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Report by Emma Meurling

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Diversity as a business opportunity

The giraffe and the elephant

A giraffe and an elephant consider themselves friends. But when the giraffe invites the elephant into his home, disaster strikes. The house has been designed to meet the needs of the tall, slender giraffe. The elephant smashes into doorways and walls trying to manoeuvre. The giraffe gently suggest aerobics and ballet classes. The elephant is unconvinced. To him, the house is the problem. He is not sure that the house designed for a giraffe will ever really work for an elephant, not until there are some major changes (Thomas, R., 1999).

Abstract

Diversity, as in all the ways we differ, has been on the agenda for many years. More recently have companies and organisations looked at diversity from a more business point of view; if there is a competitive advantage and if it is possible to show a return on the investment in comparison to working with diversity as a more moral or social thing to do.

If a diversity strategy is to be a business opportunity it has to be managed accordingly. A strong and visible commitment from the senior management is key, as is training in awareness and understanding of being a minority and how to work together.

This report shows that companies and organisations which have and work accordingly with a diversity strategy believe there is a competitive advantage with diversity management. This is the case, even if it they believe it is not always possible or meaningful to show a return on investment.

Thanks

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This is to Fredrik, Sigge and Märta.

Richmond, May 2005

Emma Meurling

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Introduction

The aim with this report for the PAUSE Foundation is to show how diversity management is documented in the strategic processes in English businesses and organisations and to find out if and how they see the return on the investment in a diversity strategy.

Diversity, in this report is “all the ways we differ” (Shell Ltd, 2002). Diversity can be both visible, e.g. age, gender, race, ethnicity, or invisible, e.g. personality, education and functional background, approaches to work, management styles and leadership. The differences do not have to be job-related (Singh et al, 2002b).

The discussions about diversity are not new. What is new is the organisations realisation of diversity management and its relevance for keeping up the competitive advantages. And as for all competitive advantages, diversity has to be managed in order to generate value. Most organisations are still concerned with the implementation phase of a diversity strategy rather than how to measure it (Singh et al 2002b).

Not all companies and organisations have found that a diverse workforce will add to the success of the business. Some will even argue that it creates more harm than good through difficulties with communications and work climate and which therefore will lead to a higher turnover (Anderson, Metcalf, 2003 and Singh et al, 2002b).

There are companies and organisations in the community which see the value adding aspects with a diversity strategy and a diverse workforce. The people who are positive to diversity management argue that organisations can not afford not taking advantage of a wider talent base when recruiting, exploring new ways of problem solving and having an organisation that reflects the diverse customer and consumer market.

In Sweden the diversity management discussions focus on how to get ethnic minorities properly in to the workforce and why there are so few women in higher managerial positions (Svenskt Näringsliv, 2002). Sweden has come far in combining working life with family life. But when it comes to integrating a diverse workforce, Swedish organisations have a more to learn. The discussions are still about how to make people who are not the norm fit in to the norm rather than taken advantage of them being different, which is the proper meaning of diversity (Cerpo, 1998).

In a research done to study how diversity management is promoted and documented on the company web-pages in several European countries, UK was on the top of the list with the most willing companies to show diversity commitment. In Sweden a third of the companies did not mention diversity at all and less than half of the Swedish companies had anything about diversity on their web pages (Point and Singh, 2003).

It is my view, from having lived and studied in England for a while, that many British organisations are a head of Swedish organisations when it comes to integrating ethnic minorities in the workforce and also in emphasising on diversity strategies from the very top of multi national organisations, hence the reason for me to study diversity management in English organisations.

Method

I undertook a critical review of secondary literature sources such as books and articles, found in the Athens database and in magazines. I have also collected primary data from semi-structured interviews with three companies from the private sector and one public organisation. The interviews have been done in personal meetings and on telephone (Saunders et al, 2003).

Finding people to interview have proven harder than I thought. The reason for this was mainly the workload and the amount of requests for interviews the diversity managers received daily.

I have studied several company and organisation web pages for gathering information. Most companies I have talked to, refer to their web pages and they have a lot of information there. There is a risk of this material being there as window dressing. But

I still find the information too useful not to use! It also shows how important they think the diversity issue is, by producing and publishing all this material.

Diversity

One of the first steps to take when deciding to work with diversity management is to get a definition of what diversity means for the organisation. The definition in a lexicon is “quality of being different or varied” or “range of differences” (Collins dictionary, 2004) Organisations will take that definition in broader or narrower sense. It is important to have the same understanding of its contents within the organisation.

Diversity can be both visible, e.g. age, gender, race, ethnicity, or invisible, e.g. personality, education and functional background, approaches to work, management styles and leadership. The differences do not have to be job-related (Singh et al 2002b).

When talking about the meaning of diversity, there is often the image of an iceberg, where the visible differences are what you can see above the water level but there are a majority of invisible areas which are hided in the water. When it comes to a work situation, the invisible differences could be the ones that makes a difference; both in a positive and negative way. They will affect the collaboration, openness and trust of people in their daily work (Singh et al. 2002b), if they are managed professionally.

At Shell Ltd for example, diversity means “all the ways we differ. It includes visible differences such as age, gender, ethnicity and physical appearance; as well as underlying differences such as thought styles, religion, nationality and education. This means respecting, valuing and harnessing the richness of ideas, backgrounds and perspectives, i.e. a new source of creativity” (Shell Ltd, 2002).

One way of looking at diversity is by being equality minded and valuing fairness. The people with this view would encourage and even expect minorities, like women and ethnic minorities to blend in “to the norm” (Thomas and Ely, 1996). To be a diverse organisation, on the other hand, they have to allow employees to use their unique personal assets and experience. “People have equal rights but different needs” (Metropolitan Police, 2005).The employees are a source of information which most organisations need to gain or increase competitive advantage. “It is how a company defines diversity and what it does with the experience of being a diverse organisation that delivers the promise” (Thomas and Ely, 1996 p.81).

Managements that have the assumption that “we are all the same” will have difficulties in exploring how “people’s differences generate a potential diversity of effective ways of working, leading, viewing the market, managing people and learning” (Thomas and Ely, 1996). By everybody being the same, it could be argued, that there are nobody to challenge the way of working and lead the business forward.

Several companies and organisations have broadened the definition by including inclusiveness in their diversity strategy. When talking about diversity and inclusiveness (D&I) companies state that it is not only about having different minorities represented and working in the organisation. It is also about valuing their differences and letting them be included by providing an environment where everybody is “involved, supported, respected and connected” (Strategic HR review, 2004 p.8).

The best companies for minorities

The American Fortune Magazine publish yearly a list of the most successful and popular companies to work for in the USA. They have a list with the best companies for minorities. [1]

According to the magazine, there is still a need for a special minorities list since not every company is successful in fostering diversity. The successful companies on the list hire and promote minorities and they interact actively with minority organisations in their community. Some of the companies even do their best in purchasing from

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[1] Even if Fortune Magazine is a non-academic journal and I have not studied their references, I still think it is worthwhile mentioning their findings here.

minority companies. Another thing that the companies on this list have in common is that their management are involved in the diversity efforts and have the ability to push beyond status quo.

In 2004, and the year before as well, McDonald's was top on the list. They had the highest minority employee-retention rate and 53% of there employees are minorities. Half of their vendors were from minorities. In their board of 16 persons they had three minorities. Number two on the list was a mortgage finance company, Fannie Mae. They had 15 minorities among their 50 best paid employees. According to themselves, their key to success was to focus on developing effective leaders rather than on race (Fortune, June 2004).

Reasons for investing in a diversity strategy

Strategy is embodied in the important choices the managers and employees make about what and how to do business (Boxhall and Purcell, 2003). It should be possible for an outside viewer to see the company strategy through observing the organisation's ways of working with its environment. "Making a business successful is about giving due attention to the critical aspects of all the essential parts of the system, ensuring they are genuinely supporting the firm's mission and one another" (Boxhall and Purcell, 2003, p. 29). Which issues to be strategic or not strategic, will change in the same way as the ever changing business environment. If the company does not understand its environment it will not be successful, with or without an internal strategy. If the firm does not have "the *savoir faire* to compete in its chosen market, it is not going to be taken seriously by potential customers and investors" (Boxhall and Purcell, 2003, p.30).

According to Boxhall and Purcell (2003) there are several strategic management books that assume that good strategy appears out of nowhere and that the employees do not seem to be involved or only as an afterthought. From Boxhall and Purcell's point of view, there are two strategic issues that are essential for success. These are that companies must have a certain baseline condition which is similar to their competitors, like banks or car manufacturers, and secondly having the opportunity to be positively different.

Because companies have networks of stakeholder groups, any major initiative involves a great deal of political management, particularly where investors must be persuaded to support the initiative or when employees have to do major changes to their daily duties.According to Ross and Schneider (1992) part of a strategy is to spend time to achieve an understanding and agreement so that the strategy map can be navigated by the employees and is not dependent on key individuals.

Mintzberg et al have five definitions of strategy as shown below. The advantages of a chosen strategy definition for an organisation can be seen as a disadvantage for another. It all depends on the business, its aim and environment, among other areas.

Definition	**Advantage**	**Disadvantage**
Strategy sets direction	To be the map for the organisation to follow	If the map is followed too closely, there is a risk of missing what is going around
Strategy focuses effort	So that everybody work towards the same goal.	Risk of not looking outside the box, in a group thinking environment.
Strategy defines the organisation	It is the summery to help people understand the business	Risk of stereotyping the organisation and losing the rich complexity
Strategy provides consistency	It can simplify and explain the world, and therefore facilitate action.	Being a simplification, every strategy can have a misrepresenting effect.
Strategy is a ploy	Giving the market the misleading impression that something is going on.	The misleading is the strategy rather than the impression.

(Mintzberg et al, 1998)

In several management books, different strategies are presented with advantages and disadvantages. There are never ending streams of new trends within the world of business strategy. It will be so as long as there is a market for it. The successful strategy trends have an ability to meet the needs of the managers and for the managers to be seen as progressive and inventive. The strategy also has to be used as a support in decision making (Abrahamson, 1996 cited by Bengtsson and Skärvad, 2001).

It is up to each management to create a business strategy that gives them the best competitive advantage. Different strategies fit different organisations and also different issues within the organisation. There are two models discussed with in Human Resource Management, weather to use a best fit or best practise approach in implementations (Boxall and Purcell 2003). With the best fit approach, organisations appropriately integrate strategy to fit with the specific surroundings. With this approach there is a risk of "inventing the wheel" again, which could be both time and resource consuming. With a best practise approach, organisations "copy" or use what have been successfully implemented in other organisations. The down side with the best practise approach is that what is suitable for one organisation or task might not completely suite another.

A strategy should help the organisation fulfil its goals rather than fulfilling the words on a paper. Learn from the past, have goals for the future and look at the reality today. Everyday is a new reality.

"I see three main points to make the business case for diversity:

1. *A talent shortage that requires us to seek out and use the full capabilities of all our employees.*
2. *The need to be like our customers, including the need to understand and communicate with them in terms that reflects their concerns.*
3. *Diverse teams produce better results.*

This last point is not as easy to sell as the first two, especially to engineers who want the data. What I need is the data, evidence that diverse groups do better" (Lew Platt, former CEO of Hewlett Packard, 1998, cited by Kochan et al 2003).

Reasons for companies and organisations to look at diversity as a business issue have been in the belief that discriminations are wrong, both from a morality and a legally perspective. But, according to Thomas and Ely (1996), many managers have now seen that a diverse workforce will increase organisational effectiveness by increasing the work morale, getting access to new market segments and improve productivity. The diversity within the organisations is an asset, to important not to take advantage off (Singh et al 2002b). Diversity management strategy is “the commitment by organisations to recruit, retain, reward and promote a heterogeneous mix of employees” (Ivancevich and Gilbert 2000, Thomas, 1990 cited by Singh et al 2002b).

Diversity is a business area that needs to be managed strategically because it represents a significant challenge to the existing culture. A diversity programme needs to build support from a wide range of people across the organisation, from top to bottom, in order to stand a chance of making any progress at all. Without a conscious strategy in place there is no vehicle for rallying this support and focusing effort (Ross and Schneider, 1992).

In today’s labour markets and customers markets, diversity is already a reality. But in order to be successful in working with and gaining value from diversity, organisations will require a sustained, systematic approach and long-term commitment (Kochan et al, 2003). Diversity can represent a fundamental strategic lever to improve business performance and to support the process of continuous innovation (Singh et al 2002b). Both for public and private organisations diversity can prove to be an important strategic lever. The public sector has to serve a diverse group of customers and will gain from having a reflective and understanding employee group. There is also a pressure from the society, being the customer base and the stakeholders, to work with theses areas.

Implementing diversity will provide employees with new skills and promote a more flexible working environment and enhance innovations. It gives the organisation a better understanding of its customers’ needs and a right manages diverse workforce a more efficient working environment through increased flexibility and understanding for market needs. ”In particular, by using diversity management, organizations can leverage the diversity of the workforce in order to help achieve sustainable competitive advantage. From this point of view senior leaders need to view diversity as an asset and diversity management as a strategic completive managerial approach and a completive business strategy” (Singh et al 2002 p.2).

Singh et al (2002b) presents seven key driving strategic factors for implementing diversity in the strategy:

External driving forces

- Labour market demographics

All businesses today are aware of the fact that the workforce is getting older. The large age groups are getting older and the younger ones are much fewer. In some business, like DIY (Do It Yourself), customers have asked for older and experienced shop assistances. In some areas it will give more credibility to the advices given. As well as offering people to work longer they have to be offered more flexibility. They represent a workforce that does not have a lot of unemployment. Being attractive employer for the older generation is on many businesses priority list for the future. It will be a though task in the future to get hold of the talents in the younger generations.

> *In the late 1980-is British home and garden company, B&Q, needed to expand. They had a young work force and the staff turnover was high which led to high recruitment costs. Customer surveys had shown that customers preferred getting advice in DIY by older employees. When focusing on hiring older workers (+45) they had some barriers to cope with; educational qualifications, pension policies, recruitment campaigns and company image. To succeed they needed to show commitment to their new policy and also show measures of success. The result showed a profit raise by 18 %, a six times lower staff turnover, 39% less absentees and improved customer service and a more skilled work force (www.diy.com, 2005).*

- Globalisation of business

When companies expand over the borders a diverse workforce will help to achieve a better match between the company resources and demands from the new market. It is also a way of improving the co-operation between subsidiaries in different countries and cultures. To raise the awareness and opportunities the diversity will create.

British bank HSBC calls itself "world's local bank". They have branches in about 80 countries. On their webpage they state that the better their workforce reflects diversity, the better can they anticipate their customer needs. By working in a diverse environment their employees are better in adjusting to new situations according to HSBC. A respect for all individuals will lead to loyalty among customers and employees which then will lead to successful business goals (www.hsbc.com, 2005). "We are so convinced of the business fit with diversity that we focus all our advertising around it" (Email from Sue Jex, Diversity manager, HSBC, February 2005).

- Social, political and/or legal forces

A bottom line in doing business is to follow the law and legislations. Diversity is covered by law in different aspects in different countries. With having a thoroughly made diversity strategy the demands from the law will be covered. Legislations have been implemented to secure equal opportunities around Europe, but in practise it looks different (Point and Singh, 2003). The areas included in "Equal opportunities" have now moved on to "diversity" and even in some companies "diversity and inclusiveness" to include different kinds of minorities. In the competitive business environment it is very important to act politically correct.

The British National Health Service (NHS) started their diversity work in 2000 when the Department of Health issued a framework for equality and diversity within the NHS. Their national diversity program guides their member organisations to develop the knowledge and capacity to build, manage and retain a diverse workforce. They want their workforce to reflect the community, which they serve. They have also a network developing practical ways of managing diversity in the organisation which benefit employees, service users and carers. NHS state that diversity is at the hart of their business strategy and that diversity allows them to deliver a better service and improve patient care (www.nhsemployers.org April, 2005).

Internal driving forces

- Organisation determinants

Many stable and bigger organisations seem to be more unwilling to adapt change in general and for diversity actions in particular (Kelly and Amburgey, 1991 cited by Singh et al 2002). Some companies use diversity strategy in change to support the cultural change.

A research will be done during spring and summer 2005 by Opportunity Now (an organisation which supports businesses in their gender and diversity work) to study difficulties line mangers meet in their work to put diversity policies into practice. Earlier survey had shown that employers had found difficulties in getting middle managers committed to the diversity issues. When 81% of the responses believed they got their executives committed to the diversity issues, only 61% of the middle mangers were committed. Even if training sessions had been successful they still focused more on the legislation issues than on the business case. The researcher in the new report want to understand the difficulties line mangers are experiencing when putting the diversity strategies into action and show skills and behaviours they will need to succeed in the implementation and also to manage a diverse workforce. (www.bitc.org.uk, February, 2005). For many mangers the diversity work is seen as another work task rather than a strategy to fulfil the business goals.

- Competitive advantage

By having employees from different backgrounds, diversity contributes to an increase of organisational creativity, problem-solving and flexibility. A diverse workforce will also reflect the society in which the organisations operate.

IBM has eight research labs around the world. This helps them to be close to their market and to understand the market needs. With a diverse workforce the company "values and recognises the enormous benefits of capitalising on the *skills and talents inherent in all segments of the global community" (www.ibm.com, 2005).*

- Internal pressure

As the awareness of diversity and equal rights rises, employees can put force on their organisation to commit to a more flexible working condition, support women in management, increase recruitment of minorities etc. Even trade unions may play a role in this sense.

The TUC is the umbrella organisations for all Britain trade unions which represent six and a half million workers. It has, according to its web-page, always had diversity and equality as an ever-resent theme. They have campaigns for ethnic minorities, disability workers, they campaign for equal rights for lesbian, gay, bisexual and transgender people, for men and women's equal rights and specific women's issues. Their campaigns aim both at the work but also in society (www.tuc.org.uk, 2005).

- Management commitment

Like in all major change activities or commitments, to have the management on board is crucial. They are required to set the strategy and therefore also have a critical role to play both as role models for the rest of the organisation and in setting directions and reviewing progress. Several companies use leaders in the organisations to be champions and promote diversity initiatives. It is important that diversity is addressed by the senior management and that they show real commitment by taking opportunities to talk about the issues and to act in line with the diversity strategy. When mangers who are interested in these questions are appointed, change happens much quicker. This support and commitment from the top remains one of the most critical prerequisites to a successful program (Ross and Schneider 1992). If the will and belief isn't there from the management, it is not worth doing.

At Shell, diversity and inclusiveness, is a global policy endorsed by the board which has high expectations and requirements for the whole business. The diversity and inclusiveness progress in reviewed twice a year and the results are *presented to the board. The global diversity council is headed by the chairman. Other commitments by senior management are; business level councils which drive the diversity and inclusiveness plans, senior leader conferences worldwide on diversity and inclusiveness, senior sponsorship of employee networks and minority development and finally have the leader personally undertaken inclusive behaviours assessment (www.bitc.org.uk, 2005).*

- Other drivers

In Singh et al's (2002) report other drivers came up through their interviews with participating companies, such as customer and shareholder pressure and social, moral and ethnical values. These are competitive advantage factors for getting customers positive towards the business and finding people who share the values and want to apply for work.

Starbuck cafés have their social responsibility report on their UK welcome page on the internet. They want to sell the best cups of coffee without compromising on their principles. The first two principles on their list is to; provide a great work environment and treat each other with respect and dignity and secondly to embrace diversity as an essential component in the way they do business. They want to mirror the customers and community in which they operate. When choosing suppliers, they strive to work with suppliers that support their principles (www.starbucks.co.uk, 2005).

The Thomas and Ely report (1996 p.86) presents eight preconditions which would help in making a diversity strategy successful:

- The leadership must understand that a diverse workforce will embody different perspectives and approaches to work, and must truly value variety of opinion and insight.
- The leadership must recognise both the learning opportunities and the challenges that the expression of different perspectives presents of an organisation.
- The organisational culture must create an expectation of high standards of performance from everyone.

- The organisational culture must encourage openness.
- The culture must make workers feel valued.
- The organisation must have a well-articulated and widely understood mission.
- The organisation must have a relatively egalitarian, non-bureaucratic structure.

All these areas show the importance of management commitment and their vision of the purpose, in succeeding with diversity as well as with other business strategic matters.

The reasons for diversity management are workforce utilisation, a diverse customer base, market globalisation, improved productivity, continuous quality improvement, secure a talent base, increased creativity and innovation, synergistic teamwork and avoidance of lawsuits (Litvin, 2000, Yarrow 1996 cited by Singh et al 2002b). Even so, there has been little proof of a link between the implementation of diversity and the company profitability (Singh et al 2002b). Some companies argue that a diversity strategy implementation is a long process and it will therefore take long to see the gaining but they are convinced that it is too risky not working with this issues for the future competitive advantage.

In the USA corporations see diversity as a business initiative and that the future for these companies lays in the way they handle diversity management. In a business world where most companies have down sized their work force, it is essential to make use of a smaller workforce and people from different back-ground must be able to work together and respond to the diverse customers base (McCune, 2001).

An US CEO saw diversity strategy as making a *business case* – not a moral or emotional one, when he realised that the company had difficulties retaining women, even if they recruited the same amount of males and females. The reason the women stated for leaving the company was that they found difficulties in progressing in the male dominant business culture rather than, what could be seen as the obvious reasons, of combining family life with a business career (McCracken, 2000).

Another study has shown that ethnic minorities became de-motivated in their work situation when they saw white colleagues getting better assignments and faster promotions (Thomas D, 2001). This reaction is undoubtedly the same for all minorities. A few years of this second-hand status drives most of the minorities away, which leads to a high turnover. The challenge is to create an environment where everyone will do their best work, to create a dominant heterogeneous culture (Thomas R, 1990).

In the stages before having a fully diverse and inclusive culture, it is different and tougher being on the "cutting edge". The people involved in this process will face new problems and other mistakes than elsewhere. They could be seen as pioneers and must get support and understanding for going through this process (Thomas R, 1990, p.117)

To become a diversity open employer and have minority groups represented, there is a critical mass to take in consideration to make it worth while. The minority group need to be between 15-33% of the workforce in order to be taken advantage of. It is much harder to bring in a new member to the organisation if they feel underrepresented. If the critical mass comes below 15-20% they will not feel as they belong in the group (Salomon and Schork 2003).

Measure the return on investment

Most literature about measuring human capital state that managements are only serious about things they can measure and therefore only measuring things they are serious about (CIPD, 2002, Mayo, 1999). Since many organisations argue that their people are their most valuable assets and probably highest cost (Johanson and Larsen, 2000) one could ask why this issue still is hard to conquer. We live and work in a high-performance business culture that should speak for having diversity action plans and make managers report on progress.

Johanson and Larsen (2000) discuss reasons for using measurements in business in general. The first reason is to provide information for decision making and secondly, to help with a greater understanding of the financial impacts on activities. Right measures can act as an instrument for influence in the daily business. Even the process of calculating the measures is as important as the result as it may help to solve the problem (Johanson and Larsen, 2000, CIPD, 2002).

Having a system for calculating business areas also encourage people to think in terms of numbers and the next step; costs and earnings. It is important to ask for the reason for certain questions; as one consultant put it; “which should be the important HR measure- the dollar spent per employee or the profit earned per employee? (IOMA, 2004 p. 2)

Both private and public sectors are becoming more numeric, more demanding, more target and ratio-driven. The questions to be asked, according to Mayo (2004), are if tasks or projects are future value added for stakeholders and if the return on investment from specific projects and programs is good enough.

There are many researchers that do not support the idea of measuring human capital, arguing that everything in business is not affected or a result of calculations and measurements. The discovery of hidden costs and incomes should be a strong incitement in implementing measures at human capital according to Johanson (1999). But in some cases, according to Johanson and Singh et al (2002a), even companies which are using measurement systems fail to take advantage of the results and make changes accordingly.

In 2003, United Kingdom’s Secretary of State for Trade and Industry, Patricia Hewitt, appointed a work group, the Accounting for People Task Force. Their task was to look at ways in which organisations can measure the quality and effectiveness of their human capital management. The report stated that the reasons why organisations do not report measures in Human capital are the fear of competitors on one side and unions and employees on the other side. The fear was for disclosing sensitive information and information that may restrict the organisation’s flexibility. On the same time, organisations stated, in the report, that their employees are their competitive advantage, and that has to be shown to investors and other stakeholders in the future (Stiles and Kulvisaechana, 2003, www.accountingforpeople.gov.uk, 2005)

Investors and other stakeholders are a wide group of people with different interests in the organisation. As most measurements are to be presented to them, businesses has to take this in consideration before implementing measures and targets in order not to let the figures be seen as to simplified or complicated. According to the CIPD report (2002), the challenge for the future is for companies to "identify and report on the dynamics and value" (p.15) within the company rather than looking strictly on financial measures. Stakeholders are only interested in the measures that will create future values (Mayo, 2002).

Companies must measure what is meaningful to measure for them, there is no one-size fits all (Metrics, 2005). A first step to take before starting to measure should be to review "what is currently measured and why" (Cornelius and Gagnon, 2004, p.31). Cordes (2005) argues that if the success of an activity can not be measured, the activity should probably not be done at all. Successful departments should be able to measure the value to the business of what they do according to Mayo (2004).

Areas companies measure diversity progress in, is in recruitment, training, retention and promotions; how many minorities applied for a position, how many got interviews, offers and got accepted etc. In management audits questions are about how many minorities are among the high potentials, and how the potentials' career path is monitored. How many minorities join mentor programs and use job flexibility offers for example.

Other areas where diversity measures are used are in employee surveys and customer surveys. Even management performance is measured in diversity performance; how well the manager is managing the diverse workforce (Singh et al, 2002a). These measures help to create a picture of how the diversity strategy is managed and progressing in the organisations.

Even so, "as with any people development process, it is very difficult to make correlations back to business success" (CIPD, 2002, p. 48). In the same way as measurements like numbers of training days reveals very little about how the employees have been developed. "Another reason for the lack of evidence linking workforce diversity to business performance may be that the relationship between diversity and the bottom line is more complex that is implied in the popular rhetoric" (Kochan et al 2003 p.5).

In England, public sector organisations have to gather data about their employee's about gender, race/ethnicity and disability. Private companies have been more reluctant to ask for this information. Without this information it is much harder to be able to gather information about the need of improved diversity strategies and the return on the investment (Singh et al 2002a).

In a survey done by Thomas, D. (2004) at IBM, the CEO said "We made diversity a market-based issue…It's about understanding our markets, which are diverse and multicultural" (p.1). Integrating diversity with management issues was essential for the CEO; he also said "if you were to go back and look at the worth of executive committee discussions, you would find two subjects…that appeared on every one of the agendas. One was the financial performance, led by our CFO. The second was a discussion of management changes, promotions, moves and so on, led by our HR person" (p.8). IBM has managing diversity as a core competence and a parameter in assessing managers' performance. It is also included in the mandatory training for new managers. This shows how strong the business case is; even if it is not always in money, it is still numbers on how they progress in diversity management.

At IBM, according to the same report, the management hold their managers accountable for diversity related results. They did not set quotas, "but set goals and made people aware of the people in their units who they needed to be accountable for developing" (p. 9). IBM's effort to develop the client base among women-owned businesses have expanded to include other, mainly, ethnic minority organisations. This market development organisation grew its revenue from 10 million dollar in 1998 to hundreds of millions of dollars in 2003.Even if there are no exact numbers, it should be enough to show that there is a business opportunity.

An US organisation, Business Opportunities for Leadership Diversity (BOLD) asked a group of researchers in 1997 to examine the relationships between gender and racial diversity and business performance. The first obstacle for the researchers was to get access to companies to study. One of the reasons for the companies not to take part in the research was that the diversity professionals “were reluctant to examine the effects of their organisation’s policies with the view that they had sufficient to management support for their current initiatives and did not need to demonstrate a business case to maintain this support” (Kochan et al 2003, p.8). One would hope that they will be able to keep the management support and show progress in their work in other ways.

The researchers found four companies to study. Each company had their own way of collecting human capital data and had a strong commitment and business processes to build and work with a diverse workforce. The researches conclusions were that “there is virtually no evidence to support the simple assertion that diversity is inevitably either good or bad for business (Kochan et al 2003, p.17). They also concluded that “few companies are equipped to assess the impact of their diversity efforts on their performance. One clear implication of our work is that organizations need to do a better job of tracking and evaluating the impact of their strategies for managing a diverse workforce” (Kochan et al 2003, p.17).

“Sophisticated data collection and analyses are needed to understand the consequences of diversity within organisations and to monitor an organisation’s progress in managing diversity effectively. Currently organisations typically assess their diversity efforts by simply comparing attitudes performance advancement pay and so in among different groups of employees. These comparisons can be useful but they are only a first step. Equally important but very different questions are: under what conditions do work units that are diverse with respect to gender or race, outperform or under perform work units that are more homogeneous?” (Kochan et al, 2003 p.18)

People working with diversity issues “might do better to recognise that while there is no reason to believe diversity will naturally translate into better or worse results, diversity is both a labour-market imperative and societal expectation and value” according to Kochan et al (2003 p.18). This is another perspective and view of the business opportunity.

It is hard to find measurements that show return on diversity investments according to Singh et al (2002a). One reason for this is that the outcomes do not come from the diversity initiatives alone. They also argue that “a supportive culture where all individuals are valued means there should be savings on litigation, tribunals and pay-offs, with fewer harassment cases and equal opportunities complaints. If retention rates improve due to a diversity strategy, recruitment would be an area with a lot of savings. People would stay longer on their jobs, due to commitment and job satisfaction and that should lead to higher performance grades”(p.18).

The interviews

That diversity is a current topic became very clear when trying to find people to interview for this report. The diversity professionals were often fully booked on conferences and seminaries, and at the same time, they had to deal with the daily diversity implementation in their organisations. Many companies were asked to take part in surveys and reports to that extent that they had to say no to my inquiry.

I have interviewed diversity managers at three companies in the private sector and one public organisation. The companies and organisation which I have approached have all shown a strong commitment to working with diversity management.

BP

BP is one of the largest energy companies with almost 103 000 employees world wide (www.bp.com, 2005). Their Diversity and Inclusions (D&I) Team has 20 fulltime members and another five people who work part or fulltime with these questions in different business segments. The head of the team report to the Executive president for strategy. They started working with the diversity and inclusiveness team five years ago. During the first phase they have concentrated their efforts in getting DNA clarity, to get the message across about the issue and getting engagement from the top leaders. The next phase and challenge is about engaging the next level and the rest of the organisation.

Their business case is to transform BP from being a UK company to a global company. They want their leadership to be representative of the global operations. That means having more women, in general, on top positions and other non UK/US male and women in the top management. BP have a diversity strategy centrally and different diversity challenges regionally.

The D&I strategy is often spoken about by their CEO. They also make it clear in recruitment that this is how they work. The strategy is about how they are to be ready for the future by; diversity insurance, to get the right talent and making sure successions are available to all. By inclusiveness, BP will enable employees to be appreciated for what they are. To fulfil this, business leaders go to trainings to first of all understand their own orientation “start with you”.

From the beginning of the D&I work, the representation of women and minorities among the top 600 managers has been measured. They set new targets for this every year based on what they believe the business can deliver. Once a year they collect the measures to see where they are in the process and monitor what has happened and what to focus on the following year. In the annual BP employee survey, nine questions are related to D&I.

BP is a target based organisation and they are serious about measurements. But at the moment the company has not set representative measures on the next levels in the organisation, but are monitoring it strongly. Neither have they any link between performance and increased work unit climate, due to the D&I work. They do have training sessions where the participants are challenged to think through cost of inclusion and decisions that could be better if they had a broader range of people in their team.

For BP, at the moment, the bottom line is to talk about the importance of D&I and have chosen not to look at the return on investment, as yet.

Shell

Shell is a global group of energy and petrochemicals companies with 119 000 employees (www.shell.com, 2005). In 1997 Shell formally committed to working with D&I at Group level, and established Group D&I targets for the first time. Since then, much has been done to address D&I as a business issue, including establishment of Global Diversity Council, Global Diversity Practice, annual D&I Country Chair assurance process, and the adoption of D&I as a Group Standard by the Committee of Managing Directors in 2001.

In 2005, Shell has shifted more focus to integrating D&I into the rest of the business. The businesses have the responsibility for the implementation, including adopting and communicating the D&I Standard, developing and implementing an annual D&I plan and reporting progress annually as part of Country Chair assurance letter process. A Group D&I corporate team of five people are providing direction, guidance and specialist advice to key stake holders. Businesses also have resources within their organisations to ensure sufficient skills and capabilities for the D&I implementation.

The company believes in having a very strong business case in working with D&I. They believe that successful implementation will lead to effective attraction and retention of top talent, increased productivity, stronger customer and market focus, and enhanced social performance and corporate image. Shell aims to build a diverse staff, and make all employees feel included and perform their best.

Shell sees managing D&I as an on-going change process. Part of the process is to address factors of difference, which have an impact on the work, to fully utilising the potential contributions of all employees and to eliminating or reducing barriers for inclusion. Building relationship and showing respect and fairness with other stakeholders is also part of the diversity strategy.

D&I is a global business standard. This means that it seen as a critical business activity and therefore part of an annual assurance process. Targets and plans are set and progress monitored at Group and business level. The management have “valuing differences" as a key component of the Group Leadership Framework. The businesses track their globally D&I progress regularly. The country chairs report the progress and results of diversity implementation in the respective countries through a formal annual assurance letter process. In that way their process and activities are measured to see that the company has moved forward.

Shell thinks that D&I is not just a good thing, it is rapidly becoming a key competitive factor. They have tracked the D&I results, monitored the progress, and have taken initiatives to measure the benefits that D&I implementation have on the business. They believe that it is more important to focus on improvements in D&I, than to focus on finding data to justify the business case. Shell believes that the return on the investment will be reflected in the diverse staff and the inclusive work environment which are vital to build relationships and trust for their continued success.

B&Q

B&Q is the largest DIY retailer in Europe and the third largest in the world and have more than 38 000 employees (www.diy.com, 2005).Their diversity department consists of a diversity manager and a co-ordinator. These two persons are responsible for facilitating and communicating the diversity strategy throughout B&Q.

The aim with the diversity strategy is to create an environment that respects values and enable their employees to reach their full potential for the benefit of the company and also themselves. They want to widen their recruitment pool and give greater opportunities to underrepresented groups. With a more diverse workforce comes a widening of the customer base, which assists in meeting the commercial vision.

The company collect many different figures and statistics, internally. The results are presented to the management board twice a year and show whether they are making progress or not. Employee engagement and feed-back are essential aspects of their diversity strategy. The feed-back can be seen as a measurement of that they are on the right track with their strategy.

B&Q have worked with diversity issues since 1989 when they started an experiment by staffing a new store with only employees over 50 years old. Compared to other stores, the new one had 18% higher profit and a six times lower staff turnover. 39% less absentee and customer satisfaction rose as well as the skill base among the employees. These positive measures have been spread around the organisation and other stores have increased their number of older employees. Since 1990, B&Q allow people to work beyond 60, which is the normal company retirement age.

In 2003 B&Q started to promote cultural diversity. They had an advertisement on TV where their staff spoke in Hindi which led to a 380% increase in sales. In an internal survey they found that their employees speak 60 different languages, which are now shown on badges the employees wear. The employees have assisted the company in making a booklet about faiths and cultures. The information received will help the company fulfil their diversity strategy towards their employees by being aware of need of flexibilities and time off for certain religious event. The information has also been used in order to promote and advertise products linked to different festivals.

The company has developed a recruitment process where applicants have to answer questions in a structured interview. The answers are gathered in a database and recruiters and managers may look for new recruits based on their previous experience, skills and interests, without knowing gender, age, ethnicity, education etc. According to the company, this method had decreased staff turnover from 35% to 29% since its introduction in 2003.

B&Q is a company that believes strongly in working with diversity and have seen the return on their investment.

Metropolitan Police Service

The Metropolitan Police Service (MPS) is the largest police service that operates in greater London and has 40 000 employees. They have worked with diversity and race issues in the organisation for many years, but since the beginning of May 2005, 130 employees working with diversity issues centrally, are gathered at the same address. They are both police officers and police staff. The diversity unit report to the deputy commissioner. They have a forum, the diversity strategy board, which is made up with external stakeholders and senior police staff; they will monitor the delivery of the strategy.

A new diversity strategy will be published during summer 2005. The purpose with the new strategy is to “support the provision of a citizen-focused police service that responds to the needs of communities and individuals” (Consultation draft, 2005). The strategy is to support the police service in; developing safer communities, securing the capital against terrorism, revitalising the criminal justice system, developing a professional and effective workforce and finally reforming the delivery of policing services. MPS have legal duties to fulfil in their diversity strategy and they have also been subject to reports with suggested implementations to take into account. The previous strategies were more focused on racism, but they are now using a wider recognition of diversity.

The MPS’s diversity strategy has two issues; one external and one internal. If a customers need a police function, they have no choice of supplier. Therefore the service provided needs to be fair and equitable and relevant to their needs as possible. Internally, they find it critical to make sure that their relationship inside match with what they try to achieve outside. The aim with the strategy “is about getting the very best results for the people we work for, from the people who work for us” (Consultation draft, 2005).

Recruitment, retention and progression are essential parts of the strategy as they need to reflect how London is made up to gain the trust and confidence. The organisation has targets set up on a national level in terms of the minority representation to achieve by 2009. Today the targets have been mainly around ethnicity, but that will be broadening with the new strategy.

The MPS are going to keep account on how well they are doing by having performance appraisals and formal performance management systems. They are also looking into implementing employee and “customer” satisfaction surveys. When it comes to external measures, the MPS already have measures in place looking on how willing people are to give evidence in the criminal justice system, how willing they are to be witnesses and their willingness to go to court etc. These measures show if people have the confidence for the police force.

Linked to the strategy are action plans which will have specific activities relating to the role and function of the unit concerned. They will be monitored locally and centrally in order to keep the corporate picture. The progress of the plans will be linked to data from service wide measurements in order to be able to identify areas of improvement and success.

I asked all the diversity managers I interviewed, what their answer was to organisations which do not believe in focusing on diversity strategy due to problems with co-operations in team and communications. In general they believed that it was more important to work with diversity than not to. And it was more a matter of how the work and implementation was done. Proper training and management commitment were key success factors.

On of the interviewed talked about a report where homogeneous teams performed better that heterogeneous teams, but with right support, the heterogeneous teams would outperform the homogenous ones. A poor diversity work is if the company only focus on getting a representative employee group but does nothing about how they should work together. She also stated that it is important not to see diversity as an individual project but as part of an organisational change and development, in the culture and leadership.

Conclusions

Most companies I have come across during this study through articles, book and even a TV report (BBC News, 2nd of May 2005), which work thoroughly with diversity management, talk about the strong business case in working with diversity. They will loose their competitive advantage if they do not take advantage of a broad talent pool and are unable to attract, retain and motivate talent.

Another drive for working with D&I is to improve innovations and R&D. It comes with the word “innovation”, to broaden the thought and think new and different. Even the problem solving will be improved with a diverse set of perspectives and experiences.

It is a known fact that employees that feels valued and understood will go the extra mile and feel committed to its employer. This in its own will increase productivity. “Organisations that invest their resources in taking advantage of the opportunities that diversity offers should outperform those that fail to make such investments” (Kochan et al, 2003 p18)

The big challenges lay in getting the organisations to understand and valuing the change to a diverse way of working and developing. An understanding of variety will drive diversity issues forward (Thomas 1990). The management should think about diversity more as a managerial philosophy providing a different and eye opening approach to work rather than a way of increase the demographic variation in the organisation (Thomas and Ely, 1996).

Research conducted by Thomas and Ely (1996) showed that the companies which have been successful in diversity strategy implementations, have had leaders which were fully committed and valued their diverse workforce and had authority to sue top-down directives to enforce initiative. Diversity is concerned with managing culture and people and as such it is a never-ending process. A company will not be taken seriously if they promote themselves as a diversity open organisation and have a management team consisting of ten white men with similar background.

There is a saying “you cannot manage what you cannot measure”. Even so, the reasons for organisations to use measurement in diversity management differ. Some areas are very obvious to measure; like number of females in top management and percentage of employees with an ethnic minority background. These measures show progress, but others, like return on investment are not so obvious.

Providing the business with useful figures, will be more and more important because even if “the ethical case stand up… it is the economic case that will win the argument” (Ross and Schneider, 1992).

There was a debate in Sweden some years ago about supermarkets failing to stuck up their shelves for the big festivities for minority groups, like after Ramadan, and only focusing on the big Swedish festivities. Most organisations today have the people, with the knowledge in place, but fail to take full advantage of all the ways their employees can contribute to an even more successful business.

Customers vote with their feet and will do business with suppliers which understand and respect their needs. One example is American women who control about 80% of the household spending and buy 81% of all products (Hefferman, 2002 cited by Salomon and Schork). It is essential for businesses to develop markets for their customer base.

With a diverse organisation companies are likely to get stronger customer relations. Another important element which comes stronger and stronger is that there is no choice. Companies and organisations are demanded by their stakeholders to become diverse.

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