

The Inclusive Workplace

Thursday May 15 2014

www.ft.com/reports | @ftreports



Raising the standard makes a difference

Smart organisations are recognising that a diversity strategy can improve recruitment and performance **Page 2**

The Inclusive Workplace

Contents »

Legal laggards get on top of diversity case

Magic circle doubles number of women promoted to partner

Page 4



Interview

There is still a long way to go for LGBT diversity in business, says Stephen Frost

Page 4

Gender quotas – a 'necessary evil'

Europe's mandatory targets may be unloved but they appear to work

Page 6

Racists at large

A recent survey was a 'reality shakedown' for Sandra Kerr of Race for Opportunity campaign

Page 7

Subtle bias persists in hiring decisions

Unconscious judgments can lead to excessive uniformity in recruiting

Page 8

Success story

The London 2012 games were an example of 'getting it right' on inclusion in the workplace

Page 10



Early research failed to prove causation but the latest data are hard to ignore, writes *Tim Smedley*

The evidence is growing – there really is a business case for diversity

The business case for diversity seems intuitive. Teams of mixed gender, ethnicity, physical ability, age and sexual orientation are more representative of customers. They offer a variety of viewpoints and a wider range of experience, which improves decision-making and problem-solving. Most business leaders seem to agree with this

assertion.

Research by recruiter Korn/Ferry in November 2013 found that almost all the global executives it polled believe diversity and inclusion can boost results.

But what evidence is there that they are right?

First, a little debunking is needed. The research most often cited as evidence is

The Inclusive Workplace

The way we were: board meeting at the former Fisons pharmaceuticals and fertiliser company, 1960

Hulton Getty

provided by separate studies by consultants Catalyst and McKinsey published in 2007. Both compared the financial performance of large organisations according to the gender diversity at senior levels, and both found that high returns on equity correlated with greater diversity.

Rather than irrefutable proof, however, neither study was able to show a causation. Research last year by the New York-based Center for Talent Innovation (CTI), however, began to take us a step closer.

Involving more than 40 case studies and 1,800 employee surveys, it looked at what it termed "two-dimensional diversity", namely "inherent diversity" – such as gender and race – combined with "acquired diversity" – such as global experience and language skills.

It found that publicly traded companies with two-dimensional diversity were 45 per cent more likely than those without to have expanded market share in the past year and 70 per cent more likely to have captured a new market. When teams had one or more members who represented a target end-user, the entire team was as much as 158 per cent more likely to understand that target end-user and innovate accordingly.

A 2012 research report from Deloitte, "Waiter, is that inclusion in my soup?", edges us further towards causation. It is based on the experiences of 1,550 employees in three large Australian businesses. It identified an 80 per cent improvement in business performance when levels of diversity and inclusion were high.

An American Sociological Association study supports this, finding that for every 1



'Groupthink makes a cohesive team, but one that will happily agree on the same mistake'

per cent rise in the rate of gender diversity and ethnic diversity in a workforce there is a 3 and 9 per cent rise in sales revenue, respectively.

If this seems far-fetched, consider it from a company's perspective. Jyoti Chopra, global head of diversity and inclusion for BNY Mellon, the bank, says: "We have offices in more than 35 countries, across 100 markets, and a workforce of more than 100,000 people. Our employees have to be able to work effectively in cross-border teams, they've got to be able to deliver goods and services... for clients ranging from individual investors to corporate institutional clients. Diversity is an imperative."

Capital markets and investors now link this to corporate performance. Ms Chopra talks of clients "proactively looking for diverse engagement teams" and "increasing demands for diversity data and information in Retirement Saving Plans".

Evidence of internal organisational benefits is also hard to ignore. Researchers Horwitz and Horwitz reviewed 20 years of research on team diversity in 2007 and identified a positive relationship between diversity and team performance.

An experiment by Massachusetts-based Tufts University demonstrated that diverse groups perform better than homogeneous teams by when it deployed 200 people in mock juries – the mixed juries all performed better than those comprising only white or only black jurors. Groupthink may lead to a cohesive team, but one that will happily agree on the same costly mistake.

The CTI study found that, "ideas from women, people of colour, LGBTs, and Generation Ys are less likely to win the endorsement they need to go forward, because 56 per cent of leaders don't value

Minority markets Women and LGBT consumers reward company diversity

Businesses without a varied mix of employees can miss out on the spending power of minority markets.

"Women Matter", a 2007 report by McKinsey, the consultancy, found that women were the driving force behind 70 per cent of household purchases in Europe and influence 60 per cent of car purchases in Japan.

Thus an all-male organisation selling household consumer goods risks being less in touch with its market than one boasting gender parity.

Some minority consumer groups also wield their influence proactively. The so-called "pink pound" refers to the influence of lesbian, gay, bisexual and transgender (LGBT) consumers.

In 2009, Witeck, the US communications company and Harris Interactive, the market researcher, found the estimated spending power of the LGBT community to be £81bn in the UK and \$712bn in the US.

It also suggested that 78 per cent of the LGBT community, their friends and relatives would switch brands to companies

known to be LGBT-friendly. With annual listings of top gay-friendly employers becoming more prevalent, it takes only a quick internet search to see which companies are well positioned to capitalise on diversity and which remain firmly in the closet.

Tim Smedley

ideas they don't personally see a need for... the data strongly suggest that homogeneity stifles innovation."

Stephen Frost, head of diversity and inclusion for the London Olympics and now for KMPG, writes in his book *The Inclusion Imperative* that discrimination against women, homosexuals and disabled people is estimated to cost \$64bn a year in the US alone. In addition, writes Mr Frost: "When gay people remain in the closet, they are 10 per cent less productive than when they feel able to be themselves." One recent seminar advocated a 30 per cent productivity increase. Yet 41 per cent of American LGBT workers remain closeted at work.

At BNY Mellon, Ms Chopra believes a diversity strategy is also integral to keeping staff. Female retention rates at the bank are now higher than male. More than 20 per cent of BNY Mellon's global workforce are members of an internal minority employee network, up from 16 per cent a year ago.

Finally, if an organisation stubbornly refuses to change its predominantly straight-white-male ways, then it will increasingly find it hard to recruit.

According to McKinsey, if the employment rate for women remains constant, Europe can expect a shortfall of 24m people in the active workforce by 2040. If the rate

can be raised to the same level as for men, then the projected shortfall drops to 3m.

Guelabatin Sun, Deutsche Bank's global head of diversity, notes that the global talent pool is changing. "If we want to continue to attract the best talent, we need to be reflective of the talent in the specific market and offer a work environment that employees want to be a part of," she says.

There is a twist in this evidential tale, however. Almost all the research on workplace diversity is unanimous on one thing: it can go wrong. Organisations without proper managerial or cultural understanding of diversity can end up with heightened conflict and reduced productivity.

As Deloitte's "Only skin deep?" 2011 report says, "it is not enough to create a corporate version of Noah's Ark bringing in 'two of each kind'... There is a clear argument for actively managing diversity rather than assuming we will naturally derive the benefits".

A McKinsey 2012 report found that, "though CEOs made gender diversity a priority in more than 80 per cent of our 60 participating companies, only about half of employees surveyed from the same companies agreed that the CEO is committed to it". The business case for diversity may now be proven, but it seems that action is lagging behind words.

data morphosis™

Put people at the heart of every business decision you make

COMPINDEX™
BY DATA MORPHOSIS



Compensation transparency on demand CompIndex™ transforms the compensation discussion, providing powerful, transparent compensation benchmarking with industry peers.

GENDER GAP™
BY DATA MORPHOSIS



A fresh approach to human capital data Cut through your human capital data, analysing your workforce demographics to model and achieve strategic diversity and inclusion outcomes.

020 7070 9071

sales@dm-g.com

www.dm-g.com

Key figures

80%

Improvement in business performance among those with high diversity levels

24m

2040 shortfall in European workforce if women's employment rate stays as it is

50%

Employees who believe their CEO is committed to gender diversity

\$712bn

Estimated spending power of the LGBT community in the US

Sources: Deloitte, McKinsey, Witeck/Harris Interactive

The Inclusive Workplace

Legal laggards begin to master diversity briefs

Law firms Elite cadre doubles promotion of women but still has a long way to go, reports *Caroline Binham*

There was a rare bright spot for diversity-watchers this month: the magic circle, the elite cadre of London-headquartered law firms, more than doubled the number of women promoted to their partnerships, compared with last year.

Twenty-four, or 30 per cent, of the 80 promotions went to female candidates in 2014, compared with 14 per cent in 2013, according to the Law Society Gazette. Indeed, Clifford Chance and Linklaters, two of the firms, promoted more women in their London offices than they did men, with new female partners taking four of the seven slots at each firm.

While the news was encouraging, it belied a more basic truth about the UK's £25bn legal market: law firms are laggards when it comes to diversity and are belatedly making efforts to improve matters. Take Clifford Chance, the UK's biggest law firm by revenue: despite setting a 30 per cent target for female partnership worldwide in 2008, this still languished at 15.3 per cent in 2012 (in its UK base, the rate is higher at 21 per cent).

The firm is by no means alone. Just 18.6 per cent of partners across the UK's top 20 law firms are women, according to 2013 research by The Lawyer magazine, even though their intake of trainees is fairly evenly balanced between men and women.

This compares unfavourably with other City institutions. Lloyds Banking Group

has 28 per cent of its senior positions occupied by women, and has set a target of 40 per cent by 2020; Barclays' figures are 21 per cent, with a target of 26 per cent by 2018.

It is not just in gender where law firms score disappointingly: diversity dwindles across the spectrum as seniority increases. Research on career progression in law firms by the InterLaw Diversity Forum found that "the more an individual diverges from the elite-educated, white, male norm the less well-paid and the less satisfied they will be with their career progress".

Its findings made for all-too-familiar reading. White male lawyers outearn any other group (although gay men reported higher salaries than their straight counterparts, which InterLaw attributed in part to the fact that respondents who feel comfortable enough to identify themselves as openly gay tend to be at a more senior level). Women and ethnic minorities are given more routine and less prestigious work, particularly if they work part-time. And firms place a disproportionate amount of faith in an Oxbridge education when selecting their senior ranks.

'Inclusion is really about future-proofing your organisation by creating strong meritocracies'



Off target: Clifford Chance has yet to achieve its diversity ambitions

Malcolm Watson

Moreover, as in other sectors, good lawyers, are promoted into the partnership and therefore management positions without adequate leadership training, the report found.

One of its starkest conclusions was that despite recent efforts by firms to become more inclusive, white male lawyers seem to be getting the most from mentoring or sponsoring programmes.

The report concluded that firms needed to set diversity targets and that management had to be properly trained, incentivised and assessed on how inclusive it is.

Daniel Winterfeldt, the forum's founder and a capital-markets partner at CMS Cameron McKenna, says that while there has been some improvement in law-firm culture over the past five years, there is still much to do.

"Partners – who have incredible control over work allocation and the career advancement of their associates – do what they're paid to do. If they bill £2m a year, then the firm doesn't really care if they scream at people all day," says Mr Winterfeldt.

Law firms are conservative – and profitable – sorts of places where any sort of change does not come easily. Add to that a partnership structure that makes consensus difficult, and where a key feature involves senior associates being groomed for partnership at just the time when many women take time off to raise families, and it is easy to see why firms find it

particularly hard to make much headway.

In an effort to reboot firms' diversity initiatives, InterLaw has teamed up with the Lord Mayor of London, Fiona Woolf – who was, incidentally, the first female partner at CMS Cameron McKenna – to gather examples of best practice from companies across different sectors as inspiration for senior partners who know there is a problem but are at a loss to know what to do about it.

Positive examples include National Grid's review process, half of which scrutinises what a particular manager did in a year. The other half concentrates on how he or she did it and how they managed a team, including how inclusive the team was.

"This is really about inclusion and talent management. It applies to all your staff, even to straight white males because Generation Y has different priorities," Mr Winterfeldt says.

Separate research backs this up. Eversheds, the UK-headquartered law firm, found in January after surveying 1,800 lawyers aged 23-40 around the world that the younger the lawyer – whether male or female – the less palatable partnership is.

Younger lawyers are also more likely to demand flexible working, and value work-life balance above all else, the study found. "Inclusion is really about future-proofing your organisation," says Mr Winterfeldt. "It's about creating strong meritocracies and implementing proper flexible-working policies, and proper management training."

Interview Companies these days are clamouring to be seen as gay-friendly, says KPMG's Stephen Frost

Stephen Frost has been involved in fundamental changes to attitudes towards inclusion at global corporations for much of his career, which has most recently landed him at KPMG.

Initially, he worked in the advertising industry for Leo Burnett, where his clients included Procter & Gamble and Mars. But since 2004 he has led strategies as director of workplace programmes at Stonewall, the lobby group for lesbian, gay, bisexual and transgender people, and then as head of diversity and inclusion for the London 2012 Olympics (see page 10)

Since he started at Stonewall in 2004, attitudes towards LGBT employees

have transformed, he says, noting Stonewall's experience in publishing an annual list of Britain's Top 100 most gay-friendly workplaces.

When Mr Frost joined the group, companies were happy to be on the list but "there were several that preferred not to be named", he says. Three years later, this had completely changed. "People were fighting to get on it and be named and get the PR."

Mr Frost's consultancy has gone beyond business. He worked extensively with the Royal Navy, which has seen a turnaround in its approach towards LGBT workers.

"It used to fire people for being gay, but they then became the first military

service to march in uniform at Gay Pride," he says.

But how do you effect permanent change? Mr Frost believes many efforts fail because they are merely projects. "You have to look at the system itself if you're going to affect a shift – from attraction, job description and selection criteria to selection and promotion," he says, adding that sharing results – rather than setting quotas or targets, can galvanise people and companies.

Mr Frost found that when he did this as head of diversity and inclusion for London 2012, suppliers were "competing to be top for hiring disabled people, say, or women".

Even though considerable progress has been made, there is still a long way to go for LGBT diversity in business, says Mr Frost, noting that 43 per cent of gay men have experienced



Stephen Frost: attitudes have changed

homophobia at work. Young people with more liberal attitudes are coming into the workplace, helping accelerate progress. But business leaders "also have a responsibility to set the agenda", he says.

There are some prominent voices at a senior level. Lord Browne, former chief executive of BP, hid his sexuality for many years, but now encourages gay business leaders to be open about their sexuality.

Apple's chief executive Tim Cook, who has faced discrimination as a gay man, has urged US senators to update

employment laws to protect LGBT employees from discrimination.

Now at KPMG, Mr Frost says the professional services firm "has a very open culture", but it is "a bit behind". But the board wants to create a legacy and believes that "if people can be themselves, we can be a better firm for our clients".

There is a business case for allowing people to be themselves at work: they perform better, which leads to higher productivity and more creativity, Mr Frost says.

"If you don't get diversity going in, you won't get it coming out."

Janina Conboye

nationalgrid



Our inclusion and diversity vision is to develop and operate our business in a way that results in a more inclusive and diverse culture.

This supports the attraction and retention of the best people, improves effectiveness, delivers superior performance and enhances the success of the Company. Employees are provided with the opportunity to develop to their full potential regardless of race, gender, nationality, age, disability, sexual orientation, religion and background.

We support a range of employee interest groups focusing on gender, ethnicity and faith, disability, sexual orientation and new starters. These receive Executive Director sponsorship.

We are proud to sponsor the InterLaw Diversity Forum's Apollo Project.

At Lloyds Banking Group diversity and inclusion is central to our business.

We are proud to sponsor the InterLaw Diversity Forum's Apollo Project.



The Inclusive Workplace

Gender quotas feel coercive but appear to work

Mandatory targets The UK's voluntary approach is seen as too soft on the continent, writes *Claer Barrett*

Draft legislation expected to be published imminently and to become law by January 2015 means that Germany will join France, Italy and many Nordic countries in opting for mandatory targets for women on corporate boards.

One German government minister has compared the forthcoming shake-up of German corporate culture to "swallowing a toad". Even Jutta von Falkenhausen, vice-president of FidAR, the powerful German group campaigning to get more women on to corporate boards, finds targets unpalatable. "We don't like quotas, we don't like coercion. But if we don't have mandatory rules, nothing will change," she says.

Early analysis appears to show that quotas work and have been highly successful across Europe. This could result in a quota system being considered at EU level.

This is a worry for the UK government, which had hoped that hitting its own voluntary target of 25 per cent female directors of FTSE 100 boards by the end of next year – which it is on course to achieve – would end the case for EU intervention or mandatory targets. However, there is criticism that Britain's has been a soft target with women having largely been recruited to non-executive directorships while still failing to occupy top positions.

The proposed package of German laws aims to go further, and will have three elements. First, it will become mandatory for the supervisory boards of the largest German public companies to have 30 per cent female representation by 2020. This will cover just over 100 of Germany's biggest companies, "which is not much, but it's a symbolic step," says Ms Falkenhausen.

Second, all public and private companies above a certain size will be obliged by law to set themselves targets for numbers of women on supervisory boards, publish them, and then report on their progress in meeting them. Of course, companies could opt for a low target, but Ms Falkenhausen believes "media and public pressure combined with the changing labour markets will force companies to think about their employment policies and flexibility policies and encourage women to make a career with them, and stay".

Third, existing laws regarding female participation in public sector jobs will be strengthened. "When we tell business leaders that they need to do more, we are often told, 'Look at the government and public companies – they don't do anything,'" she adds.

Female FTSE 100 Index

Top 15 companies

Company	Number of women on board (Percentage in brackets)
1 Capita	Four of nine (44.4)
= Diageo	Four of nine (44.4)
3 Royal Mail	Four of 11 (36.4)
4 Unilever	Five of 14 (35.7)
5 GlaxoSmithKline	Five of 15 (33.3)
= Old Mutual	Four of 12 (33.3)
= SSE	Three of nine (33.3)
8 WPP	Six of 19 (31.6)
9 Admiral Group	Four of 13 (30.8)
= InterContinental Hotels	Four of 13 (30.8)
11 BT Group	Three of 10 (30)
= Burberry Group	Three of 10 (30)
= Imperial Tobacco Gp	Three of 10 (30)
= J Sainsbury	Three of 10 (30)
= Tate & Lyle	Three of 10 (30)

Source: The Female FTSE Board Report 2014

The 30 per cent quota will apply from January 2016 to newly advertised supervisory board posts, but there are already concerns that more conservative German companies will try to wriggle out of complying.

"We could imagine a situation where companies will renew their boards at the end of 2015 so they have more time to comply [German boards typically serve for a period of five years before re-election] but this would be very bad PR, and reveal that their commitment to more women in leadership is no more than lip service," says Ms Falkenhausen.

Germany is hoping that the incoming legislation will mirror the effect similar laws have had in France, where quotas set to come into force this year have drastically increased the number of women on boards (see box).

But across Europe, while more women are joining boards, the numbers leading them have remained stubbornly low.

Ms Falkenhausen says supervisory boards are "an easy place to start" because they appoint management boards and will push back and demand women when headhunters present them with shortlists of "three men".

Deborah Hargreaves, founding director of the High Pay Centre, has been watching the emerging situation in Europe, and now believes the UK should follow suit.

"I started off thinking that quotas weren't the answer, but the pace of change [in the UK] is glacial," she says. "Every



Welcome aboard: supervisory boards of the largest German companies must be 30 per cent female by 2020, under proposed new laws

Jim Winslet

Europe Mandatory targets backed by threats raise the number of women on boards

European countries are leading the world on gender-diverse boards, according to a recent ranking of female board directors, showing the powerful effect of mandatory quotas as companies rush to comply.

An analysis of nearly 6,000 companies across 45 countries carried out by GMI Ratings last year showed that percentages of female directors were highest in Nordic countries, where legislation has enabled women to occupy nearly a third of seats on corporate boards.

It also recorded significant rises in female appointments in France, where this year it will become mandatory for 20 per cent of board directors to be female, rising to 40 per cent by 2017.

Actions in advance of these laws have propelled France to fourth place globally, with just over 18 per cent of female directors in 2013.

Similarly, in Italy, the study found the proportion of women

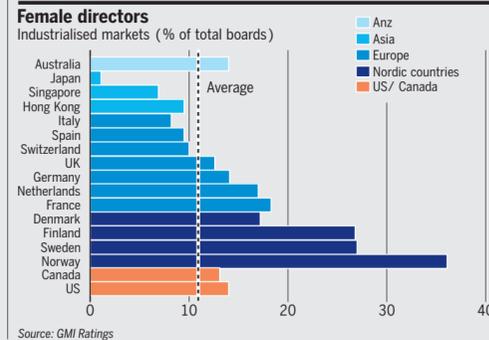
on boards rose by nearly 4 percentage points between 2011 and 2013, after Italy adopted a law requiring 20 per cent female representation in new board nominees. However, with more than a quarter of companies surveyed reporting no female directors at all, Italy has some way to go.

In Spain, the number of women on boards is going backwards despite a diversity law that was passed in 2007, requiring 40 per cent of female directors on boards by 2016.

Researchers blamed weak enforcement mechanisms, noting: "There is no penalty for non-compliance; gender diversity is merely taken into account when state subsidies and public contracts are awarded."

By contrast, other European governments use the threat of fines for non-compliance (Italy), dissolution of companies (Norway), and withholding fees from the directors of non-compliant boards (France).

Percentages of female directors are highest in the Nordic countries



Claer Barrett

Overall, GMI's research found that women occupied 11 per cent of board seats globally in 2013, an increase of 0.5 per cent in a year. However, the representation of women is uneven. Of all companies surveyed, 13 per cent had at least three female directors.

GMI notes that between 2012 and 2013, Italy, France, Germany and the Netherlands all saw "sharp increases" of 8-18 percentage points in the proportion of companies with at least three female board members.

In France, the impact of legal quotas has led to more than 50 per cent of companies reporting three or more female directors, and in Germany, where compulsory quotas will come in from 2016, a third of companies surveyed had three or more female directors.

'There are plenty of women out there – if you look for them'

Deborah Hargreaves, High Pay Centre

board thinks that when it's got one woman, that's it."

She says quotas concentrate people's minds, and could force boards to be more creative in a world where board positions are not often advertised publicly and the headhunters who compile lists of candidates remain a closed circle difficult to break into. "There are plenty of women out there – if you look for them," she says.

Ms Falkenhausen also recognises that this is a challenge, noting that some headhunters are open, but others see themselves as gatekeepers.

"Typically, many will say that in order to be part of a supervisory board, you have to be a chief executive first – and as there are few female chief executives, they cannot present credible female candidates," she explains, noting, however, that a recent article revealed the large number of men on German supervisory boards who have never been chief executives.

In her view this showed a "complete double standard" inherent in such concerns.

In fact, data have long been a weapon against misinformation. FidAR was formed in 2006 in response to a comment from Berlin politicians that the low number of women on boards was down to a lack of suitable candidates. A group of professional women started a database of qualified women seeking board appointments. It has grown into an active public interest group with 450 women members who attend popular networking events.

In France, a study of female board directors who were appointed in the year following the French National Assembly announcing its quota law in 2011 showed that the "overwhelming majority" of women were new to public board service in France, including women from the public and private sectors as well as academics and executives of non-profit organisations.

A study last year by GMI Ratings also found that most women only served on one board – in contrast to the criticism levelled at the so-called "Golden Skirts" in Norway, where the same female directors typically sit on multiple boards.

The researchers concluded: "The French experience seems to be validating the theory of many diversity advocates: there are many women who are well qualified to serve as public company directors, but who are not routinely recruited."

This throws down the gauntlet for the recruitment industry. Even so, many business leaders – including women – still fear that mandatory quotas will lead to selecting directors on the basis of gender alone.

"Regardless of intent, quotas by their nature are discriminatory," says Sue Liburd, managing director of Sage Blue, a consultancy specialising in talent management.

"They introduce the suspicion of tokenism or that the individual recruited into a post is there not on merit or ability but because of the quota. As a short-term strategy, it has some merit; as a long-term strategy, it causes more harm than good."

On their own, quotas will not address the wider cultural and corporate change that needs to occur for organisations to harness the true benefits of a more diverse workforce, says Dianah Worman, the Chartered Institute for Personnel Development's lead on diversity.

"If you impose a quota and think that will fix it – it won't," she says. She believes that, rather than simply trying to fix things from a gender perspective, organisations need to ask themselves what they really need on the top team, and how they go about getting it.

The Inclusive Workplace

Racist comments are rife and recruitment problems persist

Profile
Sandra Kerr

Minorities still find some sectors closed to them, reports Janina Conboye

A recent survey asked people from ethnic minorities whether they had experienced racial discrimination at work.

"The comments I received I couldn't print," says Sandra Kerr, director of Race for Opportunity, a campaign that works with companies to improve diversity and had distributed the survey.

Whether Chinese, black, Indian, it seems no one was exempt from racist comments from both managers and clients, she says.

"I was optimistic about the outcome of the research, but it was a reality shakedown," adds Ms Kerr. "I then randomly asked people I knew whether they'd experienced similar things and... they confirmed this was the truth."



Sandra Kerr: 'mixed picture'

The research also revealed that there are sectors that ethnic minorities perceive as closed to them. These include banking, politics, law and journalism. And there is a lack of black or ethnic minority representation in construction, says Ms Kerr.

The problems, she says, lie in recruitment and selection and also in connections, or rather the lack of them.

Professions such as law tend to recruit from set universities, usually in the Russell Group. "No one tells young ethnic minorities about this, so they won't necessarily

choose one of those universities, which then creates a double barrier," Ms Kerr says.

Another problem is that people often gain entry into companies through people they know. Meanwhile, many gain experience and connections through internships, which usually means working for nothing, which is not an option for many poorer people, including those from ethnic backgrounds.

Attitudes are changing, but it is still "a very mixed picture". "We have companies that want to make change... but it is an area that needs focus," says Ms Kerr.

Race for Opportunity advocates that businesses need a board member in charge of ensuring diversity policies are in place. Companies also need to understand why a diverse workforce is important and consistently monitor relevant recruitment data.

"Look at the recruitment process, make sure it's attracting people from diverse backgrounds and that they're getting through to interview," adds Ms Kerr.

Disabled staff face varying attitudes from managers

Profile
Jennifer Smith

Difficult situations are not always dealt with properly, writes Janina Conboye

Jennifer Smith had always wanted to work for the third sector. After graduating from university, she found a job with one of the UK's largest charities.

Her name is a pseudonym, but her story is real and shows that it is impossible for Ms Smith to leave her home.

"He just couldn't cope with it and made comments such as 'why did I need to live so far away from work?' It was only a bus ride away."

This and other things made her feel uncomfortable, so she filed a disability discrimination complaint. It was handled correctly, but despite this no real action was taken.

problem when she was recruited.

"My first manager was wonderful. She did the interview, and when she offered me the job, she asked me exactly what I would need," she says.

Things changed when that manager left. "When my new manager was introduced to me, he didn't exactly recoil, but did seem a bit taken aback."

The problems started when the UK was hit by bad weather at the beginning of 2013 and ice and heavy snow made it impossible for Ms Smith to leave her home.

"He just couldn't cope with it and made comments such as 'why did I need to live so far away from work?' It was only a bus ride away."

This and other things made her feel uncomfortable, so she filed a disability discrimination complaint. It was handled correctly, but despite this no real action was taken.

The charity did not

renev the manager's contract; he left and the situation settled. But after the charity was restructured, Ms Smith felt deskilled and frustrated.

Meanwhile, she had been offered a place on a medical trial. Her workplace was legally required to allow her time off for this, but her senior manager did so only grudgingly. Ms Smith also developed repetitive strain injury, and the charity's response, she says, was inadequate.

She decided to qualify with the Chartered Institute of Marketing and eventually got a job at another company.

"They treat me like everyone else. They don't need to discuss my disability, as it just isn't a problem," she says.

Her new employer also allows her to work flexibly, providing her with a laptop, meaning that "in the bad flooding this year, it was no problem to work from home".

The Inclusive Workplace

Bias still plays unconscious role in recruiting decisions

Discrimination Today's battle is against subtle prejudice, writes *Sharmila Devi*

Decades ago, in the early days of HR, managers deciding job specifications would say they did not want a woman who was likely to start a family, recalls Fleur Bothwick, a director of diversity and inclusive leadership at professional services firm EY. "Now, legally, that can't be said and I hope it's thought of less often too."

Indeed, blatant discrimination on the grounds of gender, race, sexual orientation, age or disability is much rarer than it was a generation ago. But more subtle forms persist, with socio-economic background often playing an unconscious role in hiring decisions.

Well-meaning organisations still discriminate in ways that are hard to control, say HR and recruitment specialists.

Estelle James, director of recruiters Robert Half, says: "People may not realise they are hiring individuals who possess traits similar to their own – it is human nature. In so doing, however, they may be creating

a homogenous working environment of employees with similar profiles and personalities.

"Hiring decisions are made on an individual basis, with most companies looking for the best person for each role. While not intentional, after several hires, this may result in a uniform profile."

The annual Robert Half FTSE 100 CEO tracker found that the average leader of Britain's biggest companies is male, aged 54 and has a background in finance. More encouragingly, 42 per cent of the chief executives are non-British nationals, showing some progress on national diversity.

Gathering data on how subtle discrimination manifests itself can be difficult. For example, in some countries it is illegal to ask candidates about their family and socio-economic background. But companies are "missing a trick" if they do not hire and promote outside the traditional, male, middle-class model, says Iraj Ispahani, a talent management expert at Ispahani Advisory.

"If multinationals and financial services firms expanding into emerging markets don't include representatives of those countries with personal experience and networks, they will miss out," he says.

Susan Vinnicombe, professor of women and leadership at Cranfield School of Management, says that if companies are to attract and retain the best talent, they need processes and systems to ensure diversity. And senior leaders need to be held accountable for doing their part.

"When it comes to Generation Y and millennials, they've had about seven jobs by the time they're 30 and they don't have the old concept of loyalty to one company, so how do you manage talent when they won't necessarily bother to hang around if they're not happy?"

As a possible answer, she points to a recent Cranfield report that was about gender diversity, but whose recommendations could be applied to other forms of diversity too. The recommendations include seeking



employees with high potential and ensuring their progression as well as instilling awareness of unconscious bias throughout all levels of a company.

"Bias cannot be systemically tackled only by delivering unconscious bias training to individual managers," according to *The Female FTSE Board Report 2014*.

Recruiters too, must play their part. They

The Inclusive Workplace

Discrimination business: recruiting is all about selection, but needs to be based on positive factors such as experience and ability

Alamy

nies now realise they have to be agile and innovative, but are stuck with old structures and thinking that lessen their chances of success.

In the 1960s and 1970s, management typically told people down the hierarchical ladder what to do. Within such an approach, diversity can be surplus to requirements, he says.

"If someone has been successful in that system, it can be hard for them to find flaws in it," he notes.

This has left some companies clueless about their employees and with a workforce that lacks diversity. "Too many companies... couldn't tell you exactly how many employees they have and who among them has the best potential."

But there is little excuse for such ignorance, especially with so much research to draw on. For example, the role of unconscious bias in all sorts of decision-making has become more clear, thanks to the work of people such as Nobel Prize-winning Daniel Kahneman, who has demonstrated how strong intuition can be.

"Unconscious bias is made up of all our past experience and quite often intuition is stronger than reasoning," comments Ms Bothwick of EY.

"My middle child has red hair and we joke all the time about how redheads are fast to blow and lose their temper. But what if I then interview a redhead? It's too easy not to think things through."

may be in the business of discrimination, but recruiters try to do it according to positive factors such as experience and ability, says John Wood, part of headhunters Heidrick & Struggles' chief executive officer and board of directors practice based in New York.

He believes Americans have an easier time looking past the inessential details of

a candidate. "Americans are especially sensitive to discrimination on an overt basis ahead of most cultures, because of our diverse population," he says. "We have a heritage of negative discrimination against people and we are starting to get better and to rely less on stereotypes."

Jon Dymond, a director at management consultancy Hay Group, says many compa-

Companies need to address diversity deficit

Profile
Raj Tulsiani

Sharmila Devi finds out about succeeding on your own terms

In the 18th century, the East India Company, whose senior leaders came from a privileged section of British society, effectively ruled India. However, the days when a monocultural organisation can be dominant are long gone, says Raj Tulsiani, co-founder and chief executive of Green Park Interim and Executive Search.

"Too often, companies still look at what you've done and not what you can do," he says.

Mr Tulsiani, who is 40 and half-French and half-Indian, is a passionate advocate of the power of diversity as a source of competitive advantage and has helped create a number of tools to help companies achieve this.

"I never had it particularly bad. I would see outward visceral

prejudice and hear snide comments," he says. But he says he experienced discrimination firsthand in companies "where there wasn't the same opportunity to succeed".

He did manage to succeed on his own terms, however, having established three £10m-plus executive interim management firms.

Green Park is his latest. Research it released this year found that in the FTSE 100 companies, just 10 people from ethnic and cultural minorities hold the posts of chairman, chief executive or finance director – equivalent to

3.5 per cent of the 289 jobs at those levels.

Green Park helps companies assess their "diversity deficit". Mr Tulsiani says that, too often, companies' diversity agendas are focused on the short-term and based on hitting percentage targets, mainly for gender.

"Lots of companies have thrown money at projects and training that leave an audit trail, but there's still no case made for or commitment to change," he says.

"One has to be gentle. People still become uncomfortable around issues such as race. People are very well-meaning but they get nervous."

He wants diversity to be a strategic issue.

"We now see people running a diversity agenda who are paid less than the third or fourth person in finance, even if it is a board issue," he says.

"Companies need to be honest about where diversity is in their business priorities."

Raj Tulsiani:
diversity should be strategic issue

Contributors >>

Claer Barrett,
Senior reporter, FT Live desk

Caroline Binham,
Legal correspondent

Janina Conboye,
Journalist, FT world desk

Tim Smedley,
Sharmila Devi,
Maxine Boersma
Freelance writers

Carola Hoyos
Commissioning editor

Andrew Baxter
Production editor

Andy Mears
Picture editor

Steven Bird
Designer

For advertising details, contact: **Fiona Sneller**, tel +44 (0)20 7873 4909, email fiona.sneller@ft.com, or your usual FT representative.

All FT Reports are available on FT.com at ft.com/reports

Follow us on Twitter at: @ftreports

EVERYONE'S

A WINNER!

Your stars are already on your team.

The InterLaw Diversity Forum helps you with talent-spotting, coaching and game planning for mutual success.

Your fans will fill the stands.
#InclusionWins
www.interlawdiversityforum.org



FT SPECIAL REPORTS

Working in International Public Sector

19 June 2014

On the 19th June, the first of two International Public Sector Special Reports will be published within the Executive Appointments supplement of the FT.

The first of two reports on this subject in 2014 will focus on the various developments and struggles these large public sector companies face on a day-to-day basis. They are moving rapidly to embrace new market-driven models and partnerships with the private sector.

There will be a special case study on successful strategies that African institutions have recently employed. Other topics that will also be covered will be MBA students, internships and how leaders try to give back to their communities.

To find out more about advertising options for June's edition contact Fiona Sneller on fiona.sneller@ft.com or call her on 020 7873 4909.

We live in FINANCIAL TIMES®

The Inclusive Workplace

Olympic gold came thanks to a diverse workforce

Lessons in success Tools matter more than lectures, writes *Maxine Boersma*

The 2012 Olympic and Paralympic Games will be remembered for Britain's sporting brilliance and the power of diversity on the track, in the swimming pool and also behind the scenes.

The games brought change and illustrated how inclusivity within a workforce – also of the non-athletic kind – can be achieved and why it matters in business.

Stephen Frost should know – he was head of diversity and inclusion for the organising committee at the time.

In his book, *"The Inclusion Imperative"*, Mr Frost recalls that during the Olympics "alpha males" were challenged, in some cases for the first time in their professional lives.

He may simply be talking his own book – literally – but the statistics he gives at least in part back up his assertion that the event was an example of "getting it right". He notes that 9 per cent of the workforce was disabled; 40 per cent came from minority

groups, including black and Asian; 46 per cent were women; and 5 per cent came from the lesbian, gay, bisexual or transgender community.

"That result was achieved by interviewing in groups, in community centres, not Canary Wharf," he says. "This ensured managers did not just choose people like themselves following one-to-one interviews."

Like Mr Frost, Charles Elvin, chief executive at the Institute of Leadership and Management, believes diversity leads to better business: "There aren't set solutions to some of the business problems we face, so we can't resort to old ways of working – we need different perspectives. You don't need 12 clones around a table who all see the same things."

"Tackling discrimination is not just an ethical issue, there is an operational and business argument, too, as there is proof that diverse teams get better results than high performing teams alone."

Mr Frost believes people want to do "the right thing" and are in need of practical tools, not lectures.

"Inclusion strategies permit conversations... such as how disabled colleagues can go to the toilet or survive a business trip, or how Muslim colleagues can attend team drinks in a bar."

Publisher Elsevier knows staff perform better when they feel supported and can be themselves. In March this year it launched an LGBT network that organises events around the company.

For Surrey-based social enterprise Hao2, recognising workforce needs has been integral to commercial success. The company designs virtual office software that enables more flexible working – avatars attend virtual office meetings. Many of its employees have autism and by harnessing their workforce needs, the company has improved its products.

Some organisations use "unconscious bias" training to tackle discriminatory

mindsets, but for Elena Doldor, lecturer in organisational behaviour at Queen Mary University of London and visiting fellow at Cranfield School of Management, the difficulty lies in translating this into practice and making sure that bias is



challenged at key decision-making points".

One technique is to "plant" HR specialists into career-related discussions held by managers.

Ms Doldor also believes in metrics, noting that professional services firm PwC is

Nailed it: British Paralympics swimmer Heather Frederiksen's gold and silver medals from London 2012

Getty Images

The Inclusive Workplace

Lloyds Banking Group Scheme helps normalise disability in the workplace

Lloyds Banking Group has had disability on its agenda since 2000. Now, other organisations, including banks and government departments, are learning from its experience.

Graeme Whippy, senior manager of its disability programme, says the bank aims to reflect the communities it serves as part of its wider "Help Britain Prosper" mission and as a longstanding partner of the Business Disability Forum.

"Since 2010, we have been creating a flexible, inclusive work environment where people feel valued and supported, wherever they lie on the disability spectrum," he says.

Lloyds has dealt with more than 19,000 cases as part of its workplace adjustment process. They have covered everything from undiagnosed muscular skeletal issues to sensory and cognitive impairment and mental health conditions.

Employees come forward

and there is no compulsory diagnosis. The results are notable. A December 2013 survey of 2,000 colleagues revealed 85 per cent of participants reported an improvement in performance and 77 per cent said the improvement was dramatic.

Additionally, 62 per cent reported reduced sickness absence and line managers reported an 80 per cent improvement in performance.

For Mr Whippy, the scheme is a vital component in creating a "disability-confident" organisation.

It has, for example, enabled Lloyds to work with Remploi, the specialist temporary recruitment business, to offer work placements to about 100 disabled people during 2014, helping "normalise" disability in the workplace.

He says that associated costs should be funded centrally. "Don't 'hammer' line managers. Treat this as a business process."

Maxine Boersma

Your World First

We are proud to be a founding sponsor of the InterLaw Diversity Forum's Apollo Project.

At CMS, we aim to develop and support a diverse and inclusive workplace that recognises high performance regardless of an individual's age, disability, gender, race and ethnicity, religion and belief, sexual identity and sexual orientation.

OVER THE PAST YEAR CMS HAS:

- Elected Penelope Warne as the only female senior partner in the top 20 global and the top 20 UK law firms

- Ranked third of all law firms and tenth of all private employers in the Stonewall Workplace Equality Index

- Supported our partner Fiona Woolf during her term as Lord Mayor of London, only the second female in the history of the role

- Acted as the official pro bono legal provider to PRIDE in London

- Achieved over 30% of women on our board

- Collaborated with photographer Leonora Saunders on *The Athena Project* exhibition and catalogue, featuring portraits and profiles of 30 senior female leaders from law, business and government



Fiona Woolf, Lord Mayor, City of London and Partner, CMS photographed by Leonora Saunders, August 2013, Guildhall, London

C/M/S
Law . Tax

THE INTERLAW DIVERSITY FORUM IS PROUD TO LAUNCH THE

APOLLO PROJECT

Practical tools that drive cultural changes by leveraging the best practice that exists in the legal sector and beyond.

Visit theapolloproject.net for case studies and information on how your organisation can contribute to collective intelligence for the next phase of the project, to be launched in Autumn 2014.

FOUNDATION SPONSORS



nationalgrid

data|morphosis™

C/M/S
Law . Tax



“ I started my career with JTI in Russia, and now I work in London managing the finance team across the Middle East and Africa. ”

Veronika, Regional Finance Manager



“ I joined the company in South Africa, took assignments in Jordan & Geneva, and am now establishing a financial planning system in Sudan. ”

Seshan, Management Trainee

Growing together

means setting high standards across the globe

Join JTI and you'll have all the advantages of working for one of Europe's top three employers. We have won an unrivalled 25 Top Employer certifications in Europe and beyond – independent proof of our reputation as an inclusive global employer.

We're proud of our diversity. We welcome a huge array of talent representing over 100 nationalities and celebrate differences. You'll be encouraged to express your personality and put forward ideas on how we can become even better. And because you'll work with colleagues from around the world and have access to international best practice, you'll be learning all the time.

Together, we thrive – and if you want to be part of our ongoing success, visit jti.com where you can register for Job Alerts and find out for yourself what makes us one of Europe's best employers.

jti.com

JTI has been recognized as a Top Employer in 25 countries: Armenia, Austria, Azerbaijan, Belgium, Bulgaria, Czech Republic, Denmark, France, Georgia, Germany, Greece, Hungary, Italy, Kazakhstan, Lithuania, Moldova, Netherlands, Poland, Romania, Spain, Sweden, Switzerland, Taiwan, Ukraine, United Kingdom. We hold Investors in People status in Cyprus, Jordan, Lebanon, Russia, South Africa, Tanzania, Turkey, UAE, United Kingdom and Worldwide Duty free offices in Switzerland, Ukraine, Singapore and USA; and have been accredited as a Great Place To Work – Best Workplace in Ireland, Italy, Spain and Turkey.

