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Economist

Intelligence
Unit

A report from the Economist Intelligence Unit

Values-based diversity

The challenges and strengths of many

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About the report

Values-based diversity: The challenges and strengths of many is an Economist Intelligence Unit report, sponsored by SuccessFactors.

The Economist Intelligence Unit bears sole responsibility for the content of this report. The findings do not necessarily reflect the views of the sponsor.

The paper draws on two main sources for its research and findings:

- A global survey—conducted in October 2013—of 228 executives responsible for designing and developing their organisations' human resources (HR) strategy. The respondents are based in Europe, North America and Asia-Pacific (about 30% in each region); the rest are from the Middle East and Africa and Latin America. The respondent pool is quite senior: more than half (53%) are C-level executives or board members, including 28% who are CEOs or the equivalent. One-half of respondents' companies have US\$500m or less in annual global revenue, while 25% have revenue of US\$5bn or more. The senior executives polled are responsible for all of the main functional areas in 19 different industries.

- A series of in-depth interviews with senior executives from major companies and other experts, listed below.

Elana Weinstein, Head of Diversity and Community Engagement, Bloomberg

Johnna Torsone, Chief Human Resources Officer, Pitney Bowes

Doug Reid, Former Senior Staff Officer, Xerox; former Senior Vice-president Global Human Resources, Colgate

Tamara Erickson, author of *Plugged In* and *What's Next, Gen X?*

Jane Horan, Singapore-based diversity consultant and author of *When Asian Women Lead*

We would like to thank all interviewees and survey respondents for their time and insights.

The report was written by Sally Helgesen and edited by Gilda Stahl.

Executive summary

As management guru Peter Drucker foresaw in *Post-Capitalist Society*, the so-called knowledge economy has put a premium on human talent, requiring businesses to compete with increasing ferocity for able and engaged people. The global nature of the economy—and the correspondingly high degree of workforce mobility—have only intensified demand.

The battle for talent varies in regions around the globe. For example, research by the UN's International Labour Organization (ILO) confirms that constraints on the participation of women in the workforce in the Middle East, sub-Saharan Africa and—to a lesser extent—Asia have significantly slowed economic development in those regions. Spurring growth, therefore, depends on encouraging and accelerating the entry of women and other under-represented groups into the workforce.

To achieve this opening of the workplace, during the last two decades organisations worldwide have sought to attract and retain engaged and talented individuals from these populations. While efforts originally focused on demographic factors like gender and race, awareness has been growing that diversity concerns also need to encompass values. A recent paper published by the Center for Talent Innovation (Hewlett, Marshall, Sherbin, *Innovation, diversity and market growth*)

acknowledges this shift by distinguishing between inherent (eg race, gender) and acquired diversity (eg cultural fluency, global mindset, language skills)—noting that a truly diverse leadership team should exhibit several types of each characteristic.

Key findings of this report include:

- **Executives recognise the value of having a diverse workforce, especially as a tool for engaging a diverse client base in a wider number of markets.** They believe that maximising the potential of such a workforce will require a strategic approach.
- **Executives view the integration of millennial-generation employees into the workforce as a significant diversity challenge.** This is true, in part, because millennials are perceived as having different motivations than previous generational cohorts had and, in part, because of millennials' perceived lack of interest in assimilating the values of their organisation.
- **Executives view offering learning and career-development opportunities as key strategies for managing a diverse workforce.** They are less certain about the role technology can play in this regard. ■

1 Spotlight on diversity of values

The EIU survey reveals an evolution in organisations' view of diversity, which has gradually become less an issue of demographics and more one of values. Differences in work ethic, communication styles and motivational drivers are now considered aspects of workforce diversity.

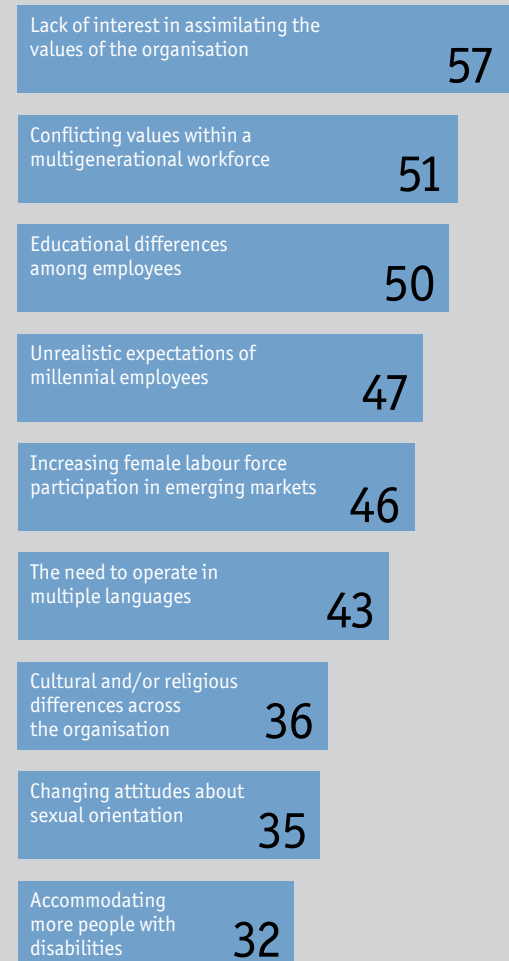
For example, when asked about workforce characteristics that will require the greatest change in human resources (HR) strategies over the next three years, a majority of HR executives point to a lack of interest in assimilating organisational values (57% strong or moderate change); conflicting values across a multigenerational workforce (51%); and unrealistic expectations of millennial employees (47%).

In the 1970s and 1980s—when businesses began expanding their hiring horizons to include significant numbers of women and ethnic minorities (primarily in the US), management generally assumed that the newcomers would assimilate into the dominant workplace culture. Over the next few decades, however, this assumption was challenged by an emphasis on personal empowerment in the general culture, a trend that continues to play out differently in different regions.

Jane Horan, a Singapore-based diversity consultant and author of *When Asian Women Lead*, notes that organisations in Asia have traditionally expected employees to adhere to a group ethic. Younger workers, however, are now more

Workforce characteristics requiring the greatest changes in HR strategies

% of respondents



Source: Economist Intelligence Unit survey, October 2013.

“
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”

Tamara Erickson,
author, *What's Next, Gen X?*

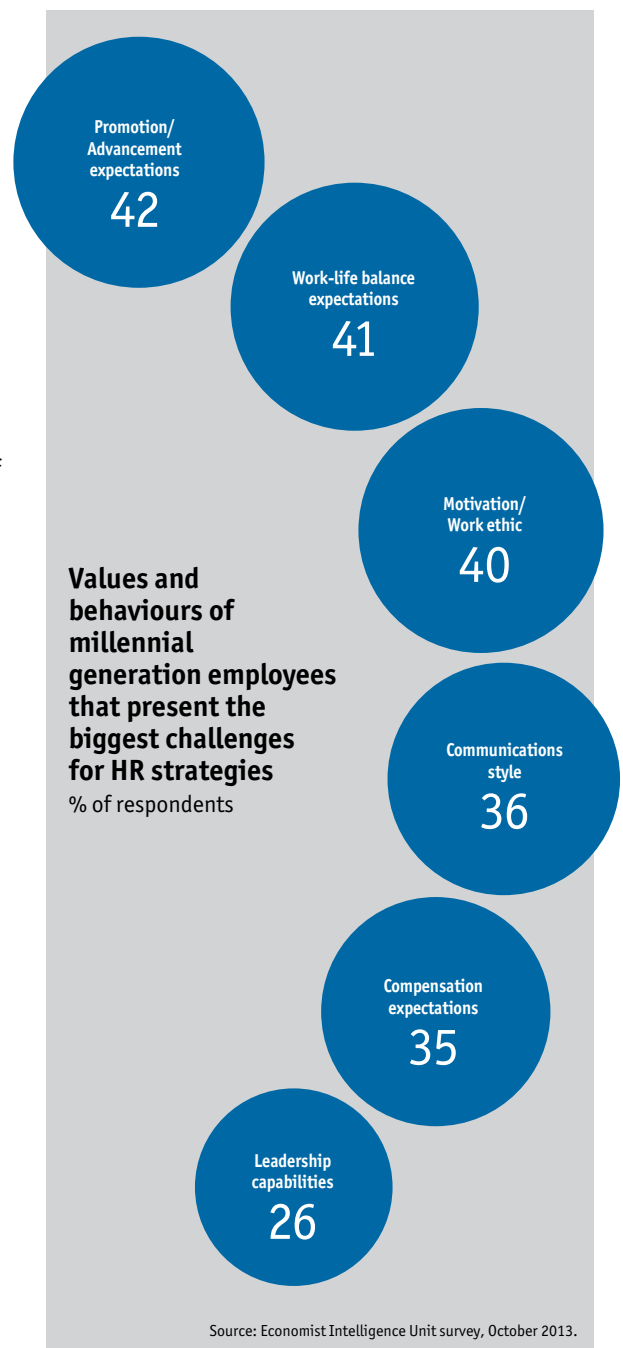
comfortable expressing themselves as individuals, declaring “I want this” or “I’m going to do that” in a way that leaders may find disconcerting.

The entry of the millennial generation into the workforce has accelerated this shift, as values are a primary concern for this group. The survey confirms that executives are keenly aware of the challenge of accommodating younger employees in the workforce, with a full 80% believing that strategic changes will be required to do so.

Questions of expectation and motivation are of particular concern. Forty-two percent of respondents believe that millennial expectations of promotion and advancement present a challenge, with 41% viewing work-life balance expectations as a concern and 40% reporting that the motivation and work ethic of this generation will require significant adjustments to HR strategies. Especially noteworthy is the belief that millennials do not respond well to earlier strategies of engagement, which traditionally focused on compensation.

Tamara Erickson, a researcher and author, notes that different generations have differing views on the value of money: “Boomers were part of a huge cohort and needed to compete for a seat. Money became important because it proved you were able to compete. Millennials are likely to value money less as a symbol of success but because it gives them resources to do things they want to do.”

When interviewing millennials, Ms Erickson frequently hears the word “enough”. “They want *enough* to do what they want, but not necessarily more. Most CEOs don’t get this. They got where they are by placing a high value on money and regarding it as proof of their success. So they perceive the millennials as *not motivated* instead of recognising that they are actually highly motivated, but by different things.” ■



2 Implications for strategy

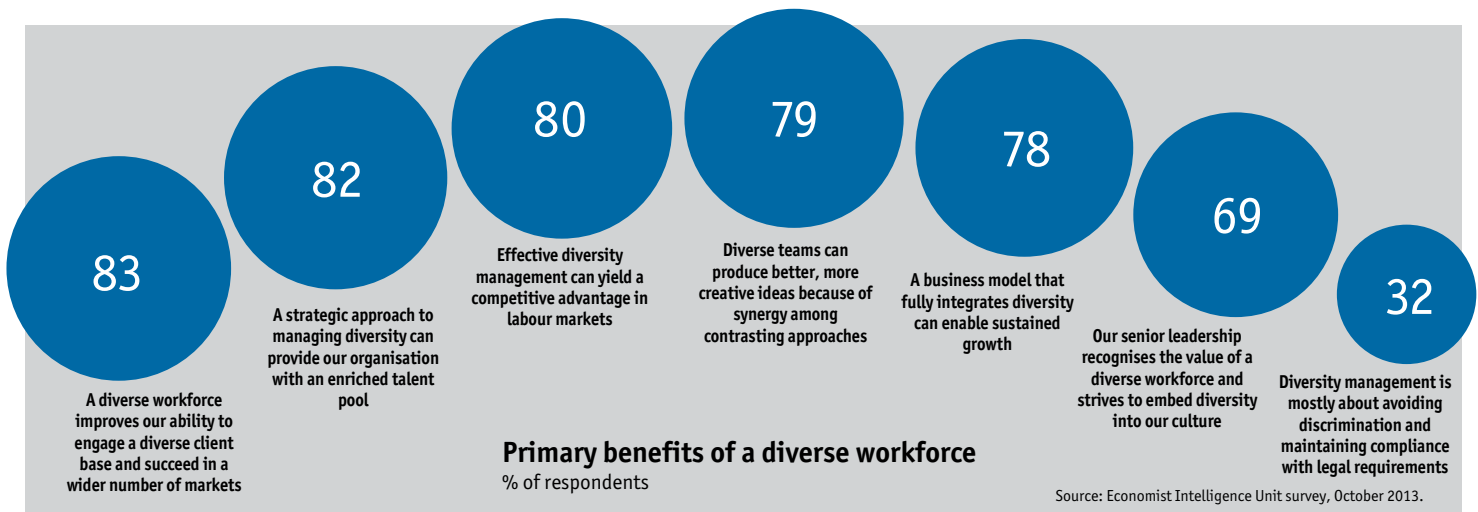
The EIU survey shows a link between workforce and marketplace diversity, with 83% of respondents agreeing that a diverse workforce improves their firms' ability to capture and retain a diverse client base, 82% agreeing that a strategic approach to managing diversity can help access a rich talent pool and 80% viewing diversity management as yielding a competitive advantage in labour markets.

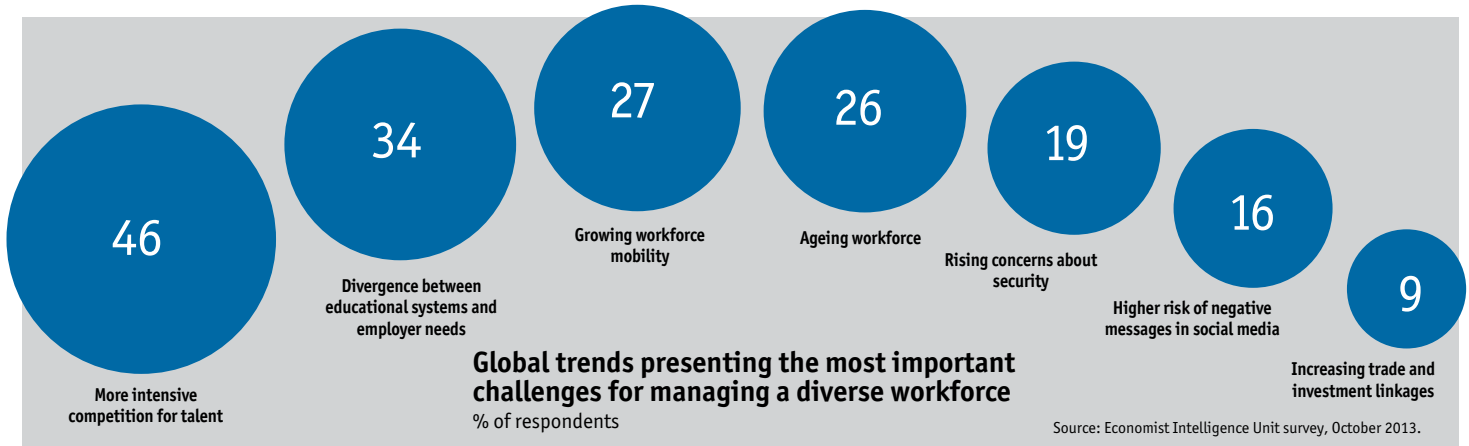
The highly mobile nature of today's global workforce and the fast-changing technology environment that rewards innovation and creativity are refocusing organisational strategies. Forty-six percent of respondents believe that the competitive economic environment is the most challenging issue they confront, followed by a

growing concern about the divergence between the skills employers need and what education systems impart (34%).

Challenges to a strategic focus vary by region. In Asia-Pacific, language and generational issues are considered to be the most difficult by executives surveyed, although Ms Horan believes Singapore, with its multilingual tradition and strong education system, is an exception. In the Middle East, gender and cultural issues are paramount, often enforced and reinforced by social mores, cultural expectations and even legal constraints. African respondents cite difficulties with education and training as their biggest concerns.

In Western Europe, respondents place an even greater value on diversity than do their





counterparts in other regions, yet they are less likely to report that senior management recognises the benefits of diversity. This is not surprising, as research confirms that European heads of diversity, unlike those in North America, tend to be mid-level employees. In an article for *The Diversity Factor* journal, Cologne-based consultant and author Michael Stuber says the concept of a “business case for diversity” first surfaced in the US as a way of leveraging efforts that had originally been compliance-driven. In Europe, where anti-discrimination laws were enacted much later, diversity is still primarily perceived as a social initiative, which results, says Mr Stuber, in its being less strategic.

As executives wage the talent wars, they

understand that they must attract (and retain) potential employees in ways that meet their specific needs. This reflects a marketplace in which clients and customers demand products and services that are customised to their requirements. The convergence of market niche and talent pool expansion lies at the heart of the strategic case for diversity today.

Doug Reid, an HR executive, served as senior staff officer to former Xerox CEO David Kearns, who pioneered one of the first and most successful corporate diversity efforts in the world. Mr Reid notes that Mr Kearns’ actions were motivated by the belief that diversity was the right thing to do.

Mr Reid, however, believes that the connection between customer diversity and workforce diversity

Broadening the talent pool in Asia

Diversity efforts in Asia are generally driven by the need to broaden the talent pool to accommodate growth. This has been particularly evident in the greater openness to—and inclusion of—women in the workforce. The International Labour Organization (ILO) notes that growth in the region has been constrained by the number of women whose talents remain underused, either because they are “non-prepared” (lacking sufficient education) or “non-enabled” (lacking support from their families and communities).

Some Asian countries have responded by developing agendas aimed at broadening the talent pool. Says Singapore-based diversity consultant Jane Horan: “Prime Minister Najib [in Malaysia] is trying to find ways to keep women in the workforce

and ensure 30% participation in the boardroom because he believes diversity is essential to ensuring that Malaysia achieves developed-nation status. And Prime Minister Abe wants to see 30% women in decision-making roles by 2020 as a way of helping to rebuild Japan’s economy.”

Ms Horan believes the talent pool in Asia is also being broadened by in-migration: “A lot of educated Europeans are moving into Asia. Spain estimates that 500,000 young, talented professionals have left the country in search of meaningful work. We are also seeing new diasporas coming out of Italy, Greece, Portugal and Ireland. Not all of them are coming to Asia, of course, but they will have an impact on the global talent picture and on how we understand diversity for some time.” ■

““
Out study showed that diverse teams were more creative, produced more solutions and were far more adept at ‘thinking outside the box’. It also found that diverse teams were more difficult to manage, requiring greater flexibility and cultural sensitivity on the part of leaders.
””

Johnna Torsone,
Chief human resources
officer, Pitney Bowes

was first made in global consumer products companies. “They had to offer products that met distinct regional needs, so it was evident to them quite early that the people they hired and promoted had to reflect the markets they served. A more US-focused company like Xerox wouldn’t have had that perspective to begin with. The company put in place practices that are widely used today, like tying executive bonuses to success in meeting diversity objectives, but the effort was never tied to strategic objectives.”

In recent years, the strategic case for diversity has come to be founded on and supported by the need to encourage innovation. Johnna Torsone, chief human resources officer at Pitney Bowes, a proprietary data and communications supplier and

global outsourcer, says, “You simply do better as a company when you recognise that people bring unique and multidimensional perspectives to the table and can engage diverse employees in a way that they feel comfortable sharing their perspectives.”

Some years ago, Pitney Bowes commissioned a study in partnership with the Wharton School of Business on the value of diverse teams. Says Ms Torsone: “Our study showed that diverse teams were more creative, produced more solutions and were far more adept at ‘thinking outside the box.’ It also found that diverse teams were more difficult to manage, requiring greater flexibility and cultural sensitivity on the part of leaders.” ■

3 Programmatic implications

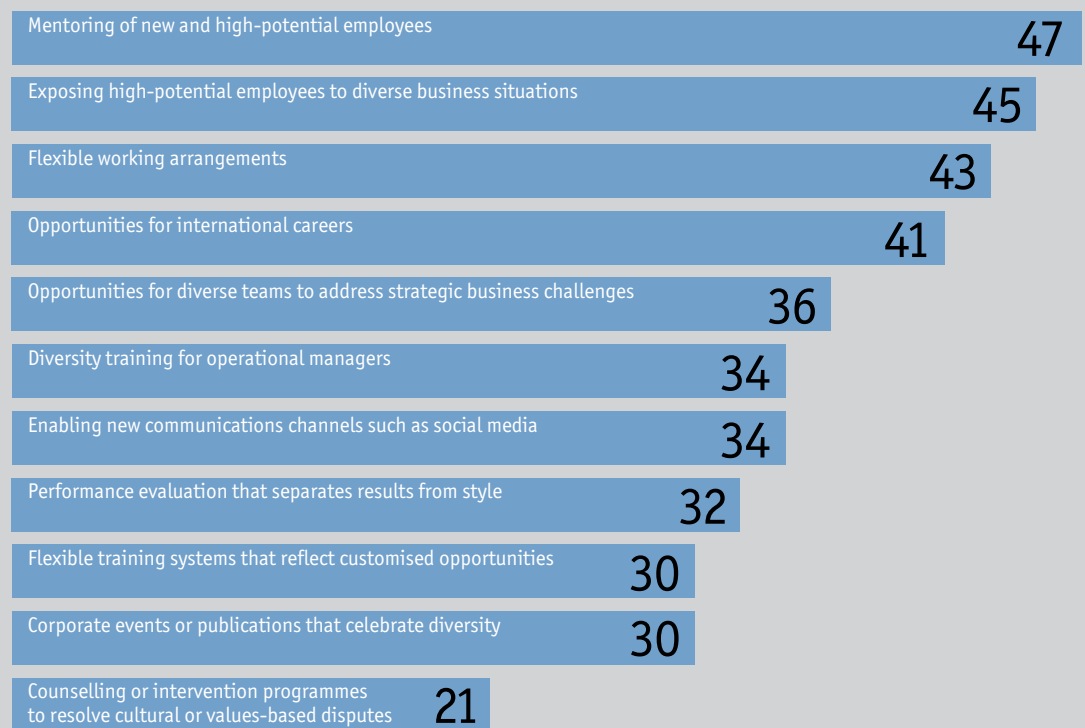
What are respondents doing to engage and support diverse talent, given growing perceptions of its strategic importance? First, they are focusing on learning and development opportunities, including exposing their high-potential employees to varied business situations (45%), offering opportunities for international careers (41%) and providing

opportunities for diverse teams to address strategic challenges (36%). They are also supporting policy initiatives such as mentoring (47%) and flexible working arrangements (43%).

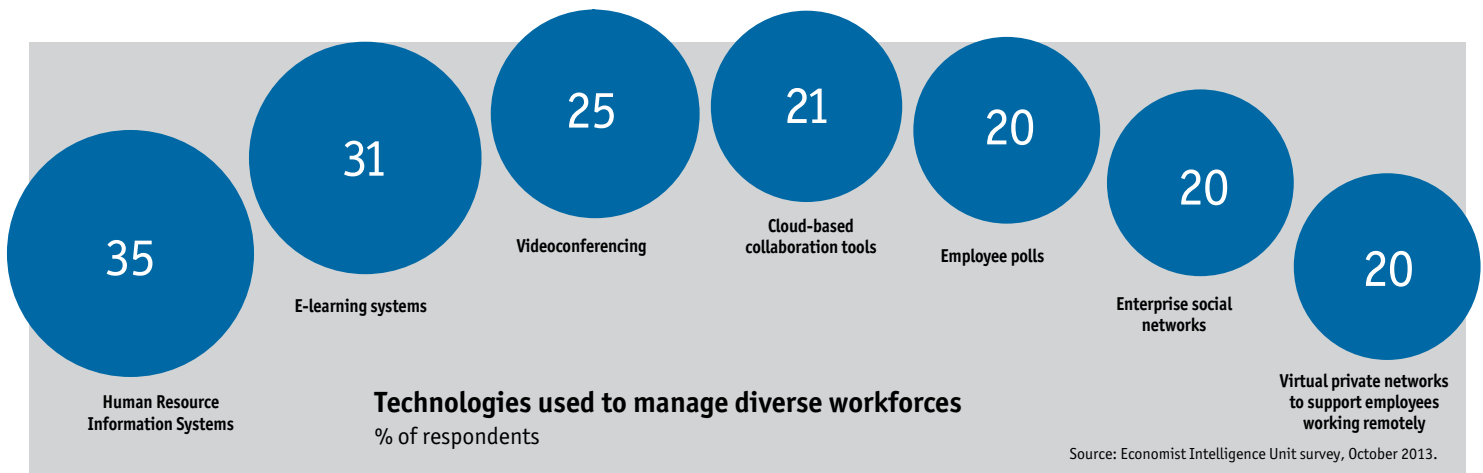
The experience of Bloomberg LLP, a global media company, demonstrates how far-reaching a truly integrated approach to diversity can be. Elana

Strategies used to manage diverse workforces

% of respondents



Source: Economist Intelligence Unit survey, October 2013.



“Employees today expect a virtual working environment. They are not comfortable sitting in one place or being told what hours to work. They want an environment that feels engaging and gives them the resources they need to make a contribution.”

Elana Weinstein,
Head of diversity and
community engagement,
Bloomberg

Weinstein, head of diversity and engagement at Bloomberg, describes her company’s commitment to redefining flexibility. “Employees today expect a virtual work environment,” she says. “People coming into the workforce are used to doing their work on laptops in the quad. They are not comfortable sitting in one place or being told what hours to work. They want an environment that feels engaging and gives them the resources they need to make a contribution. Also, people are increasingly used to connecting via social media, so participation and interaction are important.” Bloomberg’s internal research suggests that the company’s open-floor workplace plan didn’t foster this kind of flexibility or exchange, so it is redesigning its workspaces to create movable areas for people to come together and brainstorm.

Such pods are a kind of tool, yet the EIU survey suggests that technologies and tools remain an underutilised resource in managing a diverse workforce. Human resource information systems

(35%) and e-learning systems (31%) are to some degree the exceptions. Particularly surprising is the low level of adoption for enterprise social networks and networks that support employees working from home, with only 20% of respondents reporting their use. It seems inevitable that this will change, especially as cloud-based computing systems spread.

While no data exist on how workplace communication and other tools are being used in Asia, Ms Horan notes that mentoring, sponsorship and coaching are being emphasised. She also observes a trend towards offering international postings to “high potentials” earlier in their careers, not only in Asia but around the globe: “I see this in consumer products, technology and energy firms. Of late, there is much discussion of assignments in Africa, and jobs that encompass Asia, the Middle East and Africa. These are incredibly rich and expansive roles with broad reach that require adaptable leadership skills.”

4 Internal barriers to managing a diverse workforce

The centralised control required to run global firms efficiently can be difficult to reconcile with the demands of managing a diverse workforce. For example, engaging people with different values requires flexibility. Unsurprisingly, our survey respondents view the need to balance flexibility with that for centralised control as the most challenging internal barrier to managing diversity (39%).

Asia-Pacific is perceived to be the most challenging region for generational concerns—organisations with a long history of centralised

control find accommodating flexibility particularly difficult. Ms Horan says, “Many organisations expect people to have traditional group-oriented values, but young people here come from a culture of mash-ups. They’re used to taking images and refashioning them for their own purpose. They still have a strong collective sense, but it is tempered by a peer culture in which self-expression and flexibility are primary values.”

Traditional concepts of the value of “face time” can also make it difficult for firms to help their diverse workforces create flexible schedules that

Internal factors presenting the most important challenges for managing a diverse workforce

% of respondents



Source: Economist Intelligence Unit survey, October 2013.

meet the requirements of the business and the varied and shifting needs of their employees. Ms Horan notes that in Singapore, Japan, China and Korea, parents need to help children prepare for school examinations during specific time periods, a demand that often falls heavily on women. The ability to work fewer hours during these times is helpful, with a regular schedule resuming once exams are completed. Instituting and accommodating this level of flexibility is difficult for organisations striving to maintain centralised control.

Mr Stuber notes that US programmes such as employee networks are not easy to implement in

Europe because “stand up and speak out is not part of most Europeans’ values”. As a result, training programmes based on frank exchanges can require half a day to just get people in the room talking.

Another commonly cited internal barrier to managing diversity is the reluctance of senior management to accept differences in employee behaviour (32%). This seems to reinforce other findings, like the gap between respondents who view workplace diversity as key to attracting and retaining a diverse client base (83%) and those who believe senior leadership recognises internal diversity’s value (69%). This gap appears most pronounced in Europe. ■

5

Conclusion

Diversity as an organisational concern is neither a temporary phenomenon nor is it driven by economic cycles. Rather, the focus on diversity is the result of fundamental changes in worldwide organisational environments, chief among them the mobility of the global workforce and the increasing value of human talent. It is this last factor that led Peter Drucker to refer to ours as a “post-capitalist economy”—one in which knowledge rather than capital is the prime determinant of marketplace value.

This primacy of knowledge requires organisations to do an optimal job of engaging the broadest possible base of talent if they are to succeed in the global marketplace. Every potential contribution needs to be fully recognised and utilised. Given the increasing diversity of the workforce, both demographically and in terms of

values, strategies for attracting and retaining talent must incorporate the concept of engaging individuals based on their potential. As Ms Torsone of Pitney Bowes notes, the question facing HR executives today is “whether you can create an environment that lets very different people be *who they truly are* while maximising their talent in order to support high performance”.

The EIU survey demonstrates that executives in every region recognise the scope of this challenge and know that support at the most senior levels will be required to meet it. Given that diversity increasingly encompasses values—ranging from behaviours to motivational drivers to communications style and even work ethic—the effort promises to keep leaders actively engaged for the next decade and beyond. ■

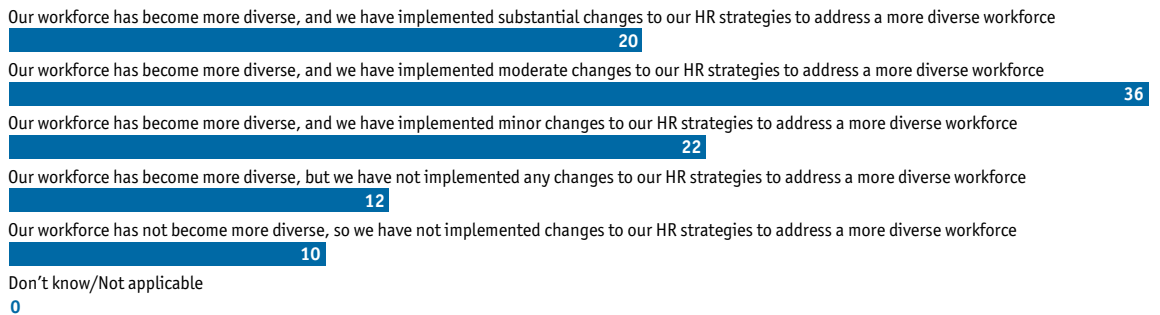
Appendix: survey results

Percentages may not add to 100% owing to rounding or the ability of respondents to choose multiple responses.

Does your functional role include input on designing and developing your organisation's HR strategy? (% respondents)



Which of the following statements best reflects your views about managing increasing workforce diversity? (% respondents)

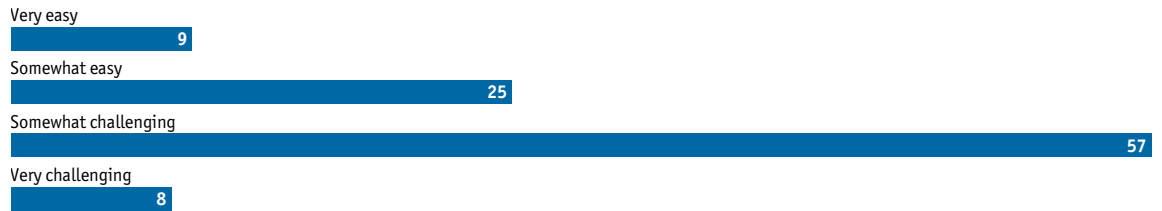


How will HR strategies designed to increase workforce diversity affect employee performance? (% respondents)



How easy or challenging has increased diversity been for workforce management at your organisation?

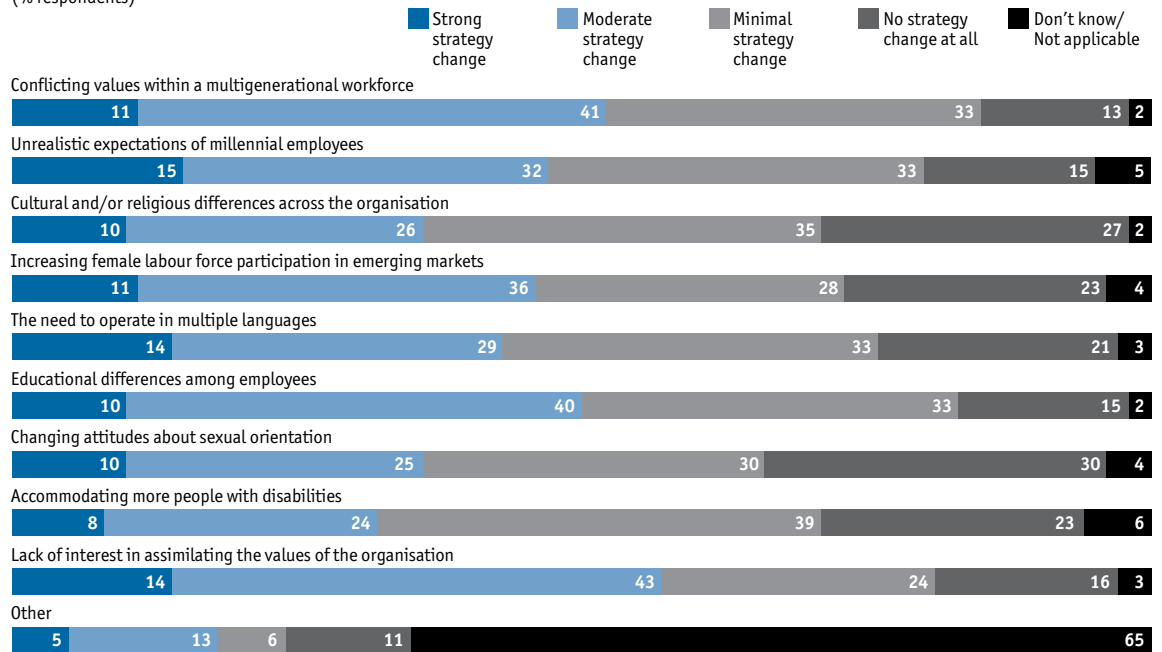
(% respondents)



Over the next three years, how much will the following aspects of workforce diversity require your organisation to change its existing HR strategies?

Please rate each aspect from 'Strong change' to 'No change at all'.

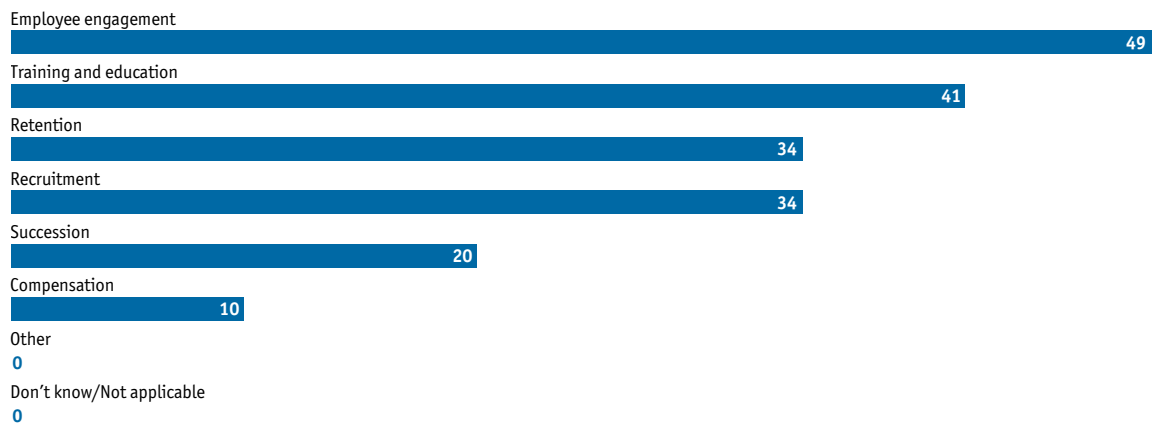
(% respondents)



Which aspects of HR management will be most affected by increased workforce diversity over the next three years?

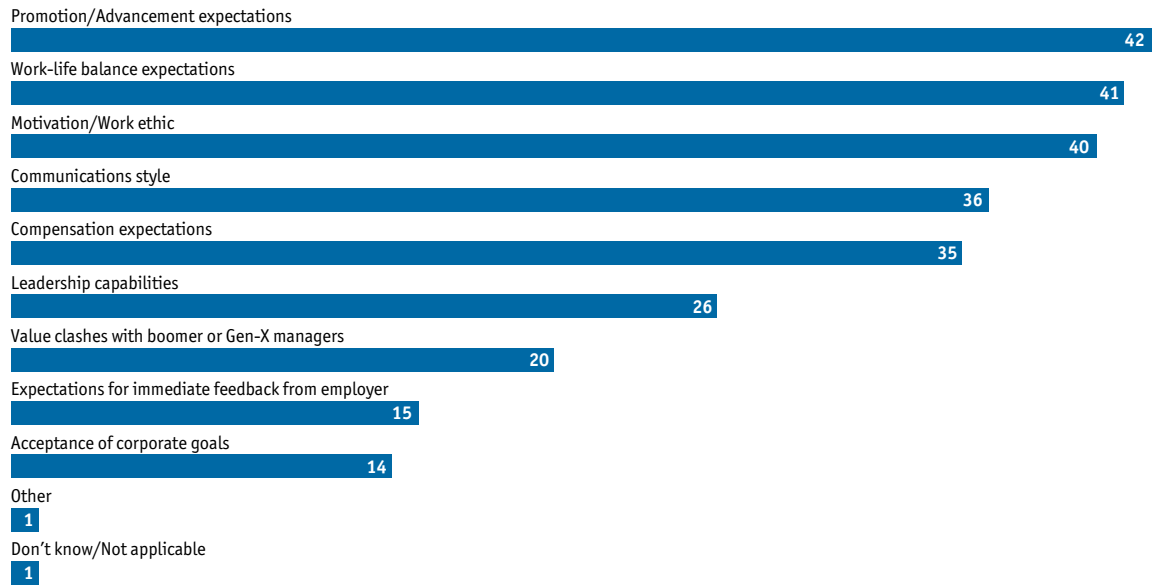
Please select up to two.

(% respondents)



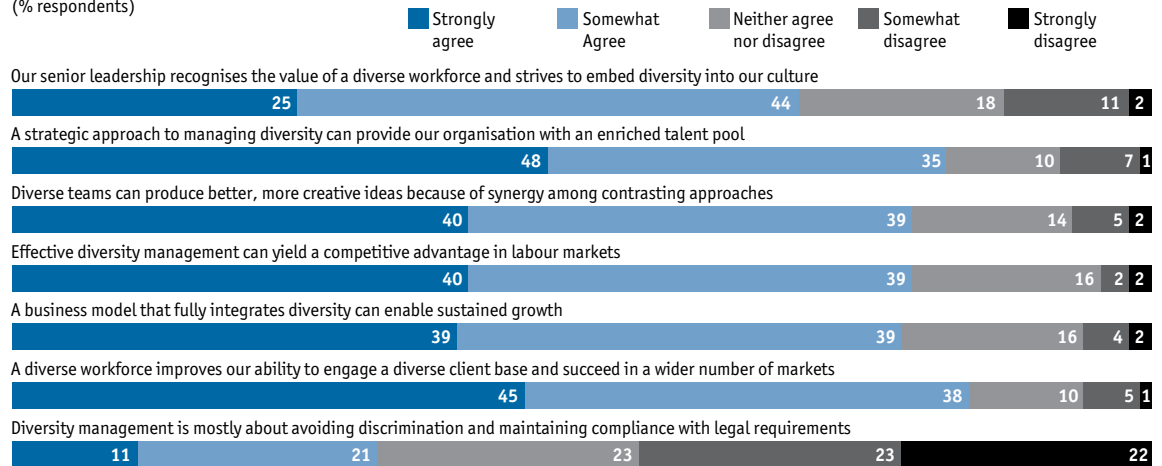
What values and behaviours of millennial generation employees present the biggest challenges for HR strategies?

Please select up to three.
(% respondents)



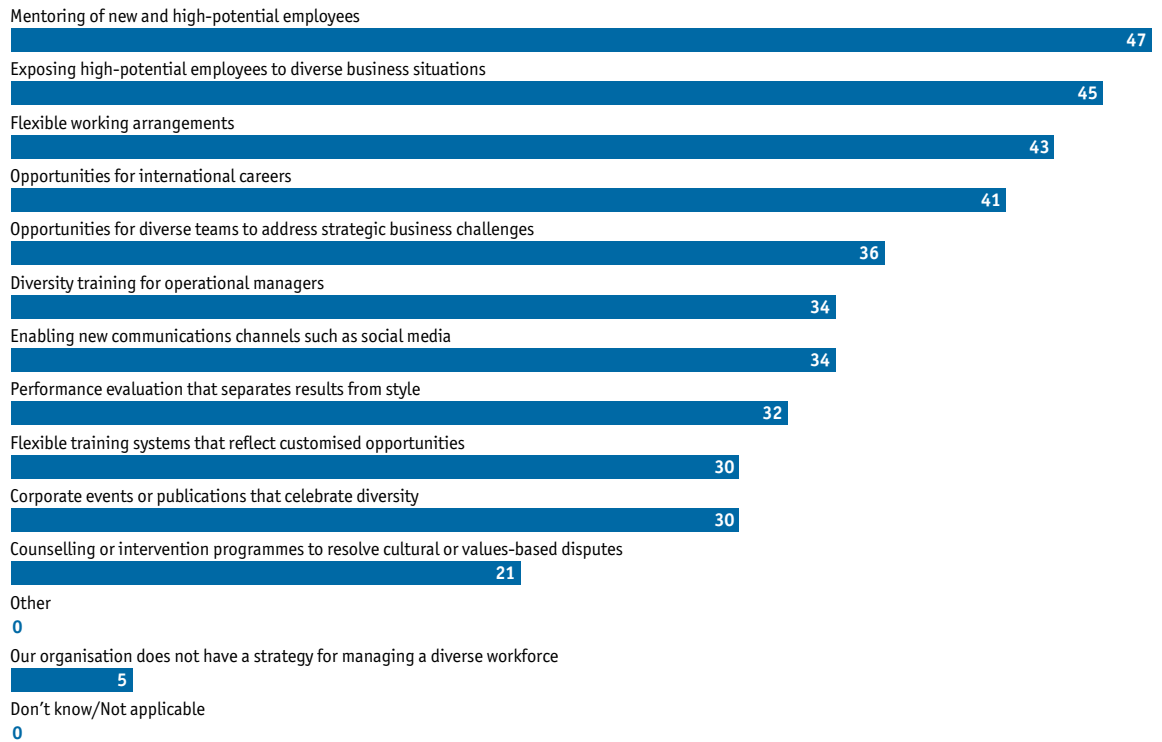
Do you agree or disagree with the following statements about the benefits of a diverse workforce?

Please select one response in each row.
(% respondents)



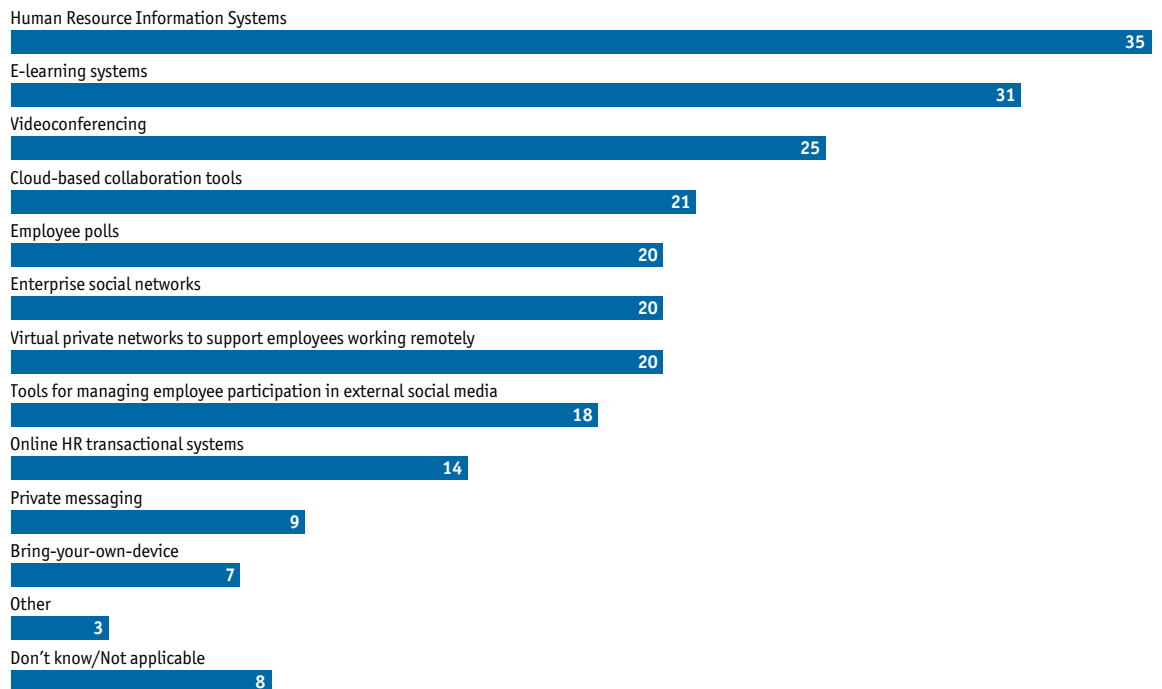
Which of the following strategies does your organisation use to manage a diverse workforce?

Please select all that apply.
(% respondents)



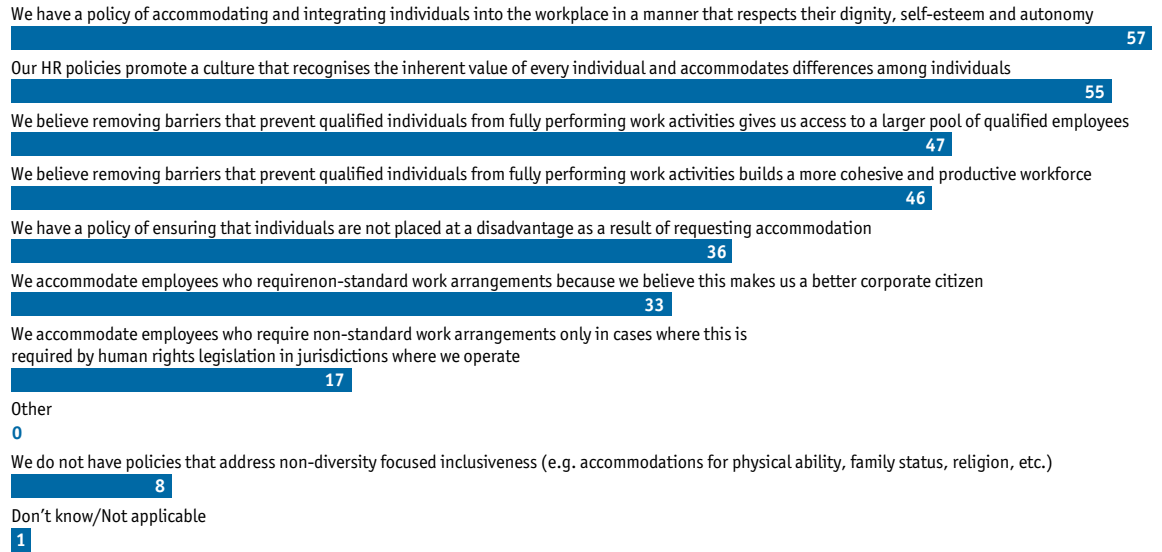
Which technologies are most useful for managing a diverse workforce?

Please select up to three.
(% respondents)



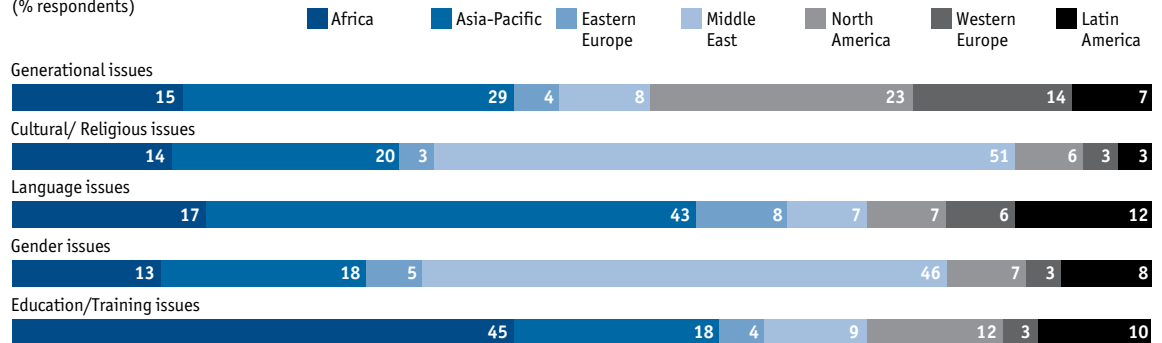
Which of the following statements characterise your organisation’s policies that address moving beyond diversity to ensure inclusiveness (eg, accommodating differences in physical ability, family status, religion, etc)?

Please select all that apply.
(% respondents)



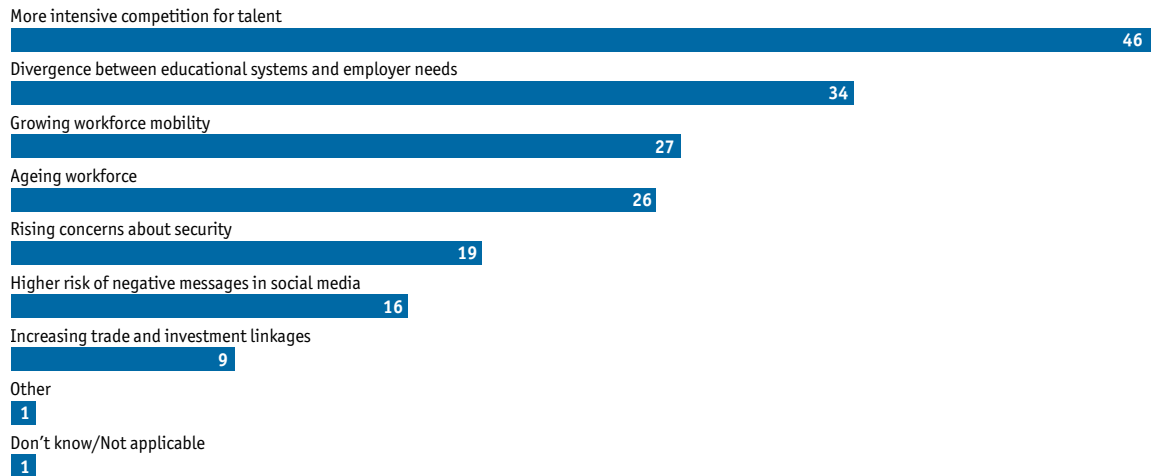
Which global markets present the most difficult challenges for managing a diverse workforce?

Please select one in each row.
(% respondents)



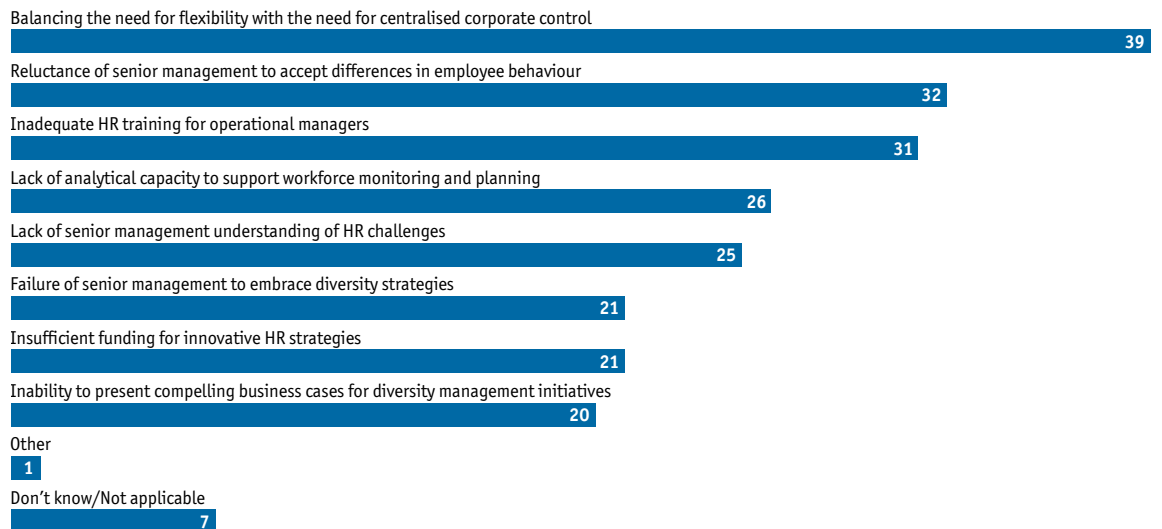
Which external global trends are creating the most important challenges for your organisation's efforts to manage a diverse workforce?

Please select up to two.
(% respondents)



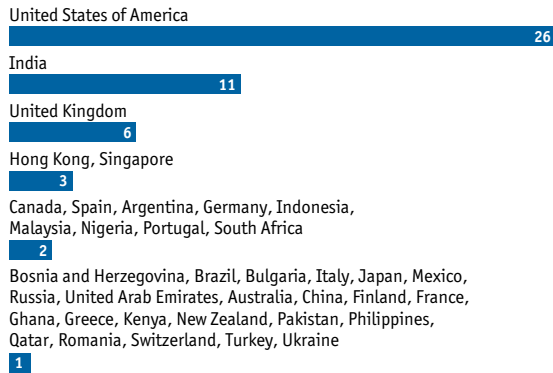
What are the biggest internal obstacles to your organisation managing a diverse workforce more effectively?

Please select up to three.
(% respondents)



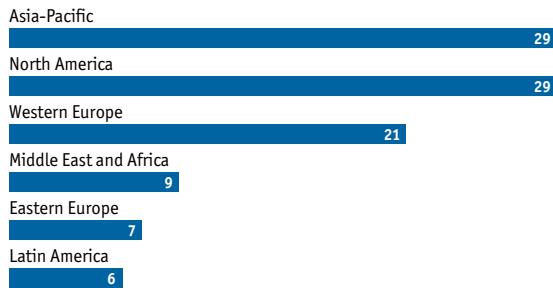
In which country are you personally located?

(% respondents)



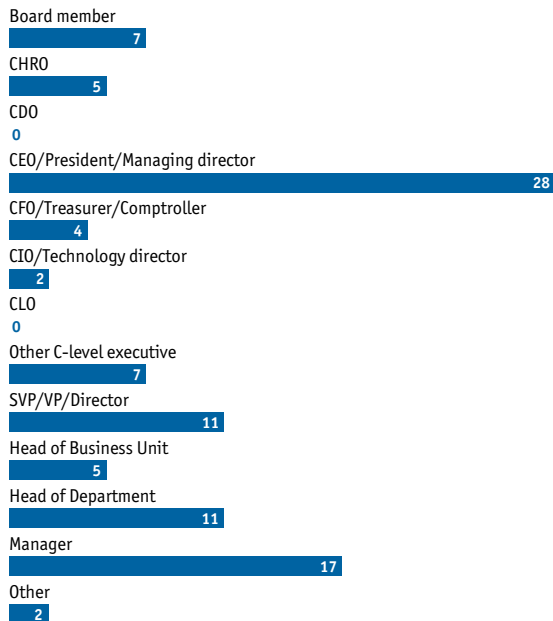
In which region are you personally located?

(% respondents)



Which of the following best describes your title?

(% respondents)



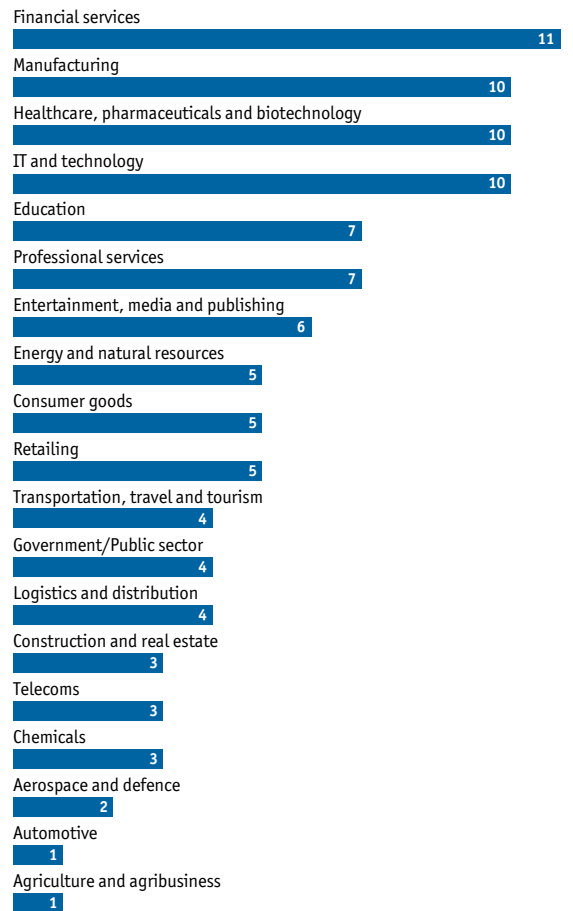
What is your organisation's global annual revenue in US dollars?

(% respondents)



What is your primary industry?

(% respondents)



Whilst every effort has been taken to verify the accuracy of this information, neither The Economist Intelligence Unit Ltd. nor the sponsor of this report can accept any responsibility or liability for reliance by any person on this white paper or any of the information, opinions or conclusions set out in the white paper.

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