Deloitte.

Only skin deep? Re-examining the business case for diversity

Deloitte point of view

Human Capital Australia – September 2011

Introduction

Global leaders have heard and talked about 'the business case for diversity' for some time now

More than just hearing and talking, if corporate marketing is the litmus test, there appears to be a high level of acceptance of the business case. And just to recap, the headlines always seem to cover:

- Workforce capability and responding to the skills/ talent shortage by being an employer of choice
- Market share via insights into diverse customers and local environments
- Return on investment by engaging and retaining top talent for longer
- Innovation and risk management via diverse perspectives
- Alignment with values and corporate social responsibility
- Brand and reputation.

But how deep does the message go? Is it understood from the factory floor to the boardroom and with the weight of firm conviction? Truth be told – there appears to be more head nodding about the business case than a rolling up of the sleeves to take action.

So we wonder if acceptance of the business case is really only skin deep. If our perception is accurate, what does this say about the 'evidence'? Has it been oversold? Or could it be that there is a more deep seated belief that diversity *talk* is really just that – talk to attract and retain talent – but not a strategy that will add to the bottom line?

We have more than an academic interest in the answers. We know that connecting the dots is critical for organisations to drive the diversity agenda forward. And our perception is echoed by a 2011 Forbes Insight survey of 300 multi-national executives in which 41% identified the *'failure to perceive the connection between diversity and business drivers'* as a barrier to developing and implementing a diversity strategy.

To respond to these questions we go behind the headlines and re-examine the foundations of the business case to advance the story with a fresh perspective. More specifically we will:

1. Clarify and connect the concepts of 'diversity' and 'inclusion'
2. Review the high level evidence for diversity and drill down into the detail of the research that links diversity to enhanced productivity (via workplace flexibility) and performance (via diverse teams)
3. Share practical ideas for organisations that support the business case and want to get serious about diversity.

Our conclusion is that there is a robust business case for diversity, but the details are not quite captured by the headlines. The case rests on understanding that diversity means more than having a sprinkle of women and a dab of colour, and that the value of diversity lies in developing an inclusive workplace – and that means adaptation, not just assimilation and tolerance.

First things first – what do we really mean by diversity?

Diversity means more than just having a sprinkle of women and a dab of colour

What does workplace 'diversity' really mean? Ask a few colleagues and you are sure to get a range of answers. In fact, according to a recent US survey of 993 HR professionals, only 30% of organisations have an 'official' definition[1]. So how best is diversity defined?

Diversity has traditionally been thought of in terms of the 'visible' differences between people, such as gender and race, with a focus on eliminating discrimination based on these differences. Diversity *is* about those differences, but this narrow definition ultimately short-changes what it really means. Diversity is about what makes each of us unique and includes our backgrounds, personality, life experiences and beliefs. In fact, all of the things that make us who we are. It is a combination of the visible and invisible differences that shape our view of the world, our perspective and our approach.

This broader view of diversity is encapsulated by the idea that diversity is really about diversity of 'thought' – where different perspectives and capabilities are the point of difference, rather than our visible characteristics.

So what does this mean for the business case for diversity? A lot. It offers a more inclusive and engaging discussion than one focused on visible diversity, which is often binary and therefore divisive. And it creates a new line of inquiry about the nature of the business case, shifting the question from '*How can increasing gender and racial diversity help us improve business outcomes?*' to '*How rich is our knowledge bank?*', '*Do we have the variety of perspectives necessary to deal with complex problems and create innovative solutions?*' and '*Are we fully valuing and leveraging the potential of all our employees?*'

Company case study – Approach to diversity
Chubb Insurance Group (USA)[2]

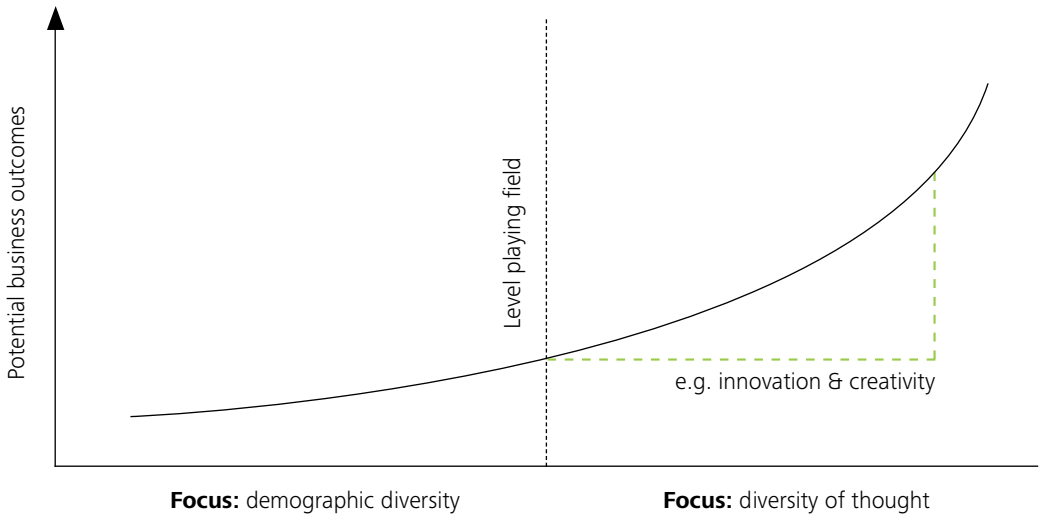
"Diversity is about recognising, respecting and valuing differences based on ethnicity, gender, colour, age, race, religion, disability, national origin and sexual orientation. It also includes an infinite range of individual unique characteristics and experiences, such as communication style, career path, life experience, educational background, geographic location, income level, marital status, military experience, parental status and other variables that influence personal perspectives. These life experiences and personal perspectives make us react and think differently; approach challenges and solve problems differently; make suggestions and decisions differently; and see different opportunities. Diversity, then, is also about diversity of thought. And superior business performance requires tapping into these unique perspectives."

[1] *2007 State of Workplace Diversity Management* (2008) Society for Human Resource Management.
[2] Refer: ***www.chubb.com***

Diversity is leveraged through inclusion – the extent to which employees feel valued and included by an organisation

But more than just changing the business case conversation, focusing on diversity of thought enables us to see people as individuals rather than as representatives of a group and this helps us to find common ground when working together. It provides a focal point that is applicable across different cultural and national contexts. And while research on diversity and performance often focuses on visible diversity, the case connecting diversity of thought to engagement, innovation and risk prediction is growing and appears more solid than the causal link between gender and race and business success.

So where does that leave demographic diversity? Demographics now become a 'check in' metric, a moment of truth. In essence, demographics act as a lead indicator as to whether organisations are drawing from the full knowledge bank and making merit-based, rational decisions.



Diversity + inclusion = improved business outcomes

The 'Noah's Ark' approach to diversity

"Two women, two Asians, two people with disabilities, and two African Americans: diversity accomplished – or so we once thought. At some point, corporate diversity came to mean the inclusion of at least two of every kind. Far too many managers and leaders figured that if you crammed a pair of each minority into a company or into a boardroom, you had accomplished the task of creating a diverse work environment. Nothing, in fact, could be further from reality. The problem with this artificial ark is that much of the time, the giraffe looks at the zebra and thinks – consciously or unconsciously – 'That animal is just kind of funny looking. He doesn't look like me. He has a foolishly short neck, silly black and white stripes and eats what looks like garbage. However, as a giraffe, I have an elegant long neck, beautiful brown and white spots and eat carefully; only the finest leaves and bark.' And that's just the beginning of how all of these creatures see each other...

This is what happens when you create the corporate version of Noah's Ark; and such clashes will happen indefinitely until leaders and companies come up with a plan for integrating these groups, and benefiting from the stripes, the spots and the horns rather than waiting for company-wide conformity."

From The Loudest Duck by Laura Liswood

Simply 'having' diversity is not enough

A little word of caution here. As Laura Liswood (2008)[3] argues, it is not enough to create a corporate version of Noah's Ark bringing in 'two of each kind.' Unless the zebras, giraffes and lions on Noah's Ark fully engage with each other to understand and benefit from these perspectives then the opportunity has been lost.

Diversity, we argue, is leveraged through 'inclusion' – the extent to which individuals feel valued and included by an organisation. This is achieved through inclusive leadership, namely by ensuring all employees have the opportunity to fulfil their individual and combined potential. According to Miller and Katz (2002): *"Inclusion increases the total human energy available to the organisation. People can bring far more of themselves to their jobs because they are required to suppress far less"*[4].

Diversity and inclusion are therefore related but different concepts. You can have a diverse workforce without inclusion; and inclusion without diversity[5]. But one without the other is only half of the business performance equation. Put simply: diversity + inclusion = improved business outcomes.

We suspect that if business leaders can see a more granular link between diversity and business outcomes through the lens of inclusion, and this link resonates with personal experiences, then the business case for diversity will be more tangible. And this will help to close the perception gap between diversity and the bottom line.

Key takeaways:

- Diversity of thought is the end game and demographic diversity is a visible lead indicator
- Diversity + inclusion = improved business outcomes

[3] Liswood, L. (2010) *The Loudest Duck* John Wiley & Sons Inc, New Jersey USA.
[4] Miller, F.A. & Katz, J.H. (2002) *The Inclusion Breakthrough* Berrett-Koehler Publishers, CA USA.
[5] Kandola, B. (2009) *The Value of Difference – Eliminating bias in organisations* Pearn Kandola Publishing, Oxford UK.

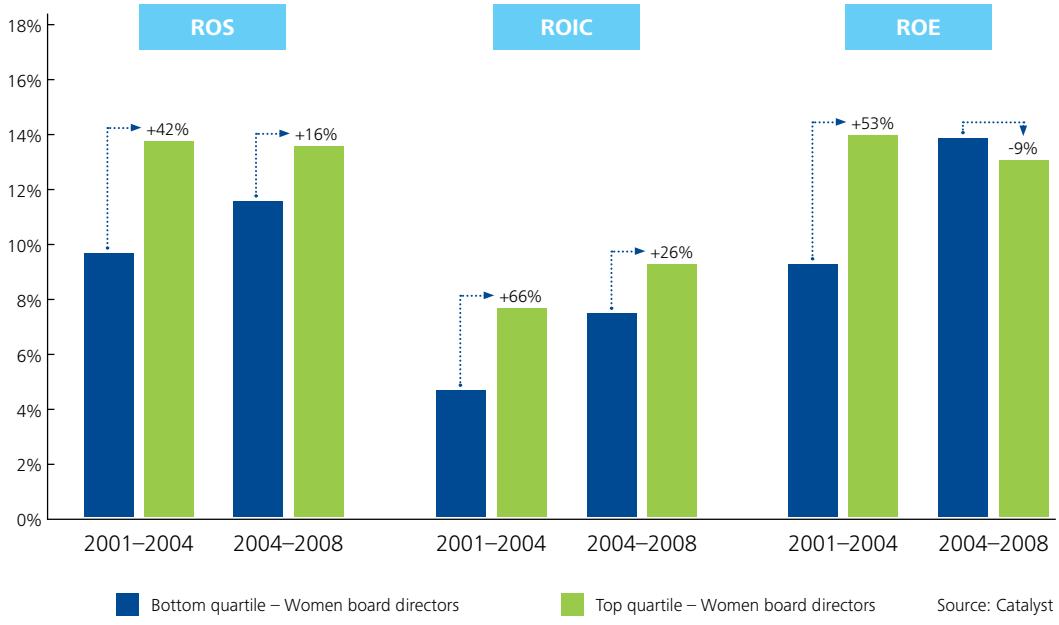
The case for diversity: the big picture and the detail

Big picture studies – what do they really tell us?

Does greater gender and racial diversity really lead to better business performance? Possibly the most frequently cited research suggesting a link stems from US-based research house Catalyst[6]. Examining Fortune 500 companies, Catalyst found that those with the highest representation of women on their board of directors experienced better financial performance on average (in terms of return on sales, return on invested capital and return on equity) than those with the lowest representation of women.

Similar findings come from the McKinsey & Company Women Matter report series[7]. Analysing a statistically significant sample of companies across Europe, Brazil, Russia, India and China, the 2010 report showed that companies with the highest share of women in their senior management teams outperformed those with no women from 2007-2009 by 41% in terms of return on equity (22% vs 15%) and by 56% in terms of operating results (17% vs 11%).

Comparison of economic performance by Fortune 500 companies



Source: Catalyst

And Professor Herring's 2009 research of 506 US organisations showed that organisations with greater racial and gender diversity performed better in terms of sales revenues, number of customers and market share[8]. For example, a one unit increase in racial diversity increased the number of customers by more than 400 and 200 for gender diversity; and a one unit increase in racial diversity increased sales revenue by 9% and 3% for gender diversity.

[6] Catalyst is a US-based research house. Catalyst (2011) *The Bottom Line: Corporate Performance and Women's Representation on Boards (2004-2008)* and Catalyst (2007) *The Bottom Line: Corporate Performance and Women's Representation on Boards.*

[7] McKinsey & Company (2011) *Women Matter 2010: Women at the top of corporations: Making it happen.*

[8] Herring, C. (2009), 'Does Diversity Pay? Race, Gender, and the Business Case for Diversity, *American Sociological Review,* Vol 74, pp 208-224.

What's really happening here?

Are you wondering if we have reverted to the argument that all we need is a sprinkle of women and a dab of colour to improve the bottom line? Far from it. Neither Catalyst nor McKinsey argue a *direct and causal link* between diversity and performance. So how should we interpret these studies? We see gender and racial diversity as lead indicators of a healthy organisation rather than an end in themselves. To put it more bluntly, these data points indicate that an organisation is 'fishing from a bigger pool of talent', accessing a deeper knowledge bank and leveraging those resources throughout the business value chain.

This is a key insight. The story is *not* about the increased representation of a particular demographic bringing extra 'sparkle' to the workplace because of their special skills and talents

This is a key insight. The story is *not* about the increased representation of a particular demographic group bringing extra 'sparkle' to the workplace because of their special skills and talents. Rather, the story is about organisations with a more diverse talent pool, especially at senior levels, manifesting a workplace culture of openness, merit and rational decision-making. At heart, the story is one of diversity *and* inclusion of *all* employees, so that a richer knowledge bank is fully leveraged and better business outcomes are achieved.

Having clarified what the big picture studies on diversity really show about the business case, we now drill down into the detail of the research that links diversity to enhanced productivity (via workplace flexibility) and performance (via diverse teams).

Lifting productivity levels via workplace flexibility? You're kidding, right?

Calling a spade a spade, businesses often talk about flexibility in the same breath as women with children; a concession to keep talented women from leaving and a code for working 'part-time'. This is a very narrow interpretation of workplace flexibility, which diverts attention away from a broader understanding about the range of flexible work practices and the identity of employees interested in flexibility and its implicit benefits. It also assumes that the benefits are skewed one way, namely that employees get the primary benefit (work/life balance) and employers the secondary benefit (retention). In fact, the business case for flexibility is much more evenly weighted, it's just that the direct benefits to business are hidden unless looked for – and that is exactly what IBM did.

In IBM's first study[9], Professor Hill and his colleagues compared the productivity levels of employees who were given flexibility and control over their daily work schedule with those who were not. The flexibility group, which included men and women working full-time, could choose where to work (home or in the office), as well as when they worked (so long as they at least worked the core hours of 10am to 2pm). In contrast, the control group was required to work 40 hours per week in the office, Monday to Friday. What happened? IBM found that flexibility helped employees manage their work/family obligations and reduced conflict, supporting the 'happy employees' expectation. But it also showed that employees were actually putting in *more* hours – up to eight hours per week more than their 'non-flexible' counterparts.

[9] Hill, E. J., Hawkins, A. J., Ferris, M. and Weitzman, M. (2001) 'Finding an Extra Day a Week: The Positive Influence of Perceived Job Flexibility on Work and Family Life Balance' *Family Relations*, Vol 50 (No. 1) pp 49-58.

Employees given the option of working flexibly experienced less work/life conflict and were able to work longer hours before experiencing work/life difficulty

The hidden benefits of flexibility – what the research tells us

1. Reducing work/life conflict for men and women.
2. Enhancing productivity for parents and managers.
3. Improving well-being and reducing absenteeism.

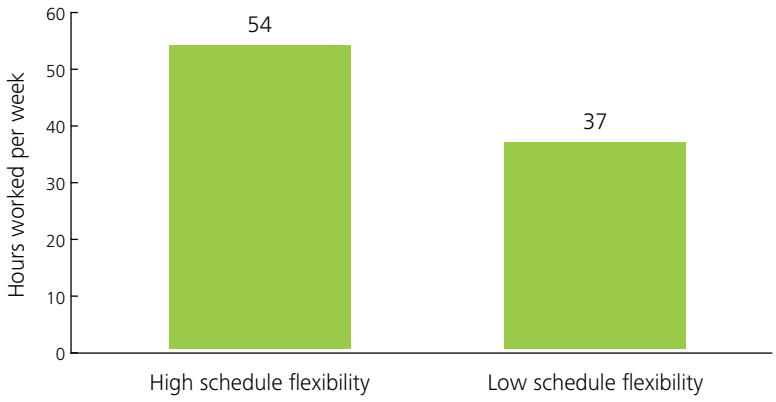
These results applied to both men and women. The most significant dividends accrued for women with young children, as one may predict, but also managers juggling multiple commitments and high workloads.

Is this just a Western-centric business case? In 2009, IBM conducted a further survey of 25,000 employees in 75 countries and found that the business case for flexibility held firm. Once again employees who were given the option of working flexibly (i.e. telecommuting and flexible hours) experienced less work/life conflict and were able to work longer hours – from half a day to two days per week – before experiencing work/life difficulty compared with those with traditional work arrangements[10].

Before we leave this issue, there are a few more bottom line impacts of flexibility that are often overlooked. These relate to well-being. In particular, employees with flexibility and control report lower levels of stress, cholesterol and obesity[11], and research shows a reduction in the risk of heart disease amongst middle-aged employees[12]. Once again, while the positive impact on employees is obvious, there is also a direct benefit for employers in terms of reduced absenteeism[13], turnover and sick leave usage, as well as increased energy.

But that's not the whole story. Just having a flexibility policy is not enough to generate the business benefits identified above. Firstly, the offer of flexibility must be open to all employees. Yet a recent study of 2300 employees working in large organisations

2009 IBM study: Hours worked before experiencing work/life conflict



[10] Hill, E. J., Erickson, J.J., Holmes, K.E. and Ferris, M. (2010) 'Workplace flexibility, work hours and work-life conflict: Finding an extra day or two' *Journal of Family Psychology*, Vol 24(3), pp 349-358.

[11] Butler, A.B., Grzywacz, J.G., Ettner, S. L. & Liu, B. (2009) *'Workplace flexibility, self-reported health, and health care utilization. (Work & Stress)'* Vol 23, No. 1, pp 45-59.

[12] Virtansen, M., Ferrie, J.E., Singh-Manoux A., Shipley, M.J., Vahtera, J., Marmot, M.G. and Kivimaki, M. (2010) 'Overtime work and incident coronary heart disease: The Whitehall II prospective cohort study' *European Heart Journal Advance Access*.

[13] Van Steenbergen, E.F. & Ellemers, N. (2009) 'Is managing the work-family interface worthwhile? Benefits for employee health and performance' *Journal of Organisational Behaviour*, Vol 30, pp 617-642.

in six countries found that men still perceive work/life programs as primarily serving the needs of women, which causes a lower take-up of work/life options by men[14]. This is despite men's and women's needs and perspectives being more alike than different. Secondly, the offer must be genuine. If it comes with strings attached, such as career cessation, marginalised work or degraded working conditions, take-up will be significantly reduced. Thirdly, Australian research[15] identifies the criticality of building managers' capabilities to seamlessly integrate flexible work arrangements into the day-to-day team environment.

Inclusion means adaptation, not assimilation and toleration

In practice, intentional activity will help flexibility deliver on its promise of creating business benefits rather than costs. It will mean that businesses must adapt to the needs of diverse individuals, rather than persisting with a one-size-fits-all approach with some concessions to mothers. Inclusion means adaptation, not assimilation and toleration.

Team diversity: From conflict to collaboration

Team diversity is a 'double-edged sword'[16], with supporters pointing to increased creativity, innovation and problem-solving in diverse teams, while detractors suggest a likelihood of increased conflict, inability to make decisions and lack of team cohesion. Where does the truth actually lie? The fact is, working in a diverse team is almost inevitable in a global organisation, and increasingly a part of life in local organisations drawing from broader labour markets. Clearly collaboration is critical to team functioning. The real question is whether diversity is also a value add, ie do diverse teams actually perform better? Well, it depends. The nature of the diversity; the tasks being undertaken by the team; and the way these teams are led and managed all impact the outcome in different ways.

In 2007, Horwitz & Horwitz[17] reviewed twenty years of research on team diversity to try to provide greater precision on the relationship between diversity and performance. The researchers identified a positive relationship between task-related diversity and team performance. In other words, when different experiences and educational disciplines (e.g. law and engineering) are present within a team it will improve team outcomes because of the increased opportunity for creativity and problem-solving.

The importance of context – diverse teams and tasks

"If we look at collections of people who perform routine tasks, such as flipping burgers, we would not expect cognitive diversity to correlate with performance. And we'd be right. Flipping burgers does not require much collective problem-solving or prediction. But if we look at teams of people who develop marketing strategies, we should expect to see diversity benefits. Diverse perspectives, heuristics, interpretations and predictive models can produce value only if they're put to work. Claims that diversity improves outcomes may be inaccurate if the task involves no problem-solving or prediction."

Extract from The Difference by Scott Page

[14] *Global Study on Men and Work-Life Integration (2011), WFD Consulting,* ***www.wfd.com/news/register-gms2011.html.***

[15] *Looking for a paradigm shift: 2010 Market Leader report on diversity and gender* (2010) ***www.eeona.org/ADES_2010_Report_15_October_2010.pdf***

[16] Kravitz, D.A. (2005), 'Diversity in Teams A Two-Edged Sword Requires Careful Handling' *Psychological Science in the Public Interest,* Vol 6 No. 2.

[17] Horwitz, S. & Horwitz, I. (2007) 'The Effects of Team Diversity on Team Outcomes: A meta-analysis review of team demography' *Journal of Management,* Vol 33 (6) pp 987-1015.

Groupthink and diverse teams – from CRF Research[20]

- 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.
- 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.

Page's 'The Difference' (2007) also identified the increased problem-solving capacity of teams of diverse thinkers compared with teams who were selected for their intellectual ability[18]. While counter-intuitive, Page found that when teams comprise people with diverse perspectives (arising from their education, experience or identity) *and* their views were included, the team's collective intelligence was greater than a team whose individual members are uniformly 'smart'. Importantly, Page provides evidence that team diversity improves performance in problem-solving and predictive-style tasks as opposed to those of a routine nature.

The most plausible explanation for these findings is that teams with members from diverse backgrounds with diverse experiences and perspectives avoid the 'groupthink' mentality common when people approach problems from the same angle. After recognising the significance, likelihood and down-side of groupthink amongst board members, particularly in relation to the Global Financial Crisis, the Financial Reporting Council in the UK has proposed measures aimed to improve diversity on boards of FTSE companies[19].

But what about the performance of demographically diverse groups? Horwitz & Horwtiz found no relationship between visible diversity and increased team performance. And while Page argues that demographic differences and diversity of thought often go hand in hand (i.e. if two people were raised in different countries or had different life experiences they are more likely to have different perspectives), he also cautions that identity-diverse people can also think alike. In other words, while demographic diversity is often used as a proxy for diversity of thought, it is not a fool-proof indicator.

While demographic diversity is often used as a proxy for diversity of thought, it is not a fool-proof indicator

[18] Page, S.E. (2007), The Difference: *How the power of diversity creates better groups, firms, schools and societies* Princeton University Press, USA

[19] ***http://www.frc.org.uk/press/pub2521.html***

[20] Wallace, WT & Pillans, G., (2011), *Diversity and Business Performance Corporate Research Forum*, UK.

Potential upsides aside, research also tells us that diverse groups can experience problems with group dynamics including poor communication and conflict that negatively impact performance[21]. So where does this leave the business case? Can these costs be overcome and is the net benefit worth the effort?

There is a clear argument for actively *managing* diversity rather than assuming we will naturally derive the benefits of diversity, merely by placing 'different' people in a room together. This argument applies to diverse groups we bring together to solve complex problems, as well as diverse team members who need to work together to perform routine tasks.

Greater diversity introduces greater complexity and calls for inclusive leaders to ensure the potential benefits of multiple perspectives are achieved, and the potential risks of conflict are reduced.

So what sort of behaviours should an inclusive leader display? We place particular weight on the role of the leader in creating an environment which is inclusive and open[22]. Our perspective is echoed by other researchers who have focused on the need for empathy, self-disclosure, providing an environment of psychological safety and creating a sense of collective identity or shared goals[23]. Researchers have also identified the explicit need for cultural competency in global enterprises[24] and a leader's ability to actively manage conflict[25].

Introducing the inclusive leader

- Visibly champions diversity and drives initiatives
- Creates an environment which is inclusive and open
- Demonstrates a collaborative leadership style
- Embodies merit-based decision-making
- Seeks out and values employees' contributions
- Creates a sense of collective identity/shared goals within the team
- Possesses cultural competency
- Has the ability to actively manage conflict.

Finally, for inclusive leaders to succeed in moving conflict to collaboration they need to operate within a workplace culture which supports, recognises and rewards diversity and collaboration. For example, a culture which is willing to allow time for the benefits of team diversity to materialise. This need for patience reflects the findings from a study by Watson which showed that while homogenous teams got on with problem-solving more quickly than diverse teams, that early benefit was equalised and then surpassed after 17 weeks by the broader range of solutions generated by the diverse team[26].

Making cars

"I saw the tangible power of diversity of thought when I was at Company X. We were incredibly fast in the design period and yet it took us three times as long as the Japanese manufacturers to hit market. Why? We realised that we had a homogeneous design team (US based male designers); they could design fast but then it took the builders months fixing up problems with the design. In contrast, the Japanese manufacturers got the designers, builders and sellers together at the design stage. That stage took longer but then it went straight to market and that was more cost efficient. At Company X, the design team hadn't taken into account all the variables".

Gareth Bennett, Human Resources Director at Freehills

[21] Jehn, K.A., Northcraft, G.B. & Neale, M.A. (1999) 'Why Differences Make a Difference: A Field Study of Diversity, Conflict, and Performance in Workgroups' *Administrative Science Quarterly*, Vol 44, No. 4, pp 741-763

[22] Heffernan, M. (2011) *Wilful blindness: Why we ignore the obvious at our peril* Simon and Shuster, UK.

[23] Roberge, M. & Dick, R. (2010) 'Recognising the benefits of diversity: When and how does diversity increase group performance?' *Human Resource Management Review,* Vol 20, pp 295–308.

[24] Van Woerkom, M. & de Reuver, R. (2009) 'Predicting excellent management performance in an intercultural context: a study of the influence of multicultural personality on transformational leadership and performance' *The International Journal of Human Resource Management* , Vol 20 (10), pp 2013–2029.

[25] Bouncken ,R. & Winkler, V. (2010) 'National and cultural diversity in transnational innovation teams' *Technology Analysis & Strategic Management,* Vol 22, No. 2, pp 133-151.

[26] Watson, W., Kumar, K. & Michaelsen, K. (1993) 'Cultural Diversity's Impact on Interaction Process and Performance: Comparing Homogeneous and Diverse Task Groups' *The Academy of Management Journal,* Vol 36, No 3 pp 590-602.

There's a robust business case connecting diversity of thought to innovation and creativity if the conditions are right. To deliver on the promise of diversity requires an inclusive leader capable of identifying and cultivating multiple perspectives, creating an environment of collaboration rather than conflict. But these skills are not for the few. While we have focused on managing diverse teams to reap the additional rewards inherent in diverse perspectives, in a global environment leaders need to manage diverse team members to ensure that routine work is performed well. An inclusive leader, working in a supportive workplace, will derive the value add, as well as the 'business as usual', benefits.

Where does this leave us?

We've explored the business case for diversity by relooking at the end goal (diversity of thought vs visible diversity); examining what the big picture research really shows about the business case; and drilling down into the detail in terms of productivity and performance. We have tried to make the business case more tangible and realistic and to advance the diversity story with a new chapter. We have argued that diversity is much more than a sprinkle of women and a dab of colour. We have also argued that there is a clear business case for diversity but it is one which requires intentional acts of inclusion and adaptation as well as leadership capability. In essence, we argue that reaping the business rewards of diversity requires focus and action.

Key insights:

- Diversity of thought is the end game and demographic diversity is the lead indicator
- Workplace flexibility enables workplace productivity and employee well-being and provides tangible bottom line benefits to business
- An inclusive leader can harness the power of diverse teams for creativity and innovation by shifting potential conflict to collaboration.

Practical ideas for change

Action points

Below are some practical ideas for organisations that support the business case for diversity and want to embrace the diversity + inclusion = improved business outcomes equation

1. **Build leadership capability**
   Greater diversity introduces greater complexity. This calls for inclusive leaders to ensure that the right support mechanisms are in place to achieve the benefits of diverse perspectives. Effective selection, promotion and training processes along with appropriate reward and recognition programs will all help build inclusive leadership capabilities.

2. **Align strategies**
   The organisation's diversity objectives cannot operate in a vacuum. The diversity strategy, talent strategy and business strategy must be seamlessly integrated and directionally consistent.

3. **Re-phrase the conversation**
   While diversity has traditionally been thought of in terms of demographic diversity (e.g. gender), the conversation is shifting to diversity of thought as a way to describe the desired end game: where different perspectives become the point of valued difference rather than our visible characteristics.

4. **Develop metrics to hold leaders to account for implementing the business case**
   Consider input- and output-based measures designed to promote greater diversity throughout the organisation and integrate into leaders' performance assessments.

5. **Use an evidence-based approach to identify diversity barriers**
   An approach that takes into account quantitative and qualitative information (e.g. data analytics and employee perceptions) will be most effective in helping an organisation to understand and plan to overcome barriers to diversity.

6. **Prioritise initiatives for maximum impact:**
   Separate the 'nice-to-haves' and those which are the flavour of the month from those that have proven results. For example, in a 2010 Australian Market leader report on diversity and gender, a pay equity analysis was rated more effective in helping women to progress to senior levels than a networking program[27].

7. **Address unconscious biases**
   We all harbour conscious and unconscious biases that influence our perceptions, judgements and behaviour. Understanding and addressing biases requires individuals to recognise the perceptional distortions that can occur, and why, and the steps that can be taken to reduce their impact on behaviour. This is critical to building a workplace environment based on merit.

8. **Cast a diversity and inclusion lens over the entire business**
   While focusing on the employee life-cycle is critical to identifying diversity gaps, a whole-of-business perspective will help identify whether diverse perspectives are fully leveraged throughout the business operations.

[27] Looking for a paradigm shift: *2010 Market Leader report on diversity and gender (2010)* ***http://www.eeona.org/ADES_2010_Report_15_October_2010.pdf***

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