



# THE BUSINESS CASE FOR DIVERSITY

Achieving competitive advantage in today's market place isn't simply a numbers game, it's also about the company's soul. Katrina Rozal explores the tangible impact of fostering a diverse and inclusive workplace

A diverse and inclusive workplace is a critical pillar for building and maintaining a sustainable competitive advantage.

Rachael Wilson, Managing Director at diversity consultancy EW Group, defines diversity as a multi-layered concept that encompasses difference in the broadest sense such as race, ethnicity, gender, sexual orientation, religion, socioeconomic background, learning style, age and length of tenure at work. An inclusive workplace is an environment where people feel comfortable and confident to share all facets of who they are.

Research by the McKinsey Institute shows that there is a positive correlation between diversity and financial performance. Its January 2018 report, *Diversity Matters*, measured profitability, longer-term value creation, diversity across multiple levels of an organisation, understanding of diversity and best practices, at more than 1,000 companies over 12 countries. The report found that companies with the most gender-diverse executive teams were 21% more likely to have above-average profitability. Companies with the most ethnic/cultural diversity were 33% more likely to outperform their peers on profitability.

Sodexo, which provides food and facilities management services in schools, offices, prisons, hospitals and military bases, is among the most gender-diverse companies in its industry. It is one of the most financially successful companies in the *Diversity Matters* report, with a value creation of 13% above the industry average. Women currently make up 33% of Sodexo's leadership. The company aims to get that up to 36% by 2020 and to 40% by 2025 as part of its global aspirational target for each part of its business. Sodexo's own internal research found that greater representation of women in management positions (between 40% and 60%) correlated with higher performance in profit, employee engagement and client retention.

"I don't think you can say that you're focussed on quality if you aren't committed to diversity and inclusion because you would be potentially excluding, or not being inclusive enough to attract the best talent into your organisation unless you focus on this area," Janine McDowell, CEO, Justice Services at Sodexo UK & Ireland, tells *Quality World*. "The two things go hand in hand."

#### Diversity is also not just about what's visible

Wilson says: "You wouldn't necessarily know by looking whether you had diversity," and adds that there isn't just one type of diversity in the workplace. "You need to go into the business and ask the people who work there about themselves in order to know how much diversity and what type of diversity you have."

Kieron O'Reilly, Member Engagement Manager at the Employers Network for Equality & Inclusion (ENEI), tells *Quality World* that diversity looks very different in many places because it doesn't have a homogeneous approach or look. Sometimes a company's scope of diversity can be a bit narrow.

For example, there tends to be a big focus on gender, disability or sexual orientation because of how equality laws work in the UK. But in reality, companies must look at people holistically, not just one aspect of who they are. Understanding this intersectionality will create a deeper understanding of existing barriers and potential opportunities.

#### Impact on business

Experts cite a healthy return on investment, customer satisfaction and client and employee retention and engagement among the key business benefits of having a diverse and inclusive workplace. Wilson shares McDowell's belief that diversity



delivers quality. "You can't have quality... without understanding your customers' needs," Wilson tells *Quality World*. "There's a good link there between the diversity of your workforce matching your customer diversity and how that will impact your quality of service."

According to a study by the Center for Talent Innovation, *Innovation, Diversity, and Market Growth*, teams with one or more members representing the culture of the target customers are 158% more likely to understand their needs, which increases the chances of effectively innovating for their target.

We're seeing greater innovation and productivity coming from companies that recognise dimensions of difference and work in an inclusive manner, says O'Reilly. One example he cites in the commercial food industry is Frito-Lay. The subsidiary of PepsiCo supports employee resource groups,

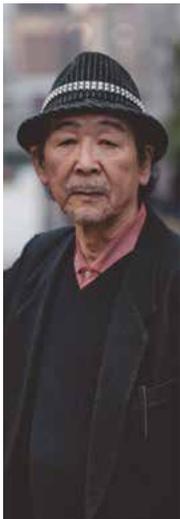
which come together based on various traits or affinity such as gender, race or ethnicity, to create an inclusive environment and foster innovation. The Hispanic employee affinity group was looking at ways to help the company access the market with new products. They gave the company the idea for guacamole-flavoured potato chips. According to the *Harvard Business Review*, those chips became a US \$100m product.

"That was a product that would never have come to fruition had [Frito-Lay] not spoken to the diverse group of employees within their own organisation," O'Reilly says.

Having organisational structures that promote diversity and inclusion is increasingly becoming a requirement from customers and stakeholders. Wilson is observing this trend at EW Group. "As the noise around diversity and inclusion grows in all business areas, clients are coming to us having had either formal or anecdotal feedback from their customers that they want more diversity from a company – whether it's in the teams that bid for work, the teams that deliver work, or their client liaison people."

Employers looking to drive up their employee engagement and retention will benefit from investing in diversity and inclusion. A

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report by Virgin Unite and The B Team says that employees who are most committed perform 20% better and are less likely to leave the organisation. If people feel that they can bring their whole selves to work, without having to cover up aspects of themselves for fear of exclusion, they will be more engaged, says Wilson. Organisations spend a lot of time, effort and resources to recruit and train people. All of that becomes a waste of effort and money unless those people stay in the business and progress into senior roles.

#### Setting benchmarks

The key benchmarks for diversity and inclusion revolve around awareness of who makes up an organisation.

Companies should look internally first to recognise the diversity and inclusivity in their workplace. O'Reilly considers these questions: Does an organisation recognise and monitor diversity within its organisation? What is its diverse mix of employees? Does the range of talent reflect the organisation's industry, society and client-base?

Consideration of these questions contributes to increasing a company's success. Research by the McKinsey Institute in 2014 suggests that companies with more culturally and ethnically diverse executive teams were 35% more likely to have higher profits than their counterparts that do not. It also found companies were 43% more likely to see above-average profits when their directors were more ethnically and culturally diverse.

In addition to this, Wilson says it's important to think about how comfortable people are in participating in company surveys and disclosing data about themselves. "Start with a benchmark of what percentage of staff are prepared, happy, comfortable to give you that information," she says. This provides a good gauge of how included people feel. "You want to see that figure go up [over time]." A company gets closer to fostering an inclusive culture as more and more people feel comfortable in disclosing information about themselves, and when more and more employees understand why the company needs this information.

Another factor is leadership. "It's about having a look at the competencies of leaders and seeing [whether] those competencies are reflected across the entire workforce," says O'Reilly. According to the *Diversity Matters* report, leaders in the corporate world are increasingly accepting the business imperative for inclusion and diversity, and most wonder how they can capitalise on it to support growth and value creation.

The third factor to consider is the talent pipeline and career progression. O'Reilly urges companies to consider if people have an equal opportunity to progress in their careers if they choose to do so. The *Diversity Matters* report suggests that more diverse organisations have broader talent pools to draw from to drive competitiveness. However, strengthening human capital remains one of the top challenges for CEOs worldwide.

#### A question of engagement

Businesses who fail to prioritise diversity and inclusion are leaving themselves open to risk. According to the McKinsey Institute's 2018 report on diversity, companies that had the least gender and ethnic/cultural diversity were 29% less likely to achieve above average profitability.

Failure to engage with diversity and inclusion has a cost for companies. Along with internal issues to consider, such as lost working hours due to sickness, stress and mental health

issues, there are also external consequences such as brand damage and relationship with the client-base. Wilson cites incidents involving Starbucks and Jet2 airlines as prime examples related to customer relationships. In April 2018, two black men were arrested while waiting to meet someone in a Starbucks in Philadelphia, US. The incident was a public relations nightmare for the coffee company, with protesters calling for a national boycott. The following month, Starbucks announced that it shut 8,000 branches to conduct training on race, bias and diversity for 175,000 employees. According to Forbes magazine, the move had

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a negative impact on Starbucks shares. Its stock on the Nasdaq was US \$59.83 on 17 April 2018; it dipped to US \$56 several times two months after the incident.

In August 2018, Jet2 staff asked the family of a 10-year-old boy in a mobility scooter to prove his disability. The British boy, who has Duchenne muscular dystrophy, and his family had to wait two hours before boarding the return flight to the UK after their holiday in Croatia. His mother said an administrative error caused the child to feel embarrassed. He had a "complete meltdown" the next day. Jet2 told *The Independent*: "We have been in contact to unreservedly apologise for the upset caused... Although this is an isolated incident, we have learnt a number of lessons and we are urgently reviewing all our procedures to ensure that this does not happen again."

Wilson points out that companies which approach diversity and inclusion as an opportunity to engage their staff better, see improved performance and a positive bottom line. Investing resources in the short-term will save the business time and money in the long term, she says.

O'Reilly cites Sodexo as a company that has successfully integrated its diversity and inclusion approach to nurture individuals and teams within the business.

At Sodexo, individuals within the executive team each sponsor a particular diversity work stream. There are network groups for various streams such as gender, LGBT, generations and cultures. Each one is designed to provide support for issues that particular groups may face, and activities it wants to celebrate. "It provides a very visible level of leadership and commitment that is then supported by activities driven through our employee network groups," says McDowell. "It plays out well in terms of staff perception... of our inclusivity as an employer."

She identifies gender balance as the company's most mature diversity stream. Its 2018 gender balance study captured data from more than 50,000 managers across 70 entities worldwide. Sodexo defines a balanced team as a ratio of men and women between

40% to 60%. The study finds that entities with gender-balanced management performed 8% higher in operating margins, 8% higher in employee retention, 9% higher in client retention, 12% higher in workplace safety and 14% higher in employee engagement. "The business case could not be clearer for us that we should strive to have balanced teams," she says.

McDowell says that the company works hard to have role models in this space and to showcase women who have pursued careers in less traditional areas, such as facilities management. "There is really something powerful about having strong role models in all parts of the business," she says, adding that it inspires junior and front-line staff. "It can feel more realistic to be looking at women that aren't too far ahead on that journey, rather than one of them at the most senior levels where it can feel quite a distance still to some of our more junior teams. I would say that all organisations need to find their role models and expose them, give them that profile in the organisation."

Sodexo's SWIFT, the company's International Forum for Talent, encourages greater gender balance around the world through a number of workstreams. One is around agile working, which looks at opportunities to improve flexible working for men and women depending on whichever gender is underrepresented in a team. There is also an international women's leadership programme that aims to support women in their personal development.

Another specific example of positive engagement is the inclusive communications approach at Crossrail (the UK's new high frequency, high capacity railway under development in London and the South East). It helped improve the business' understanding of its health and safety records. O'Reilly says that operative (workers) assessments on the quality of onsite health and safety were done in English; the safety records of many sites were positive.

In one particular site, the workers spoke a range of languages, so to ensure the records were accurate, the assessments were done in their respective languages. The safety record around specific concerns of personal safety at that site decreased. The quality process was developed based on these results, the implementing of which improved safety, performance and there was clear and positive change in culture.

"The quality record system seemed to be suggesting that the safety record's pretty high, but in fact when it was [done in a way that] people could answer more freely, more openly, the safety record decreased," O'Reilly says. "It's important that this form of diversity and inclusion is seen on some of the major building sites because it can have a dramatic impact when it comes to safety records."

### Taking on challenges

A lack of understanding from leadership of the experiences faced by employees is at the base of the most common challenges to building a diverse and inclusive workplace.

Leaders tend to look at an organisation from a management point of view, says O'Reilly, but that's not always the view that employees have. "Understanding what those views are can be very powerful for leadership and give them a very different understanding of how they run their organisation so that people within it can be as productive as possible."

This will help create realistic ways to ensure people develop their careers on a more equal footing, he adds. For example, if not enough women are progressing through the talent pipeline,

management can create fast track talent programmes, or agile working programmes to allow people to work more flexible hours.

O'Reilly has seen other interventions such as mentorship and sponsorship achieve great effect in helping people progress through the talent pipeline. "If people see [diversity] as a nice to have but not something that actually contributes, it's very difficult to build any of these programmes into the work that's done... The culture of an organisation can actually present barriers to a diverse workforce to be developed," O'Reilly says.

To practise inclusive recruitment, O'Reilly advises developing a structured approach that considers unconscious bias. "It's very easy to fall into the trap of recruiting in your own image... Make sure your recruiters are completely aware of what unconscious bias they may have and how it affects their decision making."

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Another tip is not to base recruitment on current exemplary staff. "People coming from different backgrounds will have the skills and abilities [you need], but they also might bring a different way of thinking... It's very important that you're looking for skills and abilities, and seeing past the person that you think you see when you first look at them."

There are quick wins for recruitment that cost nothing and take little time. Wilson advises blanking out certain parts of a résumé when shortlisting candidates. For example, if a company has a trend of recruiting people from the same university, blank out the university names. During the interview stage, consider who is on the recruitment panel.

"If a woman walks into the room and she is interviewed by an all-male panel you will get a different performance out of that woman than when there's a mixed panel," Wilson says. Another common barrier is fear of being judged or exposed for not knowing what diversity and inclusion entail. Wilson says that it's important to position training as an opportunity for professional development. She has found that senior leaders rarely get a chance to talk about the topic, but find it valuable to have the space to ask questions on appropriate behaviour and how to engage with diversity and inclusion.

It's also typical for organisations to be unaware of their own diversity, so collecting data on staff is a first step. The business can use that data to decide whether to train managers on inclusive recruitment or leadership sessions.

"Culture change won't happen unless the senior leadership are fully onboard, that they understand at the most senior level in the business why diversity and inclusion are important, what the benefits are, specifically to their business," she says.

## Neurodiversity in the workplace



The Chartered Institute of Personnel and Development defines neurodiversity as the range of differences in brain structure such as autism, dyslexia, attention deficit, hyperactivity disorder. Microsoft, EY and JPMorgan Chase & Co. are among companies with programmes to attract neurodiverse talent pool.

Liesel von Metz, CQP MCQI, is Director and

Principal Consultant at TGD Solutions Ltd, and a member of the CQI's RailsIG (Special Interest Group). Liesel is neurodiverse – she was diagnosed in her 40s with high-functioning autism. She shares her insight with *Quality World*.

### Summarise your professional background. What does your current role entail?

My career background is in safety and quality management. I didn't start out expecting to do that, my degree and PhD are in Analytical Chemistry. I always loved solving problems and making things – and was a fan of big jigsaw puzzles! My training in chemistry developed a mix of literacy and numeracy skills and an understanding of risk, which with my innate attention to detail, led me into my current career path. My autistic traits lead me to constantly keep asking 'why' and to systemise. Plus, I have an ability to grasp a subject thoroughly from assembling all the detail (like a jigsaw) the opposite way around from the neurotypical 'top-down' perspective. I also have a strong urge to fix and improve things. The highlight of my career was the five years I spent as Her Majesty's Inspector of Railways. It was a great role, a good match for my traits and a real privilege. However, after five years I moved on as I felt I needed to go back to 'doing' rather than 'assessing' so I could keep my skills fresh and be more hands-on in fixing things. I now have my own consultancy that provides safety and quality management systems support in the rail sector.

### How do businesses benefit from a diverse and inclusive workplace?

To be successful, businesses need a real mix of skills and knowledge, plus a culture where challenge is OK. However, in the real world, we deal with people – not just walking bundles of skills and knowledge. The reality is that no person has everything; some skills just don't come in that perfect mix

that so many organisations want and expect. For example, a person with deep technical knowledge may not come with the 'normal' social skills valued in a Western Caucasian culture, or even the ability to read or write well. So, an organisation that can welcome, accept and find a way of working that allows full expression (i.e. neurodiverse people not being expected to flawlessly mimic 'normal' behaviour to be deemed acceptable) is able to reap the advantages of accessing a talent pool with diverse skillsets. They are also more likely to have a culture where challenge is OK, so less inclined to get into the complacent group-think that is a barrier to perception of significant business risks.

### What are the advantages of having diversity of thought in the workplace?

The biggest benefit is seeing things from a different perspective; so identifying things that other people cannot. For example, I have a knack of seeing risk to an organisation thanks to my autistic tendency to struggle with rapid change. In my case, this leads to a good understanding of risk assessment. As a means of controlling the anxiety I get from rapid change, I have been asking "what might happen if?" I have also been thinking of control measures (i.e. working out alternative ways to do things) all my life, so the risk assessment approach comes naturally. There's also the issue of bias. As an autistic person, I don't perceive the same social pressures as a neurotypical person, so I don't have the same sense of bias. This is a real advantage for an organisation who wants a genuinely unbiased auditor or investigator! Plus the more diverse the perspectives and thought, the less group-think takes hold.

### What are the common barriers to creating a neurodiverse talent pool?

The biggest barrier is the majority 'social skills' thing. The Western Caucasian social culture is really strong and subconsciously pervasive. The 'norm' has become almost hypersocial, with an emphasis on social bonding, body language and external shows of conforming to the social 'norm' dress code. This is a big barrier for someone like me; I have sensory sensitivities which make 'conventional' clothing excruciatingly uncomfortable. I am judged harshly if I don't make 'correct' eye contact. I am noise-sensitive as well as not being able to keep up with social interactions. The cognitive load of the 'normal' workplace is exhausting – even before I do any 'work'! Yet much of this is Western Caucasian social cues – artificial 'norms' – so there's no reason why an organisation cannot be more accepting of difference. Acceptance of other social approaches (cultural or other traits) as characteristics – instead of perceiving them as faults to be reformed – would go a long way to opening up the workplace.