

**EQUALITY in INNOVATION,
INNOVATION for EQUALITY**

**Reframing Diversity: The Strategic Power and Impact of Gender Equality
and Innovation**

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Introduction

Last year, a group of senior diversity professionals in the UK came together to debate what could help improve their own diversity practice and why so many workplace gender inequalities persist over 30 years since the introduction of the first anti-discrimination legislation. These professionals are people working inside public and private organisations with either a part or their entire role focused on equality and diversity issues.

It was worrying that some of us remembered debating these issues ten years ago when there were strong calls being made to align gender equality with achieving core strategic objectives. Indeed, many professionals in our debate explained that it was a key part of their role to draw strategic gains from gender diversity but that this was an aspect that they often found most challenging. We wanted to know why this was – and so this study - Reframing Diversity - was born.

sponsors

Our study has been sponsored by thirteen organisations. We are particularly grateful to the individuals listed here for their involvement in shaping this study:

Alliance and Leicester

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British Council	Fiona Bartells Ellis
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research questions

Together we sought to answer 3 questions:

Firstly we wanted to establish what, if any are the **potential benefits** of making a strategic impact with gender diversity and the consequences of failing to achieve this.

We wanted to know what **conditions** are required to achieve a strategic impact with gender diversity.

And finally we wanted to know if there is anything **blocking** organisations making strategic gains from diversity.

To answer these questions we interviewed 34 senior diversity professionals and 16 Board or equivalent level executives. A total of 34 organisations were involved with the study from the public, private and not-for-profit sectors.

senior management commitment

We've always talked about the importance of senior management commitment to achieving equality and diversity – but for the first time this study spells out why it is important.

It shows that unless executives can see a direct contribution being made by diversity achieving core strategic objectives in the short term, they are unlikely to support long term investment in diversity.

And long term investment in diversity is essential because achieving many equality and diversity goals is a lengthy journey.

Strategic Benefits *can* Results from Gender Equality Actions

We have interviewed professional's in a small number of organisations that clearly show the organisational and diversity benefits that can result when diversity is positioned strategically.

In one investment bank we interviewed, a specific marketing drive to increase the number of female investors was linked to the company's gender equality programme. That is, a direct link was made between improving the attractiveness of the business for women in the workforce and women customers. The diversity actions were supporting strategic objectives for increased market share. In another global utility firm the recruitment drive for women trainees was aimed at closing an industry wide skills gap. This would enable the organisation to achieve its strategy for growth. So important was this to the organisation that each executive had 5% of their bonus linked to achieving diversity objectives.

Eversheds – building diversity into their business approach

Another example that has been reported on recently is Eversheds. In 2007 the law firm won a £10 million agreement with the multi-national engineering firm, Tyco. Around 200 other law firms were dropped by Tyco to form this exclusive agreement with Eversheds. It then signed the second year of this agreement earlier this year. Whilst Eversheds say they have always had a strong commitment to gender equality and diversity, they took a more strategic approach to this issue and aligned their diversity strategy with meeting the goals of the core business strategy in 2007. Within a year, their diversity strategy has helped them cement the Tyco contract for a second year – with some groundbreaking innovations in the legal world. Eversheds will receive a six figure bonus if it meets eight challenging diversity targets. These include a female partner intake of over 25%. Director of Diversity at Eversheds, Caroline Wilson says:

‘This clearly demonstrates how diversity can benefit our business and how the way we do business can benefit diversity.’

In these and other organisations, we found a small set of common elements that distinguished their approach to gender equality from those found elsewhere. Firstly, there was **strong executive leadership** applied both to the gender equality programmes and linking the programmes to achieving the firm’s strategic objectives.

Secondly, the aims for the **strategic contribution of gender equality were clear.**

However, we found only a small number of successful approaches to drawing strategic advantage from gender equality in our study. This was due to two common barriers. Firstly, **the approach to implementing gender equality** and secondly, the **roles and relationships between senior diversity professionals and executive leaders.**

These barriers mean that just 3 of the 34 senior diversity professionals we spoke to could clearly describe how diversity was making a positive contribution to achieving their organisation's strategic objectives.

Overcoming the Barriers

So what needs to change in order to achieve a positive strategic impact with gender diversity?

view gender diversity as a business opportunity

Firstly, it's important to distinguish between making a business case for gender diversity and making a strategic impact with gender diversity.

The business case – as it is being used in the organisations involved in this study – is a largely theoretical motivation outlining the organisational benefits that might ensue.

We define the strategic contribution that greater gender diversity makes to an organisation as something quite different. We define it as the **identifiable and measurable results that gender diversity brings that have directly supported an organisation's efforts to achieve their stated core objectives.**

All of the 34 senior diversity professionals we spoke to could describe the business case for diversity in their organisation. Business case arguments such as using diversity to improve employee satisfaction, productivity or innovation, meeting legal requirements or winning the war for talent – had been critical in gaining the interest and support of one or more of their executive leaders.

However, very few senior diversity professionals could provide evidence of the contribution being made by their diversity programme to achieving core organisational objectives.

aim to make a strategic contribution with gender diversity early on

In the majority of organisations included in this study the first 3-5 years of a diversity programme is spent removing barriers to equality and growing gender diversity. Interesting, when you consider that for any other strategy an organisation would expect to see business or organisational impact well within this timescale.

Executives spoke to us about becoming 'diversity weary' or losing their way because the diversity programme was taking so long to make things happen. As one executive told us:

'It would be good if you could see definitively that something good or bad is going to happen instead of just an ongoing initiative. For example, the oil reserves WILL run out – but people are less convinced that able-bodied white male reserves will run out.'

To avoid the problem of executive diversity fatigue and maintain their investment in the long term, our study's results suggest the need to move away from a linear approach to diversity. The linear approach seeks to tackle inequality and then create greater diversity and build on its benefits to support organisational objectives.

We recommend that early strategic diversity contributions which have a clearly demonstrable impact are built into a diversity programme from the very beginning. Opportunities to build on current diversity strengths to help win business or attract funding or increase market share, for example, should all be considered. This means that the business case argument also needs to

transform into a strategic conversation about potential business opportunities and how they can be realised.

This points to an important development agenda for professionals in upgrading their approach and raising the bar on standards of practice. Getting their heads around what their leaders see as strategic in the Board-level landscape, instead of what they think they perceive as strategic in their own world of diversity, is key.

Our study found that some of the business case arguments, for example, being put forward by diversity professionals – were of no interest to their executive that we interviewed.

Indeed, in some cases we also found a lack of shared understanding between the diversity professional and their executive about what being strategic with diversity meant.

Interestingly, several of the executives we interviewed did not view their diversity professional's role to be strategic – they saw them as the implementers – the doers. Whereas the professionals definitely did see themselves as having a strategic role.

So in many organisations there is clearly a dysfunctional relationship between the senior diversity professional and their executive leader and it is questionable the extent to which some diversity professionals have the full set of characteristics and experience they need to draw on to be strategic.

ensure diversity professionals have the full set of skills and knowledge they need

We did not, in our study, undertake a rigorous or comprehensive evaluation of the skills possessed by senior diversity professionals. We've simply included

this as one of a number of factors to be considered in understanding how a strategic impact with gender diversity can be better achieved in practice.

The diversity professionals we interviewed came from a range of backgrounds, with many bringing professional disciplines such as accounting, marketing or law to their role as well as a mix of commercial, industry, business and management experience.

The table below shows the skills and attributes the professionals identified themselves as being important to their role. Each took diversity knowledge and expertise as a given. Instead they focused on the skills they needed to put their diversity knowledge to effective use. Given the importance of achieving organisational change through the role, it is not surprising that all of them referred to the importance of influence and communication skills. However, it is surprising that so few of them (3) referred to the importance of change management skills. Also, less than half of them (14) referred to the importance of understanding the core business of their organisations in being effective in their role. It is, therefore, perhaps of less surprise that the majority of our interviewees were struggling to make a strategic impact with gender diversity. Conversely, those 14 professionals who did identify this as an important area of skill, also described how they had already or were currently working with other senior organisational leaders to use gender diversity to make a strategic impact. They described how they were working to build on gender equality and diversity to:

- Access new markets
- Winning customers or clients away from competitors
- Authenticate the organisational brand
- Achieve competitive advantage
- Better understand and meet the needs of clients
- Winn business or attract new clients.

grow more diversity leaders

Of course, our executive leaders aren't without responsibility in drawing strategic advantage from diversity. There is no other area that comes to mind that executives will invest in for potential return but take little or no active role in ensuring this return is achieved. In the UK at least, we have yet to see a Diversity Director take a seat on the Board. Therefore this is an issue which not only affects but is also the responsibility of each organisational directorate and their leading Board member.

Yet, before the Reframing Diversity research, we weren't actively asking our executives to 'lead' diversity, we were asking them to 'champion' it. Without getting lost in semantics, the role of 'champion', according to the research, seems to be quite a paternalistic one. It finds that **diversity champions** do not generally seek to make a strategic impact with diversity. Their key role is to support the senior diversity professional in achieving the organisation's diversity objectives. They provide a link for the diversity professional to the Board and sometimes provide a helpful influence over their colleagues on the Board. At the same time, in some organisations there is only one Board level diversity champion and they themselves are often isolated in this role at amongst their peers.

The research concludes that, whilst champions do play an important role, we also need **Executive Diversity Leaders**. That is, executives that proactively lead diversity in their organisation, ensure that the organisation can draw strategic benefit from it and use the expert knowledge of the senior diversity professional to help them achieve this. In short, the Executive Diversity Leader applies her/his leadership skills and knowledge to drawing strategic benefit from diversity.

Unfortunately, Executive Diversity Leaders don't grow on trees, or on MBA programmes, which research being conducted at the Lehman Brothers Centre for Women in Business at London Business School concludes, generally

perpetuate the gendered male model of leadershipⁱ. It is therefore important that organisations take an active role in growing Executive Diversity Leaders. To do this they need to:

- Take an active role in developing executive diversity leaders internally – both in mainstream management development programmes and in specific diversity training programmes; and
- Recruit, reward and promote the knowledge, experience and qualities of an executive diversity leader.

We should be challenging the providers of management development and education – including Business Schools, to meet this brief. But it is also important that our existing Executives can access the support they need to be Diversity Leaders. KPMG is one organisation that is rising to this challenge.

The KPMG approach

In 2006, KPMG established a UK Diversity Leadership Group which was primarily made up of partners, including some of the most senior partners in the business. The Group was involved in developing, and then participated in, leadership training on diversity, a programme called 'Daring to be Different'. The programme challenged partners to consider what it means to be a diversity leader and helped them develop the knowledge and skills they needed to do this. Many are now confident in talking about diversity with colleagues and clients; they can challenge colleagues and peers on diversity and generally lead by example. Not only do a number of partners now sponsor diversity projects and action groups in their parts of the business but they are also thinking about diversity in relation to their clients, recognising there is commercial benefit in integrating diversity into their work.

Conclusions, Recommendations and Next Steps.....

Our study has gathered some examples showing how diversity can make strategic gains for organisations. We've shown how some executives have themselves seen the strategic potential of diversity and how they have applied their leadership skills to drawing these out. But the barriers we've identified to making strategic gains from diversity help to understand why some organisations may be failing to maintain their investment in diversity in the longer term.

We have drawn together a framework of five changes that we believe will remove the barriers this study has identified.

Action1 – Ensure immediate strategic benefits

The first change is explicitly for diversity professionals and others involved in influencing and designing diversity programmes to consider. We recommend that these programmes move away from making a theoretical one-off business case for diversity towards establishing a concrete set of strategic opportunities from the outset.

Remember how one financial services firm in the research saw the market segmentation and focusing on previously untapped female customers as a strategic opportunity for increasing market share.

We recommend that the linear approach to achieving diversity –is dropped in favour of seeking out strategic opportunities right from the start. We believe that this will help secure longer term investment in diversity.

Action 2 – Measure Strategic Success

The second change involves every organisation engaged in a diversity programme establishing a clear set of measures from the outset to quantify not only the progress it is making in achieving its diversity objectives but also the impact this has on achieving core strategic objectives.

There are tools available to help organisations measure their progress on diversity – but little guidance exists on how to measure the strategic contribution of diversity. This is a challenge not only for diversity professionals and the research community but also for finance directors and for their professional organisations.

Action 3 – Develop diversity professional’s strategic capability

We’ve found that not all senior diversity professional’s may have the full set of characteristics they need to achieve a strategic impact with diversity. Also, it’s not clear where they can go for their own development. Without a clear diversity career path or competency framework this remains a gaping hole.

We did not in this study undertake a full competency assessment of the senior diversity professionals we spoke to. But two characteristics came out as strikingly important – the ability to influence and commercial or industry or sector understanding.

Action 4 – Grow more executive diversity leaders

This study has – perhaps for the first time in considering the future of diversity – placed UK executive leaders at the forefront of the discussion. Diversity Champions as they currently exist play an important role in supporting diversity and equality objectives. But, this research calls for more executive diversity

leaders to be developed across the boardroom. That is executives that treat diversity as they would any other business issue and specifically seek to gain a strategic contribution from diversity. Remember for a moment the organisation in our research where each Board member has 5% of their bonus linked to achieving diversity objectives because they are critical to achieving the organisation's objectives for growth.

Action 5 – Work together in closer partnership

Our final call to action focuses on something very practical – that can start happening tomorrow. Our study shows that a close working partnership between executive leaders and senior diversity professionals is an essential element in achieving strategic gains from diversity.

Our research suggests that a clearly defined partnership agreement is needed between the executives and their senior diversity advisers setting out the responsibilities each holds, how they will be held accountable for achieving these and how they contributions will be measured and demonstrated. The full framework for partnership is set out in our report.

Thank you

ⁱ Simpson, R. 2006, Masculinity and Management Education: Feminizing the MBA, **Academy of Management Learning & Education**, 5(2): 182-193 and Kelan, E & Dunkley Jones, R, 2008, Gender and the MBA, **article under review with the Academy of Management Learning and & Education**.