Deloitte.

A Global Diversity Dividend

In the midst of ongoing global expansion and a worldwide shortage of critical talent, companies are stepping up efforts – at very different speeds and levels of investment – to recruit and retain a workforce diverse in both demographics *and* ideas.

The business case for diversity has been echoing in corporate boardrooms and through every level of organizations in recent years. Regardless of whether previous efforts prompted mere executive head-nodding or triggered aggressive implementation strategies, in 2013 companies are renewing their focus and increasing their investments to create diverse workforces. But questions remain: will a stronger focus on diversity deliver results in developed markets and build momentum in growth markets? If so, how quickly could this trend grow?

The shape that today's corporate diversity initiatives take depends heavily on where they are being implemented. As corporations address the unique workforce demands of mature markets, tailor efforts to growth markets, and create original approaches in emerging economies, they are producing a diverse portfolio of diversity initiatives – often within the same company.

Companies around the world also differ widely in terms of how quickly they are stepping up their diversity efforts and how intensely they are investing in them, revealing interesting contrasts between companies leading a new approach to diversity, and those lagging behind.

> "Diversity, in this context, isn't a form of political correctness, but an insurance policy against internally generated blindness that leaves institutions exposed and out of touch."

– Margaret Heffernan, Willful blindness: Why we ignore the obvious at our peril.[8]

What's driving this trend?

Tapping a hidden resource. By 2014, the percentage of companies that generate at least 30 percent of global revenue from emerging markets will increase by 82 percent.[1] But in these countries, women are much less likely to participate in the labor market, with participation rates as low as 21 percent in the Middle East and approximately 30 percent in South Asia.[2] As the push for global expansion continues, companies are being forced to confront the cultural barriers that prevent the full participation of women in emerging market workforces and that undermine companies' ability to fill skill gaps and drive performance.

Learning hard lessons. The global financial crisis laid bare weaknesses in corporate oversight at all levels. In the wake of the downturn, corporations are rethinking what makes for effective governance. One answer: increase leadership and board diversity, not just to promote demographic diversity, but to bring diverse thinking, fresh perspectives and new insights to corporate oversight and accountability.

Mandating action. No longer content to let corporations determine the pace of change, more and more governments around the world are setting targets and deadlines to drive private companies to improve their workforce and board diversity. A case in point: with women holding just 12 percent of board memberships in Europe, France passed a law in 2011 which mandates that women hold at least 40 percent of the board membership in large, publicly-listed companies by 2016.[3]

Improving productivity. Legislators and government officials are also eager to boost business productivity and profitability. Recent research also reports that gender inequality in the workforce is a drag on productivity. Findings from a study by investment banking firm, Goldman Sachs, showed that eliminating the gender gap in Australia would boost business productivity by 12 percent in that country alone.[4]

Facts like these have caught the attention of government leaders desperate for economic growth and new revenue sources. As a result, if firms do not improve diversity, governments may well compel them to.

These factors are prompting global corporations to rethink exactly what "diversity" means and how to advance it throughout the enterprise.

Practical implications

Increasingly, geography is influencing approaches to diversity. Companies are finding they cannot export their diversity programs directly from the US to South Africa or the Middle East, but must focus on the specific gender, ethnic and cultural dimensions of each country and region.

And, while childcare challenges may be top-of-mind for mothers in mature markets, this may be less of a burden for working women in China and Brazil, where extended family networks frequently pitch in to take care of children. There, eldercare responsibilities weigh heavily on women and are a primary obstacle to increasing female participation in the workforce.[5]

Countries such as India and the Philippines have made strides encouraging the education of girls and women, however entrenched cultural barriers continue to create wide gaps in professional opportunities and expertise between men and women. This exacerbates gender disparities in the workforce, too often preventing women from getting the technical training and experience needed to move into managerial, executive and senior roles.

Challenges presented by conditions "on the ground" in these markets are generating new diversity strategies that aim to open up employment opportunities and to better engage talent in new markets.

Quantifying the Dividend

After launching an aggressive inclusive leadership program with approximately 100 senior leaders, one global company began to see results in just nine months. More than nine out of ten leaders (94 percent) reported they now actively seek out others' perspectives before making important decisions and 89 percent reported they have changed their behaviours with their team. At the same time, three-quarters of employees agree that their team is now more collaborative (76 percent) and that leaders now show greater respect for different perspectives (74 percent).[9]

In India, for example, as the need for talent multiplies and exposure to the dynamics of a global workforce begins to increase, many companies see the demographic pool of women executives in the workplace as an opportunity. Some forward thinking companies in sectors from IT and finance to pharmaceuticals and hospitality are promoting diversity and inclusion programs aimed at developing more women leaders in the organization.[6]

At the same time, corporate diversity initiatives that have been underway in developed economies for many years have yielded widely varying results. The participation rate of women at the top of companies and on boards of directors has been resistant to change and organizations continue to struggle to help women move into senior leadership roles and to fill their leadership pipeline with diverse talent.

Diversity concerns of a different kind have also arisen in the aftermath of the global financial crisis – namely, a lack of diverse thinking and insights that created too much "group think" and confirmation bias, leading to major institutional failures. Leading organizations understand that homogeneity of thought creates an ideological echo chamber, where there may be debate and discussion, but it has a limited range. In many cases, a lack of demographic diversity can provide insight into a lack of idea diversity.[7]

Today, talent leaders are rethinking the diversity agenda. The endgame now is to create an inclusive organization, supportive of and committed to encouraging a diverse combination of worldviews, perspectives and capabilities in the workforce and in corporate leadership.

> "A large group of diverse individuals will come up with better and more robust forecasts and make more intelligent decisions than even the most skilled 'decision maker.'"
>
> – James Surowiecki, Wisdom of Crowds.[10]

Lessons from the front lines

As companies focus on the new business case for diversity and regulatory, statutory and other compliance efforts mandate new action, how are diversity strategies unfolding around the world?

Diversity + inclusion = improved business performance. Gender and racial diversity are often lead indicators of a healthy organization that is fishing from a deeper pool of talent, accessing a deeper knowledge bank, and leveraging those resources throughout the business value chain. Multiple studies have shown a connection between the number of women serving as senior leaders and the company's bottom line.[11]

But diversity alone is not enough; employees must feel they are included – and diversity plus inclusion equals increased business performance. Employees who believe their organization is both diverse and inclusive report better business performance in terms of the ability to innovate (83 percent uplift); responsiveness to changing customer needs (31 percent uplift); and team collaboration (42 percent uplift).[12]

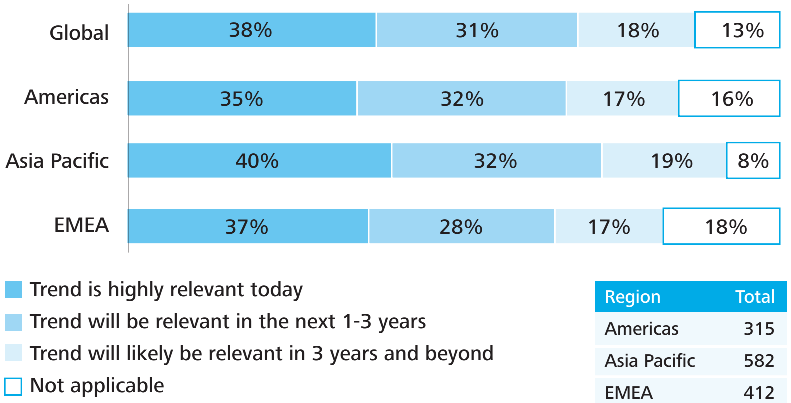
Build leadership and managerial capability. Greater diversity and inclusion requires specific, deliberate programs tailored to the market.[13] This calls for providing the necessary investment and stewardship of programs to develop inclusive leaders who can ensure that the right support mechanisms are 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.

Integrate workforce flexibility and new career models into the mainstream. Companies around the world can still capture tremendous upside by exploring and developing workforce flexibility and career models (allowing for flexibility in location, scheduling, and workload). Progress in this area is uneven in developed as well as emerging markets. Integrating workforce flexibility and career models as foundations of business and talent programs is an opportunity that should be seized.

Hold leaders accountable for the business case. Companies are developing results-based metrics designed to promote greater diversity throughout the organization and integrate into leaders' performance assessments. These efforts likely need to be accelerated.

A Global Diversity Dividend: Survey highlights

Relevance by region



Region	Total
Americas	315
Asia Pacific	582
EMEA	412
Total	1309

Digging deeper

- A higher number of respondents (46%) from organizations with more than 100,000 employees report this trend as highly relevant today compared to the global average of 38%
- 48% of respondents from Public Sector industry rank this trend as highly relevant today which is higher than the global average of 38%

Authors

Juliet Bourke
Principal
Australia

Vishalli Dongrie
Senior Director
India

Endnotes

[1] "Fortresses and Footholds: Emerging market growth strategies, practices and outlook," Deloitte, 2011. http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us_consulting_Fortresses%20and%20Footholds_111511.pdf

[2] "Women are less likely to participate in the labor market in most countries," World Bank, September 2012. http://data.worldbank.org/news/women-less-likely-than-men-to-participate-in-labor-market

[3] "Women in the boardroom: A global perspective," Deloitte, March 2013. http://www.corpgov.deloitte.com/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/Global/Documents/Women%20in%20the%20boardroom%20March%202013%20(7).pdf

[4] "Australia's Hidden Resource: The economic case for increasing female participation," Goldman Sachs, November 2009. http://www.womenonboards.org.au/pubs/reports/091130gsjbw.pdf

[5] "The Battle for Female Talent in Brazil," Center for Work-Life Policy, 1 July 2012 and "The Battle for Female Talent in China," Center for Work-Life Policy, March 2011. http://www.worklifepolicy.org/index.php/section/press_releases

[6] Kulkarni, N., Bakhare, R., "Women Leadership in Indian Corporate: Analyzing social perceptions," International *Journal of Multidisciplinary Research*, August 2011. http://zenithresearch.org.in/images/stories/pdf/2011/Aug/9%20vol-1_issue-4_09_RUHI.pdf

[7] "Working in an ideological echo chamber? Diversity of thought as a breakthrough strategy", Deloitte, March, 2011

[8] Heffernan, M., *Willful Blindness: Why we ignore the obvious at our peril*, Walker & Company, 2011, p. 223.

[9] Results based on an unpublished study conducted by Deloitte Australia in December 2012, which included more than 400 responses.

[10] Surowiecki, J., *The Wisdom of Crowds*, Simon & Schuster, 2004, p. 32.

[11] "Only skin deep? Re-examining the business case for diversity," Deloitte, September 2011. http://www.deloitte.com/assets/Dcom-Australia/Local%20Assets/Documents/Services/Consulting/Human%20Capital/Diversity/Deloitte_Only_skin_deep_12_September_2011.pdf

[12] "Waiter, is that inclusion in my soup? A new recipe to improve business performance," Deloitte, November 2012. http://www.deloitte.com/assets/Dcom-Australia/Local%20Assets/Documents/Services/Consulting/Deloitte_Diversity_Inclusion_Report_V4_Nov_2012.pdf

[13] "Inclusive Leadership: Will a hug do?" Deloitte, March 2012. http://www.deloitte.com/view/en_AU/au/services/consulting/human-capital/ba95da0d190a6310VgnVCM1000001956f00aRCRD.htm

Resetting horizons: Global human capital trends 2013
Looking beyond continued uncertainty, the world's leading organizations are raising their sights, and pivoting from the great recession to the new horizons of 2020 with a focus on talent, globalization, growth, and innovation. This report introduces 13 global trends that are driving critical business and human capital decisions. The report provides information on these trends across global markets through results of a survey of over 1,300 business and HR professionals from 59 countries. www.deloitte.com/hctrends2013