THE DYNAMICS OF DIVERSITY

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Organisational diversity is not a new concept. It is increasingly being recognised that a diverse workforce and leadership team are not only necessary but also a strategic asset. Less well understood are the reasons why diversity initiatives either flourish or founder, if they are implemented at all. Marion Baker continues her series and explores further the dynamics of diversity.

April 2019. The cover story in a well-known Sunday broadsheet? Pay gaps and lack of diversity across the advertising industry, a sector where only 29% of staff is female and there are few women in leadership roles, and where there is a particular dearth of BAME and state-educated recruits. The title: "They talk about diversity a lot, but secretly they don't want to change a thing".

Workplace diversity has progressed a long way since early initiatives to support the equal opportunities and anti-discrimination legislation from which it arose. The 'business case' for diversity has become varied and powerful: from data showing correlations between ethnic, social and gender diversity and improved company performance, to conceptual support for the need for diverse perspectives to enhance creativity and divergent thinking. Diverse teams are a competitive differentiator in a range of sectors, as well as a factor in recruitment success and employee retention. A recent study found that organisations in the top quartile for cultural and ethnic diversity are 33% more likely to show above-average financial performance for their market sector, and that companies with gender-diverse leadership teams are 21% more likely to generate above-average profitability. Conversely, less diverse companies frequently fall behind in these measures.

Nevertheless, there is significant progress still to be made, with gender pay gaps in some sectors widening rather than closing (even as the diversity of companies has increased), and evidence emerging that the methodology used to calculate the gap may itself be discriminatory. The World Economic Forum reports that, at the current rate of change, economic gender parity remains 202 years away. Australian companies lead the way when it comes to women's share of executive roles (21%), versus the US (19%) and the UK (15%). The same holds true for board positions, with Australian companies at 30%, US companies at 26%, and UK companies at 22%. The discrepancy between these countries is interesting

given women's workforce participation is similar in all three. However, only 3% of large UK businesses voluntarily report their ethnic pay gaps and a similarly low percentage of Fortune 500 companies report full demographic data on their employees. Many organisations still need to be persuaded that there is a ROI to diversity and that the process is not merely one of compliance.

This complex picture reveals that the move towards diversity is far from straightforward. It has been argued that the correlation between diversity and increased productivity does not necessarily prove causation from one to the other. The success demonstrated by more diverse firms may indeed be impacted by a range of other factors that co-exist with their diverse workforce, such as more enlightened leadership, a more inclusive culture, or less resistance to change.

The key issue is that promoting diversity is not in itself sufficient. Research shows that greater focus on subsequent inclusion and on cultivating a sense of belonging in the workplace increase the successful embedding of these initiatives, and their impact on the bottom line. While there may be a push for diversity in recruitment at all levels, if the individuals recruited nevertheless believe that they do not fit into the workplace culture (for example one modelled on a dominant group or ethos) they may struggle to integrate into that workplace. An organisation may advocate one message, but be characterised by an entirely different set of values and norms. This may lead to a cultural disconnect and disengagement between employees and the organisation, which in turn has significant impact on productivity and levels of retention. For example, an organisation could promote a woman or member of an ethnic minority to the board and genuinely welcome that appointment, and at the same time manifest organisational behaviours that make it very difficult for that new appointee to succeed. This may also be reflected in the push for diversity being driven by specially appointed diversity officers, rather than from the leadership of the organisation itself. Diversity teams may be tasked by the leadership with encouraging and recruiting diverse employees, but not carry the voice and authority of that leadership. The tone at the top of the organisation impacts significantly on the success of diversity initiatives, as well as in fostering a sense of value and belonging. Perceptions of inclusion not only improve collaborative behaviour and decision-making, but importantly also reduce the cost of absenteeism.

In terms of the effectiveness of leadership teams, recent studies show that the higher the level of board diversity, the higher the degree of board creativity and productivity. Nevertheless, diversity within executive teams requires the organisation's leadership to take time to consider and evaluate its own behaviour, issues of inclusion at board level and the underlying dynamics within those teams. This requires multiple perspectives to be considered, and tensions and conflicts that arise from inherent difference to be successfully managed.

The compelling data on the impact of multi-factor diversity only goes some of the way to support organisational initiatives of this nature. Extensive work with individuals and teams in organisations consistently demonstrates that diversity initiatives must be embedded through a culture of inclusion, engagement and leadership involvement. There is still plenty to learn about what works and what does not in terms of these initiatives, but what is apparent is the very human need for belonging, and its bearing on productivity and performance.

In an industry such as advertising, where pay gaps remain wide and only 12% of the highest-paid creative directors are female, companies where difference is celebrated and diversity initiatives are positioned as business imperatives, are the ones drawing and retaining the dynamic clients and talented recruits alike. The impact of diversity on the ethos of the company, its relevance in today's market, the recruitment and engagement of its workforce, and on stakeholder and supplier interest, should not be underestimated.

Key factors in the success of diversity initiatives:

1. Leadership commitment to a varied diversity and inclusion agenda, promoted from the top, sufficiently resourced, and supported both centrally and throughout the organisation.

2. Promoting organisation-wide cultural awareness, both to the dominant cultures in the organisation and the adaptability required to encourage inclusion. This may include local/geographical differences and cultural sensitivities. Monitoring employee perceptions of inclusion and belonging.

3. Planning diversity initiatives which are relevant to and embedded in the organisation's growth strategy, and tied in to promotion and talent pipelines, recruitment and retention strategies.

4. Prioritisation of the diversity agenda as a business imperative and executive accountability for its successful implementation. You can read more about the firm's commitment to diversity here.

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