and non-profit organisations, against nine proprietary organisational criteria. The following are some findings.

- Those ranked highest according to these criteria tended to have operating margins and market capitalisation twice as high as those of lower-ranked companies.

- Those with three or more women in senior management scored higher for each criterion than companies with no women in senior positions.

- A critical mass of at least three women for every ten people was necessary for the presence of females in senior management to make a difference. Below this level, no significant difference in corporate performance was observed.

- Comparing the financial performance of the 89 European companies for gender diversity numbers at the top with sector averages, they outperformed their sector in ROE, EBIT and share price growth. See the diagram.

Economic performance of the companies with the most gender-diverse management teams compared with their industry average

	Average ROE** 2003-2005	Average EBIT*** 2003-2005	Stock price growth**** 2005-2007 compared with Eurostoxx 600 sectional indexes
Companies with most gender-diverse management teams	11.4%	11.4%	64%
Industry average	10.3%	5.8%	47%****
	+10%	+48%	x 1.7

- Companies with most gender-diverse management teams
- Industry average

* 89 companies, identified with scoring system developed by Amazone Euro Fund
** 87 companies, data not available for two companies
*** 72 companies, financial sector not included
**** Of the 89 most gender-diverse companies, 44 have a market capitalisation greater than 2 billion euros
Source: Amazone Eurofund database; Amadeus; Research Insight; Datastream; Bloomberg; McKinsey

In their 2007 follow-up study, Catalyst also found that companies with three or more women on their boards significantly outperformed the others for three key indicators - 53% ROE, 42% Return on Sales and 66% for Return on Invested Capital.

Percent of companies by number of women directors
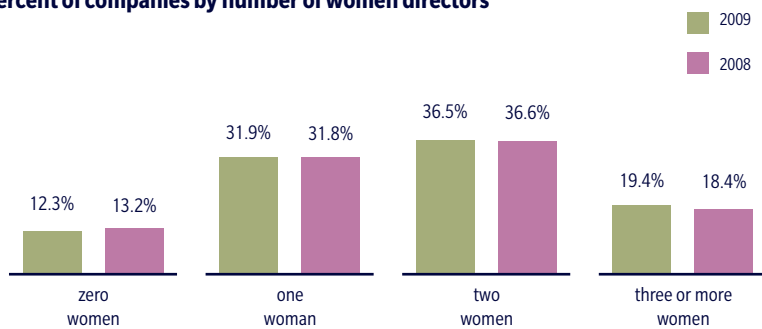
Note: in both 2008 and 2009, almost 90 percent of companies had at least one woman director, but less than 20 percent had three or more women serving together.
Catalyst 2009

The 2009 Herring et al study considered the effects of ethnic and gender diversity on financial indicators. It found that both ethnically and gender diverse businesses had higher sales revenues, more customers and greater relative profits, while the former also enjoyed higher market share.

Note these observations on the studies above concerning diversity and business performance.

• The McKinsey and Catalyst studies appear to show a strong connection between gender diversity in top management teams and corporate financial performance, while the Herring study suggests that both ethnic and gender diversity are good for business performance.

• However, Catalyst and McKinsey both acknowledge that a connection does not amount to causation - it is not clear that diversity itself is the cause of better relative performance, or that better performance leads to more opportunity for diverse employees.

• Other reasons could explain the results - a more innovative or efficient workforce, better management practices and, therefore, better retention and productivity - or, simply, high quality management teams.

• Catalyst acknowledges: "The leadership team knowledgeable enough to leverage diversity is likely to be creating effective policies, programmes and systems, as well as a work culture, that maximise a variety of its assets."

Seven references for 4.3

• Ely, R, Padavic, I and Thomas, D A, *Racial Diversity, Racial Asymmetries, and Team Learning Environment: Effects on Performance,* Harvard Business School Working Paper.

• Kochan, T, Bezrukova, K, Ely, R, Jackson, S, Joshi, A, Jehn, K, Leonard, J, Levine, D, and Thomas, D: The Effects of Diversity on Business Performance: Report of the Diversity Research Network, *Human Resource Management,* Vol 42, No 1, pp 3-21, 2003.

• Page, S E: *The Difference: How the Power of Diversity Creates Better Groups, Firms, Schools and Societies,* Princeton, 2008.

• Nemeth, C J: Differential Contributions of Majority and Minority Influence, *Psychological Review,* Vol 93, pp 23-32, 1986.

• Triandis, H C, Hall, E R and Ewen, R B: Member Heterogeneity and Dyadic Creativity, *Human Relations,* Vol 18, pp 33-55, 1965.

• Jackson and Joshi: Managing Workforce Diversity to Enhance Co-operation in Organisations, in West et al, *International Handbook of Organisational Teamwork and Co-operative Working,* 2003.

• Adler, N J and Gundersen, A: *International Dimensions of Organizational Behavior,* 5th Edn, Thomson South-Western, Mason OH, 2008.

"Team diversity is most beneficial in situations where idea generation and creativity is important, or when dealing with complex or novel problems." **Jackson and Joshi, 2003.**

In-groups and out-groups

Much of the research concerning diverse team performance stems from social identity theory which holds that people are favourably biased towards those they view as members of the 'in-group' - and are wary of those they consider to be in the 'out-group'.

- An in-group is defined as 'a social group towards which an individual feels loyalty and respect, usually due to membership of the group. This loyalty often manifests itself as an in-group bias.

- 'Common in-groups include family members, and people of the same race, culture, gender or religion.

- 'Research demonstrates that people often privilege in-group members over out-group members even when the in-group has no actual social standing - for instance, a group of people with the same colour shirts, when the other group has a different colour of shirts.' **Wikipedia**.

Applying this to diverse teams, being in an out-group can create a barrier to co-operative behaviour and may result in conflict within the team.

In-groups have a tendency to minimise differences between members and maximise differences between in-group and out-group members, resulting in increased polarisation. Furthermore, in-group members tend to over-value in-group attributes versus those of out-group members.

4.3
Do diverse teams perform better?

Considerable research has examined whether diverse teams perform better than homogeneous teams. No clear picture emerges - the findings can be difficult to decipher or contradictory, while the research may use different samples and methodologies. However, we highlight below some key studies and their findings to guide members.

> What is clear is that researchers generally recognise there is a price to be paid for team diversity - a 'process loss' - in terms of increased conflict between team members and difficulties in reaching an outcome. The question is whether the benefits of employing diverse teams can overcome this potential downside.

Conditions need to be met

A recent study by Harvard Business School's Robin Ely, focused on the conditions that affect the performance of racially diverse teams - especially the interplay of two factors: the extent to which teams engaged in learning behaviours and the effects of negative stereotyping about the competence of racial minority groups.

The latter tended to inhibit team learning behaviours. Ely found that such teams can achieve better performance compared to non-diverse teams, but only when certain conditions are met.

- Both racial minorities and whites must sense that the team encourages members to share ideas and insights - they perceive the team learning environment to be supportive.

- Where all team members feel comfortable that the environment is safe for interpersonal risk-taking, they are more prepared to share information and insights and put forward ideas which will improve team performance.

- Where teams adopt supportive behaviours, trust can be built which allows the team to overcome stress and conflict, making it better equipped to handle challenges and leading to enhanced performance.

- Where minorities do not perceive the team learning environment to be supportive, diverse teams perform less well than homogeneous teams - see the graph below.

- Where the environment is perceived as unsupportive, the race dynamics in the team can inhibit mutual learning and thus undermine performance.

Interaction Effect of Racial Diversity and Minority and White Learning Environment Perceptions on Total Performance
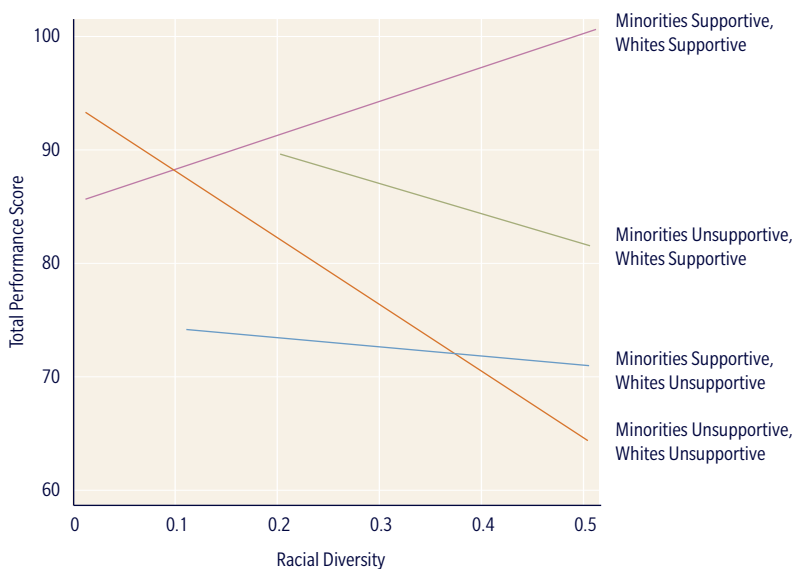
Ely et al, 2010

The implications of this study are that diversity does not automatically result in better performance. To benefit, organisations need to focus on

• creating team environments which build trust and encourage team learning behaviours such as sharing information and insights, and giving feedback

• training managers in the skills needed to create and sustain such teams.

We discuss how organisations might go about this in more detail in Chapter 7.

Further useful studies

Additional studies include the following.

• A 2003 study on the effects of diversity on business performance by Kochan et al produced inconclusive results though, in some cases, it found diversity did lead to better innovation and a positive effect on performance. Also, it concluded, training team members and leaders to deal openly with group process issues helped reduce any negative effects of diversity on team performance.

Groupthink and diverse teams

• Groupthink is a concept studied by Irving Janis in the 1970s and 1980s. He examined the impact of group decision-making on American foreign policy 'disasters' such as the Japanese attack on Pearl Harbour and the Bay of Pigs fiasco.

• Janis defines groupthink as "a mode of thinking engaged in by people when they are deeply involved in a cohesive in-group, with [team] members' striving for unanimity which overrides their motivation to realistically appraise alternative courses of action."

• The events leading to the collapse of Northern Rock are thought to be a recent example of groupthink.

• Groupthink can lead to individual creativity and independent thought being lost in the pursuit of group cohesion, resulting in irrational decisions and individual concerns being set aside for fear of upsetting the group's balance.

• Highly cohesive groups are much more likely to engage in groupthink.

• A condition which can lead to groupthink is group members having similar social backgrounds.

• Highly diverse groups are, therefore, much less likely to engage in groupthink.

Groupthink and diverse teams (continued)

Groupthink can be avoided in the following ways.

- Ensuring each team has a 'critical evaluator', who will have space to air objections and doubts.

- Leaders not expressing an opinion when assigning a task to a group.

- Setting up several independent groups to work on the same task - although this can be risky and impractical.

- Making sure all alternatives are explored.

- Allowing members to discuss the group's ideas with trusted people outside the group, or involving external experts in the task.

- Assigning a group member the role of devil's advocate and making this a different person for each meeting.

However, better outcomes may be achieved by appointing a group that is sufficiently diverse in the first place to avoid groupthink being a risk.

"Multicultural teams are less susceptible to groupthink because they are less likely to subconsciously limit the range of perspectives, ideas, conclusions and decisions they discuss, to that held by the majority or by team leaders."
Nancy Adler, McGill University.

- In his 2008 book on the 'power' of diversity, Professor Scott E Page of the University of Michigan, reviewed several studies and found evidence that diverse groups performed better was far from unequivocal. There were, he reported, some instances where diverse teams perform better - in problem-solving and predictive tasks, and he cited studies indicating that diverse groups can be more innovative (Nemeth et al, 1986) and creative (Triandis et al, 1965).

According to Nancy Adler of McGill University, two factors which determine whether diversity is advantageous to group performance.

- **Nature of the task - innovative or routine**. ''When a task requires team members to perform highly specialised roles, it is usually more advantageous to use a diverse team. When everyone must do the same thing, work generally progresses more smoothly if members think and behave similarly.''

- **Stage of the work - entry, work or action stage**. Adler believes the first and third stages are likely to take longer in diverse teams, but diversity is highly valuable for achieving better outcomes in the middle stage.

It would appear, then, that diversity in teams is a double-edged sword. On the one hand, it can lead to more creativity and innovation, while increasing conflict and turnover on the other. Is there a price to be paid for team diversity? Herring expresses this diversity paradox as: "Diverse groups are more prone to conflict, but conflict forces them to go beyond the easy solutions common in like-minded groups.''

Diversity gains	Process losses
• The benefits of employing diverse teams	• The costs of employing diverse teams
• Greater creativity, innovation and flexibility	• Communications difficulties among team members
• Better idea generation	• Conflict among team members
• Better decision-making	• Reduction of group cohesiveness
• More contacts and information sources	• Difficulties in reaching agreement
• Superior problem-solving	• Increased employee absenteeism and staff turnover
• Greater openness to new ideas	• Longer time-lag to reach and implement decisions
• Multiple perspectives and interpretations	• More ambiguity and complexity
• Reducing the risk of 'groupthink'	• Lower team efficiency, effectiveness and productivity

"Discussions with CEOs revealed they are often disappointed with the performance of women who join their boards." **Wanda Wallace.**

4.4

Diversity and board level dynamics

Some researchers believe the presence of women on the board can lead to changes in behaviour and group dynamics. For example, research by Konrad and Kramer (Konrad, A and Kramer, V: How Many Women Do Boards Need?, *Harvard Business Review*, December 2006) showed that women were more likely to make the following three contributions at this level than men. They

- broaden boards' discussions
- are more dogged in seeking answers to difficult questions
- bring a more collaborative approach to leadership.

Case experiences

Fran Engoron is a member of the leadership teams of a global professional services firm. She found these differences between her experience in male-dominated teams and gender-balanced teams.

- The qualitative nature of team discussions and decision-making - the most important point being that gender-balanced teams take time to have more debate/discussion and come to more informed decisions because they take into account a wider range of views.
- The nature of relationships and behaviours among team members. For instance, on gender-balanced teams, women felt less isolated and were more at ease with each other and their male colleagues - which led to more productivity and satisfaction.

"How I viewed my role as a team member, and how I behaved was an issue," Engoron explains. "A 'one and only' woman often has conflicting roles, as she tries to perform her 'real' job while representing and championing her demographic constituency. One colleague calls this 'bearing the weight of the category'."

Expert views

By contrast, diversity expert, Wanda Wallace, finds a slightly different experience in practice. Discussions with CEOs reveal they are often disappointed with the performance of women who join their boards. As an example, they say it can take a woman a long time to find her feet, and her doggedness in seeking answers to difficult questions can be counter-productive. In most of these anecdotal cases, there are only one or two female board members.

Fleur Bothwick of Ernst & Young also sounds a note of caution. There has been much focus on women at corporate board level, but the day-to-day running of organisations is by operational boards and management teams below board level. These are often less harshly scrutinised from a diversity perspective or, the only women present tend to be in 'pink collar' positions such as HR, Marketing or Legal.

Magic numbers - Tokenism and quotas

- Is it enough to have a single minority representative on a board?

- Tokenism theory suggests that when representation of a minority group is below a certain level - some researchers say 15%, but this has not been validated - those who are different are seen as representatives of their minority, rather than being a full boardroom participant.

- Rosabeth Moss Kanter found that tokens are often perceived and evaluated according to their category - gender or race, for instance - and not according to personal qualities or contributions. ***Men and Women of the Corporation*, Basic Books, New York, 1977.**

- Emerging conventional wisdom suggests that 30% representation, particularly with regard to women, is the 'magic number' - see the McKinsey and Catalyst research at 4.2. We are not aware of any research which validates this perspective.

- This number has been adopted as the target for female representation on UK corporate boards by the 30% Club - see the next column.

"One of the distinctive traits of the financial disaster was ... how little women had to do with it."

Michael Lewis, Wall Street on the Tundra, *Vanity Fair*, April 2009.

The 30% Club

- In late 2010, the UK's 30% Club was launched (www.30percentclub.org.uk) with the goal of reaching at least 30% women on UK plc boards within five years.

- Its members are FTSE 100 businesses and large professional services firms, whose chairmen are collaborating to influence the business community into appointing more women onto corporate boards.

- The Club aims to be more than just a networking group and plans to encourage businesses to take steps to improve the women's talent pipeline below board level - and, ultimately, therefore, widen the senior talent pool.

- It is too early to determine how successful this initiative will be, but it is encouraging that the goal is championed by chairmen who can influence the gender composition of their boards - and also have real influence in other FTSE 100 boardrooms.

- "The most interesting aspect is the fact that the Club is not creating yet another City networking group or discussion platform. Rather, it is focused on achieving the 30% goal and influencing change in senior leaders.

- "It is this quantifiable and specific goal that differentiates the initiative from others." **Sally Gilding, EMEA and Asia Business Head, Structured and Debt Products, Deutsche Bank.**

Women, crisis and governance

In the aftermath of the 2008-2010 financial crisis, much discussion has been on whether more women on corporate boards would have improved governance - in short, would Lehman Sisters have collapsed like Lehman Brothers? Perhaps more proactive diversity at the top can be a means of rebuilding trust in corporate boards. Indeed, as noted in Chapter 3.

- the US Securities and Exchange Commission has introduced a new rule requiring nominations committees to explain the part diversity plays when selecting new directors.

- the UK's Combined Code requires due regard be given to diversity when making board appointments.

> Eileen Taylor of Deutsche Bank says that one of the lessons of the financial crisis was the danger of having an unco-ordinated portfolio of assets. She believes this principle also applies to management teams which, when they are too similar, are in danger of acting like lemmings - see the Groupthink columns above.

However, it could be that Lehman Sisters would have made different mistakes, with equally disastrous outcomes!

4.5
Why invest in diversity?

Surveyed companies gave us their reasons for investing in diversity and all stressed there was a business benefit beyond any legal or moral obligation. The most common reasons are below with research and case examples.

Reflecting an increasingly diverse customer base

- Women globally controlled approximately $20 trillion in annual consumer spending in 2009 - forecast to climb to $28 trillion by 2015. US research suggests that women make 80% of consumer purchasing decisions. **Silverstein, M and Sayre, K: The Female Economy, *Harvard Business Review*, September, 2009.**

- The Center for Women's Business Research reports that more than 50% of privately-held US businesses are owned by women, and women-owned firms have grown at twice the rate of others over the past 20 years.

- The over-50s hold 80% of the national wealth in the UK.

- The 'pink pound' - spending by the gay and lesbian population - totalled £70 billion in the UK in 2005.

- Disabled people in the UK have £80 billion of spending power.

- American Express found that by marketing to segments with a high proportion of female decision-makers - small business and Hispanic markets, for example - sales to these segments trebled.

• Frank Douglas, HR Director of Transport for London, says that it is imperative in his organisation for the workforce to reflect the racial diversity of London's population - 40% black, Asian and minority ethnic which is forecast to rise to 50% of the population by 2020.

Thomson Reuters engages diverse teams

Thomson Reuters gave us examples which they felt demonstrated the benefits to their business of engaging diverse teams.

• One such project team which was created to service the government sector is currently running at over 100% of plan.

• In another business unit, Generation Y members of a project team developed an iPod application in their own time, which allowed that business to convert its products to a new technology platform.

Although Thomson Reuters were unable to isolate and quantify the difference diversity had made in situations such as these, anecdotally they felt they had benefited their business.

Pressure from clients

• Ernst & Young increasingly find that clients, particularly in the public sector, demand to see supplier diversity statistics as part of their procurement process.

• Law firms are finding that decision-makers are often women who increasingly demand that diverse teams are assigned to projects.

• One of the drivers of Deutsche Bank's diversity strategy is a concern that their people do not adequately reflect the diversity of their client base.

Heather Davies of Insight Investment Management says that every RFP her business is asked to complete by potential buyers of its services, now contains a suite of questions about diversity - a recognition that good diversity practice has a part to play in the retention of key staff, which is a critical factor in choosing a fund manager or other service with a large element of intellectual capital.

**Reasons for investing in diversity: investor pressure**

• Fund managers are becoming more interested in the diversity profile of senior management before choosing to invest.

• Jamie Brooke, a Gartmore fund manager, confirms that board diversity is one of several factors he considers.

• He generally prefers to see at least one or two women on the boards of companies in which he invests.

• The recent financial crisis has led many organisations, particularly in the financial sector, to consider whether having more diverse senior management teams would help improve risk management practices.

• As noted above, both the UK and US regulatory bodies have introduced governance provisions requiring boards to give due consideration to diversity when appointing board members.

• "Large investors increasingly represent women clients, as women's wealth has substantially increased over the years." **Ros Altmann, pensions expert.**

Widening the talent pool

- Organisations failing to recruit from minority groups may miss out on large pools of talent.

- Leadership teams - and organisations at large - can benefit from the different perspectives women and recruits from other cultures or minority groups can offer, which can be helpful in complex global businesses.

- Cross-cultural working is becoming more common as talent becomes more geographically mobile.

- Demographic pressures and talent shortages mean organisations need to widen their talent pools.

- "If the employment rate for women remains constant, Europe can expect a shortfall of 24 million people in the active workforce by 2040," according to McKinsey. Ernst & Young describe this as the 'demographic tsunami'. See the diagram below.

- Retirement of the baby boomer generation: in the US, nearly one-fifth of the working age population (16 and over) will be at least 65 by 2016.

Increasing women's employment rate offers one possible response to the demographic challenge

Active workforce*
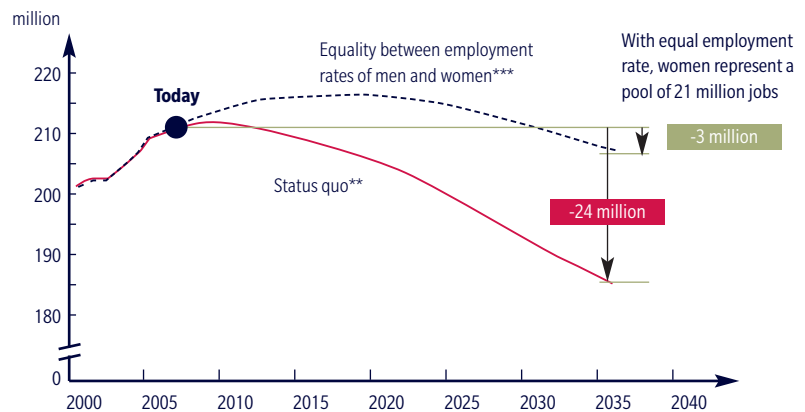
* Total population aged between 15-65 years multiplied by employment rate (for European Union - 27 countries excluding Slovenia, Slovakia and Czech Republic and including Iceland, Norway, Sweden and Albania)

** Estimate based on employment rate of women in 2005 (56%)

*** Based on employment rate of men in 2005 (71%)

Source: Eurostat, Global Insight, McKinsey

Decrease in staff turnover

• Ernst & Young estimate the cost of replacing each woman who leaves at the 'leakiest' part of the pipeline to be £200k - without taking into account the hidden cost of disruption to client service.

• Citigroup increased their retention rates of maternity returners from 84% to 97%, resulting in annual savings of more than $2 million.

• Sylvia-Ann Hewlett, a consultant who runs the Center for Work-Life Policy, estimates that it costs between $200k and $500k to replace a second-year associate at US law firms.

• Studies have found a strong connection between how well diversity is managed and employee intentions to remain with or leave the organisation.

Benefits to the employer brand and culture

• Organisations with a good reputation for diversity management find it easier to recruit and retain quality staff.

• By creating an environment where everyone feels valued, regardless of their background, organisations can bring out the best in their people.

4.6
Does diversity pay?

The answer would appear to be a qualified yes. Research suggests that organisations with more diverse senior management teams have better financial performance and, in circumstances needing innovation, creativity and, perhaps, a different approach, diverse teams can be beneficial. However, poor management practices lead to decreased performance in diverse teams.

Companies we spoke to are also convinced there is a valid business case for investing in diversity. What is not clear is whether there is a causal link between diversity and business performance - or whether it is simply that better-performing companies are more diverse as a matter of course.

The cost of defending discrimination claims

• City of London law firm, Speechly Bircham, says it can cost more than £100k to defend a complex discrimination claim, not taking into account the opportunity cost of lost management time.

• Defending a discrimination claim can require responses to intrusive questionnaires, sometimes with far-reaching questions about a defendant's workforce profile - information an employer may not wish to disclose.

• The employer may also be required to instruct expert witnesses which can add to the cost and complexity of a case.

• Claims generate negative publicity, regardless of whether or not the allegations are proven.

• Compensation can run into millions for senior women who make successful claims. For example, Texaco and Coca Cola settled US race discrimination claims for $176 million and $192.5 million respectively in 1996 and 2000.

• In November 2010, a former female banker was awarded £1.5 million by a UK employment tribunal for sex discrimination and, in 2002, Julie Bower was awarded £1.4 million in her successful claim against Schroders.

• It is rare for UK tribunals to award such high amounts, and most cases are settled before being heard by a tribunal. However, in those situations, the amounts paid remain confidential and can be substantial.

THE BARRIERS TO DIVERSITY

Topics covered

Introduction

In this chapter we consider the barriers that prevent minority groups in general, and women in particular, from reaching the most senior positions in organisations. Although some of the factors discussed apply to minorities, we find that companies are focusing more on the challenges of building a strong representation of women.

"The sheer conspicuousness of women's absence from top management puts gender in the driving seat of the diversity movement." **Thomson and Graham, 2008.**

Factors affecting women's careers

Arguably, women face specific inhibitors in career development and progression than men. These are examples.

- Men are more likely to have influential mentors, advocates or sponsors, partly because it can be difficult for senior men to develop such relationships with more junior women, as their motives can be misconstrued. It may be more natural to develop a mentorship or even a sponsorship with someone like yourself.

- People making promotion decisions naturally favour their own kind, which can count against minority groups.

- Organisations value full-time employment and face-time. However, if meetings are scheduled late in the evenings or at weekends, this puts women with other responsibilities at a disadvantage.

- The corporate career model pre-supposes a linear career path, with no space for career breaks - especially as the steepest gradient on the career curve tends to occur in the 30s, when many women are choosing to have children.

- Promotion processes are often not transparent which can be difficult for women because they are less in tune with an organisation's networks of influential people.

5.1
A complex issue

Where organisations develop an inclusive culture that supports women's career development, it is likely to have a positive effect on similar progression among other minority groups. For most organisations, the issue is a pipeline shortage - but, at some point, numbers of women rising through the ranks diminishes disproportionately. A drop-off frequently occurs at, or just before, the rise to top level management.

It is tempting to blame organisations for these situations. However, as we discuss below, there is a complex interplay of factors underpinning this issue, such as the kind of roles women tend to have, their communication style and how they operate - as much as the way organisations today are run.

5.2
Career paths, structures and culture

Despite the huge influx of women that contributed to the transformation of the workplace between the Industrial Revolution and the 20th century, organisation structures and career paths have changed little since. Although organisations do not set out to make life more difficult for women, the reality is that it can be harder for them to succeed. The factors below, and in the column, are indicative of this reality.

- Organisations operate largely on informal systems, with many decisions being made as a result of informal discussions, including those on promotion and key opportunities. For those not in an 'in-group' - which is particularly true of women - it is difficult to participate in these discussions.

- Often, decisions will be made before out-group members know an opportunity existed. This same informal system is often critical for building networks, getting advice and finding mentors.

- While organisations may sometimes be criticised for operating an 'old boys' network' which encourages or inhibits progression, the reality is more complex. At senior levels, an ability to influence management and an individual's profile among decision-makers can carry more weight than technical skills and abilities.

- Credibility at these levels needs to be nurtured and developed, as do networks - it is rare for women to be as good at this as men.

Further to these points, and those in the column, female role models are often lacking at senior levels. Chris Parke, Managing Director of Talking Talent, a coaching and consulting company, suggests some senior women can be the antithesis of good female role models - those with masculine styles, who are perceived as aggressive by both female and male colleagues, for example. Where they do have children, senior women executives often have stay-at-home husbands or a large income to provide support outside work - facilities not always available to more junior women.

"Female leaders often struggle to cultivate an appropriate and effective leadership style."

Eagly, A and Carli, L: Women and the Labyrinth of Leadership, *Harvard Business Review*, **September, 2007.**

5.3
Are the hurdles higher for women?

Stereotyping

Many organisations we spoke to mentioned female stereotyping as a perceived obstacle to progression, because subtle but powerful barriers have built up over generations, based on how women operate and assumptions about their career aspirations. Awareness training for managers to identify and deal with such attitudes is one practice organisations are using.

Double-binding

One aspect of stereotyping is 'behavioural double-binds', a concept discussed by Eagly and Carli. They found the types of behaviour associated with strong leadership, such as being directive and assertive, are typical of men. When women display these behaviours, their leadership can be undermined because they are at risk of being disliked or not being seen as authentic. See *Through the Labyrinth: The Truth about how Women become Leaders*, 2007.

Also, women are not groomed to manage these behaviours in nuanced ways. One executive stated of a high potential woman he was supporting: "She needs to learn when to push and when not to push, along with how to push."

Succession

The 'she's not ready yet' syndrome - women tend to be on succession planning lists for several years but in the 'ready in three-to-five years' column and rarely reach the 'ready now' section. Men move through such lists more quickly - in fact, internal research at Deutsche Bank confirms that women tend to spend longer in title than men.

Slow progression

Research in 2010 by Heidrick and Struggles found that it took women a year longer than men to obtain their first board position. This can be partly explained by the difficulties noted above about women not networking or promoting themselves as effectively as men.

Quality of feedback

Research indicates that women receive less challenging, less specific and less actionable feedback than their male colleagues - which can limit performance improvement and progress - because men giving such feedback fear a discrimination claim. American Express analysed the career development of women and discovered that men felt uncomfortable about giving direct feedback to women for these reasons.

Glass ceilings and glass cliffs

- The term 'glass ceiling' has been used since the 1980s to describe the invisible barriers that impede the progression of minorities.

- The phrase is somewhat misleading, as it suggests there is a specific level in the hierarchy beyond which minorities fail to progress - a rather simplistic view.

- For women who break through the 'glass ceiling, many may then face a 'glass cliff', a term coined by Michelle Ryan and Alexander Haslam of Exeter University. It suggests that senior women are more likely than men to be appointed to positions which are risky or precarious, and with more chance of failure.

- See Ryan, M and Haslam, A: The Glass Cliff: Evidence that Women are Over-Represented in Precarious Leadership Positions, *British Journal of Management*, Vol 16, pp 81-90, 2005.

- Why does this phenomenon arise? Ryan and Haslam suggest that businesses tend to 'think crisis - think female' and are more likely to appoint women in difficult situations. This may be because women are perceived as having attributes that are useful in crisis situations - being understanding and helpful, aware of the feelings of others, and being intuitive and creative, are examples.

- Alternatively, it might be that leadership opportunities for women are perceived as a 'poisoned chalice', which men avoid because they are more in tune with internal networks or have a sponsor who directs them away from such roles.

"Many people think that hard work will eventually be noticed and rewarded. That can indeed happen - but, usually, it doesn't." **McKinsey, 2007.**

Workplace communication styles

- Women are more likely to downplay their successes and ideas whereas men do the opposite. Although not necessarily so, women can appear to be less confident.

- They tend to assume that if they perform well, they will be recognised and rewarded. Successful male behaviours may lead to recognition and promotion - having 'face time' with senior management is an example.

- Women more inclusively talk about 'we' rather than 'I', which may result in others failing to appreciate their individual contribution.

- Asking for opinions before making a decision - something designed to show consideration for others - can be judged negatively and seen as lacking in confidence.

- Women acting assertively are often seen as 'bossy' - men would not be described in this way and their assertive behaviour may well be thought positive. Such behaviour may also be more assertive and more masculine than actually would be the case with men.

- Men who speak up to defend their turf are labelled as 'passionate' whereas women may be labelled as 'control freaks'.

Selecting from a small pool

Susan Vinnicombe and Val Singh found that six out of ten chairmen of FTSE companies wanted their non-executive directors to be existing chairmen or CEOs of similar-sized companies, thus selecting from a limited pool. Few women meet such criteria. Singh, V and Vinnicombe, S: Why So Few Women Directors in Top UK Boardrooms? Evidence and Theoretical Explanations, *Corporate Governance*, Vol 12, No 4, pp 479-488, October, 2004.

As a final hurdle, decision-makers often make assumptions about women and their careers - domestic responsibilities preventing them taking on demanding positions, having a family inhibiting progress, being more interested in work-life balance, and not making any extra effort, are examples. Organisations we spoke to stated these assumptions were not necessarily true.

For example, when Deutsche Bank analysed the impact of maternity leave on their business, they were surprised to find only 5% of female employees were away at any one time, thus having a much lower business impact than expected. American Express found that both men and women cared about work-life balance.

5.4
Misunderstanding from different communications styles

Deborah Tannen of Georgetown University has written extensively about how differently men and women communicate at work, and the impact these different styles have on gender perceptions originating, apparently, in the early years of play and socialisation.

- Girls learn that being too sure of themselves, or 'showing off', is likely to make them unpopular, or ostracised, with peers. They come to downplay such behaviour and learn the importance of conformity.

- On the other hand, boys are expected to emphasise rather than downplay their status, which is demonstrated by their knowledge and abilities, or by telling jokes and stories.

Whether innate or learned in childhood, these gender characteristics tend to appear in the workplace. See the column for examples from Tannen.

5.5
Shortcomings in navigating the organisation

As one climbs the corporate ladder, the need to learn to influence, sell ideas to peers, create alliances and navigate the organisation becomes critical to executing good ideas successfully.

- Women often do not understand how to - or cannot or will not - navigate the organisation's informal networks. They are also less likely to be part of important 'in-groups'. Successful men tend to be more tuned in to the politics and unspoken rules of how organisations are run, and use this to their advantage.

- Women are often not as adept as men in progression skills such as self-promotion, overt visibility, upwards influencing, and participation in politics. American Express found that men and women had different approaches to career management - men saw networking and seeking out sponsors as an integral part of their job in a way that women typically did not.

- Women dislike 'playing the corporate game' and tend to avoid internal politics, seeing them as unnecessary and reeking of patronage when, in fact, they are an essential part of corporate life.

- Women expect that doing a good job will result in recognition. They concentrate on that rather than ensuring they are known by the right people and developing the political and communication skills necessary for progression.

- Many women do not understand the use of 'personal' power as opposed to 'positional' power in order to progress, or they feel uncomfortable with this. They tend to maximise their positional power by doing their jobs exceptionally well, but this may not be enough to reach senior levels.

- Women overly rely on a single boss or sponsor and thus lose broad support in promotion discussions. They may become isolated when that boss leaves.

5.6
Women's work?

The type of jobs women do in their early years has a significant influence on later career progression, as these points suggest.

- Women tend to be employed in functions such as HR and Legal, or take on roles like COO or CIO, making it difficult to experience general and P&L management or 'front-line' functions, which are springboards for future career progression. And, where women do have P&L responsibility, it tends to be in smaller market segments or operations which may not have credibility at senior levels.

- The demands of senior jobs may be perceived as not compatible with children, and it may be assumed that women will be unwilling to take on challenging roles because of the potential effects on family life.

- The 'anytime, anywhere' technology-driven performance model involving 24x7 availability and geographic mobility increases the stress on women who are trying to be good at their multiple roles. Many seek from male managers understanding of, and respect for, the stress. With this in mind, Stephen Sidebottom of the City HR Association thinks the financial services and legal professions should examine whether their jobs are impossible for women to take on.

- Women are less likely to accept international assignments which can be an advantage for moving into a senior position. They are also less likely to be asked to undertake them. Global businesses naturally see international experience as a pre-requisite for promotion to certain levels.

Place of evolutionary psychology

Evolutionary psychologist, Nigel Nicholson, is not surprised that women find it difficult to progress in contemporary organisations, as his research leads him to assert that organisation structures and practices are rooted in the social hierarchies of prehistoric times.

"Our love affair with corporate hierarchy plays right into the hands of our ancestral primate instincts for contest and dominance - the traditional obsessions and addictions of men in a patriarchal order," he says.

Three phenomena explain why organisations today function in the way they do, according to Nicholson.

Male competitive instincts

- Men are programmed to play games and demonstrate their dominance over others - women find this distasteful and feel uncomfortable participating, as it is against their nature.

- Men have natural competitive instincts which compel them to grab opportunities when they arise, whereas women are naturally reluctant to do so. The 'fight or flight' instinct also means that men tend to find competition stimulating while women may find it stressful.

- It is also in men's interests to perpetuate the systems in which they have been successful - subconsciously, they tend to be reluctant to change how organisations are run.

"Women's career decisions are more likely to be motivated by 'intrinsic rewards' - those they find personally meaningful - than by money or status. The primary driver for women is the desire to do work they feel matters." **Helgesen and Johnson, 2010.**

Place of evolutionary psychology (cont.)

The false theory of meritocracy

- Nicholson argues that organisations are only partially meritocratic. Measurement systems are often context dependent and subjective.

- People move up the hierarchy or leave the organisation. They do not move downwards as would be expected in a true meritocracy.

- Men are prepared to accept this, as it tends to benefit them and reflects male-dominance hierarchies. Women, however, tend to be more idealistic and take meritocracy more seriously than men.

Homophilia - people select people like themselves

- In primitive societies, outsiders were unwelcome as it was not clear whether they could be trusted.

- This lives on today, exemplified by the way managers make decisions about hiring people. They tend to feel more drawn to people similar to themselves.

- This homophilia also applies to retention, in that people are more likely to remain in an organisation where they are surrounded by those like themselves.

Achieving the potential benefits of diversity by accommodating difference may, therefore, take considerable effort, as it runs counter to natural human instincts.

"The ingrained male desire to do public battle and display virility and competence, persists today. Even in organisational settings, which would benefit from co-operation, men frequently choose competition," concludes Nicholson.

5.7
Women have career and lifestyle choices

- Women may have more choice over career and lifestyle, such as working in the non-profit sector or taking on an entrepreneurial role. Though not necessarily less ambitious, they are perhaps not as motivated as men to reach the most senior levels. For some, 'making a difference' may be more important.

- As a result of career progression issues, women may feel isolated, unchallenged and marginalised in corporate settings, which can prompt them to choose different career tracks.

- Women leave corporate life for reasons other than raising a family. High potential women without family responsibilities are just as likely to leave, and the major career steps tend to occur in the late-30s and early-40s - often when family responsibilities have reduced.

Why women leave

Research by the Leadership Forum gave these reasons for women leaving corporate life.

- Becoming disenchanted with politics.

- Feeling undervalued.

- Failure to win promotion.

- A change of job.

- No longer enjoying the job or learning in the job.

- Wanting more control over their working life.

When the pressure becomes too great, women start questioning whether any trade-offs made are worth the sacrifice. At this point, they are liable to leave, stating that their reasons for going were work-life balance. In truth, the underlying cause is something quite different.

In summary, in her research with Leadership Forum Inc, Wanda Wallace has identified five interacting factors that impact on the careers and retention of senior women leaders, as the box below shows.

Breadth and quality of relationships at work: senior women often do not have as many peer-to-peer relationships as successful male counterparts. They can miss opportunities, be out of the loop, or fail to have their contribution properly recognised.

Centrality of the boss: women tend to rely too heavily on a single boss for career support. They do not receive the quality of mentoring and advocacy that men have, nor adequate feedback.

Sources of credibility: women's credibility is often based on functional expertise which can lead to them being overlooked when broader roles occur - and to be perceived as lacking the ability to take on leadership roles. This often arises because operating in an expert capacity is within many women's comfort zone. And, if they do not promote themselves, they may lack credibility because they are less well-known.

Genuineness, accessibility, predictability and authenticity: women are often perceived as lacking confidence, difficult to get to know and finding it hard to be themselves.

Perceived sense of isolation: women often feel isolated, especially when there are so few of them at their level. They find advice hard to come by.

Wallace, W: *Reaching the Top: Factors that Impact the Careers and Retention of Senior Women Leaders***, Lulu Publishing, 2008.**

Off-Ramps and On-Ramps

Sylvia-Ann Hewlett of the Center for Work-Life Policy has created the notion of 'off-ramps' and 'on-ramps' as one approach to combatting both the career progression difficulties women face - and the female brain drain that organisations experience. Women are more likely than any other group to leave their careers voluntarily for a period of time - often as a result of family responsibilities - and pick them up again at a later date.

Hewlett's research has found the following.

• 37% of highly qualified women voluntarily leave their careers for, on average, 2.2 years.

• The majority of women who take off-ramps intend to return, but most find it difficult to do so.

• Of the 74% of off-ramped women surveyed who managed to return to the workplace, only 40% had full-time professional jobs. This is a significant loss to organisations which are unable to retain or deploy effectively these women.

Recent research from the City HR Association found this was a particular issue in financial services. Women in client-facing roles often suffered a loss of career momentum after taking maternity leave. Clients had to be re-assigned during their absence and, on their return, they often failed to get them back.

Supporting on-ramping

Sylvia-Ann Hewlett argues that large organisations can do more to support on-ramping, for example, by

• adopting more flexible career structures that do not work against women

• offering more widely flexible working and telecommuting

• understanding what motivates women and how this differs from men, and incorporating this into career structures.

This may be an interesting attraction/retention proposition for organisations, as it avoids the cost of replacing highly skilled and trained women. Wanda Wallace has highlighted the following challenges for organisations wanting to improve their on-ramping.

• High potential staff who have not taken time off and are coming up behind off-ramped women may pose a threat. Should they be made to wait their turn in favour of an on-ramped woman?

• Women often wish to return to work in a different role to the one they previously had.

• Many women suffer from low confidence after spells out of the workplace and require time and support to re-adjust.

• They can find the world has changed while away - peers have moved on, networks need rebuilding, they may have to prove themselves again, and the industry may have changed - all making it tough to return.

Successful on-ramping requires both the woman and the employer to tackle such challenges.

CULTURES THAT ENCOURAGE DIVERSITY

Topics covered

Introduction

A major theme of discussions with organisations is the importance of having a culture that supports and sustains efforts to improve diversity. In this chapter we examine what such cultures look like.

"If you want a flexibility strategy to succeed, there's no substitute for actually seeing the CEO act out policies and practices." **Niall Fitzgerald, former CEO, Unilever.**

6.1
Leadership commitment

A key success factor mentioned by virtually all organisations is the CEO and senior management championing and promoting diversity. Such visible commitment through word and deed makes a big difference. Note these case examples.

• When Lord Browne was CEO of BP, he challenged the organisation on the lack of female representation at senior levels and took personal responsibility for sponsoring BP's women's talent programme.

• At Deutsche Bank, the Executive Committee is encouraged to talk about diversity and to weave the topic into speeches wherever they can.

• The Thomson Reuters CEO, Tom Glocer, regularly speaks about diversity, often without any prompting from HR. In a recent video, he encouraged hiring managers to 'be bold' in their hiring decisions and to push for diverse shortlists.

We have found that leaders need to role model diversity and change their behaviour if they want programmes to flourish. When he was CEO of Unilever, Niall Fitzgerald had a flexible working arrangement which allowed him to spend more time with his daughter.

• However, there is still a stigma associated with flexible working. Ernst & Young found that employees who worked flexibly fared worse in their performance rankings than other staff - and, in particular, men who did so tended to receive lower rankings than women. Many women say they simply want male managers to understand and respect the challenges they face.

• It is important to involve senior men as well as women in activities which are focused on women.

> "Flaunting my flexible work arrangement is one of the most important things I can do. It starts to change the culture. If you want a flexibility strategy to succeed, there's no substitute for actually seeing the CEO act out some of its policies and practices in his or her daily life. Otherwise, smart, ambitious employees are simply not convinced that these programmes are for real. It's not sufficient to say the right thing. You need to do the right thing."
> **Niall Fitzgerald, former CEO, Unilever, quoted in Hewlett, 2007.**

We tested leadership commitment in our survey of CRF members, asking about the extent to which their organisation's senior leadership visibly owned the diversity strategy. Only a quarter or so of respondents felt they did so to a large or very large extent - and 55% suggest leadership has more to do in this area. About the same percentage said their organisations do not have diversity goals across all lines of business.

6.2
An inclusive management style

Organisations with more open, inclusive management styles seem to be better overall at managing diversity. These are some of the typical features of such cultures.

• Leadership understands and accepts that a diverse workforce embodies different perspectives and approaches to work, and values variety of opinion and insight.

• They recognise there are different ways to achieve positive results.

• Managers are encouraged - through awareness raising and behavioural training - to create a mutual learning environment, foster open dialogues and build trust within a diverse team. In Chapter 7 we discuss in more detail how managers can be trained in these skills.

• Managers are equally accessible to all team members, spend formal and informal time with them and solicit perspectives from them.

• Managers ensure that all voices are heard within the team.

• Inclusive managers are aware of the concerns of diverse groups and create an environment which allows trust to develop between people of different backgrounds.

• Inclusive organisations have relatively egalitarian, non-bureaucratic structures.

• Open discussions about the impact of differences and stereotyping are encouraged.

• Flexibility is seen as the norm and is well-managed.

• Action is taken against forms of dominance and subordination that inhibit full contribution.

• There is a low level of prescription about what constitutes correct behaviour and how work should be performed.

6.3
Diversity as a business issue

• As noted earlier, most companies we spoke to viewed diversity as a business issue, and were able to articulate clearly the business case for it. They also tend to make senior management - rather than HR - responsible for diversity, thereby encouraging business ownership.

• Many companies incorporate diversity planning in the business planning process, and have specific diversity plans and measures.

• Few organisations have numerical targets or quotas for representation levels of minority groups - and those that do tend to operate in the public sector. However, aspirational targets are increasingly common for the active measurement of performance.

Ernst & Young case notes

- Ernst & Young include slides as part of the manager briefing pack for appraisal and promotions discussions, which set out how unconscious bias can arise and how it can be avoided.

- This has subsequently been turned into a web-based training tool which has been rolled out in the UK to anyone who makes people decisions.

- The firm has also looked at whether bias has impacted on the way staff are assigned to client projects and the tool is shared with clients.

- This training has been customised and used by the Middle East and delivered to the HR communities in a number of countries across EMEA.

- Fleur Bothwick thinks the firm's work on unconscious bias is one of the key activities that is making a difference in Ernst & Young currently.

6.4
Tackling unconscious bias

Very few organisations today openly discriminate against minority groups. However, many we surveyed said minority groups may be subjected to 'unconscious' or 'hidden' bias because of the manner in which organisations operate. Overcoming this can include the following.

- Tracking the outcomes from performance management and promotion processes. For example, Ernst & Young review the results of their performance ranking of all staff to check whether specific minority groups are disadvantaged. This gives the firm insights into where it needs to take action to ensure there is no unconscious bias.

- Ensuring that promotion and appraisal systems do not inadvertently interpret the communications styles of individuals to the detriment of women.

- Increasing managers' awareness of the psychological drivers of prejudice towards minority groups.

- Helping minority groups understand how internal politics and networks operate - and how to navigate them effectively.

Diversity expert, Wanda Wallace, cautions organisations about the language they use when discussing unconscious bias. Focusing on what the majority has or has not done can alienate and turn them against diversity activities, while making minority groups feel like victims.

In diversity training, she feels it is important to emphasise the proactive, concrete steps that managers can take to create a more inclusive and supportive culture within their teams.

6.5
A focus on performance and outputs

There is a danger that promoting particular groups can lead to positive discrimination. This tends to be viewed negatively both by those who benefit and others - the perception is that people have succeeded by being one of a minority rather than by merit. Women often state that quotas, for example, put undue pressure on them as they have to face comments that they were only promoted because of being female.

Positive discrimination is unlawful in many countries and may be approached by these means.

- Creating a culture of expectation for high standards of performance from everyone.

- Regularly reviewing the criteria for performance and promotion to ensure that desired behaviours are rewarded.

- Providing minority groups with honest, constructive feedback that they understand and act on.

• Being transparent about performance expectations and helping minority groups understand the organisation's unwritten rules of progression - the use of mentoring and sponsorship is one way of doing this.

> At Sky, for instance, diversity is linked to meritocracy as part of creating a meritocratic culture - rather than focusing on diversity per se. Diversity efforts are also aligned with brand values and cultural attributes such as individuality and creativity that flow from the brand.

6.6
High growth organisations are better for breaking through

A 2003 study by Goodman et al found that women are more likely to break through a glass ceiling in companies that have high management turnover. See Goodman, J, Fields, D and Blum, T: Cracks in the Glass Ceiling: In what kinds of organizations do women make it to the top?, *Group Organization Management*, Vol 28, No 4, pp 475-501, December 2003.

The reasons for this may be as follows.

• There are more opportunities than there are capable leaders - an organisation may have to reduce its criteria or expectations for these positions.

• They are unable to find anyone else to do the job. The appointment of Anne Mulcahy as CEO of Xerox in 2001 is an example, when the company was on the brink of bankruptcy and dealing with an accounting scandal. "I never expected to be CEO of Xerox. It was a total surprise to everyone, including myself," she said. She successfully turned Xerox around, and was succeeded by another woman, Ursula Burns, in 2009.

• Organisations need so many people that there are more opportunities than there are resources and they start looking in unlikely places for potential people for key roles.

• They may offer more entrepreneurial opportunities, which are attractive to women who wish to control their own destiny and might otherwise leave corporate life to set up their own business.

Wanda Wallace recently worked with a high-growth US healthcare business, which was growing so rapidly that it had no choice but to promote women internally who might otherwise never have had such opportunities - acknowledged by a number of women she interviewed.

The organisation where women might thrive

Research by the Leadership Forum has concluded that women seem to fare well and enjoy being in an organisation with these characteristics.

• Women have supportive managers - crucial for retention - and the management style is development-oriented.

• Performance is fairly evaluated and rewarded.

• The organisation lives by its stated values.

• The business is in growth mode with more opportunities than there are capable leaders.

• There is a strong culture of pulling together and collaboration to solve problems.

• Female role models are evident who respect each other and show that progression can be achieved.

• The organisation is not highly competitive internally.

• It appreciates the challenges - and opportunities - of balancing work and family life.

• It encourages different or creative approaches.

Conversely, women are unlikely to do well in an organisation

• going through a down cycle in which jobs are cut and leaders tend to resort to individuals they know well to take on leadership roles

• which is overly political

• where there is constant change in reporting lines

• in a merger/acquisition situation where there is competition for a limited number of places.

ACTIONS TO TAKE IN YOUR ORGANISATION

Topics covered

Introduction

This chapter sets out the key practices that companies we surveyed have implemented as part of their diversity strategies. As well as reviewing the latest thinking about what does and does not work, we consider how each approach can best be set up to gain maximum benefits.

Guidelines on networks

Build networks of networks

- Networks are now linking together across companies.

- Women at Ernst & Young are gaining access to senior women clients in a way that would not have been possible previously.

Let networks drive the agenda

- Many of our organisations said it was important for networks to determine what diversity-related actions should be implemented, and to have budgets.

- This enables diversity plans to meet local business needs rather than being determined by a central HR or diversity function.

- At Credit Suisse, for instance, alongside a regional strategy and a number of centrally-managed initiatives, much activity is driven by the six employee networks.

- Their heads meet quarterly to discuss which activities to implement and how to use funds.

- For example, one current priority for the UK Family network is dealing with the challenges of elder care.

7.1
Networks and affinity groups

Setting up networks or affinity groups, such as a women's network or a lesbian, gay, bisexual and transgender (LGBT) network, seems to be the starting point for most organisations. Many we surveyed have had affinity groups for years and shared their experiences of how to maximise their effectiveness.

Make them open

- Although networks can offer support within minority groups and alleviate feelings of isolation, they can cause resentment among 'outsiders', actually exacerbating the problem of minority groups being seen as 'different'.

- Open network events to everyone, which can avoid the problems above. Louise Redmond, formerly HR Director at the Bank of England, says the bank was careful to do this - and indeed made some events open to external attendees. The networks were more highly valued as a result.

- Ernst & Young see their networks as excellent marketing opportunities and open them to clients too. They find that senior female clients appreciate such invitations, when they would not normally attend corporate events such as rugby games.

Let them build their own momentum

Lehman Brothers had a successful US women's network, but women were actively opposed to setting one up in Europe. They did not see the networks leading to cultural change - and other organisations also find staff reluctant to participate until they experience their advantages. Instead, Lehman set up diversity business plans in Europe with a range of activities. Networks came later and they were designed to complement and support how the business was already changing.

Networks unlikely to be a solution on their own

A recurring theme of our research has been the importance of addressing the underlying organisation culture - and how this is manifested in policies, practices, attitudes and decisions - if diversity efforts are to be embedded and sustained. Chapter 6 discusses the type of organisation culture that supports diversity.

"Sponsors, we believe, are the key to helping women gain access to opportunities they merit and need to develop." **McKinsey, 2007.**

7.2
Mentoring and sponsorship

A key message from research and company surveys is that women are being held back by a lack of access to, and visibility with, senior people - and a lack of career support. This is being tackled by ensuring high potential women have either mentors or sponsors to help them develop their careers.

Mentoring and sponsorship are quite different - see the table below. Research shows that mentoring helps in women's careers, but sponsorship makes a dramatic difference.

Mentors	Sponsors
• Sit at any level in the hierarchy.	• Must be senior managers with influence.
• Provide emotional support, feedback on how to improve and other advice.	• Give protégés exposure to other executives who may help their careers.
• Serve as role models.	• Make sure their people are considered for promising opportunities and challenging assignments.
• Help mentees learn to navigate corporate politics.	• Protect their protégés from negative publicity or damaging contact with other senior executives.
• Strive to increase mentees' sense of competence and self-worth.	• Fight to get their people promoted.
• Focus on mentees' personal and professional development.	• Advocate for employees when they are not in a position to do so themselves.
• Help prepare employees to act on their own behalf.	• Willing to stake their personal reputation on the success of the protégé.

The difference between mentoring and sponsorship, Catalyst, 2010.

The finding on sponsorship above is supported by research from Herminia Ibarra and Catalyst, 2010, which found that women MBAs fared worse than male counterparts in career progression and pay. Also, more women than men in the study had mentors - but more men than women who were mentored had been promoted.

Investigating further, researchers found that women's mentors tended to be less senior and have less organisational clout. Men were also more likely to be sponsored - as defined above - than just being mentored, and their careers appeared to benefit as a result.

Key success factors

- **Clarify programme goals:** mentoring and sponsorship have different outcomes and require different types of people. Often the best mentors - providing counselling and feedback - do not have the influence to push others through the system, which is required of a sponsor.

- **Match according to goals:** where programme goals are career advancement for women, sponsors should be able to influence senior selection, whereas for personal development, good chemistry between mentor and mentee is more important.

- **Co-ordinate efforts:** sponsorship should be a part of wider management practices, including performance evaluation, succession planning, promotions, training and development.

- **Involve line managers:** so the programme is not seen as an HR initiative detached from the business - and to help avoid line managers becoming a barrier to progression.

- **Train sponsors in gender and leadership complexities:** helping them understand different communication styles and how misunderstandings can arise, for example.

- **Hold sponsors accountable:** measure whether women are progressing at the rate and in the timescales anticipated, and make sponsors accountable for this. Involve them in helping sponsored women make the transition to a new role when appointed.

- **Measure success:** check women are progressing as expected.

Source: Catalyst, 2004.

Why sponsorship works

- Sponsors go beyond giving advice and feedback - the traditional mentor role - using their influence with senior executives to act as an advocate for the mentee.

- Sponsorship is the most direct link between a candidate and a position. In American Express, the sponsor is expected to represent their person in talent discussions, advocating career moves or roles. While it brings many benefits - such as the sponsor being seen as a strong people leader and talent spotter - it can be a heavy-duty role. It requires a senior person to stake their reputation on backing someone else. The relationship is allowed to develop - thus many individuals identify themselves as an 'advocate' for the work of a person until they feel comfortable that they can adequately support that person.

- Sponsorship is much more likely to lead to a woman being placed in a leadership position.

Since implementing the Atlas sponsorship programme, one-third of women involved at Deutsche Bank have moved into new or bigger roles - and the others are having ongoing progression discussions.

Fleur Bothwick of Ernst & Young says sponsorship, rather than mentoring, makes a difference in her organisation. They have implemented Career Watch in which senior partners track the careers of high potential women, navigate any career difficulties and help them gain experience.

The main barriers women face are being assigned to projects likely to put them on track to partnership - often because schedulers make assumptions about their availability for projects that involve travel or time away from home, or because women themselves do not ask to be put forward for these assignments.

Mentoring initiatives

Some organisations, like Aviva Investors, have set up 'reverse mentoring' programmes. Nigel Clemson, HR Director, explains that this involves pairing each executive team member with a more junior woman who has volunteered for the programme. The executives - mostly white, middle class males - gain insights into what holds back women and the actions needed to improve their promotion rates. The women have exposure to senior executives they might not otherwise encounter.

These programmes seem to work best when they are run across different companies rather than within a single organisation - as the box below shows.

FTSE 100 Cross-Company Mentoring Programme

- The FTSE 100 Cross-Company Mentoring Programme was set up in 2005 to help talented women reach the optimal positions in their professional lives to which their ability and aspirations will take them.

- It brings together mainly chairmen, chief executives and senior women with high potential for board membership. The mentees are nominated by their chairman or chief executive and come from the level below the board.

- It is particularly helpful to have chairmen participation as they are involved in the appointment of NEDs - and one of the programme's objectives is to improve the pipeline of female NEDs.

- The role of the mentor is to use their experience to provide insights and advice, and help mentees develop into credible candidates for executive and non-executive directorships, and other senior leadership positions.

- Mentees are matched to a mentor from a different organisation to avoid conflicts of interest - and take into account the background, experience, personality and style of each person. Mentoring pairs meet regularly over a one- to two-year period.

Of over 60 women who had participated by February 2010, these results had been achieved.

- Appointed to Executive Committee or main board of own company, 10
- Appointed NED in private sector, FTSE and abroad, 5
- Appointed NED of not-for-profit or charity, 3
- Public sector or government appointment, 4
- Promoted within own company or moved for promotion to another company, 14
- Appointed CEO of FTSE 250 or other company, 3

Source: Praesta Partners LLP

Programme co-founder, Jacey Graham, says that, in addition to improving the careers of mentees, mentors have also learned about the challenges facing women. This is helping to kick-start a culture shift in UK corporate life.

"When HR practices support the creation of a workforce that has the skills needed to turn diversity into an advantage, diversity is more likely to lead to more positive performance outcomes." **Kochan et al, 2003.**

Diversity structures

- A diversity strategy which cascades from the top-level business plan - two-thirds of respondents to the CRF survey have such a strategy.

- Diversity strategies/plans at business unit level.

- A Diversity Council which is often a sub-set of the Executive Committee.

- Diversity Councils/Steering Groups at business unit or country level. For example, American Express uses existing Senior Executive Structures - that is, Country Executive Teams - with senior men and women from line roles as well as HR representatives to ensure engagement, ownership and integration within the business.

- Individual diversity champions whose identity can be crucial - if possible, a known high-flier, rather than a token representative of a minority group.

7.3
Training

Most organisations we surveyed undertake diversity training. However, there are different types for different needs.

Diversity awareness training

Most organisations start by training large numbers of people to promote discussion and awareness of diversity issues - often involving actors or role playing. Stereotypes associated with minority groups are also examined and the way these affect how people work together, often unconsciously.

Fleur Bothwick says that, although this training can cover diversity in a 'fun way', it does not necessarily bring about behavioural change. Its importance is in helping people understand the business case for diversity and raising awareness of issues.

For some organisations, cross-cultural training is an important aspect of diversity awareness. Ernst & Young have introduced this to help their staff work better in diverse teams - and work remotely in teams where communications are by e-mail or phone rather than face-to-face.

Nomura also include Japanese cultural awareness as part of their induction programme for new hires, and offer Japanese expatriates diversity awareness training when they arrive in the UK.

Behavioural training

This is a key technique in developing an inclusive culture that supports diversity - and is also an area where HR can make a significant contribution to maximising the benefits of a diverse workforce.

Behavioural training is designed to help managers

- develop inclusive styles sensitive to the needs of different groups and create an environment in which team members can share information, provide feedback and build trust

- understand the nature of group identity, identify stereotypes and use them in a positive way, and develop conflict management skills.

7.4
Structuring diversity efforts

Organisations need to consider the structures required to direct and support their diversity initiatives. Those we spoke to combine the features in the column.

Thomson Reuters, Deutsche Bank and American Express have developed a global diversity strategy, but give local markets flexibility to decide which aspects to prioritise or implement. This might mean some countries focus more on ethnicity, whereas gender may be more important in others.

At Thomson Reuters, for example, in the UK there is more focus on disability than in other countries, whereas in the US it is on LGBT issues. As stressed throughout this report, a common theme to surveyed organisations is to increase the proportion of women in senior management.

> "We have a somewhat fragmented approach to diversity as it means different things in different parts of our organisation. Gender is tracked across the organisation but the focus will also vary at a regional level, depending on local requirements. In South Africa, the emphasis is on tracking progress against Employment Equity targets, whereas in Brazil, it is on disability."
> **Executive in multinational business.**

7.5
Measurement and target setting

Measurement and target setting are integral to most organisations' diversity strategies. The CRF survey found that almost two-thirds of members measure diversity performance. However, it is less common for them to set specific targets - only one-third of respondents said they have diversity goals/targets across all lines of business. Below are some of the approaches organisations use. Also see Chapter 9 which has specific measures for tracking the effects of diversity efforts.

Quotas/numerical targets

This is a key technique in developing an inclusive culture that supports diversity - and is also an area where HR can make a significant contribution to maximising the benefits of a diverse workforce.

As discussed in Chapter 3, there are examples of quotas in countries such as Norway and France being enshrined in law. Some organisations in the UK, such as the BBC, have set specific targets, but generally this is limited to the public sector. Note these points.

- The subject of targets and quotas for representation of minority groups at different levels is a controversial topic.

- Commercial organisations are generally opposed to quotas as they tend to drive unhelpful behaviours.

- Minorities who might benefit from quotas tend to dislike them as they prefer to know they have been appointed on merit. It can also lead to their capability to do the job being questioned and their credibility being compromised.

- Quotas have the advantage that managers can manage to them - and can then measure whether they are achieving their goals.

Scorecards and surveys

- Many survey organisations use scorecards to track performance on diversity or include diversity measures as part of their performance measures.

- Increasingly, they are sharing this information internally, as it helps make managers more accountable for their performance.

- Deutsche Bank, for example, have recently used Catalyst to review their talent pipeline - the results will be widely shared, as are diversity scorecards for different businesses.

- It finds that transparency on performance helps achieve diversity goals, as it stimulates the natural competitiveness within the bank.

- Some organisations, such as BP, have diversity measures in the performance measures of each manager above a certain level, and tie results to compensation.

Employee surveys

- Many companies use their annual employee surveys to test the diversity climate and measure employee perceptions of progress.

Aspirational targets

- An alternative is 'aspirational' targets, which define where an organisation may wish to be while recognising that it is necessary for appointments to be made on merit.

- In the UK, Ernst & Young aim for 20% of partners to be female by 2013.

- Deutsche Bank have set a target that promotions to vice president level should reflect the gender breakdown at levels below vice president - and a Group Executive Committee mandate wants to have at least one woman on each Global Product Board.

Jacey Graham, a diversity specialist and co-author of *A Woman's Place is in the Boardroom*, feels it is important to set targets for developing the talent pipeline at all levels - not just the most senior which attracts more scrutiny. This, she reasons, will help organisations develop their internal talent pipeline and improve their diversity through lateral hires.

The underlying issues

Some organisations prefer to focus on the factors that drive low representation of minority groups, rather than setting specific targets. American Express is an example. It chose to identify key factors which hampered women's progression, rather than setting specific targets on behalf of a local Diversity Council, and to focus their efforts on addressing the factors they found.

Others use a more subtle approach. Rather than setting targets, they review the processes by which decisions regarding appointments and promotions are made.

At Credit Suisse, for example, they amended the criteria for appointing members of management committees to make sure more diverse candidates were available who could meet the role's functional requirements. To be able to support sustainable change, the bank's internal Diversity Team is also involved to ensure all diverse candidates proposed were functionally appropriate.

7.6
Supporting the career development of minorities

Minority groups cannot simply be parachuted into senior positions. To make it to the top, they must be given the right opportunities throughout their careers. If minority groups do not receive the grooming, coaching and feedback they need to excel in senior positions, that gap needs to be addressed in a more structured way.

Organisations can take the following steps to ensure high potential minority candidates are groomed for more senior roles in the organisation.

- Identify the positions that are career stepping stones, and make sure high potentials are given the chance to take them on.

- Prepare minorities for senior line management with appropriately demanding assignments.

- Provide thorough feedback on how the individual is perceived, along with coaching on how to address perceptions and gaps.

- Enable women to be more effective advocates for themselves.

- Use CRF's retention tool, the 'At Risk' list, available from www.crforum.co.uk, to identify how to avoid losing key people.

- Avoid allowing the most capable women to drift towards what Thomson and Graham call 'pink-collar' jobs - HR, Marketing and Legal - particularly in the early and middle stages of their careers when they need to build operational experience to progress.

- Help women gain experience on the boards of subsidiary companies and/or obtain NED positions.

- Catalyst has found that women MBAs were, on average, hired at lower levels than their male peers, putting them at a career disadvantage from the outset. Check for systemic bias in your organisation by reviewing the CVs of your latest hires. Compare where they should have been positioned to where they were actually positioned, and whether there is any difference between genders.

Case experiences - Deutsche Bank

At Deutsche Bank, the Atlas programme is designed to increase senior level representation of women. Those with high potential are identified and actively sponsored by a member of the Executive Committee. The programme also works with HR and the Group Executive Committee to identify senior positions which are about to become vacant. This helps ensure programme participants have the opportunity to take on big career moves.

American Express practices

American Express created a 'top women' list in each country, which identified high potential women. Each has a development experience called Pathways to Sponsorship, which is put together with the assistance of an executive coach. Development plans include creating opportunities for these women to gain exposure to senior leaders. The latter then get to know the women, act as advocates for them and eventually become their sponsors.

Credit Suisse practices

- At Credit Suisse, the women's network has a key role to play in supporting career development at all levels.

- In addition to the formal promotion process within the bank, the network runs informal sessions where individuals considering putting themselves forward for promotion can attend a panel discussion.

- At these, someone at the next level above talks about how they achieved promotion and answers questions on what is involved.

- The sessions are targeted at all levels in the bank, from associate to managing director.

- The presenters have included staff at all levels, from relatively junior associates to regional heads of business units.

- One of the benefits of these sessions is that they are informal. People can ask candid questions that they may feel uncomfortable discussing with their line manager.

How head hunters help achieve diversity goals

- Many organisations we spoke to felt search firms have an important role in helping improve the diversity profile of lateral hires - and in helping firms assess their existing talent pipeline.

- Cagla Bekbolet, a member of Egon Zehnder International's Diversity Council, agrees that diversity has become a hot topic for many of her firm's clients - not just in hiring more senior women, but because they recognise that their senior teams should reflect their customer base and organisation demographics.

- Much of the focus has been on increasing board diversity - and the firm has found that one in five of the board appointments on which they have advised in the last year have been women.

- Still, Bekbolet thinks more needs to be done to increase diversity at levels just below the board, which provide the candidate pipeline for the most senior positions.

- Her clients sometimes demand an all-female shortlist or, to a lesser extent, candidates of a particular ethnicity or nationality.

- She finds that diversity is becoming increasingly relevant in other aspects of her firm's work, such as reviewing clients' competency profiles, board effectiveness reviews, and assessing and developing internal talent.

7.7
Reviewing policies and management practices

In order to optimise diversity efforts, HR and management policies and practices must be reviewed to ascertain that they align with the organisation's diversity efforts. Specific actions are set out below.

Recruitment/resourcing

- Review selection criteria, recruitment advertisements, job descriptions, selection procedures, etc, to eliminate any unconscious bias.

- Get head hunters on board so they understand what you are trying to achieve - see this and the next column on how head hunters can help organisations achieve their diversity goals.

- Audit current recruitment statistics by gender, ethnicity, etc, for both successful and unsuccessful candidates.

- Check how attractive your company image is to the minority groups you wish to attract.

- Involve role models in the recruitment process.

Transport for London has reviewed its graduate recruitment process to increase its numbers of black, Asian and minority ethnic graduates. Steps taken include outsourcing the first stage of screening, and conducting this by telephone.

Deutsche Bank looks at promotions and lateral hires in each division, to ensure that work undertaken to improve female promotion is not being diluted by hiring practices which result in the gender balance being pushed back towards men.

Retention reviews

- Audit where you lose staff and at what levels of seniority.

- Analyse when and why there is a leaking pipeline, and whether the reasons differ by diversity group.

- Evaluate the cost of turnover.

- Develop a retention plan to target the reasons minority groups leave.

- Conduct independent research (six months post-departure) on why people leave and where they go.

Performance management

- Review appraisal processes and performance criteria for hidden bias.

- Be specific about the expected behaviours and outcomes.

- Create a system of checks and balances whereby performance ratings are challenged and monitored for disparities between different groups.

- Do not allow single individuals to make decisions on performance ratings - have them tested by others and encourage decision-makers to challenge the ratings to ensure validity.

- Consider the weighting of different criteria in performance evaluations to check that men and women are being measured by the same standards.

- Consider measuring and rewarding managers on how well they manage diversity.

- Track the profile both of people in the pipeline and those who are promoted.

Development, talent management and promotions

- Review the formal and informal selection criteria and the systems used for senior appointments.

- Be specific about the behaviours or outcomes expected of leaders - focus on measurable outcomes and evidence.

- Review promotion criteria. This could be adapted to incorporate flexible criteria such as years with the company rather than age, for example.

- Find out at which level or grade the percentages of diverse groups start to drop sharply. Analyse why.

- Define targets for minority groups in leadership programmes, in pools of high potential employees, and on succession planning lists.

- Implement the concept of the 'career adviser', a senior person charged with tracking the progress of high potentials in under-represented minority groups. Make sure they have a voice at talent reviews. This can help with the difficulties women have in becoming known by senior management.

- Make managers accountable for promoting minority groups.

- Measure progress by division, department and manager, to identify blockages and encourage progress.

- Include diversity and inclusion in leadership competencies so they are part of recruitment, development and the promotion of managers.

Since 2006, Transport for London has conducted a wide-ranging equal pay audit every two years. Although the initial focus was on the gender pay gap, their review now covers other aspects of diversity such as ethnicity and disability. As a result, it has revamped its reward system to increase objectivity, and now includes more focus on external market comparisons.

How head hunters help achieve diversity goals (continued)

Egon Zehnder

- Increasingly, Egon Zehnder International is being asked to undertake anticipatory searches for succession planning purposes, which means there is more chance to think laterally and put together a more diverse candidate slate.

American Express

- American Express have begun to use their strategic consulting group to bring in more women. High potential women are hired into this team, where they have the opportunity to prove themselves and build their network over the first two years.

- The expectation is that they will move to another role at the end of this period.

Nestlé

- Although Nestlé do not make many external hires, when they do, they encourage their search consultants to provide a 50/50 male/female shortlist, with female candidates being of the same calibre as male candidates.

- This can be extremely challenging, especially for roles where women tend to be under-represented, but in a number of markets, they see this as a key part of their Gender Balance initiative.

Food for thought from Sweden

- It is tempting to think that the answer to giving women equal opportunities in the workplace is to provide better maternity and childcare benefits.

- This approach has been taken in Sweden, where women benefit from extremely generous family-friendly policies. For example, all-working parents are entitled to 16 months' paid leave per child, with a minimum of two of the months taken by the 'minority' parent - usually the father.

- Maternity pay is 82% of annual pay, with the costs being shared by the employer and the state.

- However, generous family-friendly policies appear to have worked against Swedish women who want to ascend the corporate career ladder.

- There are proportionately fewer women in senior management (1.5%) than in the US (11%).

- 75% of Swedish women work in the public sector where pay and prospects are better.

- Swedish women are paid 20% less than men on average, and there is a pay threshold below which 80% of earners are female - and above which 80% of earners are men.

Source: Donkin, R: Future of Work, Palgrave Macmillan, London, 2010.

It appears that Swedish women have had to pay a high price in career development for the benefits they receive.

Help women navigate the organisation

- Women may need particular support as they face clearly identified and specific barriers in progressing up the organisation hierarchy. See Chapter 5. They can benefit from one-to-one coaching to develop the necessary skills.

- Help women build the knowledge and networks they need to succeed.

- Help them understand the codes of internal politics and the 'corporate game'.

- Make the rules of promotion and career progression more transparent and explicit.

- Get senior executives to pass on experience, facilitate introductions, and sponsor high potential women.

- Help women build their confidence and political know-how.

7.8
Flexibility

Flexible working is now enshrined in law in many countries, including the UK. As the majority of employees with flexible work arrangements are women, consider the impact of such arrangements on women's careers, and what can be done to support their career progression.

- Flexible working can have a significant detrimental effect on women's careers, particularly as they tend to want such arrangements in their 30s - often the stage in their career when promotions are happening or being considered.

- Sometimes men have informal arrangements between themselves and their line manager. Women tend to have more formal arrangements which are more visible and can count against them.

- Consulting firms such as Ernst & Young are aware of the impact of flexible working on women's career progression. They are examining how women are assigned to projects which avoid all the plum jobs. These are often a springboard for promotions and automatically go to men.

- Some organisations are more open to flexible arrangements which do not necessarily involve working the same number of reduced hours every week. Other options may be taking on fewer clients for the duration of the flexible arrangement, or working full-time at peak times and fewer hours for the rest of the year.

- Many organisations are also implementing practical arrangements to make it easier for women to prepare for maternity and manage the transition back into the workplace. Such maternity coaching is now widespread.

- Another example of this occurs at Nomura, which has an on-site midwife offering ante-natal care, and who co-ordinates women's return to work - thus removing the burden from line managers.

- Bringing more flexibility into career structures and promotion criteria may also give women the chance to continue working through the child-bearing years and pick up their career progression later.

- The reality, however, is that women who want to work flexibly may have to accept that their careers will not progress at the same pace as previously, or as those of their full-time peers. See the previous column for practices from Sweden.

Chris Parke of Talking Talent thinks many standard flexible working policies which focus on options such as part-time working do not go far enough. Policy is one thing, but the practice of those policies often falls down in unsupportive cultures driven by a fear of flexible working at management levels. However, his experience suggests that career flexibility for women is one of the keys to success. How?

- For many women, this might mean their careers take an S-shaped trajectory, rather than the traditional linear career model.

- When women start a family, priorities can shift - accelerated career progression may become less of a priority if it is at the expense of their role as a mother.

- When children become older, careers again become a primary driver, many women pursuing them with renewed vigour - and with a great deal more to offer in terms of life experience.

Parke believes that offering career flexibility to women benefits organisations as they are more likely to be engaged in their work and less likely to leave.

7.9
So what does work?

Research by Dobbin et al in 2007 measured the impact six of the measures discussed above had on the diversity of the management populations in the organisations they analysed. The measures they reviewed were

- diversity training

- diversity performance evaluations for managers

- establishing networks/affinity groups for minorities

- formal mentoring programmes

- using a diversity taskforce/council

- making a diversity manager responsible for improving diversity.

Age and generations

- As highlighted in Chapter 3, the ageing population, associated demographic issues and the different needs at work of Baby Boomers and Generations X and Y, are likely to become a more pressing issue for organisations in the future.

- Some organisations we spoke to are already thinking about how to attract and retain people from different generations.

- Deutsche Bank have made generational issues a key focus of their diversity strategy.

- As Eileen Taylor, Global Head of Diversity, explains, the bank has found that the three generations mentioned above have different career expectations.

- Action to address the specific needs of Generation Y is being taken to attract the right talent - particularly in India where 99% of staff are aged under 40 and turnover is high.

Generation Y at Deutsche

Deutsche Bank has identified, and is working on, these motivation factors of Generation Y.

- A desire for recognition which is different to the traditional measure of promotion. In India, a quarterly recognition awards programme has been introduced which involves a member of the global management team presenting awards that mark good performance.

- The need for mobility - if this is not offered, Deutsche has found that staff will consider leaving.

- An interest in non-linear careers. Generation Y staff are more interested in taking sabbaticals to do charity work, for example.

- Eileen Taylor believes the bank needs to develop flexibility policies and practices that consider a broad range of life options among employees of different generations. For example, the desire to take a career break to do voluntary work rather than the traditional reason of raising a family.

- Wishing to be closer to family - Deutsche Bank are rethinking benefits such as elder care and offering family days.

They found that formal mentoring programmes were successful in improving the diversity of the management population. Also,

- companies that give councils or managers responsibility for improving diversity typically see significant increases in their diversity

- setting up networks/affinity groups and including diversity measures as part of performance evaluations for managers, were not particularly effective in improving diversity

- diversity training, which focuses on reducing bias among managers and extinguishing stereotypes, did not help improve diversity. Researchers believe this is because managers respond negatively if they feel the finger is being pointed at them. However, they found that training focused on cultural awareness had positive effects.

Organisations wishing to maximise their return on investment for diversity spend may wish to consider these findings carefully.

Programme effects on manager diversity
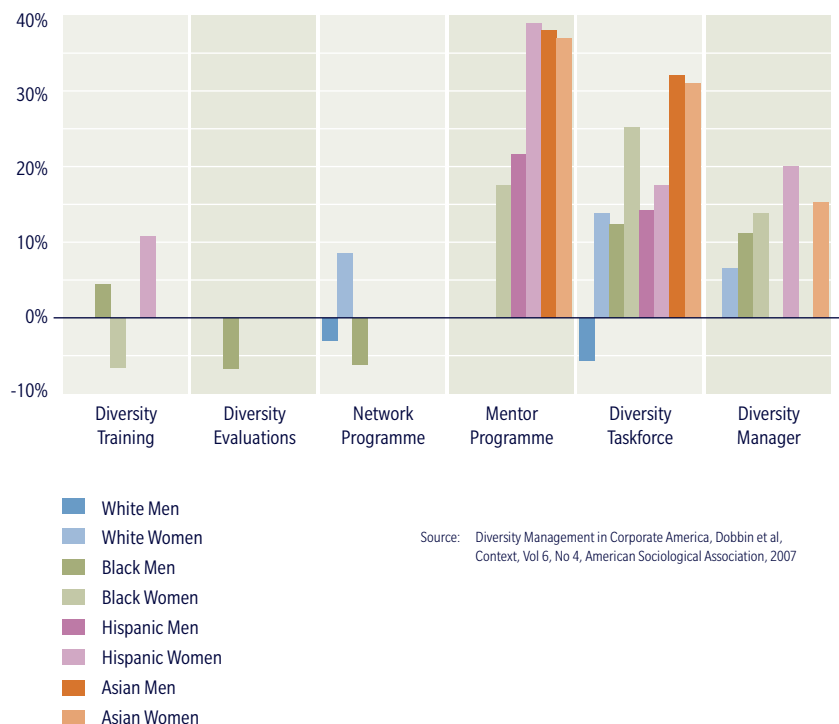
Source: Diversity Management in Corporate America, Dobbin et al, Context, Vol 6, No 4, American Sociological Association, 2007

Most organisations we surveyed shared the view that 'clusters of one' – single initiatives run in isolation - were insufficient. It was necessary, to them, to tackle both the cultural barriers stopping minorities reaching senior levels, and have formal diversity programmes in place.

The most successful combine action on their culture to break down barriers to the progression of minority groups, with programmes that have clear objectives and measures which become 'hard wired' into the organisation.

For Anita Harper and Michelle Mendelsson at Credit Suisse, developing an inclusive culture is a key part of the bank's diversity efforts. This means ensuring that inclusivity becomes embedded in management processes throughout the employee lifecycle - from recruitment and on-boarding to talent management, promotions and succession management.

Although they believe that top-down diversity programmes can be beneficial, they feel it is necessary to address the cultural context at the same time, to be able to sustain efforts in the longer term.

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CASE EXAMPLES

Topics covered

Introduction

In this chapter we provide three contrasting case examples with varied experiences of tackling diversity - a solutions focus, managing challenges and assisting clients with diversity in different locations. Key messages are provided for each.

How success is measured

- Increased representation of women at executive level, both global and country.

- Lower female attrition at middle management level and above.

- Increased engagement of female employees as measured by the employee survey.

- Increased profitability in market segments with a high proportion of female decision-makers.

- Follow-up research to check whether the culture has become less male-dominated, and to measure the success of gender intelligence training.

- Each line of business has a diversity scorecard which tracks success.

8.1
American Express

Context

On the face of it, American Express was doing very well at gender diversity and, at 63%, had a healthy female representation within the workforce. On closer inspection, the picture became more complex - while 80% of entry level positions were filled by women, this dropped to 50/50 at middle management and 10%-15% at the most senior levels. There was also concern that little progress had been made for five years - and that a number of key women had left during the recession.

The company had had women's networks and other initiatives in place for some time, but found that focusing on these in isolation had not worked. It was also a priority that men should be equally engaged in whatever actions the company took.

Results of research

American Express commissioned internal research to understand what was going on. The following barriers to women's progression towards senior management emerged.

- Male-dominated behaviours at the top of the organisation.
- Women not receiving direct and informal feedback - men said they were cautious and less direct in the way they gave feedback to women.
- High potential women were not getting the sponsorship they needed.
- A lack of easy networking opportunities for women.
- An absence of female role models.
- No clear career road maps.

The firm has a relationship-driven culture, and successful people needed to navigate the organisation and build strong networks. Any post-research actions, therefore, had to work with this type of culture.

Actions taken

As a first step, in 2008 American Express set up a global steering committee of senior male and female business leaders - not just HR leaders. This group was made accountable for the success of the ensuing programme and sponsored it. Specific targets were not set but it focused on identifying and dealing with the barriers that were impeding the progress of women.

At country level in 2009, the company also set up Local Diversity Councils. Senior country leaders were made responsible for the success of the programme, and for identifying other leaders who would act as sponsors for high potential women. The company then rolled out five key solutions.

Pathways to sponsorship

American Express introduced a sponsorship programme for the high potential women identified above - the research had revealed that men were better at seeking sponsors than women, and saw this as a key part of their job. In the UK, the programme was launched over an informal lunch involving regional leaders, the aim of which was to allow senior leaders to get to know these women, and become their 'advocates'.

> Sponsorship has to be earned, and advocates only become sponsors once they have seen the women in action and are prepared to support their progression.

Within the UK, a target was set of two promotions and three lateral moves within the first twelve months of the programme. To date, one of each has been achieved.

The company chose to focus on sponsorship, as previous mentoring efforts had not resulted in women's careers progressing as expected. Research also showed that it was necessary for high potential women to have more proactive support from sponsors who would speak up for them when promotions and career moves were being considered.

Sponsor effect sessions

One result from the women's conference was to set up hour-long 'lunch and learn' sessions where people across the business have opportunities to talk about the diversity actions being taken. They focus on helping employees understand the difference between mentoring and sponsorship - and how they can use this understanding in their own career development. This approach was also consistent with the strong relationship culture. The hope is that, over time, these sessions will be useful in helping people put together concrete development actions and plans.

The company is also considering how recruitment, performance and talent management, together with HR policies, need to be updated to support diversity objectives.

As well as examining the workforce profile, its improved understanding of female motivation was used to improve business performance in market segments dominated by women - the small business sector and the Hispanic population are examples. This led to a trebling of revenues in these segments.

Key messages

- Engage both men and women in the process - American Express found both genders cared about flexibility and work-life balance.
- Somewhat surprisingly, internal research showed a high degree of consistency across geographies for reasons why women were not progressing - and across such culturally diverse markets as India and the UK. This suggests diversity barriers relate more to organisation culture than national stereotypes.
- Initiatives in isolation tend to be less successful - identify the cultural barriers and introduce a range of solutions at all levels to tackle the issue.

Key solutions

American Express Women's Conference

In September 2010, the top 150 women met to network with, and hear from, business leaders. The CEO and vice chairman were publicly involved, as were a number of other senior male managers who shared personal and business insights in presentations and panel discussions. The conference was a huge success and spawned more networking groups and other activities.

Top women list

In each geographic market, the company has sought to identify the top women at VP level, who are seen as future business leaders. Selection is based on global criteria and the list is refreshed every year. On selection, women become part of a network, and are given opportunities for sponsorship - as described on this page - and increased exposure to senior management.

Each woman is assigned a coach who assists in preparing an individualised development programme which includes obtaining a sponsor and participation in cross-functional projects.

Gender intelligence training

American Express realised that the success of diversity efforts was dependent on creating a more gender-intelligent corporate culture, rather than just 'solving' women, which had been the focus of previous efforts. A specific training programme was launched with the CEO and his direct reports.

The diversity programme is quite analytical and focuses heavily on how the company can achieve competitive advantage through diversity. Each participant has an individual action session as a follow-up. The programme is now being cascaded through the organisation.

B B C

BBC Vision: factors in gender parity

- Several years ago, a decision was taken to push women forward within the BBC, the impact of which can be seen today - see the note at the end of the column.

- The culture of the division is perceived as being supportive, developmental and flexible, all of which is attractive to women.

- Production has a history of employing more women than men, so this pool of potential and gender balance might well have created a more supportive culture.

- BBC Vision has a higher level of turnover than other areas such as BBC Journalism. A greater choice of employers may provide more opportunities for promotion and appointment - but it may also present barriers to women because of the industry's emphasis on freelance work.

- Leadership of the division supports the development of women and there are female role models in senior roles, including channel controllers as well as Jana Bennett.

- Leadership is also receptive to diversity plans and activities, with initiatives being readily received across the organisation - outreach activities, work with audiences, developing strategic partnerships, etc.

- There is an understanding that diversity is a creative opportunity, which fits with the division's culture.

Note: the Women's Development Initiative was a management and leadership programme that received a high level of support from within BBC Vision. It helped create a critical mass of women who were able to develop their careers. Some of those on the programme now hold senior roles within the division.

8.2
BBC

Context

The BBC provides a fascinating insight into the challenges of managing diversity. While the Corporation grapples with issues of promoting diversity across its workforce and enabling the career advancement of women in similar ways to other organisations, it also has to ensure that its output reflects the diversity of all UK audiences.

Under the terms of its charter, the BBC is required to promote diversity in its workforce and to report regularly on progress.

- As of February 2010, 49% of all staff and 36% of senior managers were women, and around 12% of all staff and nearly 6% of senior managers came from black and ethnic minority groups.

- Particularly with regard to women in senior positions, this compares favourably with many other organisations we have surveyed.

However, by comparing two different divisions - BBC Vision and BBC Journalism - we see the diversity story is not consistent across the entire organisation. These two divisions provide an insight into how different organisation cultures can influence the effectiveness of diversity policies.

	%age of women overall	%age of women in senior management
BBC Vision	63.1%	47.1%
BBC Journalism	46.1%	29.6%

Table: Representation of women in BBC Vision and BBC Journalism, February 2010.

Visions of gender diversity

BBC Vision is responsible for commissioning the television programmes which appear on the BBC, covering both in-house production and output from independent programme makers. It also produces online material and a small amount of radio as well as television. Vision is responsible for the strategy of each of the BBC's television channels and genres.

The executive director of BBC Vision is a woman, Jana Bennett, and the division has a long history of success in achieving close to gender parity at senior levels. This could be attributed to the factors in the column.

"The BBC has been very generous, allowing me substantial breaks and promoting me to senior positions." **Female senior manager, BBC Vision.**

Journalism - not good news for women

BBC Journalism is responsible for all the BBC's news output and includes BBC News, Global News and news output in the Nations. While there are challenges to increasing the proportion of women working across the division, those in it are generally pleased with the nature of their jobs, the opportunity to develop skills and contributing to exciting projects.

The director of BBC news is a woman - as is the head of news gathering, head of newsroom and the three heads of programmes in the Nations. All are very senior editorial positions and all serve as female role models. There is also a number of high profile on-screen/air women in news, including overseas correspondents.

Divisional shortcomings

Although the division has achieved a notable 30% or so of women in senior management, this lags behind other parts of the Corporation. These are the possible reasons.

• Anecdotally, some women in News suggest the journalism environment has a strong culture of being tough and challenging, which plays to male strengths.

• Senior women report that they have to take on masculine characteristics in order to get on.

• The fast-paced, 24/7 and sometimes unpredictable nature of the work makes it more difficult for women to work flexibly.

• Tangible barriers such as being expected to undertake work assignments abroad - and often in inhospitable places - may make progression more difficult for women.

• The 24/7 nature of the News operation makes it more challenging to find time and resources to focus on specific diversity initiatives.

• News staff are predominantly long-serving, BBC-only employees, resulting in turnover being limited. And, opportunities to progress are suppressed in a journalistic environment where comparable alternative employers are not readily available.

What women think

There is anecdotal evidence from some experienced women in the division which suggests women in News have an "inbuilt need to please and not make a fuss" particularly in what was a traditionally male environment - "where being tough and challenging is part of the culture".

Some women also state that they do not advertise their own success, nor do they raise problems, for fear of being seen as needing kudos or whingeing. This results in them not getting noticed in the same way as their male peers. One source said, "I battle for my teams, but I know I sometimes lack the courage to stand up for myself."

Finally, there is a perception that promotion and experience at team leader levels - where the shift patterns are worst - are the biggest block to the career progression for women in News.

For two years from January 2011, the BBC took on the role of chairing the Cultural Diversity Network, a body which promotes diversity across the UK broadcasting community. The Corporation sees this as an excellent opportunity to take a pan-industry approach to exploring the potential barriers to making further progress in gender diversity at senior levels within the broadcast and creative media industry as a whole - particularly in areas where senior women are less well-represented.

Key messages

- It takes time, persistence, investment and senior management commitment to change the profile of staff, particularly at senior levels.

- Once a critical mass has been achieved at a particular level, it is easier to sustain. This can be evidenced by the fact that the Women's Development Initiative was first open to women over ten years ago. Building a critical mass is not something that happens overnight, it needs to be sustained before results are evident.

- The culture of the organisation is critical in either supporting or impeding attempts to change. The success in BBC Vision has been based in part on the fact that they were able to harness the benefits they had developed.

- News, like Vision, has demonstrated its commitment to enabling women to progress, though this needs to be sustained and reinforced to keep up the momentum and create more women role models. There is a belief by some women that senior roles are achievable, even with a young family.

- "In my own experience, the BBC has been very generous - allowing me substantial breaks when I had children, and shortly after, promoting me to more senior positions. I've always felt that my experience has been valued," said this female senior manager in BBC Vision.

8.3
Serco

Context

Serco is an international service company providing outsourcing solutions to the public and private sectors across the globe. Its clients include government departments which contract with Serco to provide services such as health, education, transport, offender management, science and defence.

One of the company's key values is providing service excellence. Increasingly, this means supporting its client's diversity efforts and helping them achieve their diversity goals.

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By doing this, they find the relationship with clients, partners and end users is strengthened, as is trust, enabling the company to retain contracts and grow their business.

The services delivered by Serco are complex and performance is closely measured. On a day-to-day level, employees deal directly with end-users such as the general public. However, at a commercial and strategic level, the relationship is with immediate clients - the decision-makers within government departments or commercial organisations which contract with the company.

Helping clients become diverse

Below are some practical examples taken by Serco to help clients achieve their diversity goals.

At HMP Dovegate, a prison managed and operated by Serco, employees wanted to develop a more inclusive culture. Sexual orientation is a very sensitive issue in prisons and the company was keen to create a forum allowing discussion of the issues individuals face when working and living in a male-dominated environment.

Prison management, employees and the Prison Equality Committee set up a Gay, Bisexual and Transgender Support Forum to provide support and guidance around sexuality, and to help dispel myths about gay culture in prisons. The forum is open to everyone - employees, residents and prisoners, regardless of sexual orientation. It now meets monthly and is seen to be making a positive contribution to the prison culture.

Health provision

Serco's health team at Norfolk and Norwich University Hospital are helping people with learning difficulties prepare for paid work, and are challenging perceptions about what they can achieve.

As part of Project Search, the company is offering 17-24 year olds work experience at the hospital in jobs ranging from receptionists to restaurant and health records assistants. Students are supported throughout the year's placement and are helped to find a full-time job at its conclusion. This initiative has demonstrated that people with learning difficulties or disability can achieve if given the chance, Serco believes.

Key messages

- Project Search is a partnership between Serco's team at the hospital trust, employment advisers Remploy, Norfolk County Council and Norwich City College.
- It has so impressed government ministers that they are looking to roll it out across the country.
- The company believes that working in these ways has improved the opportunities for under-represented groups and has helped its customers achieve their diversity objectives.

DIVERSITY TOOLS AND TECHNIQUES

Topics covered

Introduction

In this chapter we set out three tools developed by Wanda Wallace which can guide your organisation's diversity programme. Two are specifically targeted at women, but the thinking behind them would apply equally to other minority groups if adapted specifically for that purpose.

9.1
Scorecard for top women

This tool can be used to assess high potential women in your organisation and work out what actions need to be taken to ensure they are given the right opportunities to develop.

What potential has she for a bigger role? Over what timeframe?

Career progression

- What would she like to do or achieve in the next two-to-three positions?

- What are her key skills? Include those from previous jobs that the firm may not be taking advantage of.

- What opportunities has she been offered in the last year?

- What is her flight risk? For example, how many head hunter calls has she received lately?

- Who will ensure she has a position if there is a downturn?

- Who will effectively encourage her to remain with the organisation, even through the ups and downs of her career?

Mentorship, advocacy and sponsorship

- Who is mentoring her - formally and informally?

- Who is an advocate for her - willing to speak positively about her if asked?

- Who is a sponsor - willing to stake his or her reputation on her?

Exposure and visibility

- What key internal events has she attended - key client meetings and management conferences, for example?

Development

- What gaps need to be filled - experiences, exposure, development needs and grooming, for example?

- Who is giving her honest feedback about her gaps or opportunities?

- Who does she feel comfortable with to address development issues internally and externally?

9.2
Diversity scorecard example

This can be used as a checklist for developing your organisation's diversity scorecard. The measures can be assessed for each minority group you wish to promote.

Potential scorecard metrics

Minorities in business lines:
- Number of minorities at key levels who have P&L or client-facing roles.
- Relative size of their portfolios - what is the average P&L managed by minorities versus the organisation overall at and above their level?

Succession:
- How many minorities are viable candidates for the top positions of power and influence?
- Which leaders are actively engaged in helping him/her succeed?
- How many minority upper managers are actively being groomed for a bigger role? Who's helping them develop and how?

Engagement:
How many of your direct reports are actively engaged in working with minorities, developing minorities to be peers, or building relationships with minorities? Categorise their efforts in the following list and allocate the percentage of effort for each category.
- Coaching/mentoring an individual one-to-two steps below, who does not report to him.
- Sponsoring an individual for a senior position.
- Pulling up an individual.
- Attending meetings sponsored by minorities - breakfasts, diversity events, etc.
- Building solid working relationships with minority peers or one level below - exclude boss-subordinate relationships.
- Talking with their direct reports about the need to engage minorities.
- Encouraging minorities to stay, take on a larger role or make a career shift.

More widely for engagement, consider the following:
- Who is doing what with whom, when and to what effect?
- Who is pulling up who and to what effect? From where to what? What is in place to ensure success?
- In a business downturn, of your top minorities, who protects them?
- Who is sponsoring each of your top minorities? What are they doing?
- How have you and your team got to know the top talent?

Opportunity:

- How many minority direct reports do you have?
- How many minority direct reports do your direct reports have?

Population:

- What % minorities are in the organisation?
- What % minorities are in executive ranks?
- What % new promotions are minorities?
- What % minorities were put up for promotion?
- What % minorities are in significant leadership positions?

Potential Analysis

- Name the top ten positions of influence. How many minority individuals are on the succession list for those positions? How many have been on the succession list for the last three-to-five years?
- Who could be on the succession list? What needs to happen for her/him to win a position? Who's helping her/him - coaching, supporting, and sponsoring?
- Look at the succession list for the last three years. How many minorities were on the list all three years? How many of those have advanced to substantially larger roles?
- Look at top talent list for the last three years - how many minorities are still in the organisation?

9.3
For men wanting to develop great female protégés

What can male managers do to help develop female talent below them - particularly talent that can excel and reach the top?

Note that most of the following would also apply to male managers, the distinction being in the style and emphasis for women.

1. Identify her developmental needs - do not assume she understands them or has access to people who can help her.

2. Provide candid feedback. Make sure she is aware of her development needs, understands the implications and knows what to do differently. Be direct, she probably prefers it. Be concrete: do not say, "Do like I do," as she cannot do what you do. Be sensitive to her style and its effectiveness even if it is different to your own. Assess what is needed versus what has always been done.

3. Help her develop her brand and her network. Introduce her to people in a way she can follow-up and build relationships. Promote her so that she can build her own reputation. Help her identify the key influencers and connectors in the organisation - do not assume her informal network is adequate for her to do this on her own.

4. Monitor information interactions with yourself and the team. Make sure these are not in situations, or at times, awkward for her. Find new forms to accommodate her style. Ensure she has as much informal time with yourself as other team members - and that she has informal time with the team

5. Understand the risks and challenges of isolation and vulnerability. It is tough always being the only one - think back to the times when you were in that situation and empathise with the stress this can induce. Ensure she does not become isolated from you or the team. Understand she may hesitate to ask for help because, in being the only one, it is hard to acknowledge vulnerability and lack of skill/knowledge. Draw her into conversations. If you notice in a team meeting she has not spoken, solicit her opinion. If you notice others have talked over her, make a space for her voice to be heard.

6. Help her learn how men think and work - and learn how women think and work. Focus on the similarities not the differences.

7. Most women hate micro-management. They are rebels at heart. Find a balance between letting her do it her way and your need to know what is being done.

8. Make sure she gains mainstream business experience and exposure. If she does not understand the organisation's main cash business or has not worked in that area, then she has limited credibility among the upper ranks. This will eventually curtail her career. Monitor the tendency to put women in support roles only.

9. Encourage her to move around the organisation to build a broader network and learn about a variety of functions and businesses - and so widen her experience.

10. Help her find advocates and sponsors as well as mentors. Promote her so that others will want to know her and to sponsor her for new roles.

11. Help her learn to navigate the organisation. Help her develop diplomacy skills. She will need them as she rises up the hierarchy.

12. Ensure she is groomed to interact with senior leaders and board members - that she can ask great questions, that she leaves the right impression, that she knows how to connect with them.

CONCLUSION

Topics covered

Introduction

In this chapter we briefly reflect on the issues and opportunities of diversity in organisations, and the diverse organisation. In terms of actions, we recommend revisiting the CRF model in Chapter 2 and the sets of actions in Chapter 7.

10.1
Significant progress - but not enough

"For the past two decades, leaders have counted on parity in education, women's accelerated movement into the labour force, and company-implemented diversity and inclusion programmes, to yield a robust talent pipeline where women are poised to make rapid gains to the top. But, these hopes were ill-founded. When it comes to top talent, women lag men in advancement, compensation, and career satisfaction. The pipeline is not healthy; inequality remains entrenched." **Catalyst, 2010.**

• This is a challenging conclusion from a credible report. Our view is that while significant progress has been made in improving workforce diversity - particularly with regard to the representation of women - there is still much to be done for them at senior levels.

• We have found that organisations understand the business case for diversity, with many improving their practices and implementing programmes which target specific minority groups.

• However, increasing pressure is coming from external groups - regulators and governments, for instance - to improve transparency and, in some cases, to achieve certain targets. This is likely to intensify, particularly if improvements do not happen naturally or lag behind good practice.

• We set out to examine fully the link between diversity and business performance. Even if it is extremely difficult to quantify the financial payback of investing in diversity, it is clear that organisations can benefit in many ways, as Kochan and colleagues observe.

"It may be that the business case rhetoric has run its course. Diversity professionals might do better to recognise that, while there is no reason to believe diversity will naturally translate into better or worse results, it is a labour market imperative, societal expectation and value.

"Therefore, managers might do better to focus on building an organisational culture, human resource practices, and the managerial and group process skills needed to translate diversity into positive organisational, group, and individual results." **Kochan et al, 2003.**

10.2
Recommended actions

In Chapter 2, we set out a model of diversity against which organisations can measure their progress. Ideally, all would reach Level 5 in this model, which would mean that diversity is so embedded in the organisation culture and management practices that it occurs as a matter of course - and it is not necessary to consider it as a separate issue.

We recommend members use this tool for reflection, review and as guidelines for action - see the highlights in the column. We also recommend reviewing with colleagues the nine sets of practical actions and guidelines in Chapter 7. To recap, the areas are

- networks and affinity groups
- mentoring and sponsorship
- training
- organisation structures
- measurement and target-setting
- career development
- policies and management practices
- flexible working
- success factors.

Until Level 5 is reached, organisations like yours need to continue examining their diversity practices, setting objectives and measuring their performance. As we have explored in this report, the most important step is to make sure that your organisation operates an inclusive culture which supports, fosters and values difference.

CRF model of the diverse organisation

Level 5:
achieving high performance through diversity ... diversity is **embedded**.

Level 4:
everyone treated as an individual ... **integration** and **inclusion** are key words.

Level 3:
everyone treated the same ... diversity concerned with **assimilation**.

Level 2:
policies and procedures in place ... diversity is a **compliance** issue.

Level 1:
little or no action on diversity ... diversity is **not recognised** as an issue.

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