

# Inclusion Can Boost Your Bottom line

(Diversity pays yet too many CEOs are still blind to the bias that are holding back their companies)

by [Fiona Smith](#) (Diversity, AFRBoss, December 2015 – January 2016, pp34 -36)



Racial diversity as well as gender balance contribute directly to the bottom line.

A lot of companies say they are creating fair and inclusive workplaces but - too often - behind the designer reception desk is the usual tangle of pigeon-holed careers and thwarted ambitions.

The leadership team may be genuinely committed to a "fair go for all", but unless they fund their diversity and inclusion programs adequately and measure their effectiveness, it is all a lot of lip service. A survey of some of Australia's most diversity-aware companies shows only 41 per cent of them are actually measuring the effectiveness of their programs, which include unconscious bias training, events, pay equity audits and mentoring.

That is a statistic that shocks Australian Human Resources Institute board member, Rhonda Brighton-Hall. "I thought it would be 95 per cent, and that is a big gap," she says. She was also bemused that 29 per cent of companies were "thinking about" measuring it, as if that was a challenging idea.

## How diverse is your company?

- **STEP ONE**  
Our organisation has a diversity policy?
  - Yes and everyone knows about it.
  - If we have one, I've never seen it.
- **STEP TWO**  
Are there targets with teeth?
  - Sharper than Dracula's!
  - Completely gummy.

- **STEP THREE**

Have you ever heard a senior executive talk about diversity?

- Only in relation to revenue streams.
- It's a regular talking point.

- **STEP FOUR**

Is gender the only type of diversity mentioned by your senior management?

- We look to include everybody regardless of race, age, disability and gender identity.
- We only look at gender.

- **STEP FIVE**

Does the company have staff dedicated to implementing a policy of inclusion?

- There is at least one person whose job it is to work on diversity issues.
- Why waste resources?

Everything else in the human resources function these days is data-based, so why not diversity and inclusion? Brighton-Hall says it is thought to be "intuitive": leaders think they will know if they are getting it right by "feel".

The [\*Benchmarking Diversity and Inclusion Practices in Australia\*](#) study, by the University of Sydney Business School's Migrants@Work research group and Macquarie University, shows plenty of good intentions among the 280 participating organisations, but also highlights the need for more rigour.

According to the findings, a diversity and inclusion program is the real deal if: it is measured (59 per cent aren't); it is championed from the top (senior executives took responsibility in 62 per cent of cases), it has targets (16 per cent had quotas), those targets have "teeth" (it was part of management criteria in only 20 per cent of cases), and they are adequately resourced (62 per cent aren't).

The results clearly show a worrying lack of commitment.

## **They don't 'get' it**

Regional talent leader at Deloitte, Alec Bashinsky, says the "big end of town" seems to understand diversity is good for business and for recruiting and retaining the most talented employees.

"But maybe many CEOs outside of the top 100 ASX-listed companies still don't get it."

Despite all the work to advance the issue through the Australian Stock Exchange guidelines, Workplace Gender Equality Agency reporting, the Diversity Council Australia and the Sex Discrimination Commissioner's Male Champions of Change lobby group, too many employers are turning a blind eye to issues of bias.

When they were asked about the competence of their companies in managing issues of diversity, 42 per cent of survey respondents said "fair" and 36 per cent replied "good".

"That is not great," remarks Bashinsky, who sits on the board of the Diversity Council (DCA). The survey respondents were all members of the DCA and Australian Human Resources Institute (AHRI).

Organisations that embrace and encourage diversity are much more than just nice places to work. There are also enough good business reasons to convince sceptics – those who the CEO of the Diversity Council, Lisa Annese, calls "people whose heads are disconnected from their hearts".

A McKinsey study, [Why Diversity Matters](#), revealed that gender diverse companies are 15 per cent more likely to outperform others. Ethnically diverse companies are 25 per cent more likely to outperform.

One of the reasons for this is that teams of people with different backgrounds, experiences and networks are less likely to indulge in "group think", take different approaches to problem-solving and are more likely to be innovative. According to US leadership expert, Katherine Phillips, [diversity makes us smarter](#).

## People from everywhere

Gender diversity has been the big push over the past five years, and people who are still getting hot under the collar about the issue of targets and quotas for women are about to get another thing to complain about. Some companies are extending the approach to prise loose the stranglehold of "whiteness" on corporate Australia.

Professional services firm PricewaterhouseCoopers had a target to get people of an Asian background to make up 5 per cent of partners [by July 2016](#). It managed to hit 6 per cent by mid 2015, with 25 of all staff and partners having an Asian cultural background. Deloitte Australia is also considering targets for cultural representation.

In Australia, [9.3 per cent of the labour force is Asian-born](#), but only 4.9 per cent make it to senior executive level. In the ASX 200 companies, only 1.9 per cent of executives have Asian cultural origins, compared with 9.6 per cent of the Australian community.

Co-author of the benchmarking study, the University of Sydney's Dr Dimitria Groutsis, says at this stage few organisations have targets for culture, but it is a growing trend.

"When we need targets, it signals there is a systemic issue. Targets provide an indicator of what needs to be done and expedites the process."

### **You know your diversity and inclusion approach is the real deal. If....**

1. It is measured
2. It is championed by senior executives
3. It has targets with teeth
4. It is resourced

(Uni of Sydney Business School)

## A tricky question

However, discussion of racial backgrounds is tricky in this country. It is often thought that asking people to divulge "where their people come from" could open them up to discrimination – and there is plenty of reason to be nervous, given the historical prejudices against people who identified as "foreign", as Aboriginal, or as being from a particular religious group.

The problem is, if you don't know the cultural backgrounds of the people working for you, you can't know what challenges they may be facing and you can't do much about those challenges.

Groutsis' colleague and study co-author, Associate Professor Di van den Broek, says the race question is almost too private to broach: "We are all from somewhere, and it is interesting to find out where that somewhere is, but I think at an organisational level, maybe it is really hard to ask".

Brighton-Hall, who has worked in senior executive roles at the Commonwealth Bank and Luxottica, says she had had people in human resources tell her (wrongly) it is illegal to ask employees to divulge their cultural identities.

"If it is self-reported and you are not using that identification for a negative bias against them, it is not against the law and it is great information and it will help you make good decisions," she corrects.

"This is something we need to talk about because [cultural bias] is a massive gap and it is worse than gender."

## Counting culture

The DCA's Annese agrees: "If you want to count culture properly, you can't count it without getting people to identify themselves".

You can't get a clear picture by looking at someone's physical appearance (they may not identify with their genetic background) or by counting foreign-sounding surnames, which may have been acquired by marriage or have a cultural origin that the individual doesn't relate to.

The survey shows 51 per cent of companies monitor the ethnicity or race of employees, compared with 80 per cent monitoring age, 87 per cent gender, 47 per cent disability, 19 per cent sexual orientation and 18 per cent religion.

Casino operator Echo Entertainment Group has a number of diversity targets in place (gender, multiculturalism, sexual orientation and age).

The company hopes to double the proportion of people from other cultural backgrounds at the top three levels of the organisation to 20 per cent by 2020. Women are targeted to make up 50 per cent of the top four layers in the same timeframe.

Echo's general manager of culture, capability and change, Rohan Dyster, says Echo needs to reflect the demography of its guests.

He says the suitability of targets has been part of an ongoing discussion at the company: "And it seemed to us that it was almost impossible not to have them. You didn't know if you were succeeding unless you had some goal of where you were aiming for".

At Deloitte, Bashinsky says the firm does not yet have targets around Asian diversity, but is in the process of finalising work to discover what the cultural mix is.

"There is no point having a target if we don't know how many Chinese-background employees we have, how many Muslims we have, et cetera. Once we know what we have, then we establish what we want in terms of future leaders."

Targets for women have been effective. A decade ago, only 9 per cent of Deloitte partners were women. The target for next year is 25 per cent.

"If you don't put a target in and if it doesn't get measured, then nothing happens," Bashinsky says.

## Targets with teeth

Importantly, those who are responsible for increasing female leadership at Deloitte are penalised if they don't hit their targets. It is included in their performance scorecard, along with employee engagement, revenue and turnover. Likewise at Echo Entertainment, where diversity targets are part of key performance indicators (KPIs) for responsible executives.

However "targets with teeth" are still a relative rarity in corporate Australia, according to the University of Sydney's van den Broek.

"Only 20 per cent of managers who filled out the survey had their KPIs with any diversity component to it. That is low. If the diversity manager isn't getting that as a key part of the way they are measured, then I find that surprising," she says.

Earlier this year, SAP announced it would be the first company in Australia to set a target for employing people with autism. So far, globally, the company has employed 100 people on this program.

The company has set a target of one percent of its workforce by 2020, which aligns with the percentage of people with autism in the general community.

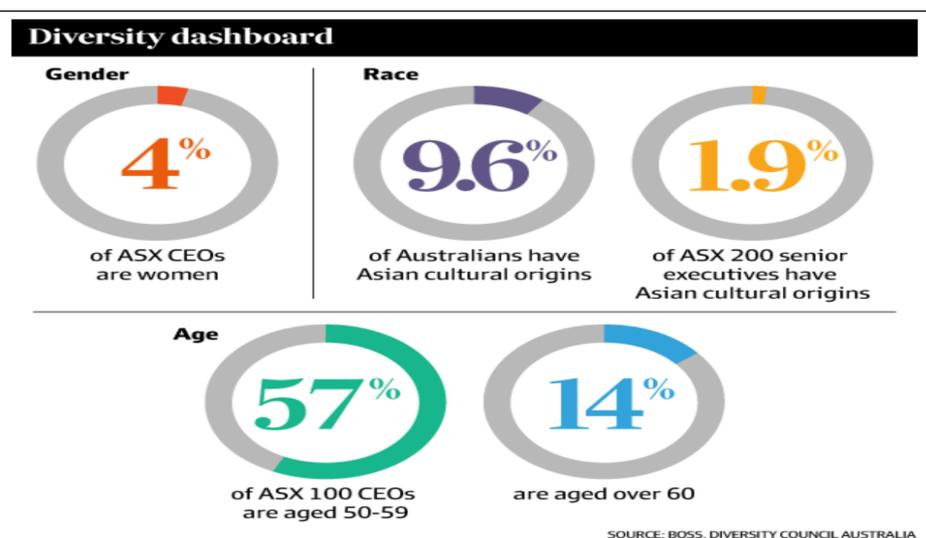
The chief diversity and inclusion officer at SAP, Anka Wittenberg, says people with autism often have qualities and skills that make them ideal for working in software testing and quality assurance roles; however the SAP recruits have spread into other areas such as making video clips in the communications department, data entry in human resources, compliance and documentation.

"People with autism really have an eye to spot mistakes," she says. "Something we see as a big, big advantage with people with autism. Not only are they very loyal, but they don't get bored doing a repetitive task for a long time," says Wittenberg.

These people have the same rates of pay and conditions as other SAP employees, although some have sensitivity issues that make full-time work too much.

Wittenberg says other companies are following SAP's lead: "I look at how many meetings and discussions I have had with leadership teams and HR [human resources] teams of some our big customers who are going the same route.

"We are all facing the same issues, looking at demographics, we cannot find enough people in computer science and IT and people with autism have an unemployment rate of way over 50 per cent. And I think we all need to think a little bit different about how we source talent and how we identify talent, looking a lot more at the strengths people bring to the table".



## The way he walks

It is one thing for employers to be genuine about hiring for diversity, but it is another to get recruitment companies to toe the line, says Professor Mustafa Ozbilgin from the UK's Chartered Institute for Professional Development, who had input into the survey.

"In the UK, private recruitment agencies are not subject to any licence, yet they place one million people. So, they create a moral vacuum in terms of diversity. They pass the buck," he says.

"When you look at women in the boardroom, for example, 90 per cent of appointments are made by headhunters. They are poorly trained, they use pseudo-scientific methods like reading body language. Rubbish like that.

"I was interviewing this headhunter who places most of the public servants in really high positions across the UK government. He said he recognises a leader by the way he walks through the door. *He* walks through the door. Wonderful."

Read more: <http://www.afr.com/brand/boss/how-deloitte-pwc-get-beyond-lip-service-on-diversity-20151104-gkqlzo#ixzz3ucmd7XJm>