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PUSHING FOR DIVERSITY

The question 'What is the business case for diversity and inclusion?' provokes a whole range of responses. This chapter explores the evidence behind the business case. Some of the business reasons for pursuing diversity are negative, some are provoked by external pressures, others are inconsistent. This leaves us, however, with a small set of arguments which have the evidence to support them. Ultimately, I question why we should need a business case for treating people fairly and with respect. First though we need to see what people and organisations understand by 'diversity' and 'inclusion'.

Defining diversity

We all have an instant sense of what 'diversity' means. At its simplest, it means 'difference'. But whereas 'difference' can be taken to imply measures of relative worth amongst the qualities being compared, 'diversity' is a neutral term.

Diversity emerged as a term useful to organisations in the 1990s. Its emergence tracks the use of the same word in connection with concerns about humankind's impact on the planet: biological diversity, threatened by species loss in over-exploited lands and oceans, became a rallying cry for scientists, environmentalists and nationalists. The use of the term in organisational matters largely superseded 'equal opportunities', although equal opportunities should be more correctly thought of as a component of diversity rather than a separate area. Table 1.1 shows how a variety of organisations define diversity.

Table 1.1 Definitions of diversity

<p>Vodafone</p>	<p>Diversity means respecting and harnessing the different backgrounds, skills and capabilities of all our employees.</p>
<p>Cabinet Office</p>	<p>To effectively support the Prime Minister and the Cabinet we need to ensure that we are able to recruit the very best talent, skill and creative minds from the public, private and voluntary sectors. To do so the Cabinet Office values the diversity of its entire staff and aims to provide a truly inclusive culture where talents can flourish.</p> <p>Within Cabinet Office, diversity means more than just gender, ethnicity or belief but the true diversity of thought, skills, background and experience. To help the Cabinet Office realise this aim we have a number of innovative initiatives and strong staff networks.</p> <p>In addition to this we are involved with organisations such as Opportunity Now, Race for Opportunity, The Employers Forum on Disability and Stonewall.</p> <p>Only by reflecting the diversity of British society can we deliver quality public services.</p>
<p>Royal Bank of Scotland (RBS)</p>	<p>'Managing Diversity' is a more effective way of dealing with equal opportunities issues. It emphasises the business and personal benefits that accrue from valuing the differences between people, rather than just complying with the law. Organisations that grasp the additional business opportunities generated by managing diversity effectively, are far more likely to enjoy sustained</p>

	<p>competitive advantage than those who do not.</p>
<p>PricewaterhouseCoopers</p>	<p>At PricewaterhouseCoopers we know that sustaining our leading market position depends on unlocking the innovation, creativity and potential of everyone who works here.</p> <p>The basis of our diversity strategy is recognising all the ways in which people are different, both visibly - for example in gender or ethnicity - and subliminally, in ways such as social or educational background, or personality. Our diversity is our strength, driving business performance and success. It is an integral part of our strategy for competing in the current and future marketplace. Working at PricewaterhouseCoopers means being part of a high performing team delivering excellent service to our clients. We perform best by harnessing the collective and complementary skills, knowledge, backgrounds and networks of a rich mix of people who work together in an environment that is fully inclusive and totally respecting of individuals.</p> <p>Our commitment to diversity and equality extends beyond our own people to the communities in which we operate, driven partly by our social responsibility as a large employer and partly by our business need to continue attracting talented people into our firm and encouraging them to stay.</p>
<p>BBC</p>	<p>Diversity for the BBC is a creative opportunity to engage the totality of the UK audience. That includes diverse communities of interest, as well as gender, age, ethnicity, religion and faith, social</p>

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	background, sexual orientation, political affiliation.
CIPD	Managing diversity is based on the concept that people should be valued as individuals for reasons related to business interests, as well as for moral and social reasons. It recognises that people from different backgrounds can bring fresh ideas and perceptions which can make the way work is done more efficient and products and services better. Managing diversity successfully will help organisations to nurture creativity and innovation and thereby to tap hidden capacity for growth and improved competitiveness. ¹

Interestingly, apart from PwC and the Cabinet Office, many of the organisations do not really define what diversity means to them, rather they state what it can do for them, i.e. stressing the business benefits, which is a particularly striking omission from the Chartered Institute of Personnel & Development's (CIPD's) statement. You sense that the need to convince people of this is greater than the desire to explain what it is. There are two reactions to this. One would be to say that unless you know what it is you are talking about how can you possibly do anything about improving it? The second approach, which is probably occurring in many organisations, is to say that the definition and meaning is implied in the actions. So what does the description tell us about diversity?

Firstly, many of these definitions refer to diversity in its broadest sense.

The second theme is that of reflecting society in their workforce.

The third approach attempts to relate diversity to the needs of the business, e.g. recruiting the best people, greater creativity and innovation, harnessing talent.

Fourthly, some of the definitions reflect a desire to establish a culture where people feel able to give their best and where their views, opinions and talents will be respected.

However, I believe there is an element missing here: that of social justice (although the CIPD to their credit do refer to it). Social justice is rarely seen as a goal of private enterprise. A business may aim to be 'a good member of the community' but is unlikely to see its role as including the promotion of justice. And yet the rise of 'corporate social responsibility' would seem to argue that businesses do in fact have a key role to play in the maintenance of a just society. We've come to accept one notion of corporate social responsibility that would have baffled early industrialists: the principle that 'the polluter pays'. We grapple with the 'tragedy of the commons' in relation to climate change. Governments have developed carbon trading mechanisms in an attempt to reconcile industrial activity with environmental protection. And increased interest in the environmental impact of enterprise is matched by renewed attention to the ethics of business, especially in the US, where the Sarbanes-Oxley Act² explicitly articulates society's need for moral leadership and accountability in the private sector. If companies can now be pressed to act as moral entities with regard to the stewardship of financial and environmental resources, then it's surely no great leap to see organisations as responsible for the promotion of diversity goals on behalf of the entire community. It's almost as if many organisations are afraid of talking about this.

However, when we look at what organisations actually do to foster diversity, we find contradictions. Firstly, diversity is often not supported within the management relationship, effectively cutting its connection to the workforce. Secondly, organisations tend to focus the diversity actions that they do take on what could be called the 'big three': race, gender and disability. The weight of legal penalty overhangs whatever policy they write, so that priority is given to issues that might result in official criticism, fines and adverse publicity. Thirdly, organisations continue to place emphasis on the demographics of the organisation in forming their plans and measuring their progress. They will, for example, count the numbers of women, minorities and disabled people at senior levels of the organisation. While making these measurements creates evidence of management attention, the practice also reinforces the impression that the organisation is only interested in its performance on the 'big three' which in truth can make others, ironically, feel excluded. This practice also means that the wider meaning of diversity is not being honoured. Diversity has to encompass more than this and it has to be more than a focus merely on the demographics –

understandable as that may be.

Defining inclusion

Inclusion is a term which appears alongside diversity in journals and corporate information. This leaves the questions, 'What is inclusion and how does it differ from diversity?' It is interesting to log on to corporate websites and type 'inclusion' into their search facility. Nothing of relevance comes up. This is in marked contrast to 'diversity' which these days will provide many hits. Diversity and inclusion then, appear to be terms used interchangeably with little consideration for accurate definition.

The application of the term 'inclusion' to organisations seems to be quite a recent development. So to find out more about what it means we need to look further afield. This term has its roots in two other fields, education and social policy.

It has been used in educational establishments since the 1970s and tends to be employed in relation to disability, rather than any other category by which people differ. Legislation in the US, requiring free and appropriate education for every child in the 'least restrictive environment' emphasised the importance of inclusion.

'Social inclusion' was a term first used, as far as I can gather, in France in 1974, in relation to policy making, and in this context is seen as a move towards integrating individuals into society and out of poverty. This is rather intriguing. In our international work on diversity we often find people in some countries arguing that diversity is an 'Anglo-Saxon' concept. Labelling in this way makes it easier to reject it. It will be interesting whether the same reactions are created by the term 'inclusion'. Definitions of inclusion from different fields are presented in Table 1.2.

Table 1.2 Definitions of inclusion

The practice of educating all or most children in the same classroom, including children with physical, mental, and developmental disabilities (McBrien and Brandt, 1997).

Inclusion is concerned with the learning and participation of all students vulnerable to exclusionary pressures, not only those with impairments or those who are categorised as 'having special educational needs. Inclusion involves

restructuring the cultures, policies and practices in schools so that they respond to the diversity of students in their locality. Inclusion in education is one aspect of inclusion in society (Booth and Ainscow, 2000).

Social Inclusion is the process by which efforts are made to ensure that everyone, regardless of their experiences and circumstances, can achieve their potential in life (Britton and Casebourne, 2002).

Inclusion as a diversity strategy attempts to embrace and leverage all employee differences to benefit the organisation. As a result, managing all workers well has become the focus of many corporate strategies (Jayne and Dipboye).

Inclusion opens the pathway for a variety of different individuals to marshal their personal resources to do what they do best. While there are commonalities or general themes in terms of what people experience as inclusion – feeling valued, respected, recognized, trusted, and that one is making a difference – not everyone experiences these in the same way (Ferdman and Davidson, 2002).

The degree to which individuals feel part of critical organisational processes (Mor-Barak and Cherin, 1998).

The extent to which people are included in social relationships or groups has been labelled 'group belongingness' and also has been referred to as 'level of inclusion'. People's group belongingness (or level of inclusion) can be regarded as a specific but central aspect of people's group membership and may often be a prerequisite for people's social relationships and group memberships in everyday life (Van Prooijen, Van den Bos and Wilke, 2004).

From the definitions presented there are four key themes to inclusion:

- inclusion involves all people;
- inclusion is about the culture, environment and processes operated by an organisation;
- inclusion is measured by how people feel, i.e. it results in people feeling involved;

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- inclusion needs effort to be achieved: it has to be worked at to be fulfilled.

Diversity and inclusion are related but different. Diversity is a description of the way an organisation will look. It paints a picture of different types of people at different levels in the organisation. It makes us feel that it is something that can be constructed by having the right policies, setting the right goals and focussing on certain groups. The legislation is an important foundation but the leading organisations go further than just providing the minimum.

Diversity, in this sense, is factual. The numbers and statistics within the different groups tell their own story. Lack of diversity is failure, greater diversity is success. Inclusion though moves this discussion forward. This is about how people, all people, feel in and about the organisation. It is a far less tangible quality. Therefore it is not something that can be monitored, reviewed and reported back on quite so readily yet it goes to the heart of the way people are treated.

Diversity and inclusion are both important and they are both necessary. One without the other would not make much sense. It is possible to have diversity without having inclusion (see case study below for such a situation). Of course there are many instances where you have inclusion but not diversity. Look at any homogenous team and you will be able to see it. Inclusion, as we will see in later chapters, is becoming more difficult to establish as diversity increases, and this produces the current challenge confronting many organisations as they continue on their journey.

Case study: Diversity but not inclusion

The work was carried out in a large government department.

The overall objective of the project was to undertake an independent, confidential consultation on the barriers that may prevent female staff from progressing in their careers. The organisation had set targets for women moving into senior grades and was very close to achieving them at this stage. The numbers of women in senior grades had increased considerably compared to a few years previously. We had feedback from women in both the senior grades and the feeder grades.

The analysis also showed that, while the policies were perceived to be fair, the

issues facing women within the department were not related to achieving equality targets or policies. Instead the issues related to the culture, non-inclusive behaviours and the nature of the role. In other words, the department could achieve its target for women but these issues would still remain.

One of the perceived barriers to women within the culture was pressure from the top. This was perceived to contribute to women in the senior levels having to work long hours. Significantly, women in the feeder grades perceived their work-life balance to be significantly better than women working in the senior levels. This was a reason why some women in the feeder grades told us they chose not to go for promotion.

There was a perception that the organisation was resistant to change and inflexible and this had a particularly negative impact on those women who wanted to work from home.

Evidence of biased behaviours that excluded women also emerged as a barrier. Examples were given regarding men dominating meetings and intellectual bullying.

Unskilled line managers also had a big impact on women's perceptions of progression. Poor line management was seen as a source of pressure and bias.

The challenge for the organisation going forward was that the solutions went beyond typical diversity initiatives (e.g. target setting) to embrace cultural change. Making changes to the culture would help ensure that women were attracted to the more senior positions. However, for this change to take place inclusive behaviours need to be developed and role modelled by all so that a climate was created where everyone could prosper.

The business case for diversity or looking for the pot of gold at the rainbow's end

The 'buying point' of the elusive business case for diversity seems to be set at a much higher level than the case for other business initiatives. Investments in personal development activities, for example, may be assessed competitively on features and prices, but the fundamental value of training is never questioned.

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The argument for personal development was made and won many decades ago – certainly long before the hard disciplines of return-on-investment business modelling crossed from manufacturing and engineering to human resources and internal services. Organisations frequently use sophisticated business modelling techniques to prove the viability of complex information systems that rarely achieve their stated goals on time or on budget. It's hard not to believe that many organisations invest in computing projects as a matter of faith, building business cases that provide a rational gloss for an irrational urge. Clearly, organisations want to automate, just as much as they want to develop their people. And yet diversity and inclusion is different. It's not a question of faith and there has to be a clear business case.

In this section we look at the elements that make up the usual attempts to produce a generic business case for diversity. While some of these elements are indeed measurable benefits of diversity, I do not believe that they can be used to construct a winnable business case. Diversity champions should not be looking to finesse a business case, but to challenge the very demand for a business case. Diversity can be represented as an economic issue, but it is also a moral one based on values.

In critically examining the various business cases it is not my intention to undermine the need for diversity and inclusion. Quite the opposite in fact. Diversity is a fact we can't run away from it. It would be ridiculous to pretend that diversity only has benefits associated with it. By ignoring the problems it can create we jeopardise the opportunity to learn and improve.

The business case for diversity commonly includes eight drivers:

- legislation
- demography
- creativity within teams
- recruitment and selection
- talent management
- retention
- flexible working
- brand reputation

The legislative framework

Many decision-makers would immediately put legislation at the top of their list of reasons for promoting diversity. (In fact, some decision-makers doubtless see legislation as heading a list of one item.)

Anti-discrimination legislation is a modern phenomenon, dating back to 1944. We have war to thank for this innovation, since the Disabled Persons (Employment) Act 1944 was explicitly linked to the number of injured and maimed people returning to the workplace from the battlefield. The Act stipulated that any organisation employing more than 20 people had to have 3 per cent of its workforce as disabled people. This meant effectively that an organisation of 34 people had to have one disabled member of staff. In practice the law was widely ignored, even though the quota was easily measured.

The excusal of smaller companies became a common feature of subsequent anti-discrimination legislation. The US's Pregnancy Discrimination Act of 1978, for example, outlaws prejudice in the treatment of women who are expecting a child, but only applies to organisations with at least 15 workers. While it might be argued that a company of two or three people should be protected from (and perhaps assisted with) any costs associated with hiring disabled staff, it's hard to see why a 15-person company is unable to cope with a pregnant member of staff. It's not as if pregnancy is unusual.

The UK's next anti-discrimination statute was the 1965 Race Relations Act,³ which defined racial discrimination as the treatment of one person less favourably than another on the grounds of colour, race, ethnic or national origins. It was now unlawful to refuse anyone access on racial grounds to public places such as hotels, cinemas or public transport, or any facility run by a public authority. Incitement to racial hatred was also made a criminal offence. The Race Relations Board was set up in 1966 to oversee the implementation of the Act, but its focus was on conciliation rather than the courts. In any case, the 1965 Act made no provisions for discrimination in employment, housing or education.

The 1968 Race Relations Act extended the law, making it unlawful to discriminate on racial grounds in employment, providing goods and services, advertising, housing and trade unions. But the 1968 Act continued to excuse government functions and services and excluded small businesses (defined as 25 or fewer people, amended in 1970 to 10.) The Act allowed for positive discrimination

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schemes to improve the representation of people from under-represented racial groups. However, in practice the Act was still a weak tool. Prosecutors had to prove that discrimination was intended; mere occurrence of discrimination was not enough to win a case.

The Race Relations Act 1976 extended the 1968 Act to cover housing, education, employment, vocational training, residential and commercial tenancies, and provision of goods and services. The definition of racial discrimination was broadened to include nationality. The Act also defined two forms of discrimination: direct and indirect. Direct discrimination is the classic understanding of discrimination, referring to unfair treatment of somebody on racial grounds. The Act defines victimisation as a form of direct discrimination. Indirect discrimination involves making demands of a particular group, that, although not racially related, do disproportionately affect that group. Individuals now had direct access to the law through employment tribunals and the courts.

The toughening of the race relations law in the mid-seventies followed a greater awareness of racism and its corrosive effects. Simultaneously, the development of the women's movement brought greater awareness of sex discrimination. The Equal Pay Act of 1970 was the first step towards legal equality of the sexes. The Sex Discrimination Act 1975 bans discrimination on the basis of gender in the areas of employment, education, the provision of goods and services and in the management of premises. The Act also outlaws discrimination in employment against married people (including, since December 2005, those in civil partnership relationships) but, intriguingly, not discrimination against the unmarried.⁴

Though it isn't widely known, the equality of men and women has been a key aim of the EU since its foundation under the Treaty of Rome in 1957, where the principle of equal pay for men and women is specifically cited. Some commentators have said that the original equal pay provision was made to ensure that women would not undercut men's wages. The Treaty of Amsterdam⁵ (1997) reiterates the EU's commitment to equality, as does the Charter of Fundamental Rights (2000).⁶

The oldest anti-discrimination law had meanwhile fallen into disuse. The original Disabled Persons (Employment) Act of 1944 was rarely enforced; in fact, only three prosecutions were brought under the Act in the last thirty years of its life.

The Disability Discrimination Act of 1995 gave disabled people clear rights in employment, education, access to goods and services, and property transactions. As we'd expect, these are the same areas guaranteed by previous anti-discrimination legislation. However, the Act also empowered the government to set minimum usability standards for public transport, showing a more direct involvement by government in how provision for disabled people was to be achieved. The Disability Discrimination Act of 2005 adds further detail, including application of the law to every activity in the public sector and requiring public-sector organisations to promote equal opportunities for disabled people.⁷ Looking back to the original Act of 1944, we can see an evolution from a reactive, quota-based mechanism with little power of enforcement to a more proactive, universal and standards-based approach.

The other pieces of UK legislation that make up the anti-discrimination framework are the Employment Equality (Sexual Orientation) Regulations 2003, which make discrimination on the grounds of sexual orientation in employment unlawful; the Employment Equality (Religion or Belief) Regulations 2003, which tackle discrimination by employers on the grounds of religious belief; and the Employment Equality (Age) Regulations 2006. The introduction of the age discrimination regulations in October 2006 provoked the kinds of complaints from industry that classically accompanied earlier anti-discrimination measures: the new requirements would add costs to business, would be unenforceable and were, in any case, an unnecessary intrusion by government into business affairs.

The effect of the law

Anti-discrimination law may have developed in a piecemeal fashion, in response to different political, social and economic pressures, but in its totality it is extensive, comprehensive and well-tested. This means that organisations cannot pick and choose which areas they focus on: they must apply the same standards across race, sex, disability, age, sexual orientation and religion. These are obviously non-exclusive categories, a fact which forces organisations to treat individuals as individuals rather than exemplars of any particular group. And the far-reaching nature of the legislative framework obliges organisations to look at discrimination holistically. Organisations need to examine their practices and culture across the board, rather than just assessing, for example, their performance in employing ethnic minorities or treating women equally.

The legislative framework enshrines the basic principles of anti-discrimination in our laws, but it does not guarantee positive progress towards diversity in all of our organisations. The laws can be used to defend rights, but not to engineer changes in society. They are essentially defensive rather than progressive.

Job done?

The long history of discrimination legislation, the wealth of advice available to organisations and the frequency of its coverage in the mainstream media would all suggest that diversity is well-entrenched in corporate policy. Indeed, the mutation of prejudice into an underground doctrine could even be said to be a result of 'correctness fatigue': a response to the tightening of controls in our organisations.

However, research suggests that organisations are less than certain about the strength of their legal compliance in the human resources area. Employment law advisers, Consult GEE, surveying businesses in 2005, found that only 49 per cent could say with certainty that their HR policies were in line with current laws.⁸

There's no doubt that failing to pay attention to diversity legislation costs money. According to the annual analysis performed by Equal Opportunities Review,⁹ British businesses paid out over £6m in compensation awards for sex, race and disability discrimination in 2004 – a huge jump on the previous year's total of £4.3m, despite a slight fall (3.5 per cent) in the number of cases. The analysis also shows that organisations continue to fail on the most well-understood and best-publicised areas of the law. In the area of sex discrimination, cases of dismissal for pregnancy accounted for 44 per cent of cases in 2004, a total of 96 cases (compared to 90 for the previous year).

These may be abstract figures, but more personal stories of diversity failures abound. Big pay-outs in discrimination cases are reported with depressing regularity in the media. While we might expect these cases to illuminate errors in the application of organisational policy, they often highlight a stubborn resistance by organisations to take their legal responsibilities seriously, despite the penalties. For example, in 2006 project manager Richmond Quarshie was awarded £63,000 for racial discrimination by Education Bradford. The award included £3,000 aggravated damages in recognition of his employer's 'wilful and deliberate' refusal to accept Mr Quarshie's grievance appeal. Prejudice isn't

accidental. The financial penalties of prejudice do not seem to act as a deterrent, nor as a tool of learning. Speaking to the BBC after the award, Mr Quarshie said that 'I have seen nothing that assures me that the right lessons have been learned from my case'.¹⁰

The same year Michelle Butler was awarded £93,000 for sex discrimination by Hertfordshire Police after being refused flexible work patterns on her return from maternity leave.¹¹ Over in the most private reaches of the private sector, financial controller Fikerte Gizaw was awarded over £40,000 when her employer, exclusive London club Home House, replaced her while she was on maternity leave.¹² These are hardly obscure organisations; nor were they found breaking obscure laws.

Ironically, large compensation pay-outs do have a deterrent effect – on applicants. The chairman of a major professional services firm said that bad publicity from sex discrimination suits had led to a reduction in applications from female graduates. Fiona Sandford of the London School of Economics said that 80 to 90 per cent of female students were concerned about media reports of the organisational culture at financial sector companies.¹³ The size of a discrimination award is more likely to impress a student than trouble the organisation paying it.

High-profile discrimination awards also provide intriguing glimpses into the dysfunctional behaviour of organisations. Laura Zubulake, who was awarded \$29m in damages against banker UBS in 2005, reported that when she complained about sex discrimination in her workplace, the head of HR told her to be more 'soft spoken'.¹⁴ Tyson Foods, the US's largest meat processing company, settled a 2006 racial discrimination case for nearly \$1m after employees complained that a company restroom was restricted to white workers – and even labelled with a 'whites only' sign. Meanwhile Tyson's 24-page Code of Conduct affirmed its commitment to a discrimination-free workplace.¹⁵

So whilst the legislation is very important, it is clear that it is not going to bring about the positive changes that were intended. Many organisations will seek to comply with the law rather than embrace diversity and inclusion – which is a very different thing.

Demographics

There are business opportunities in the demographics for sure. Today we not only have different designs on the various pound coins, but also a kaleidoscope of pound colours. The 'Pink Pound' refers to the spending power of the UK's gay men and lesbian populations. It is estimated that approximately 6 per cent of the population are gay men or women¹⁶ and last year they earned over £70bn.¹⁷

The 'Grey Pound' refers to people over 50 years of age. They hold over 80 per cent of the national wealth. According to 'Help the Aged', the over 50s spend £175bn a year, accounting for 45 per cent of total consumer spending.

The 'Brown Pound', i.e. the disposable income of black and ethnic minority groups, has been estimated to be at least £32bn.¹⁸

The 'Disabled Pound' refers to the £80bn of spending power of the 10 million disabled people in the UK.

The numbers are undeniably large and there are numerous examples of organisations successfully tapping into these markets. However, selling to these communities is one thing, employing them is completely different - the two do not necessarily go hand-in-hand.

The other business case argument related to demographics is that organisations should reflect their customer base. I fully understand the case being made here and I really would like to give it my whole-hearted approval. But I have my reservations.

Firstly, what if your client base isn't the consumers directly but another business – the senior people of which are white and male? Where is the need to employ people from those communities then?

Secondly, instead of giving this goal a pleasant-sounding name like 'reflecting our customer base' we relabelled it as 'race-matching'. Doesn't sound so innocuous now.

But could the logic of customer-mirroring actually support racism? If we're justified in seeking to replicate the make-up of our customer base in our workforce, then what's to stop organisations serving predominantly white communities from mostly hiring white people? This is exactly the argument used by US restaurant chain Shoney's when it ordered the 'lightening up' of its restaurants to

predominately white areas.¹⁹

The first two drivers then – legislation and demography – are external to the real goals of diversity and to some extent ephemeral. Legislative and demographic arguments for diversity are defensive, and fragile in the face of opposing forces. Laws change, are implemented differently in different territories and are interpreted differently by those who must comply with or implement them. They also necessarily follow, and seek to influence, societal changes. While we would expect organisations to welcome the clarity that laws bring and to create procedures to comply with them, the steady stream of discrimination cases shows that legislation does not bring automatic or lasting change.

Demographic arguments for diversity are swiftly defeated by economics. In boom times diversity is supported as employers seek labour; but when recession strikes, employment focus rapidly narrows to white males. To say that we need diversity policies to mirror our customer base presupposes that organisations understand their customers intimately – when, clearly, few do.

In the booming late 1980s the Equal Opportunities Commission misguidedly made demographic change and labour shortages the foundation on which it built its diversity strategy and goals. Women were seen as the growth sector for the labour market; therefore organisations would have to pay attention to women's needs and rights. When economic recession hit, the rationale for this plan was swept away. Now shortage of labour was the last thing on organisations' minds, and initiatives such as flexible working schemes suddenly looked like expensive luxuries geared to the concerns of a bygone age.

The case for diversity has to stand up in bad times as well as good. It has to succeed on its own merits, rather than being reliant totally on legal or economic environment. That environment, although it may look stable, is in fact a temporary phenomenon. Organisations respond to their environment, but they need not do so blindly. They can also choose to override the forces acting upon them from outside. Indeed, this is why humans create organisations: in order to achieve goals that random events cannot generate. Whatever an organisation does, it does because of the values it holds. If it bows to the external forces then it does so because it chooses to abrogate its responsibilities – to have no relevant values, rather than necessarily the wrong values. How do you want your organisation to run? You make the organisation what it is, not its environment.

Diversity within teams

Diversity advocates have begun to add a new factor to the business case for diversity: creativity. The reasonable assumption is that diverse groups will produce more creative solutions to problems and be more innovative than homogeneous groups and one can see this in the definitions that organisations provide for diversity. This is an attractive notion that makes intuitive sense. It also makes a direct connection between individual contribution and business outcome, addressing issues such as respect, equal opportunity and fairness. The call to creativity conjures up an image of equals working together to discover something that will surprise and delight them all, their differences generating novelty.

Diversity is already present in one form or another in most teams. Even teams who look similar in terms of ethnicity and gender are likely to be immensely diverse on a range of other characteristics including age, background, religion, disability and sexual orientation. In fact, it would be incredibly rare to find a team that is similar on all dimensions. The benefits of diversity within teams has long been researched and debated. The results are overall somewhat contradictory.

Teams that are diverse in terms of their nationality and ethnicity produce a wider range of alternate solutions to business problems, thereby maximising the chance of the best decision being made.²⁰ Other forms of team diversity have also been found to have beneficial results. For example, teams consisting of people with varying levels of experience have a positive influence on strategic decision-making; this is particularly true in terms of the number of alternative options the team produces. Diversity of knowledge in terms of education and position is also positively related to increased work performance and efficiency, as rated by managers. This depends on individual team members being prepared to listen and be open to the ideas of others.²¹

Team diversity is most beneficial in situations where idea generation and creativity is important, or when dealing with complex or novel problems. For example, teams that are diverse in terms of their roles and personality types outperform non-diverse teams on complex tasks.²²

A common explanation for these findings is that diverse team members bring different perspectives and experiences to the problem solving process, unlike non-diverse teams, who tend to view problems and situations from a broadly similar range of experiences and perspectives. This is known as 'group think' and

is typical of non-diverse teams who tend to reach consensus without challenging, critically testing, analysing and evaluating the ideas they have produced.²³

On the other hand one study looked at the impact of four dimensions of diversity in a group on performance in retail bank branches. Race and sex did not affect performance in any way, whereas age and tenure had a negative relationship with performance. Other negative effects of diversity directly affecting a team include:

- internal communications
- increased conflict

There are two types of conflict: task and relationship.

Task-based conflict²⁴ involves critical analysis and testing assumptions. It is this process that results in more creative and strategic aspects of problem-solving and these are important factors in developing creative and innovative solutions. Task-based conflict is also associated with higher performance in teams.

However, In addition to experiencing conflict about the task, diverse teams can also experience more relationship conflict. While the majority of the research suggests that this increased conflict does not necessarily lead to reduced performance, it is reasonable to assume that relationship conflict may result in disruption and impede the implementation of solutions, if left unchecked. Ensuring that managers and project leaders know how to manage conflict therefore is not simply good practice in any organisation, it is especially important in organisations with diverse teams.

Managers have also been found to be critical in deriving other team-based benefits. Employees who had managers who they felt were better at managing diversity were more likely to demonstrate discretionary effort at work.²⁵ Discretionary effort is behaviours which are not formally required from employees but are beneficial to businesses. Examples include staying late to meet a deadline or helping a colleague who is having difficulty completing their tasks. As these acts are discretionary, employees can choose to exhibit them and are more likely to do so if they feel their individual needs are being met by their managers.

Many teams are already diverse and businesses therefore have the potential to enhance creativity, idea generation and effort by ensuring they are managing this diversity effectively. Understanding how to manage this diversity effectively and

allowing diverse teams time to establish their own working guidelines, are two factors key to ensuring that the positive benefits of diversity are realised.

So we have two drivers which I feel are defensive – legislation and demographics – and one which depends on circumstances, i.e. team working. This leaves us with five more and I feel a lot more positive about these.

Recruitment and selection

Simple arithmetic shows that if you widen your recruitment pool, you have a better chance of finding good candidates. If employers are not attracting a diversity of applicants, then that suggests they need to look at the signals they are sending out to the community, as well as their recruitment policies and practices.

Organisations often take a passive position on the disparity between the diversity of the population and the types of people they employ. They may say they'd like to increase the proportion of people from ethnic minorities in their workforce, but that such people just don't apply.

We decided to test this commonly made claim. If, say, graduates from ethnic minorities aren't applying to the big companies we meet, then where are they applying? We firstly found that this topic had never been researched. We therefore went out on campuses to ask students what they looked for in an employer.

Undergraduate students in the UK were asked what was important to them when selecting an employer.²⁶ In comparison to white students, ethnic minority students showed a stronger preference for organisations described as 'an equal opportunity employer' - over 50 per cent considered this essential.

The top four factors that would discourage ethnic minority students from applying were:

- not having an equal opportunities policy;
- having a bad record in implementing equal opportunities policies;
- small organisations that may not have a positive stance on equal opportunities issues;
- organisations that have a bad reputation for staff welfare.

A similar pattern of results was found for female undergraduates. For white males, however, equal opportunities did not feature in their top ten factors at all.

Ethnic minority students also made more frequent use of newspapers, the media and 'word of mouth' to gather information and make judgements about prospective employers, whereas white students relied more on company brochures. This being the case, it will take more than a recruitment campaign to attract the widest pool of applicants.

Employers wishing to attract a diverse range of applicants benefit from widely communicating messages regarding their equal opportunity and diversity strategies. Several academic studies in the area are further proof of the importance of demonstrating an organisation's equal opportunities credentials.

In one study²⁷ participants were given two recruitment brochures for a fictitious company. One brochure made explicit claims about managing and valuing diversity, whereas the other did not. Regardless of minority status, the applicants were more attracted to the organisation when it was described as valuing diversity than when it was not.

In another study²⁸ undergraduates looked at recruitment materials with varying amounts of text on diversity and numbers of photos of people from minority groups. Ethnic minority men and white women who saw the brochure with more visual and text references to diversity were more attracted to the organisation than those who saw the material with fewer references.

In a further piece of research,²⁹ potential applicants were shown different sets of recruitment material. The first set presented photos of only white colleagues and managers. In the second set the managers were white but the employees were black and white. The final set had photos of black and white employees and a picture of a black manager.

The results showed that the different recruitment photographs had no impact on white applicants: they thought the organisations were equally attractive. Ethnic minority applicants viewed the organisations depicting white managers, regardless of the ethnicity of other employees, as equally attractive. However, they were far more attracted to the organisation which showed an ethnic minority manager. The results indicate that to attract ethnic minority applicants, it is not enough simply to portray people like them working at the bottom of the organisation.

It is clear that organisations need to go beyond the rhetoric and prove that they value diversity within their organisation.

Employers' experiences of attracting minority groups

Applicants are therefore attracted to organisations if they positively represent minority groups. Organisations have taken advantage of this and are now reaping the rewards.

Despite being located on the outskirts of Bradford, which has a high proportion of Muslim and ethnic minority residents, Yorkshire Water was staffed predominantly by white people.³⁰ The company was also struggling to find enough applicants for work with them. Yorkshire Water made changes to how and where jobs were advertised, moving away from traditional media to newspapers and magazines accessed by the ethnic minority population. They also moved to an assessment centre based approach, which helped increase perceptions of fairness of the selection process. The result was dramatic, with 930 applicants for the 10 jobs in the pilot process. They also managed to nearly double the proportion of ethnic minority employees in the business.

BT³¹ Openreach has been very successful in attracting women to their business, which historically had a 98 per cent male workforce. Openreach introduced a range of measures under their 'Fresh Air' campaign designed to increase female representation in engineering roles:

- advertised in 'outdoor' publications such as climbing magazines as the role involves lots of outdoors work;
- challenged the assumption that all engineers are male by featuring current female engineers;
- review of the recruitment process to ensure no bias towards men;
- redesign of the traditional engineer's uniform to make it less 'male'.

The impact of these measures was to increase female recruits from 2 per cent in 2005 to 5 per cent in 2006.

ASDA³² has taken a lead in attracting the large pool of older workers in the labour market. In fact, they are the UK's largest employer of people over the age of 50. The organisation reports the following benefits:

- older workers are being successfully used to mentor and develop younger workers;
- retention of older workers has resulted in reduced recruitment and training costs, as well as increased morale of colleagues;

- customers enjoy being helped by people of a range of ages;
- reduced levels of sick pay and absenteeism.

These case studies demonstrate the potential benefits available to businesses in closing the candidate and skills gap if they are proactive in identifying and addressing the barriers that stop potential employees from these groups applying.

Selection

The characteristics of fair selection have been known for at least 70 years, yet many organisations fail to follow best practice in selection – even though selection is amongst the most significant investments they make. We know the importance of conducting job analysis, creating specifications for the job and the person. We know of the need to develop selection procedures that help to measure candidates on these criteria. We also know of the need to train our selectors and to ensure that they know how to make decisions objectively and fairly. And yet so often, very few, if any, of these things are done. It's not uncommon to find organisations making selection decisions where none of the above has been done. No job analysis, no substantial criteria, no training, no monitoring. Under these conditions subjectivity, 'gut feel' and bias will occur.

And yet managers, often with the collusion of HR, will say they don't need these processes, experience is enough to tell them who the right person is.

And the last refuge for the person who is not bothered about fairness or diversity is 'blame the customer': food shops (customers won't like black people handling their food), broadcasters (viewers won't like the screeching voices of women) corporate lawyers (all our clients are white and male and we need to reflect that). I was once told that the fire service couldn't employ women fire fighters because people would refuse to be rescued by them.

Talent management

Since skills are equally distributed and don't pool in groups, then if some groups are not doing as well as others in the organisation then there's a problem with the way talent is being managed in the organisation. Opportunities are being denied, progression is being frustrated, some groups are being privileged above others – all these effects are the result of forces created by people, not by nature or chance. We may have generated these forces unconsciously, and may be

perplexed by the results they lead to. But we're not released from our obligation to fix the problem once we are aware of it.

This makes me wonder about the so-called 'War for Talent'. The proportion of people, who could be described as talented cannot have decreased surely? Organisations react to the alarmist cry 'War for Talent' with varying degrees of agitation. It seems that as the workforce has become more diverse the concern about levels of talent has increased. There is no need for concern. The proportion of talented people has not suddenly plummeted – in fact it has stayed the same. Instead we need to be clear that the mix of people who can be labelled 'talented' has become more diverse. The 'war', such as it is, only occurs if we continue to believe that only one predominant group can be deemed as deserving the label 'talented'. Rather than fighting a war a better strategy would be to ensure we find and develop talent wherever we can. This can only be to the benefit of the organisation.

This is where our inclusion strategies become of critical importance.

Retention

The attraction of diverse groups to businesses is the first step in ensuring that businesses benefit from diversity. The next is to ensure that organisations get the most out of their staff. To do this, businesses need to manage diversity to ensure a 'positive diversity climate'. A positive diversity climate is present in businesses that understand the different needs of their employees and ensures that these are met. This could include adopting flexible working arrangements or providing facilities for people to pray at work, for example. Indeed, more and more employers are turning to flexible working to increase staff retention. Supported by consultants at the Working Families organisation, Guy's and St Thomas' NHS Trust managed to reduce the staff vacancy rate in its paediatric intensive care unit from 44 per cent to just under 7 per cent. As a result the number of operations cancelled due to lack of nursing staff fell by 90 per cent.³³

Positive diversity climate has a significant and positive influence on organisational commitment, job satisfaction, satisfaction with manager and career satisfaction.³⁴ These findings are key because highly committed employees are more likely to stay with the organisation and be satisfied with their jobs.³⁵ This commitment also has strong links with job performance, reduced absenteeism and organisational

citizenship (going above and beyond the call of duty). So not only will people stay in an organisation if they feel their diverse needs are being met but they will also be more productive while there.

Recent research³⁶ in the US analysed employees' intentions to stay at or leave an organisation by ethnicity. It found a strong link between how well diversity was managed and people's intentions to leave the organisation, regardless of their ethnicity. However, the impact was especially significant for ethnic minority employees, showing that organisations that do not have a positive diversity climate are at far greater risk of losing their black employees.

A study³⁷ examining the working experiences of women in two organisations, one with a progressive approach to diversity and the other with no diversity agenda, helps to shed light on how the diversity climate can impact on people in the workplace. In the organisation with no diversity agenda, women who experienced difficulties at work, such as bullying, were unsupported as the organisation refused to accept responsibility for the inappropriate behaviour. Female employees described the environment as an unalterable part of working life and when asked whether they thought that women managers had a positive effect on the workplace, 28 per cent of male and 77% of female managers said 'yes'.

In contrast, the findings in the organisation with a progressive approach to diversity demonstrated that female employees felt able to voice their opinions and were respected at work. When asked whether they thought women managers had a positive effect on the workplace, 77 per cent of male and 93 per cent of women managers said 'yes'.

Men also report positive benefits of working in an organisation with a proactive approach to diversity.³⁸ For example, male managers working in organisations that support a balanced work/personal life reported less job stress, greater joy at work, greater job and career satisfaction, less intention to quit and higher levels of emotional well-being.

These findings suggest that when diversity is actively managed to create a positive diversity climate it has beneficial effects on employees' attitudes and organisational outcomes. Ensuring that all staff understand diversity policies and procedures and put them into practice is crucial. Research has shown that when employees are satisfied with their jobs, managers and careers, the organisation

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benefits from increased staff retention, motivation and performance.

There are many companies already increasing the retention of their staff by managing diversity effectively.

IBM³⁹ has been a market leader in managing diversity for many years, in fact their approach pre-dates equality employment legislation in the US and UK. IBM recognised that lesbian and gay people make up a significant proportion of both the labour market and consumer base. They set out to ensure that the employment experience of lesbian and gay people was as positive as for other groups in the organisation. Actions they took included:

- refusing to work with clients who did not want LGBT (lesbian, gay, bisexual and transgender) employees working on projects;
- demoting managers who demonstrated poor behaviours relating to diversity issues;
- introducing same sex partner benefits;
- introducing LGBT networks for staff.

The result of these activities was to increase retention of LGBT employees in the organisation and external recognition of best practice in this area.

BT⁴⁰ was awarded the Opportunity Now 10th Anniversary Award for Outstanding Commitment & Achievement to diversity. They have worked hard to ensure a positive diversity climate for employees. There was a particular focus on female employees, which has seen retention of women increase and resulted in a 98 per cent return to work rate following maternity leave, which is far higher than the national average. It has achieved these results through putting in place a number of practices:

- a range of work life balance tools, including a strong focus on flexible working;
- a job share register, to advertise internal job share opportunities for people who want to work part-time;
- development programmes to assist women in furthering their careers in BT;
- regular audits of equal pay issues.

These measures contribute to a positive diversity climate in BT and remove barriers for women resulting in increased retention and ultimately cost savings to

the business.

Flexible working

A recent survey of several hundred organisations across Europe showed that flexible working neither added to nor detracted from the organisation's performance. There is no reason not to embrace it, in other words, and in the survey, it also revealed that the top organisations were likely to offer flexible working options. Other research shows that it can have very positive impacts on organisations.

With the rise of 24-hour banking, Lloyds TSB recognised the need to offer employment policies that would attract and retain the best people from the widest pool of applicants. Lloyds TSB introduced an inclusive work-life approach that would appeal to all employees, regardless of race, disability or gender. Though some provisions focus on men and women with caring responsibilities, key policies are available for all employees. Requests for different working patterns or numbers of hours are based on business impact, not on the reasons why people are requesting flexible working.

A year after the introduction of the employment package the number of flexible workers rose by 15 per cent, 86 per cent of working options requests were approved, and 22 per cent of the applicants came from managers.

A number of tangible business benefits have been realised as a result of the employment package:

- staff cover can be extended at no additional cost;
- resources can be matched to peak demand;
- staff overtime is minimised.⁴¹

Brand reputation

One area that is worth mentioning with regard to the business case is brand reputation. Organisations invest huge amounts in their branding, attempting to differentiate themselves from their competitors and in so doing create customer loyalty.

Becoming a great company to do business with is an increasingly essential and challenging goal. Building and protecting brand reputation appeals to the evolving

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expectations of customers, shareholders and other stakeholders. The effective implementation of a diversity strategy is a core element in corporate reputation in the twenty-first century.⁴²

Customers are increasingly attaching great importance to a business's reputation. They may turn to a competitor if they feel a certain business is indifferent to the needs of a particular group of people.⁴³

A report by the European Commission highlighted that a growing number of European companies are adopting diversity and equality strategies, not only for ethical and legal reasons, but also for the business benefits that they expect to achieve. A major benefit of diversity is its ability to enhance a company's corporate reputation and image and its standing with the local community. Thirty-eight per cent of the companies surveyed cited this as a major benefit of diversity practices.⁴⁴ To achieve this, good practice companies take part in a variety of external activities in order to promote understanding of their principles and values. These activities include participating in research studies and benchmarking exercises, entering for equality and diversity recognition awards, philanthropic giving to tackle social exclusion, supporting access to education and training, and sponsoring or taking part in community festivals.⁴⁵

Businesses with good race diversity strategies experience profit increases. In a recent study of around 100 firms, a total of £13bn in profits were linked to activities concerning race. More than 90 per cent said diversity made good business sense for them.⁴⁶

Positive and negative diversity practices can have a significant impact on a company's reputation. Experiences of businesses such as Dublin Bus and Texaco, for example, highlight the importance of businesses proactively and effectively managing their diversity practices.

Dublin Bus

In 2003 Dublin Bus launched their Equality and Diversity Action Plan which focussed on dignity and respect at work, recruitment and positive action, ethnic diversity, disability, training and participation, work-life balance, as well as marketing and advertising. Working groups involving management, staff and trade unions are active on many diversity issues. These groups have initiated various projects to raise awareness and promote diversity both internally (e.g. intercultural

training) and externally (e.g. an annual all nations Gaelic football match).

The diversity initiative has significantly enhanced the external corporate image of Dublin Bus, as well as its internal people management skills and good practice in HR. The success of its equality and diversity programme has been highlighted in the Irish media. The Equality Authority in Ireland has also listed Dublin Bus as a Company of Best Practice in relation to its intercultural workplace.⁴⁷

Texaco

While Texaco was rolling out an employee diversity policy in the UK in 1996, a transcript of a meeting between senior officials of Texaco simultaneously appeared in the US on the front page of the New York Times.

The transcript from a hidden tape recorder detailed discussions about shredding documents requested by black employees in support of charges that the company discriminated against minorities in promotion and fostered a racially hostile company culture. The tone and substance of the discussion were racially offensive.

In a bid to avoid the boycott of Texaco being called for, the organisation spent \$176m to end the lawsuits filed by black employees – the largest settlement ever of a US discrimination case.⁴⁸ Despite the significant settlement, civil rights leaders such as the Rev Jesse Jackson continued to call for an economic boycott of Texaco. Demonstrations were held at Texaco petrol stations across the US. Many African Americans gathered to picket Texaco stations only hours after the settlement was announced. They held signs stating 'Justice at Texaco, End Racism at Texaco' and 'We Want Fairness'.⁴⁹

When discrimination issues hit the headlines, organisations are damaged. Their images suffer, and as a result their fortunes can take a turn for the worse. Avoiding damage to their reputation is another defensive reason why organisations try to take diversity seriously.

To give one example, my company researched perceptions amongst graduating students from ethnic minorities regarding the organisations they were applying to – or not applying to – for employment. We interviewed extensively on campuses across the country. During the project, Ford received much adverse publicity about advertisements it had produced where ethnic minorities seemed to have been removed – or groups of personnel altered to appear white. Union protests

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and media coverage ensured that the issue was live in the minds of the public. While Ford had previously scored well in our survey, the breaking of the story caused the company to plummet towards the bottom of our league table of organisations.

The story not only impacted on students' willingness to consider Ford as a potential employer but also their general attitude to the company and its products. One student told us: 'When I buy a car, it will not be a Ford.' Even if this student – and there were many others with similar sentiments – would never have considered joining Ford as an employee, he or she might have become a customer.

Diversity failures can therefore impact on brand values. The impact can also be lasting, leading to negative perceptions that are impervious to subsequent good news. The reverberations from such failures can also disrupt organisations' efforts to improve their performance on diversity: a public relations crisis becomes a crisis of confidence. A decade after the airbrushing incident, Ford's presence at a diversity conference is still framed by editorial reminders of the earlier incident, and the firm's spokesman acknowledges that it has tended to act under compulsion rather than belief:

Car manufacturer Ford has illustrated how far its diversity policies have come since a series of PR disasters in the late-1990s. Stephen Odell, vice-president for marketing, sales and service at Ford of Europe, said: 'We have moved beyond pressure groups and legal requirements and we want you to know just how far we have travelled in the past five years.'⁵⁰

Failures in diversity can also signal to consumers or shareholders that an organisation's management is not in control of its own legal conformance processes. If an organisation can ignore anti-discrimination legislation, how can we be sure that it obeys other laws? But more importantly, users of organisations search for a personal handle on those organisations. When organisations fail on diversity issues, they seem to demonstrate a lack of empathy with basic human values. They literally alienate themselves from the communities they serve and depend upon.

The business case fallacy

Having established those areas where I believe there is a business case, I now have a question that's rarely raised, but which is crucial to the pursuit of diversity: why do diversity and inclusion even need a business case?

Any business case is essentially a selling tool. It's designed to prove why a proposed change is worth the investment required to implement it. A business case for an information system, for example, will describe the business need addressed by the system, the savings or increased profits expected from its deployment, non-economic benefits such as improved quality or speed of service, and the costs of acquiring and installing the system. We paint a picture of a desired future state, compare it to present reality, and measure the gap. The audience for the business case buys the vision, stomachs the cost, and makes the decision.

In trying to make a business case for diversity, then, we're saying that the current business environment is lacking in at least some economic sense, and probably some non-economic senses as well, and that 'implementing diversity' will retrieve those losses.

For many people the reason for taking diversity seriously is a fundamental one: fairness. In Britain particularly there is a tradition that fairness underpins our liberties and our social systems. 'Fair play' is, perhaps somewhat hopefully, thought of as Britain's gift to the world. Treating each other with respect is at the basis of our social culture. The US values its meritocracy, France its dedication to liberty, fraternity and equality. 'Fairness' is a concept that mediates between the opposing ideals of complete equality and complete competition. By seeking to be fair, we place constraints on competition without insisting on conformity.

The legislative framework of diversity attempts to articulate this sense of fairness through the apparatus of the law. In other words, the laws translate natural justice into applied justice. The 'business case for diversity', in this reading, is therefore irrelevant. We don't need to make diversity stand up in terms of measurable benefits – because it's the right thing to do. We can also bypass the business case by pursuing the logic of diversity's natural rectitude and applying it at the macro-economic level: by ensuring we don't discriminate on the grounds of race, sex, age, disability or religion we maximise the competitive potential of the community.

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What's truly remarkable about this is the fact that we even need to account for the possibility of a business culture that does not respect diversity. No one would ask for a business case for safety, for example – at least, calls for such cases haven't been heard since Victorian times. Why should diversity be costed? Why do we need to project and quantify benefits from which the supposed costs of diversity can be reclaimed? What exactly are we looking for proof of? Do we really need proof to demonstrate that treating people objectively and more fairly will lead, overall, to better decision making and more talented people succeeding? What proof do we need to demonstrate that bullying and harassment destroy peoples' lives, create toxic work environments, damage reputations and impact on productivity? I have worked in the diversity and equality field for all my professional life and the constant call for a business case mystifies me more and more.

Early industrialists were blind to their workers' basic rights to life – and those who put profit ahead of the wellbeing of workers were the moral majority of their time. The exceptions were labelled as philanthropists. Treating workers as real, whole people rather than 'hands' was economic folly, politically dangerous and quite possibly a sign of lunacy. It's easy (and enjoyable) to condemn the magnates of history, but their ignorance – or perhaps innocence – lives on in the attitudes of those who demand a business case for diversity. The case for diversity should be self-evident. Where the case remains obscure, organisational prejudice is the force at work. It's organisational prejudice that prompts demands for proof, and sets impossibly high standards for the evidence demanded. Let us say we cannot find a case for diversity, does that mean that there is a case for discrimination?

American economist Gary Becker is a leading figure in the development of human capital theory. He was awarded a Nobel Prize in 1992 for extending economic theory to areas of activity normally restricted to sociologists and psychologists. Becker applies the economist's point of view – that human behaviour is rational and linked to objective goals – to non-market situations.⁵¹ Human capital theory states that education and training should be regarded as investments rather than costs, because they are adopted to increase the earnings potential of the individual.

Becker's first major work was *The Economics of Discrimination*,⁵² published in 1957. Here he showed that discrimination on the grounds of sex, race or any

other marker is poor business, regardless of one's moral views. He defines discrimination as a situation where people incur costs simply to avoid dealing with someone they regard as different from themselves. The discriminator behaves as if the other person has a higher cost than she really does. From the economic standpoint, both parties lose.

If we cannot show or be convinced that diversity is good for business then we can claim that discrimination is bad business. This message has trailed behind the core messages of human capital theory, which have gained general acceptance. Modern government policies explicitly align education and training with industrial and employment policy, emphasising the central role of human capital in the national ability to compete. We hear less about the hard, bottom-line damage inflicted by discrimination on both its victims and its perpetrators. However the origins of human capital theory rest solidly in the realm of diversity. Becker's predecessors John Locke, John Stuart Mill, Adam Smith and Karl Marx argued that training, not natural ability, was key to understanding wage differentials. Rewards flow from the individual's capability, rather than some static value lodged in that individual from birth. Human capital theory stresses the contribution of what we can do, rather than what we 'are'.

Have you ever seen a business case for...

delegation?

listening?

presentations?

business cases?

Inside view: promoting the diversity agenda

We invited delegates at a diversity conference to join a set of focus groups looking at ways of promoting the diversity agenda within organisations. The results bypass the formal distinction between strategy and tactics, striking right at the heart of what those interested in diversity believe needs to be done to change hearts, minds and actions. These are the leading arguments the groups developed for promoting the diversity agenda:

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- recruitment and retention
- creativity and innovation
- legislation
- reflecting customers and understanding local culture
- customer service
- moral argument

The list is highly pragmatic, and drawn from direct experience of what organisations are prepared to give their attention to. Some of the arguments may be amenable to translation into lines in a business case, though they would need to be heavily footnoted with the assumptions underlying their construction. For example, putting a hard value on 'creativity and innovation' is notoriously difficult, even though few would dispute that creativity and innovation contribute massively to business success. But it's important to notice that the list of arguments doesn't include 'the business case for diversity'. Diversity's advocates know that a coherent business case for diversity does not exist, and while they may be tempted to try and construct one in response to a demand, when asked to make their own plan for diversity, as here, they don't consider 'the business case' as a useful tool.

If those promoting diversity did choose to wrap their campaigns in a business case, then presumably their chief obstacle to success would be 'failure of the business case'. Business cases can fail on their own merits, by not achieving positive business benefits within the timescales required by the organisation, or by demanding investment that the organisation cannot make. But business cases can also fail in competition with other cases. They may be perfectly sound in themselves, but offer a less attractive return than their competitors. Given that resources are constrained, a diversity business case may easily lose out to, say, an information technology case with apparently 'harder' benefits. And given that the major resource in any organisation is attention, underlying (if unarticulated) resistance to diversity can result in a diversity business case being sidelined and then failing for lack of active supporters in the decision-making process.

Our participants identified a series of obstacles to the acceptance of diversity. These were:

- lack of understanding or misperception of diversity
- resource and priorities (time, people, budget)
- resistance to change
- different styles of management needed
- perceived as HR responsibility

These responses could be summed up as 'I don't know what you're talking about, I don't have the time for it, and it's not the sort of thing I do in any case and it's not my job'. No wonder promoters of diversity feel so thoroughly rejected by their organisations.

We couldn't allow our focus groups to go home depressed, so we also asked them how they thought they could overcome these obstacles. Again, it's noticeable that the list of ideas doesn't contain the entry 'Write a killer business case'. The obstacle-beaters were:

- education and awareness of what diversity is
- to mainstream diversity into all we do
- show that diversity is not just HR's responsibility – everyone is accountable
- to promote leadership commitment from the top
- to integrate diversity into business strategy

For me, one of the most striking things about this excellent agenda is the use of 'mainstream' as a verb. Diversity and inclusion are about fairness and equality, and about respect and contribution. Achieving diversity means overcoming or redefining the boundaries that exist in society and that are magnified within organisations. It's really about making everyone mainstream. Frustratingly, diversity itself has been marooned in one part of the organisation. We need to filter diversity into the mainstream. We need to spread the principles and practices of diversity beyond the HR team so that they become an integral part of every aspect of the organisation's life. The task ahead of us is not to 'manage diversity' by giving it a home, clothing it in policies and giving it a lethal business case. The challenge we're facing is that of becoming diverse. This is a life-change for our

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organisations: an evolutionary step, not a bolt-on. Making that step requires a mass of individual changes. It requires that we change the way we think.

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