

The increasing diversity of workforces and markets as well as the pressure on flexibility, cost-effectiveness and productivity are becoming more and more important for companies. In their most recent survey, the Cologne-based experts of mi.st European Diversity Consulting have analyzed four key issues from the broad field of Diversity & Inclusion. Of most immediate and high relevance for International companies in Europe are: business case for Diversity (costs & benefits), Diversity & age (demographic change), implications of EU anti-discrimination directives (legal changes), and external communication of Diversity.

## **SECOND EUROPEAN DIVERSITY SURVEY (EDS2)**

### Executive Summary

The strategic approach called ‘Diversity’, which aims at fully utilizing existing differences in organizations (and beyond), is becoming significantly more wide-spread in Europe. This is one conclusion drawn by mi.st European Diversity Consulting from the overwhelming response the research team got on their second European Diversity Survey (EDS2) compared to EDS1, which was conducted three years earlier. The experts had identified 270 international companies with visible and credible commitment to and activities in Diversity as potential participants for the project. The information was retrieved either through the consultancy’s broad network, through reports or articles in professional journals, conference presentations, awards (e.g. Great Place to Work), memberships lists of special interest groups (e.g. CSR Europe) and by means of internet research. Of the 270 companies invited, 68 companies originating from 13 countries eventually participated in the free-of-charge online survey being held from July 1st to the middle of August 2004. Of all participants 39 have their main (Group) headquarters in Europe and 29 in the US. Participation from French, Finnish or Danish companies was comparatively low whereas English, German and Dutch companies showed strong interest and involvement in the research project.

Whilst during the first survey in 2002 a broad inventory of existing diversity approaches was made (‘framing Diversity’), the EDS2 research project concentrated on four key topics that appeared to be particularly relevant in Europe: cost effectiveness of diversity (Business Case), Age & Diversity (demographic change), consequences of the EU anti-discrimination directives as well as external communication of Diversity. In each of the four theme areas, the survey inquired about successful implementation activities and related challenges. In the areas of age, anti-discrimination and communication, the study also ascertained for the key stakeholders as well as for the current or planned activities in the respective field.

## UNDERSTANDING “DIVERSITY”

In the very first open question, participants were asked to give their definition of ‘Diversity’. The 68 individual descriptions have been analyzed in regard to recurring terms, concepts and other semantic components. About one third of the companies used otherness as an essential part of their definition, and the dimensions age, disability /ability, ethnic, racial and cultural diversity, gender, religion/belief as well as sexual orientation are playing important parts in this. In 2002, about two thirds of the interviewees had used this description of diversity. Furthermore, it is striking that we see more and more organizations shifting their focus from different categories to the individuality of people rather than limiting their view to selected issues. About 30 percent relate Diversity with open-mindedness alongside with the phenomenon of otherness – and many link this mindset with their company values. 40 percent of the respondents position diversity as a tool to increase the success of their business.

## BUSINESS CASE FOR DIVERSITY

In the EDS2 research, the business case for Diversity encompasses multiple layers of economic considerations. The first one examines the linkage of Diversity and corporate strategy by looking at economic trends. The second level includes costs and risks that are likely to occur if Diversity will not be addressed, e.g. as a result of demographic or cultural changes. The third level summarizes benefits, which an investment in Diversity will provide. On the first level (strategic fit and linkage with meta trends), ‘ethics and morale’ was most often mentioned to provide the closest linkage with Diversity. In contrast to that, interviewees identified only a weak strategic fit of diversity and financial issues such as shareholder value. This result brings out a contradiction to the proclaimed business focus, which was identified in the definitions and visions of Diversity. Similar to the first survey three years before, participants described a strong linkage of Diversity and frequent and ongoing organizational change, which ties in with the increasing tendency to focus on open-mindedness in addition to differences.

In the next section of the business case, the survey asked for most successful activities concretely supporting the business case. Surprisingly activities in the field of ‘marketing and customer relationship management’ ranked last in this category while internal communication and employee networks were seen to add a lot of value. Another question examined challenges related to the business case. Similar to another mi.st survey, the practical applicability of Diversity was mentioned most often. Participants reported challenges in communicating the practical aspects of Diversity, its concrete

### Partial List of Participants

- ABB Switzerland
- ABN AMRO
- Accenture
- Air Products
- Allianz
- AstraZeneca
- BAE SYSTEMS
- Boots Group
- BP
- BT
- Cable & Wireless
- Caixa Geral Depositos
- Centrica
- Cisco Systems
- Citigroup
- Commerzbank
- Deutsche Bank
- Deutsche Post
- Deutsche Telekom
- Du Pont de nemours It.
- EDF Energy
- Embraco Slovakia
- Ford Motor Company
- GE Frankona Re
- Genzyme Europe
- HBOS
- HP
- IBM
- ING Group
- KPMG Holding
- Kraft Foods
- Levi Strauss
- Manpower UK
- MasterCard International
- Mattel
- Motorola
- MTV Networks
- Nike
- Novartis
- Novozymes
- Oracle Corporation UK
- Peopleclick
- Philip Morris Intern.
- PricewaterhouseCoopers
- Procter & Gamble
- Rabobank
- SAP
- Sara Lee / DE
- SEB
- Shell International
- Symantec
- Total
- T-Systems International
- Unicredit Produzioni Ac
- Unilever
- Vattenfall
- Volvo
- Whirlpool Europe
- Xerox

implementation and the related measurement of the success. Concrete doubts regarding the potential value added or necessity of Diversity only ranked third (and last) in this category.

## EU ANTI-DISCRIMINATION DIRECTIVES

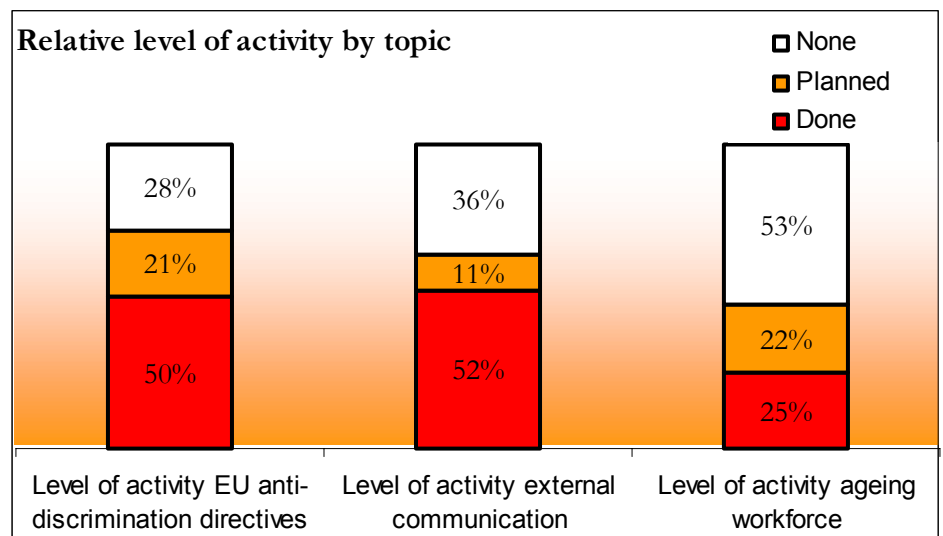
In 2000 and 2002, the European Union adopted three anti-discrimination directives covering work and employment that have to be transferred into national law in all 25 EU member states. The directives aim at combating and preventing discrimination on the grounds of age, disability, gender, ethnicity/race, religion/belief and sexual orientation. European employers have since had the chance to prepare their organizations for the new legal requirements, as all directives follow similar principles and are precisely conceptualized. As potentially necessary activities in the areas of auditing and prevention require a lot of time, EDS2 examined activities that have been already started or that are planned in order to comply with the future law.

EDS2 data suggest that overall, international companies in Europe are well prepared for the implications of the EU-Anti-Discrimination directives. 69 percent of the participants have already added anti-discrimination or harassment to their corporate policies or codes of conduct. Another 15 percent are planning to do so. These activities are also considered to be most effective measures to implement the future laws. Moreover, many companies are pursuing a ‘step-by-step’ strategy: auditing-measures follow the policies on rank no. 2 (52 percent have these measures in place, another 25 percent are planning these). Prevention by means of communication and/or training follows on rank no.3 with 49 percent (in place) and 30 percent (planned) respectively. Qualitative and quantitative controlling are less commonly used (43 percent in place, 31 percent planned). The frequency of implementation activities decreases according to implementation process, revealing a logical, strategic multi-phased approach to anti-discrimination.

EDS2 identified ‘age’ to be the biggest challenge in the field of anti-discrimination. It seems to be unclear when exactly an age-limit is objectively justified, and when an age discrimination is existent. This result might well be associated with the low level of activity the survey found in the area of ‘age’.

## AGE DIVERSITY

Europe’s population and thus the workforces and markets are dramatically aging: The percentage of people over the age of 64 will increase from



6.9 percent in 2000 to 16.3 percent in 2050; at the same time, the percentage of young people decreases. This applies to almost all European countries. Since this issue has received high public attendance in the recent past, EDS2 has analyzed how international companies are addressing this demographic trend. Albeit the manifold and well-known implications of this inevitable development, European companies seem to be little aware of the urgency for action. On average, only 25 percent of the suggested measures were reported to be in place, and another 22 percent are planned. The main focus of these activities aims at prolonged employment, work/life balance, and flexible work programs (job rotation and enrichment, alternative career models). However, activities specifically tackling age-related phenomena are receiving significantly less attention. E.g. creating an 'open culture' that values the contributions of young and old, or implementing programs to service older customers are the least often implemented activities in the field.

In the area of age diversity, the most frequently implemented activities also rank as the most successful ones. Life-long learning as well as balancing work and private life were reported to be most effective to tackle the ageing challenge, followed by a middle category of measures including mentoring-programs and inter-generational teams. Creating awareness for the issues around age as well as obtaining buy-in from management were reported to be the most significant challenge in the area of age diversity.

## **EXTERNAL COMMUNICATION OF DIVERSITY**

Companies are expecting a number of concrete benefits from Diversity, including a positive employer image, brand awareness, improved market coverage and customer intimacy. Thus, many benefits are generated outside the company, so that external communication in the field of diversity is key in order to reap those benefits. Therefore, EDS2 has inquired about current and planned activities, challenges and successes in this field.

The evaluation of the answers shows an overall high level of activity: 80 percent of all prompted activities are already implemented or planned by over 50 percent of the companies. However, the main focus is placed on existing corporate media, such as the company's web site. The utilization of other business publications such as annual reports or sustainability reports ranks second. PR work on diversity or films / DVDs are less common. External platforms, e.g. internet portals on Diversity, are even less frequently used, although they provide the most focused outreach. Such presence would create similar effects like public appearances on conferences, which were reported to be most effective ways of external communication.

Integrating global Diversity activities in one comprehensive communication concept was reported to be the biggest challenge for companies in this area, followed by questions around setting up a worldwide communication strategy. These challenges appear to be related to issues of intra-organizational coordination of operational units, functional units, regional or country organizations. This emphasizes the necessity for diversity to be linked directly to corporate strategy on the one hand, to take regional specifics into account on the other.

## PERSPECTIVES

EDS2 results show that diversity has emerged as a key issue of corporate management in Europe, the approach of which continues to be widened and deepened. This applies above all for the understanding of diversity, which is increasingly aligned with the respective core businesses and adapted to the broader frameworks covered.

At the same time, the survey reveals further room for development: a large part of the current work on Diversity continues to take place in an ethical, political or social context, whereas less focus is placed on the potential of diverse markets or on utilizing Diversity to foster investor relations. With regard to the most-frequent barriers and resistance, more consistency of frameworks, strategies and action plans with the proclaimed business goals of Diversity should be considered. In addition, globalization is likely to require to re-model some of the standard concepts and practices, and to create all-encompassing, flexible approaches, which will at the same time result in more buy-in from those managers who still feel left out and perceive Diversity to favor and promote special groups.

One worrying outcome of the study is the fact that little attention is given to the age issue, and that the few activities in this area are carried out in a general framework (human resources policy). Many more concrete and pragmatic approaches in this field will be needed in order to avoid severe shortages of expertise and market relations. Age is one more field in which the necessity to combat stereotypes is all too obvious. However, age has the potential to be much more accepted by all stakeholders as the issue is apparently all-inclusive and less charged with majority-minority aspects than some of the other Diversity issues.

Another result of the survey is that Diversity experts will need to become experts in more and new fields. Traditionally, Diversity practitioners covered different 'issues' such as gender, race, or disability, and they became experts in managing cultural change, in training, and in recruitment and development. Over recent years, communication has emerged as one of the most critical disciplines Diversity needs to cover in order to be successful. EDS2 shows that marketing, advertising, PR as well as customer and investor relationship management are going to be key areas for Diversity experts to get involved in.

<p><b>The Second European Diversity Survey (EDS2)</b></p> <ul style="list-style-type: none"> <li>■ 68 participating international companies</li> <li>■ 4 focus areas (business case, age, EU legislation, external communication)</li> <li>■ Questions covered: <ul style="list-style-type: none"> <li>○ Activities in place or planned</li> <li>○ Stakeholders</li> <li>○ Challenges and successes</li> </ul> </li> </ul> <p><b>What the full Summary Report contains</b></p> <ul style="list-style-type: none"> <li>■ Complete breakdown of numbers for all questions</li> <li>■ Frequency of diversity activities implemented and planned</li> <li>■ Rating of stakeholders</li> <li>■ Results of semantic analyses of challenges and successes</li> <li>■ Interpretation, evaluation and recommendations as appropriate</li> </ul>	<p><b>The Summary Report (technical data)</b></p> <ul style="list-style-type: none"> <li>■ Volume: 40 pages</li> <li>■ Forma: Pdf file (sent by email)</li> <li>■ Price: 290 Euro (plus VAT if applicable)</li> </ul> <p><b>Purchasing information</b></p> <ul style="list-style-type: none"> <li>■ Email order: <a href="mailto:eds2@mi-st.com">eds2@mi-st.com</a></li> <li>■ Fax order: +49-221-222-1251</li> <li>■ Phone contact: +49-221-222-1250</li> <li>■ <a href="http://www.european-diversity.com/service/surveys/">www.european-diversity.com/service/surveys/</a></li> </ul> <p><b>Research &amp; Consulting</b></p> <ul style="list-style-type: none"> <li>■ mi.st European Diversity Consulting</li> <li>■ Michael Stuber (General Manager)</li> <li>■ <a href="http://www.european-diversity.com">www.european-diversity.com</a></li> </ul>
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