

***Diversity & Inclusiveness:
What Companies Can Do To Accelerate
Demographic Change***

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1.0 The Context For This Paper

Many large corporations have recognised that there are business advantages associated with having a more diverse employee profile. Not surprisingly, some companies have therefore decided to treat diversity as they would other top business priorities and to set themselves time-limited goals or targets for improvement.

Such targets are considered particularly important as companies move away from a strong, centrally-driven approach to change and instead expect business units and functions to assume responsibility for sustained results.

For many companies, this process of target-setting began in the US (encouraged by affirmative action legislation) but many organisations are now looking to set global aspirations and to create a positive climate for change in all the countries in which they operate.

The dilemmas that corporations face (and this paper seeks to explore) are:

- What are the legal constraints on positive action and to what extent do these differ across legal jurisdictions?
- How far can and should companies go to attract and develop staff from groups that are currently under-represented?
- How can action taken to encourage under-represented groups be consistent with the principle of “meritocracy” and fair treatment for all”?
- How can corporations build commitment across line management so that change occurs at a pace that is reasonable and sustained over time?

The intent of this paper is to provide guidance to business leaders, HR and D&I Practitioners in addressing each of these questions.

2.0 The Legal Position

One of the unhelpful myths in this area is that there are significant differences of principle across legal jurisdictions. Whilst it is true that there are differences in the extent to which legislation is actually enforced, what is more striking is the common ground that exists between countries with very different legislative cultures and histories.

In all the countries under consideration as part of this research, freedom from discrimination is positioned as a right of every citizen. For instance, an individual’s right to gender equality is written into the Constitutions of countries as diverse as China, India, Germany and Nigeria.

The law, however, speaks to individual rights, not to those of groups. There can be an assumption therefore that treating each individual “the same” is the best guarantee of equality. In practice of course, some “groups” of people have greater potential disadvantages to overcome than others. (For instance, an age criterion associated with development may be the same for male and female candidates, but in practice – because of child-bearing responsibilities - it will have a disproportionate and negative impact on women.)

Therefore, in most jurisdictions there is also the concept that some proactive steps are required in order to help everyone (and all groups of citizens) compete on an equal footing.

This concept has different terms in different countries (e.g. “**affirmative action**” in the US “**positive action**” in the EU) but has a number of consistent or similar core components that apply across legal jurisdictions:

- Justification must be made by evidence of under-representation and/or previous discrimination;

- The action taken must be proportionate and must not give automatic, preferential treatment to any groups at the point of selection.
- Taking positive/affirmative action must not lead to discrimination (for instance against the majority group.)

In other words, quotas are almost universally illegal because they abandon the merit principle and can lead to reverse discrimination. There are very rare occasions around the world where quotas are allowed (usually focused on the public rather than the private sector - quotas for ethnic Malays, Indian quotas regarding castes, and employment of Catholics in the Police Service of Northern Ireland).

Quotas have often long-existed for the employment of people with disabilities in industry – for instance, 1.3% in Japan, 6% in Germany and France. These quotas, however, are often not enforced and/or companies simply pay a levy in order to avoid compliance, so their effectiveness is very questionable.

Aspirational targets, not quotas, are of course legal. Companies can take steps to encourage the widest possible pool of candidates, but in the process of selection aspects such as sex, race, nationality and ethnicity must not drive decisions (either positively or negatively). Any selection decision needs to be made on the basis of finding the best match with the skills required – therefore, the key is to look afresh (and broadly) at the skills required in the context of both current and future business needs.

3.0 Guidelines For Taking Affirmative / Positive Action

3.1 Defining “Merit”

Most organisations aspire to be a “meritocracy” – i.e. where what determines individual employees’ success is simply their own “merit”. Some companies have introduced an adjective and refer deliberately to an “inclusive meritocracy”. In other words, it is not enough to be a meritocracy where only white men succeed on their merits.

Accordingly, organisations are increasingly recognising the need to look critically at skills and abilities (i.e. defining “merit”) in order to ensure that they: (1) accurately reflect current and future business requirements and (2) complement other team members (3) are not inherently biased toward a set of behaviours that are commonly attributable to the majority group.

DEFINING WHAT IS MEANT BY “MERIT”
<ul style="list-style-type: none"> • Consider the business benefits of increased diversity and think afresh about qualification, skill and experience requirements for roles
<ul style="list-style-type: none"> • Specifically be open to different travel, work and assignment patterns in order to ensure that these do not unnecessarily exclude talent
<ul style="list-style-type: none"> • Ensure job descriptions / openly advertised jobs focus on skills and competencies needed for the role and are not limited to particular job experiences of previous incumbents or a currently “preferred candidate”
<ul style="list-style-type: none"> • Test personal biases around merit of diverse people. For example, ensure that it is not just Asians that act like Westerners that are getting hired and promoted.

3.2 Identifying “High Potential”

Many companies seek to identify people with “high potential” early in their careers – who receive special access to training and other developmental activities - so that they can, in time, perform effectively in senior roles.

Once an individual has been identified as having “high potential,” it is not a guarantee that s/he will become a senior executive – assessments are, of course, regularly reviewed – but it does provide access to development opportunities that are not open to all employees and as such is an important development tool.

Companies that value diversity and have recognised the need to change the profile of their top management, are therefore looking closely at how they identify people with “high potential”.

“Potential” is even harder to predict than future job performance in a particular role – and more subjective. Influencing styles are highly dependent on culture and there is some danger in expecting people from one culture to be able to assess potential in people from very different cultures. For instance, the value in many Eastern cultures placed on harmony and relationships has an impact on leadership styles and behaviours at meetings – and may lead to Western observers overlooking highly talented individuals because they are looking for typical Western behavioural traits.

Similarly, unspoken assumptions around family roles and responsibilities may be behind the fact that women with similar performance ratings as their male colleagues have lower potential estimates.

IDENTIFYING “HIGH POTENTIAL”

- Monitor the diversity of candidates with high potential and if the results highlight broad disparities/absence of certain groups for whom targets have been set, conduct further analysis
- Raise awareness of cultural and gender differences to prevent un-intended bias in evaluating potential
- Involve a wide (and ideally diverse) range of people in assessing high potential
- If necessary, look deeper to identify staff in under-represented groups with high potential in order to build a diverse talent pipeline for the future

3.3 Internal Interventions to Accelerate Advancement of Diverse Talent

Identifying individuals from under-represented groups with high potential should mean that they acquire more exposure to decision makers and increased opportunities for accelerated development (e.g. leadership training, special projects) and the opportunities to build legitimate confidence in their skills.

Over recent years, there has been a significant shift towards open resourcing for roles (i.e. advertising of vacancies internally letting people put themselves forward.) The openness and transparency of this process has many advantages from a diversity and inclusiveness point of view. It is important, however, that companies also recognise some of its limitations.

There is a lot of in-company research in Europe to suggest that many women, unlike men, will not put themselves forward for roles unless they can satisfy the stated requirements 100%. Similarly, Asians are culturally less likely to use open-resourcing processes at all.

Many companies are providing focused development activities (mentoring, development training) specifically for under-represented groups (often initiated by employee networks.) Companies are also reviewing the extent to which the delivery of generic development programmes (e.g. residential programmes with long durations) currently exclude talent unnecessarily.

REACHING OUT WIDELY TO TALENT INTERNALLY

- Use Talent Management processes to discuss high potential individuals from under-represented groups and to develop plans to increase their exposure and develop key skills for further development
- Monitor high potential individuals in under-represented groups in order to ensure that they each have development plans in place
- Monitor different demographic groups by the percentage of high potential employees who have gained promotion each year and look for trends
- Target & monitor the diversity of nominations to generic development programmes
- Review generic development programmes to ensure that their design and delivery does not unnecessarily exclude
- Provide structured mentoring opportunities for under-represented group members with high potential – perhaps linked into employee networks
- Put forward nominations for targeted development programmes - such as women only training programmes
- Consider how to accelerate development of high potential individuals in under-represented groups

3.4 External Interventions to Diversify the Talent Pool

Many multi-nationals have strong policies of filling appointments from within. Companies are, however, increasingly using targeted external recruitment (particularly at senior levels) in order to bring in new thinking and to add to the talent available internally.

External recruitment may run in parallel with internal job posting and the person is then chosen from the widest possible pool. If a company is recruiting externally, it is vital that suppliers be expected to bring forward a diverse selection of qualified candidates.

Companies are also taking active steps to ensure that they reach potential candidates from under-represented groups.

REACHING OUT WIDELY TO TALENT EXTERNALLY

- Gather quality availability data for relevant labour pools
- Open a vacancy to external competition if there is not a diverse slate of candidates internally
- Undertake targeted outreach activities (conferences, internships) to promote the company to under-represented groups
- Run advertisement campaigns designed to appeal specifically to under-represented groups (whilst not excluding applicants from the majority)
- Require external search firms with which you contract to supply slates of candidates that are visibly diverse.

3.5 Strengthening Selection Processes

As noted, there are a number of positive actions that can be undertaken in order to ensure that business leaders have a diverse pool of candidates from which to select. It is then essential to have selection processes that enable leaders to make good quality decisions about those candidates.

In addition to major recruitment campaigns, workplace demographics can change significantly in periods of re-organisation (mergers and acquisitions, down-sizing, closure of operations). Often demographic analysis occurs only after the event and then shows a reversion to the majority group (i.e. the organisation is less diverse after the change than before.) Best practice companies are deliberately building in on-going monitoring processes and ensuring that they are thinking openly about the skills required.

Re-organisations may also be an opportunity to undertake some careful "job-sculpting." Typically organisations are designed and then people identified to fill the vacancies. "Job sculpting" works the other way round, by taking a more fluid approach to organisation design and involves adjusting the roles in order to get a better fit with the available people.

This can be used, for instance, to reduce the scope of a role – which could mean it is more of a manageable "step up" for a more junior employee (say a local national) or could reduce travelling requirements.

STRENGTHENING SELECTION PROCESSES
<ul style="list-style-type: none">• Train managers involved in a major re-organisation in order to re-inforce the business benefits of diversity and build awareness and sensitivity ahead of any selection activities
<ul style="list-style-type: none">• In a re-organisation, think through the implications of the organisational design and consider the potential for "job sculpting"
<ul style="list-style-type: none">• At times of re-organisation, recognise cultural differences, between men and women as well as between nationalities in putting themselves forward for roles
<ul style="list-style-type: none">• Avoid labelling job postings with a 'preferred candidate' to encourage a broad slate of candidates to apply.
<ul style="list-style-type: none">• Establish monitoring and reporting processes for any recruitment or re-organisation in order to identify any possible bias
<ul style="list-style-type: none">• Insist on diversity of selection panels
<ul style="list-style-type: none">• For a recruitment campaign or an internal re-organisation, set a target (not quota) for the profile of successful candidates
<ul style="list-style-type: none">• When recruiting or posting a job, insist on having under-represented group candidates on the short list and if none is qualified, ask what is being done to correct this gap for the future

4.0 Guidelines For Setting Diversity & Inclusiveness Targets

Some companies have taken a rigorous approach and built diversity and inclusiveness goals into their performance management processes. These can include both "hard" and "soft" outcome measures (increasing diversity of feeder pools to senior management and feedback from employees as measured through global surveys) and activity measures (diversity of selection panels, completion of inclusive behaviours interventions).

Some companies set specific targets in areas such as gender and nationality. Others are making significant progress towards increased diversity at senior levels have kept their expression of future aspirations at a deliberately vague level.

SETTING D& I TARGETS

- Ensure that any representation targets are set within the context of the case for action, and the wider, cultural change required in order to meet business goals
- Focus on building the talent pipeline (rather than the end result of particular representation at the top)
- Build targets on the basis of bottom up business input and good quality availability (internal and external) data
- Each member of the top team set goals in his/her performance contract to demonstrate commitment & accountability for results
- Hold leaders accountable for results against targets as part of the standard performance management processes

4.1 Terminology & Positioning of Diversity & Inclusiveness Targets

Some organisations are deliberately avoiding the term target (which they feel in their cultures is too close to a quota) and are preferring “goals” or “aspirations.” Whatever the term used, it is critical that there is clarity around meaning. Of course, there needs to be education and open dialogue before there is genuine understanding and commitment:

TERMINOLOGY & POSITIONING OF D&I TARGETS

- Develop consistent terminology, avoiding legal terms (particularly those associated with the US)
- Run a briefing session for D&I Practitioners and HR staff leading talent management processes to share this terminology and approach
- Engage leaders around the terminology and ensure alignment around positive actions
- Provide opportunities for people to discuss targets and any concerns and fears
- Design and deliver on-going diversity learning activities which re-inforce the business rationale for change and the behavioural changes required (to ensure that diverse talent is retained)

4.2 Overcoming the Myths

This section of this paper looks specifically at the dilemma of how to build commitment across line managers so that change occurs at a pace that is reasonable and is sustained over time. It outlines: the myths that exist, the way in which companies are overcoming resistance and ends with some recommendations for how D&I targets might best be set and positioned.

Despite the range of positive actions that companies can take, resistance is often encountered. The following are some of the typical reactions:

Targets undermine the merit principle – Nothing should get in the way of appointing the “best” candidate.

Targets are quotas – If we set ourselves a business target we will hit it and that mentality will extend to any diversity goals. This will lead to “tokenism” - appointment of those in under-represented groups who are not up to the job.

Equality means having a level playing field – Everyone should be treated the same. Being “fair” means treating everyone the same.

Under-representation will sort itself out over time – Let’s get the recruitment right and then in time this will simply feed into our leadership profiles.

Targets are patronising and reinforce unhelpful stereotypes – They suggest that under-represented groups somehow need a “helping hand” in order to progress.

These targets are unrealistic – There are not enough qualified people among the targeted under-represented groups (or if there are, they don’t apply to us).

This is an American approach to an American problem – It is not relevant to us, we are a global company and most countries don’t have a history of discrimination. We are OK as we are.

Frequently, these sorts of arguments are used by people as an alternative to challenging the notion that diversity and inclusiveness are actually good for the business. Accordingly, the first step in addressing these arguments is to return to the underlying case for action and the associated business priorities these efforts are intended to address:

- Attract and retain the best people;
- Increase employee motivation and commitment;
- Increase creativity and our ability to adapt to a changing world;
- Better understand our diverse customer base;
- Strengthen our reputation and relationships with communities and governments across the world;
- Winning in the marketplace.

Once people accept the business case, they are in a better position to understand why targets are helpful, how they can be set and how they can operate without discriminating against the majority.

The logic of the argument is as follows:

- Developing an inclusive culture that makes the most of difference, is absolutely integral to the future of our business;
- We have some data that suggests we are not a truly inclusive environment at the moment (e.g. employee statistics, employee perception data);
- We will both look more broadly for talent and remain resolutely merit-based in how we appoint people to roles;
- We will not favour women or minorities in selection processes explicitly because of their group identity;
- We will insist that valuing difference is a core leadership competency;
- We will evaluate a successful candidate based on current and future business requirements and where appropriate, the knowledge, skills and abilities they bring to complement other team members;
- We will be innovative in how we develop talent and allow people to show what they can do;
- People are not all the same and we will challenge any aspects of our existing processes and systems that unnecessarily exclude talent.

5.0 Conclusions

Dilemmas were posed at the start of this paper. Each has been addressed and the following conclusions drawn:

Dilemmas	Conclusions
<p>What are the legal constraints across different legal jurisdictions?</p>	<p>It is legal to set aspirational D&I targets, but (with a few very rare exceptions) not to have quotas or positive discrimination.</p> <p>There is strong consistency across legal jurisdictions that affirmative or positive action needs to meet three criteria:</p> <ul style="list-style-type: none"> • It must not lead to discrimination (for instance against the majority group) • Justification must be made by evidence of under-representation and/or previous discrimination; • The action taken must be proportionate and must not give automatic, preferential treatment to any groups at the point of selection.
<p>How far can and should companies go in attracting and developing under-represented groups?</p>	<p>Companies can and should reach out to a diverse talent pool both internally and externally.</p> <p>This can include targeted actions to help under-represented groups develop the skills and apply for jobs.</p> <p>It also means looking critically at existing systems, processes and expectations, ensuring that they do not unnecessarily exclude talent.</p>
<p>How can such action be consistent with the principle of meritocracy and fair treatment for the majority?</p>	<p>Positive or affirmative action takes place before a selection process starts. Selection remains on the basis of merit.</p> <p>Key to achieving change is ensuring that the way we conceive of and assess “merit” is not simply a re-iteration of the past but a fresh look at the skills that the company needs now and in the future.</p>
<p>How can corporations build commitment across line management?</p>	<p>Companies need to think carefully about their terminology and communication. Managers need to be involved in open dialogue to build alignment around how to take positive action.</p> <p>With this understanding in place, there should be robust measures to hold leaders accountable for change.</p>

There is a deep, natural human tendency for like to attract like.

Companies have often developed highly effective systems at identifying people who will fit a narrow mould. Assuming that the current systems and processes will simply deliver increased diversity “in time” is a recipe for a continuation of the existing profile. Without ill intent, or outright bigotry, people will tend

to perpetuate the status quo. Our own cultural backgrounds are an integral part of how we conceive "merit".

Graduate recruitment processes and leadership programmes are all too often informed by a desire to replicate the sorts of skills and experiences of the people already at the top of the company. Diversity and Inclusiveness represent a fundamental challenge to this thinking.

Positive or affirmative action - taking deliberate steps to widen the pool of people who can compete for roles – compensates for this natural tendency. Only with this sort of action can multi-nationals really live up to the warm words in their Diversity Visions – and realise the business benefits that they will accrue.