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Emerging Trends in Europe...

Diversity and Profitability: Making the Connections

by Sandra Lester, The Conference Board Europe

Demographic changes in Europe, combined with government regulations, are putting pressure on companies to increase the diversity of their workforces. At the same time, companies are beginning to realise that a diverse workforce is fertile ground for new ideas – thus, stimulating innovation, which leads to greater productivity and profitability.

Diversity Drives Innovation

“Why is innovation so important?” asks Frans Johansson, author of *The Medici Effect*, named one of the top 10 best business books of 2004 by Amazon.com.¹ “Because the world is changing fast, and every company is facing increasing pressure.” He refers to a forecast by Deloitte that indicates 70 percent of today’s manufacturing sales will be obsolete by 2010. “Companies everywhere are desperate to generate innovation,” says Johansson. “They need new ideas, but all new ideas are combinations of existing ideas.” The best ideas for new products often come from innovative and unusual connections between different fields, cultures and industries. These connections come about when diverse teams are working together. Johansson draws analogies with the Medici family, who sponsored creative individuals and brought them to Florence, creating the initial spark for the Renaissance movement.

Making Creative Connections

Procter & Gamble (P&G) has a history of innovative product development and growth through connecting technologies and ideas,” says P&G’s Director, Research and Development, Western European Laundry, Heidi Piper. Chief Executive A.G. Lafley states that “Diversity is a business strategy for P&G. It’s an intentional choice that creates sustainable competitive advantage.” In practice, this means that over half the company’s presidents are from outside the United States, and 37 per cent of managers are women. P&G has created a number of “location free” jobs, so people who cannot move for personal or family reasons can continue working at the company.

¹ Frans Johansson, *The Medici Effect: Breakthrough Insights at the Intersection of Ideas, Concepts, and Cultures* (Boston: Harvard Business School Press, September 2004).

How does Procter & Gamble's belief in diversity translate into innovation? According to Piper, "Innovation comes when you intersect two different things; for example, two ways of thinking, two fields of study, two types of products, two companies. At P&G, we force those interactions through creating connections, both internally and externally."

Procter & Gamble has been making creative connections since it started as a candle manufacturer 170 years ago. Candles are made from animal fats, as was soap, so P&G also started manufacturing soaps. Learning about fats led to the manufacture of vegetable-based cooking oils, which spawned P&G's food business (peanut butter and potato chips). Analysing soap taught P&G about surfactants, a key ingredient in laundry detergents, thereby starting the company's laundry detergent business and the manufacture of household cleaners, dishwashing liquids and shampoos. As with other companies, its new products were born from new combinations or applications of existing products and technologies.

To ensure this creative interchange of ideas, P&G has created internal "communities of practice" — groups of people representing different business units and backgrounds that get together to discuss specific topics and problems. P&G is also very connected externally, realising that a lot of innovation is happening outside the company. It does research with suppliers and connects to over half a million outside scientists. Procter & Gamble's R&D department is also its "C&D" (Connect and Develop) department. As a result, sales and profits have been significantly ahead of expectations for the past two years.

Age, Ethnicity and Sexual Orientation

Innovation also occurs when ideas are shared between people of various ages, ethnic backgrounds and sexual orientation, each bringing a different perspective to the table.

Age diversity

The ageing workforce is high on the European social policy agenda. Robert Anderson, from the European Foundation for the Improvement of Living and Working Conditions, observes that there is momentum for change in some organisations, but attitudes and commitment must also change. It is not enough to change exit and retirement policies; there needs to be investment in a changing workforce. Age management demands new models of working, learning and caring over the life course, and companies need to develop integrated strategies.

Deutsche Bank has put such a strategy in place and is one step ahead of the legislation on age discrimination that will come into effect in the United Kingdom in December 2006. Sharon Harris, the bank's head of diversity in the United Kingdom, points out that the changing age demographics of the bank's customers must be reflected in its employees if new products and services are to be successfully created. For Deutsche Bank, age diversity includes all age groups, not just those ages 50+.

Knowledge management is an integral part of teamwork, based on the assumption that younger and older workers can learn different things from each other. Knowledge transfer (of client relationships, for example) between experienced and junior employees is critical for business success, and life-long learning is an integral part of Deutsche Bank's personal development concepts. "Letting people go early has its downside," says Harris. "All that experience just walks out the door." To recapture some of that expertise, the bank has developed a scheme whereby certain employees can continue to work on a consultancy or part-time basis. This effort helps ensure that their valuable experience and client knowledge is not lost.

Deutsche Bank has a checklist for successful implementation of age diversity programmes:

- Regularly analyse the demographics of employees and clients.
- Identify performance indicators relevant to age diversity (e.g., age diverse teams, participating in training and development).
- Identify champions within the company who support age diversity.
- Mainstream all strategic HR processes according to age diversity (e.g., training, career development, retention, succession planning).
- Create flexible work options and promote health and wellness, adapting benefits to the needs of every age group.
- Make knowledge management an integral part of teamwork.
- Integrate knowledge transfer in the succession planning process.

Ethnicity

Surinder Sharma is national director for equality and human rights, Department of Health and the National Health Services (NHS), United Kingdom, which employs 1.5 million people, of which 200,000 (14 per cent) are from black and minority ethnic communities. “NHS wields huge economic muscle,” says Sharma, “being the biggest purchaser of goods, facilities and services in the United Kingdom and often the largest local employer.” He believes the workforce must reflect the diversity of those it serves to provide appropriate services and promote equality. He is convinced that “commitment to diversity must be part of the base values of your

organisation, or they will always be on the periphery.” The department’s core principles state that “The NHS of the 21st century must be responsive to the needs of different groups and individuals within society and challenge discrimination on the grounds of race, gender, ethnicity, religion, disability and sexuality. The NHS will treat people as individuals, with respect for their dignity.”

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Surinder Sharma National Director for Equality and Human Rights
Department of Health and the National Health Services (NHS),
United Kingdom

Believing that diversity and inclusiveness produces new ideas, different perspectives, creativity and innovation, Shell is addressing ethnic diversity in each of the 140 countries where it operates, says James Smith, chairman of Shell UK Ltd.

Shell’s ethnic minority career development pilot programme was launched in 2004/05 and will run annually. It aims to raise awareness of specific issues affecting ethnic minorities at work and helps these individuals develop strategies to help their career progression with the assistance of support networks, such as the Shell African Network, the Shell Muslim Network, community support and events, such as the national and ethnic “weeks” in Shell Centre, UK.

Sexual orientation

Michael Stuber of mi.st European Diversity, makes the point that “Everyone has a sexual orientation — heterosexuality, homosexuality, asexuality or bisexuality — but none of these is chosen. Heterosexual assumptions prevail in the workplace and marketplace.” He observes, from research conducted in 68 international companies in Europe, that sexual orientation receives the lowest attention of all six core diversity dimensions (the others being gender, age, disability, racial or ethnic origin, and religion or belief). Sexual orientation shares issues in common with the other core dimensions:

- prejudices on a personal level;
- exclusion on an organisational level;
- lack of information and awareness;
- reluctance to accept “special treatment”; and
- it is mainly driven by interest groups.

However, some companies (such as Ford, BT, Hewlett-Packard, Deutsche Bank, IBM, DuPont, Unilever and KLM) are tackling the issue head-on and running employee networks, internal events, outreach programmes, marketing activities and product advertising campaigns. mi.st European Diversity recommends and pursues an inclusive, business-focused approach to diversity, which proves more successful than segmented activities, as the company’s research suggests.

Overwork: A Problem of Our Times in Both Europe and the United States

Is it possible to find a business model that can deliver both business success and quality of life? Recent research in Europe and the United States shows that high proportions of workers are chronically overworked.

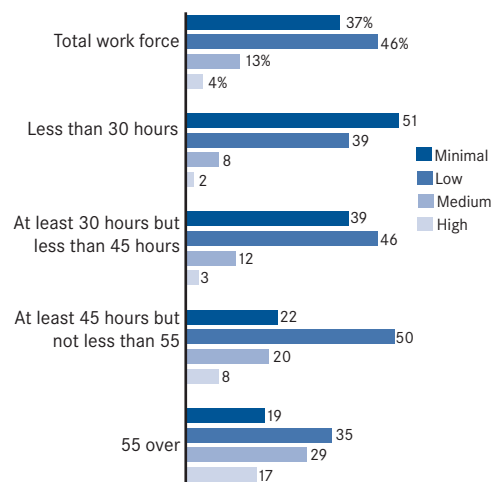
Enrique Fernandez, from the European Foundation for the Improvement of Living and Working Conditions, underlines the long-hours culture in some EU countries, which is giving rise to stress, health problems and increased costs for companies. He points to evidence

from the foundation’s European Working Conditions Survey, showing how the incidence of stress-related health symptoms increase considerably with the number of hours worked and how, as hours of work increase, workers declare bigger conflicts between work and family/social life.

If Europe has to increase the levels of labour utilisation, it would make a lot more sense to do it by increasing employment levels — getting more people into work — than by increasing the number of working hours, making those that are already working work more. The former would achieve the main objective of increasing the overall wealth while at the same time making our societies more inclusive. The latter can have unintended consequences that in the long-term could harm the sustainability of our model of society, the capacity of our economy to compete in global markets, and the quality of life that European societies have been so successful in delivering in the last decades.

Conflict between work hours and family and social life

Stress-related symptoms and working hours



Source: OECD analysis of the European Working Conditions Survey, European Foundation for the Improvement of Living and Working Conditions, in the presentation “Overwork: A Problem of Our Times,” by Enrique Fernandez at The Conference Board’s Sixth European Work-Life and Diversity Conference, Paris, France, October 2005.

Families and Work Institute (FWI), based in New York, has undertaken a number of studies looking at changes in the workplace and workforce. Ellen Galinsky, the Institute's co-founder and president, says that employees are working longer and harder in more demanding jobs than 25 years ago. According to FWI's 2002 *Study of the Changing Workforce*, 67 per cent of employed parents say they don't have enough time with their children, 63 per cent say they don't have enough time with their husbands or wives (up from 50 per cent in 1992), and 55 per cent say they don't have enough time for themselves. The "job for life" has been replaced with growing job mobility and job insecurity, and technology is blurring the lines between work and home.

Yet there are things that companies can do to create a more effective workplace, where employees are more committed and engaged, more satisfied with their jobs, more likely to be retained and in better health. A business model that can deliver business success and quality of life requires shared responsibility and accountability between the organisation, managers and employees. It involves:

- providing a flexible workplace;
- increasing manager involvement in making employees successful and involving them in decision-making;
- tackling overwork head-on;
- improving career development systems;
- providing job autonomy;
- focusing on career path flexibility; and
- encouraging employees to take responsibility for their career development.

Making Strides

An increasing number of organisations are beginning to realise that mirroring the demographic changes in European society within their own workforce helps them to better understand and serve their customers. They are finding that promoting an inclusive workplace environment makes good business sense. Often, the most original ideas and unusual connections are formed when people of varying origins, backgrounds and lifestyles work together in teams. New ways of thinking lead to new ways of doing business and innovative products, which, in turn, drives business success and competitive advantage.

Total S.A.: Implementing a Successful Diversity Policy

Jean-Jacques Guilbaud, senior vice president of human resources and communications at Total, the world's fourth-largest oil company, identifies six prerequisites for a successful diversity policy:

A clear understanding of the situation When Total launched its global diversity policy in 2003, there was an obvious gap in the representation of women and non-French nationals amongst high-potential, middle and top management executives. Some of the company's traditional HR indicators needed to be reviewed before a clear picture emerged of the issues to be addressed.

Real commitment from the top Chairman and CEO Thierry Desmarest showed his commitment by creating a Diversity Council, chaired by a member of the Executive Committee. The members represent all the company's core businesses (upstream, downstream and chemicals), hold very different jobs, and are from diverse ethnic and cultural backgrounds.

Involvement of the entire company Adapting corporate diversity guidelines to the local situation is vital in a company like Total, which employs 110,000 people in 130 countries. Each business segment, as well as the company's largest subsidiaries, has its own diversity programme, consistent with group guidelines but interpreted differently.

Active participation of the HR divisions At Total, each HR division has its own diversity agenda, and the Diversity and Accountability Division acts as a catalyst and coordinator, adding a global dimension.

Tracking progress In the firm belief that "what gets measured gets done," a number of indicators have been introduced to monitor, for example, the number of women per grade and in Group Executive Committees. Other "non-traditional" indicators measure the proportion of women and non-French nationals participating in leading management seminars.

Accepting and appreciating differences "Very early in our diversity process," said Guilbaud, "we realised that we had to overcome several hurdles and convince management to trust people who were not of the same culture, same language, or who didn't come from the same schools. We also discovered, through internal surveys, some interesting differences in perception. To a female executive, a male executive is an executive. To a male executive, a female executive is a female!" In response to this finding, Total launched seminars to increase awareness of stereotyping.

Connecting Links in the Career Chain

So what have been the achievements of the last two years at Total? "For us," said Guilbaud, "a career is like a chain. Its reliability depends on each of the links in the chain." So the diversity process at Total embraces each career stage:

Recruitment Total recruits women in the same proportion as female graduates from key schools and universities. Care is also taken to ensure a diverse mix on selection and assessment boards.

Early career opportunities Employees are encouraged to take on technical or international assignments early in their careers.

Maternity leave The company maintains close contact with employees during maternity leave and monitors personal salary increases, ensuring that each woman, during the year of her maternity leave, receives a personal salary increase at least equal to the average salary increase she received in the previous three years.

Top management The annual promotion of women is systematically reviewed in line with the company's long-term objectives to increase the number of women in senior jobs.

Practical initiatives at Total ease work-life tensions for both men and women. A dedicated extranet service, "Only You," enables employees to better manage personal issues, such as shopping and childcare, from their workplace, and the company has opened a *crèche* [nursery] at its La Défense site.

A recent online debate at Total gave female employees the opportunity to give their opinion on existing diversity measures and to suggest improvements. Participation was high: 80 percent. Opinions were divided on the issue of quotas, but there was support for more women's networks within the company. Several people requested that the issue of mobility be treated more openly and be regarded as an issue that affects couples, not just one partner.

About This Report

This report looks at ways in which companies are managing diversity and inclusion to create an environment in which information and ideas flow openly, sparking creativity and innovation that affect positively on the bottom line. It is based on presentations and discussions from the Sixth Annual Conference on Work-Life and Diversity held in Paris on 19–20 October 2005. Conference topics included:

- How diversity drives innovation
- Building success through regional development
- New business models to profit from the new diverse Europe
- Confronting the issues of age, ethnicity and sexual orientation
- Motivating managers to build an inclusive corporate culture
- Finding a business model that delivers business success and quality of life

Additional information

For additional information about the companies and organisations mentioned in this report, please visit:

European Foundation for the Improvement of Living and Working Conditions www.eurofound.eu.int

Families and Work Institute www.familiesandwork.org

mi.st European Diversity www.european-diversity.com

Procter & Gamble www.pg.com

Shell UK www.shell.com

Total S.A. www.total.com

UK Department of Health www.dh.gov.uk

Related Conference Board Resources

For more information about these and other Conference Board resources and events, visit our Web site at www.conference-board.org

Councils

European Council on Work-Life & Diversity

Council of Diversity Executives

Council on Workforce Diversity

Diversity & Inclusion Council

Diversity and Inclusion Strategy Council

Diversity Business Council

Research

The Diversity Executive: Tasks, Competencies, and Strategies for Effective Leadership (R-1300-01-CR)

Diversity: An Imperative for Business Success (R-1256-99-CH)

Managing the Mature Workforce (R-1365-05-RR)

Talent Management Value Imperatives: Strategies for Execution (R-1360-05-RR)

Women in Leadership: The Diversity Imperative – Supporting Actions for Change (A-0158-05-EA)

HR's Role in Building a Culture of Innovation (A-0159-05-EA)

Integrated and Integrative Talent Management: A Strategic HR Framework (R-1345-04-RR)

Work-Life and Diversity: Local Needs and Business Relevance Drive Success (A-0120-04-EA)

Women in Leadership: Putting Diversity Policies into Practice (A-0106-04-EA)

Valuing Experience: How to Motivate and Retain Mature Workers (R-1329-03-RR)

The European Perspective: Using Diversity and Work-Life Solutions to Retain a Competitive Edge (A-0075-03-EA)

The Brain and Experience Drain: Are You Prepared for the Retirement Tsunami? (A-0065-03-EA)

Women Advance Slowly but Surely in Top Management Ranks (A-0062-03-EA)

Putting Women on Equal Footing (A-0053-03-EA)

Voices of Experience: Mature Workers in the Future Workforce (R-1319-02-RR)

Women in Leadership: A European Business Imperative (A-0027-02-EA)