

The Power of Diversity and Inclusion (D&I)

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In order to deliver exceptional business results, companies across the globe are developing and rolling out D&I policies and practice in their organisations. Over a 10-year period the companies that ranked in the 2006 DiversityInc Top 50 Companies for Diversity had outperformed the Nasdaq by 28.2%, the Standard & Poor's 500 by 24.8% and the Dow Jones Industrial Average by 22.4%. Results for one-, three- and five-year performances were also competitive. These are companies that are well managed and have policies and practices in place for leveraging diversity and inclusion.

This article discusses the principles of Diversity and Inclusion as applied particularly to businesses operating within the Asia Pacific region. It aims to identify clearly the current situation, set out the business imperatives and indicate a clear path for business to adopt D&I practices, as follows:

1. Factors in the current business climate are that drive D&I.
2. The business case for D&I.
3. The opportunities for business are identified.

The Current Business Climate

Globalisation:

Organisations are being increasingly exposed to a global business environment. The impact of this varies but may include changes in one or all of the following areas:

- An increase in the number and quality of competitors
- An increasingly diverse client base
- The need to develop new (possibly non-traditional) supplier relationships

Product cycles:

As industries and economies mature and lower-cost competitors enter the market, the nature of business must change. Typically an organisation will respond by increasing the quality and/or level of services provided as part of the product bundle or moving away from manufacturing entirely to services.

Talent Management – recruitment, selection, development & retention:

- Getting a clear picture of the exact nature of skills shortages is challenging. Recruiters report an increasing scarcity in some areas, which is expected to continue and broaden in the coming decade. This is because, to some degree, we are playing catch-up – as markets, products and technologies change so do labour requirements, an example being the explosion of the Chinese and Indian economies combined with new technologies. It's difficult to measure something that's constantly morphing and presents a considerable number of variables. The discontinuous change described by Charles Handy^[2] a number of years ago is now in operation Handy made the observation that in the past change had been somewhat predictable, however now the nature of change itself is changing, impacting our ability to predict the future based on the past.
- New talent challenges may include:
 - The need to deploy local staff overseas
 - The need to deploy overseas staff in different overseas locations
 - The need to employ overseas staff locally
 - Managing four generations in the workplace
 - A diverse 24/7 workforce.

The Business Case for D&I

How to leverage D&I to deal with the multiple challenges of globalisation, product cycles and talent management.

Diversity:

Recruiting, developing and promoting from a broader pool of candidates addresses a number of the challenges of the current business climate.

Diversity is any aspect of difference in individuals whether seen or unseen. This goes beyond physical differences such as age, race, gender and physical ability to include ethnicity, sexual orientation, education, socio-economic status, work experience, religious beliefs, political beliefs and other ideologies, family status and citizenship. A focus on increased diversity is aimed at ensuring a good representation of difference in all functions and levels within an organisation.

- 1) Increasing competition means that as businesses need to improve their products and, in particular, their services, the quality of their workforce is crucial. A key quality impacting the ability to respond to the market is the capacity to be creative and innovative. Recent studies show that well-managed cross-cultural teams are considerably more creative than their homogeneous counterparts. The broader the range of people within an organisation, the greater its capacity to produce 'out of the box' thinking.

- 2) Most organisations tend to recruit from 'traditional' groups. To continue to penetrate new markets and even find new suppliers, businesses need to understand the different cultures they represent. Within any organization, vertical and horizontal diversity helps in understanding and serving diverse markets and building effective new supply relationships.
- 3) As the talent shortage begins to tighten employers need to recruit from outside of their traditional groups to fill these gaps.

Once it is recognised that a diverse workforce is desirable and even necessary, and that a diverse workforce can leverage business results, then practicing Inclusion will make the best of diversity.

Inclusion:

Engagement is an increasingly important measure for business. According to 'Best Employers in ANZ 2005, compiled by Hewitt Associates, "*engagement measures the emotional and intellectual commitment that employees have for their organisation, and the extent to which the organisation has successfully captured employees' hearts and minds*".

Inclusion is ensuring that an environment is created whereby every employee can do their best work and individuals feel a part of the organisational process. Inclusion is about valuing and developing all people, regardless of their perceived or real differences.

The 'Gallup Path to Business Performance 2006', from Gallup Organisation, shows the link between an increase in the number of engaged employees and an increase in profit. Hewitt says engaged employees lead to satisfied customers, which results in exceptional business performance. Engagement figures vary across the region. Gallup figures suggest 20% of employees are engaged, 62% of employees are not engaged and 18% are actively disengaged.

Research from the Institute for Employment Studies (IES) indicates that while many factors influence engagement, the strongest driver is a 'sense of feeling valued and involved'. An increasing number of organisations are using inclusion policies and practices to drive employee engagement.

Novation's senior Vice President Gerry Lupacchino, Vice President of the US-based Novations Group, says: "*It's more about contribution than compliance. Organisations use inclusion training as a way to get everyone engaged, and measure its effectiveness with engagement and employee satisfaction surveys.*"

The 2004-05 *State of the Service Report*, a document provided annually by the Public Service Commissioner to the Australian Government, suggested "an engaged workforce increases its performance across a variety of indicators, one of which is increased productivity".

The report found that when employees were asked to identify which factors supported improved productivity, the six key elements were:

- 1 Increased knowledge and/or experience in the job
- 2 Good working relationships with colleagues
- 3 Good working relationships with managers
- 4 Access to the information, resources and/or technology needed to perform their jobs
- 5 Working to realistic performance expectations
- 6 Having a manager who encourages and manages innovation

In the 2006 Gallup Management Journal, Ashok Gopal states: “Gallup research shows that within companies, employee engagement can vary widely from workgroup to workgroup, in large part because managers have a tremendous influence on worker engagement”. This point was also made by the IES – based on their research, line managers play a very important role in delivering a sense of involvement and value to staff.

What are some managers doing that others aren't? The authors of *The Power of Inclusion*^[11] provide detailed examples and models developed over many years of work with major clients in answer to this question. In simple terms these managers are practicing inclusion. They are providing an environment where every employee can do their best work. They do this by applying the same strategies that drive employee productivity. They are ensuring individuals get opportunities and assignments to grow and learn (increased knowledge and experience in the job) and they lead by creating good working relationships with employees and by fostering an environment that supports good staff relationships. Paramount here is that managers directly impact worker engagement. *The Power of Inclusion*, details the results of many years of experience in the area of Inclusion and has an in depth analysis of this process.

Why, when we look at the engagement figures, does it appear that a high proportion of managers are not providing this kind of environment?

When Difference Makes a Difference

As human beings we make judgements about others and take action based on our education and range of preinstalled values and beliefs. We make judgements about intelligence and can quite often ascribe value judgements to whole groups of people. These judgements can result in stereotyping and then result in differential, often negative, treatment based on these stereotypes. Most of the time we are unaware that we are making these judgements. If you have lived a life, you have biases. The judgements we make are more often than not based on stereotypes that offer very little objective data about the person or their performance.

We also have a tendency to like people who are like us and to have a negative reaction to those more different from us. We tend to treat people consistently with the judgements we have made about them. Managers build up a view of individuals and treat them accordingly. This treatment reinforces the individual's behaviour. Managers form the view that some individuals 'have it' and some don't. They tend to give tasks and assignments which provide opportunities for learning and growth to those individuals who 'have it', and support them through the process. These individuals feel valued and involved and this creates engagement. Those who are perceived to not 'have it' are aware of this dynamic, possibly only unconsciously, and it reinforces their attitude resulting in their failure to engage.

Difference only *makes* a difference when we put a value on it, otherwise difference is just difference.

Going Beyond Compliance:

Some people in business take the view that it's up to the government to legislate fair employment practices and as long as these laws do not impede or unfairly burden their business, they will happily comply. If these laws do not exist or exist only to a small degree, they will comply at the level required.

Some countries within the Asia Pacific region have laws which strongly 'encourage' D&I; some have less stringent laws and some have none at all.

Organisations need to be aware of their obligations under the various employment laws, sometimes in a range of jurisdictions. They need to think carefully about the impact of taking advantage of the disparity in the law between some of the countries they operate in. It's worth noting that stakeholder activism and calls for corporate social responsibility are on the rise.

The law and the spirit of the law

In a joint article reviewing a recent sex discrimination case prepared by Freehill partner Tony Wood and solicitor Tina Lavranos, they state: "*...the conduct alleged by senior female employees in recent high-profile sex discrimination cases focuses on subtle behaviours in and around the workplace which made them feel they were not given equal opportunity to succeed.*"

The implication here is that simply stopping at compliance will not necessarily keep an organisation out of the courts. There is compliance with the law and then there is embracing the spirit of the law. In business there are often traditions of behaviour that are taken for granted that on closer examination can infer subtle systemic exclusion. In the case referred to by Freehills it is interesting to note that multiple respondents were named, including the entire board of management.

Walking the talk

A case in point is provided by Steven Penning, a partner with the Sydney firm Turner Freeman, who cites the Nikolich case. Mr Nikolich commenced proceedings in the Federal Court (of Australia) for damages on the basis that his employer had breached certain contractual promises that he alleged were in the HR policy book provided by the employer upon his engagement with the company. The judge awarded Mr Nikolich damages and Penning points out that this case not only demonstrates the willingness of Australian courts to accept that HR policies (often contained on the company website or intranet) form part of the contract and also that when employees seek redress under common law the awards are often much higher than those awarded under industrial relations legislation.

There are a number of current high-profile cases of alleged discrimination or unfair treatment before the courts in Australia, the UK and the USA. These cases, whether won, lost or settled, will cost millions of dollars in direct costs and damage to reputations. The risk that it runs to its reputation, along with the cost of any action awarded against it, might alone justify any investment an organisation makes in this area. Stopping at compliance, it seems, is not insurance enough. Organisations need to go beyond compliance. The culture and climate established within an organisation is modelled by senior managers and this is a leadership issue.

Seize the opportunity:

As a business you are paying 100% of the cost of your human resources so why not create an environment in which everyone you hire and everyone you could potentially hire can do their best work, an environment where the assignments and tasks given and the relationships experienced motivate and promote full engagement?

When your organisation makes claims about how clients can expect to be treated, ensure your staff are able to live up to the expectations.

Broaden your recruitment net – this is good for innovation and helps secure the talent needed to grow your business.

Establish consistent standards for your organization, both regionally and worldwide.

Go beyond compliance.

Audit your organisation for diversity and inclusion to determine patterns then identify how you are currently explaining these patterns.

Ensure all staff and managers have the necessary attitude and skills to deal with a diverse workforce.

Examine the level and nature of stereotypes that exist in your business and take action to reduce them.

Help managers and leaders raise their self-awareness around the judgements they make and encourage them to critically investigate the reliability of the evidence they base those judgements on.

Ensure your line managers are equipped with tools necessary to develop their staff members.

Invest in the quality of the leadership your organisation delivers.

What Supports Engagement?

Opportunities (O) to gain knowledge and experience + Quality of Relationships (QR)
= Engagement (E)

$$O+QR= E$$

Leads to Increased Profitability

What Prevents Engagement?

Judgements about Intelligence (J) + Negative reactions to difference (N) = differential treatment (DT) (usually unconscious) = Minimised Opportunities (MO) to gain knowledge and experience + Poor Quality of Relationships (PQ) with co-workers and managers = failure to engage (FE)

$$J+N=DT=MO+PQ = FE$$

Leads to decreased Profitability

Be prepared to reap the rewards of the power of diversity and inclusion.

Note: Quite often the terms diversity and inclusion are used interchangeably, however it is possible to have a diverse workforce which is not inclusive and an inclusive workforce which is not diverse.

You can find out more about the author of this article Peta Bayman at www.facilitatingresults.com.au