

# CONTINUING THE DIVERSITY JOURNEY

**BUSINESS PRACTICES, PERSPECTIVES, AND BENEFITS**

## Disclaimer

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Despite all the above contributions, the Consortium members remain responsible for any errors or misunderstandings reflected in this report.

*Photo research by Ashley Davis*

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## **Foreword by Commissioner Vladimír Špidla, European Commissioner for Employment, Social Affairs and Equal Opportunities**

The diversity of our population is an increasingly striking feature of today's Europe. Far from rejecting diversity or placing restrictions on it, we must continue to accept it as an opportunity that enriches our outlook and widens our horizons - and we must learn to manage it well. In the current context of demographic change, our societies cannot afford to waste the potential of older workers, persons with disabilities or people of ethnic minority background.

Accepting diversity - and managing it well - is a necessary pre-condition for guaranteeing equal opportunities of the people concerned. For them, it is quite simply a matter of full access to their human rights and human dignity. However, well-managed diversity is also a key to success in the global economy. It may require adaptations such as the development of inter-cultural skills, removal of barriers and increased flexibility on part of employers; but it is worthwhile both in ethical and in practical terms. This publication shows that a workforce of people from different horizons is an asset to any ambitious and dynamic company. Diversity can generate extra momentum; open up new market segments and increase innovation and productivity.

Many companies have already taken diversity on board as a social fact and as an asset in terms of their activities. Over the last few years, more and more companies have developed effective, efficient diversity-management strategies and have teamed up with other companies to make diversity management part of their overall business strategy. But we must also acknowledge that there still is reticence and that many companies – whatever their size and location - have a long way to go. I hope that this publication can make an important contribution to placing diversity management even more firmly on the strategic business agenda of companies across Europe.

## Executive Summary

A focus on diversity offers a business opportunity for all. The search for talent, competitiveness, and innovation – key challenges for small and large companies alike – rides on the ability to respond successfully to inclusion and diversity. Companies that recognise this embark upon a continuous journey. Challenges faced today and the opportunities provided are built upon those of the past, as well as those currently being shaped by new global developments. For this reason, a central component of the diversity journey consists of the further development of suitable tools that can assist companies in their journey, as well as measure and understand from where they have come and where they need to go next. Similarly, it is difficult to envisage just how small and large companies, without a sound business education in the field, can appreciate fully the benefits, impact, and cultural and other forms of capital derived from a diversity perspective.

Given this, the current research more than follows on from an earlier study, entitled ‘The Business Case for Diversity: Good Practices in the Workplace’<sup>1</sup>, undertaken for the European Commission in 2005. Firstly, it goes beyond the human-resource driven notions of the business case for diversity to engage with the relationship which exists between diversity, innovation and productivity. Secondly, it recognises the importance of intermediary agencies such as professional and business organisations as well as EU governmental bodies and other agencies active in the promotion, charting and monitoring of diversity initiatives. Thirdly, as just implied, it explores systematically the role of business schools and education in the development of the economic dynamics as well as the cultural issues involved in diversity management. Fourthly, it also adds considerable value to current knowledge, policies and practices via the questioning and answering of what actually constitutes not only the opportunities but also the challenges of developing diversity initiatives such as the ‘Diversity Charters’ in Germany, France and the Brussels Capital Region (BCR). Lastly, and most importantly, the research concentrates on what is arguably the most important group of companies in Europe – namely, the Small to Medium Enterprises (SMEs) which account for 75% of all the employees in Europe.

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<sup>1</sup>

[HTTP://EC.EUROPA.EU/EMPLOYMENT\\_SOCIAL/PUBLICATIONS/BOOKLETS/FUNDAMENTAL\\_RIGHTS/PDF/KE7005617\\_EN.PDF](http://ec.europa.eu/employment_social/publications/booklets/fundamental_rights/pdf/ke7005617_en.pdf)

To encapsulate these elements in the overall study, four supporting studies were carried out which can be grouped under the following headings: *The SME Business Case for Diversity*; *Diversity, Innovation and Productivity*; *Tools for a Successful Diversity Journey*; and *Educating and Training Business Leaders for Tomorrow*.

### **The SME business case for diversity**

For this part of the study, 1,200 companies across 27 European States were surveyed. Additionally, 100 SMEs and 70 SME intermediaries were interviewed, and both sets of data, quantitative and qualitative, suggest that diversity is as relevant to SMEs as it is to the largest corporations. The research also suggests that although the majority of SMEs recognise the business benefits of diversity, only a minority follow through and establish formal human resource strategies that have the power to harness diversity. For the majority of SMEs, diversity management begins with a simple appraisal of their Human Resource Management (HRM) processes. Providing more advice regarding transparent recruitment approaches can help SMEs to employ the best person for the job – irrespective of their personal background. The changing contours of Europe also provide the impetus for new business solutions in a fast-changing landscape to neutralise the fluctuations of economic cycles.

This is particularly so with respect to what concerns SMEs the most - human resource and personnel considerations - as migration within and/or to Europe opens up a number of opportunities as well as problems that require solving. In fact, the majority of companies surveyed and interviewed understood that, whilst a focus on inclusion and diversity can help with recruitment and retention of talented employees, it can also foster the conditions that could create product and market innovation.

### **Diversity & innovation: a business opportunity for all**

Regardless of a company's size or its market reach, innovation is a driver for productivity. This finding not only emerged from the Innovation and Diversity (I&D) survey, but it also surfaced in the focus group held in June 2008 around the subject of innovation and productivity.

As innovation processes depend on harnessing creativity, and while dynamic as well as supportive systems of management can elicit the best from staff, like-minded people will usually produce like-minded results. Diversity in the workforce can, however, help companies to break this mould and the cycle of limited unilateral thinking and, in so doing, set them free to discover new products, markets, and ways

of doing or leading business. The research here indicates that increasing numbers of companies are, indeed, recognising this.

### **Tools for a successful diversity journey**

Even though the majority of European companies are aware of diversity issues, most have yet to embark upon their diversity journeys. Unfortunately, those that do start often fail to make the best use of the support networks and information that is available. But to navigate individually the pathways of diversity risks missing the benefits entirely. Intermediary organisations across Europe offer companies of all sizes specific and practical advice on how best to manage diversity and benefit from it. SMEs that lack the time and resources to develop a diversity approach can particularly benefit from their guidance.

Similarly, it is clear from the case-study work undertaken that Diversity Charters, too, can offer beacons for companies wishing to begin their diversity journeys or find new ways forward on existing journeys. Balancing the needs of companies with no prior knowledge with those that have well established agendas, Diversity Charters can offer motivation that can encourage further action and do not penalise slow progress. Currently existing in France, Germany, and Brussels (although new national level strategies are poised to arrive), the case for an EU level Charter can also be made. As an increasing number of companies seek to trade across borders, a clear commitment to diversity - as expressed through charter signatures or even possibly diversity awards - could have added value.

A note of caution needs, however, to be expressed. For while a consensus exists that Diversity Charters and other innovative tools such as award schemes (like the 'Business in the Community'<sup>2</sup> and 'Race for Opportunity'<sup>3</sup> schemes in the UK) are by and large helpful, many companies point out the risk associated with the approach. To put it unambiguously, they feel that because they are at different stages in the diversity process, they might be more intimidated than encouraged to continue their diversity journey if publicity of any kind is involved. Instead of risking public exposure and, indeed, acclamation, they prefer to opt for support tools that are more personal and direct, including training, coaching and mentoring.

### **Educating and training business leaders for tomorrow**

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<sup>2</sup> FOR INFORMATION ON 'BUSINESS IN THE COMMUNITY'S AWARDS FOR EXCELLENCE, SEE [HTTP://WWW.BITC.ORG.UK/AWARDS\\_FOR\\_EXCELLENCE/INDEX.HTML](http://www.bitc.org.uk/awards_for_excellence/index.html)

<sup>3</sup> FOR INFORMATION ON THE 'RACE FOR OPPORTUNITY' AWARDS, SEE [HTTP://WWW.BITC.ORG.UK/WORKPLACE/DIVERSITY/RACE/RFO\\_AWARDS.HTML](http://www.bitc.org.uk/workplace/diversity/race/rfo_awards.html)

Nearly all companies, including those which have doubts about the efficacy of some of the diversity tools currently being proposed and developed, acknowledged that the diversity journey encapsulates a continuing process of learning, adaptation, innovation and partnership. The knowledge and skills required to respond to these challenges demand clear vision, focus and inclusive leadership. These competencies should form part of the development of future business leaders and hence be an integral part of the curricula and research agenda of business schools and university departments.

Business schools, then, have a strategic role in educating and training current and future managers and business leaders to enhance their skills and competencies on diversity issues. Research (through surveys among deans and academic experts, complemented by a limited number of case studies and in-depth interviews) suggests that leading business schools across Europe have taken a number of steps already in that direction and are ready and willing to take on further this responsibility. Overall, our findings document encouraging levels of diversity management interest and activities but also highlight the need for further improving the integration of the topic in teaching, research and employment practices within European business schools. A business-academic network that contributes to the mainstreaming of diversity management as well as facilitating learning and cross-sector partnerships can potentially play an important role in this process. With many grass-root level diversity initiatives being initiated at business schools across Europe and the feasibility of a diversity network of business schools and companies secured, the path ahead seems to be firm.

# 1 Introduction: New Business Horizons in Europe

## 1.1 The Business Case for Diversity in Europe's changing societies

There are major challenges facing Europe. Technological advances, globalisation, and an ageing and increasingly diverse population are generating profound changes in our societies. Through the twin processes of globalisation and localisation, the business horizons of European companies continue to shift and expand beyond national boundaries. Although the vast majority of European Small-to-Medium Enterprises (SMEs) operate at the local level, the opportunities and challenges they face are inextricably linked to processes taking place across regions, countries, and continents. Regardless of whether a company operates at global or local level, a more diversified society, customer base, market structure and workforce is becoming an increasingly central aspect of doing business. Companies across Europe which recognise this are likely to do better than those that do not in this constantly shifting environment.

The diversity of our population is an increasingly striking feature of today's Europe. Diversity means several things but the term is generally used to describe entities with members who have identifiable differences. In the European context, diversity can be defined from a policy and legal perspective across at least six clear "strands": gender, age, race and ethnic origin, sexual orientation, religion and belief, and disability.<sup>4</sup> Existing EU legislation covering these diversity strands had to be incorporated into the legislation of each EU Member State, which means in turn that companies have to comply with that legislation and should include all six strands in their diversity policies.

In order to understand the significance of diversity for business, however, it is also important to go beyond this definition; to go "under the surface" of the strand-specific approach and to consider the "learnt" aspects of difference – such as the attributes of individuals and even communities' different types of knowledge

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<sup>4</sup> FOR EXAMPLE, SEE: [HTTP://EC.EUROPA.EU/EMPLOYMENT\\_SOCIAL/FUNDAMENTAL\\_RIGHTS/LEGIS/LEGLN\\_EN.H  
TM](http://ec.europa.eu/employment_social/fundamental_rights/legis/legln_en.htm)

acquisition, communication styles, personal skills, professional abilities and leadership expertise.<sup>5</sup>

At the simplest level, diversity and inclusive management can be understood as a process intended to create and maintain a positive work environment where the similarities and differences of individuals are valued. The objective of this is to ensure that all can reach their potential and maximize their contributions to an organisation's strategic goals and objectives.<sup>6</sup>

In reflecting on the challenges and opportunities presented by increasing diversity across Europe, company leaders can also seek to use diversity inside and outside the organisation as a form of capital in its own right. As such, a diversity agenda helps companies not only to reflect on the diversity of their operational and human resource environment for good moral and ethical reasons, but also to use it to maximise their competitive advantage.

In brief, a focus on diversity can provide a sustainable business opportunity for all. At both global and local levels, the search for talent and improved competitiveness – key challenges for small and large companies alike – rides on the ability to respond successfully to diversity within economies and societies. While many companies are keen to implement the necessary changes to realise this during times of economic growth, when faced with stagnation or possible recession they are understandably more wary. But companies with a clear focus on an inclusive diversity agenda are perhaps more likely to survive hard times than those that are not willing to reassess the way they recruit employees and with whom and how they do business.

Those that decide to take the opportunities and face the challenges of diversity start on a continuing journey; one that can lead not only to a more inclusive workforce but also one which can lead to improved efficiency, productivity and profits.

## **1.2 A new European study on the business case for diversity: from SMEs to business schools**

In 2005, a pan-European study on the Business Case for Diversity<sup>7</sup> was carried out for the European Commission. The study concluded that diversity in the workplace

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<sup>5</sup> COGNITIVE ATTRIBUTES ARE NOT “HARD-WIRED” INTO THE BRAIN BUT ARE SHAPED BY SOCIAL AND CULTURAL EXPERIENCE FROM BIRTH.

<sup>6</sup> KANDOLA, R. AND FULLERTON, J. (1998) *DIVERSITY IN ACTION: MANAGING THE MOSAIC*, CROMWELL: WILTSHIRE

<sup>7</sup> ‘THE BUSINESS CASE FOR DIVERSITY: GOOD PRACTICES IN THE WORKPLACE’, EUROPEAN COMMISSION, SEPT 2005

was becoming increasingly important for European companies. Some 82% of the 495 companies that responded to the survey suggested that they recognised the business benefits associated with diversity. Key amongst these were enhanced employee recruitment and retention, an improved corporate image and reputation, greater levels of innovation, and better marketing opportunities. However, larger companies were apparently more likely to be on – or well along – the diversity journey than smaller companies. This was also the case for companies in the “old” 15 Member States.

This fresh study into the business case for diversity was led by Focus Consultancy in partnership with the European Academy of Business in Society (EABIS), EIM Business Policy & Research, and the European Institute for Managing Diversity (EIMD). Supporting partners included the European Association of Craft, Small and Medium Sized Enterprises (UEAPME), the European Network for Social and Economic Research (ENSR), CSR Europe, and the European Foundation for Management Development (EFMD) as well as many other organisations and stakeholders.<sup>8</sup>

The importance of this new study is to be found in the fact that many companies are rapidly realising that the leveraging of workplace diversity can be a vital strategic resource for competitive advantage. This is not just the case for multinationals, the principal focus of the 2005 study, but more and more so it is also the case for SMEs, supporting organisations like UEAPME and those bodies concerned with business education and promotion.

Because of the number and impact of SMEs on the European economy – they employ approximately 75% of the European workforce – a main aim of this new study is to understand better the current situation of workplace and organisational diversity within particularly though not exclusively SMEs. Further complementary aims are concerned with questions to do with the relationship between diversity, innovation and production, and the role of business schools in the training of managers to appreciate the significance of diversity in business. When brought together with an understanding of the role of business support organisations and the success of ‘Diversity Charters’, these interrelated aims not only add value to the 2005 study but also provide a wider perspective on ‘the diversity journey’ on which many companies have embarked.

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<sup>8</sup> INDIVIDUAL ORGANISATIONS WILL BE ACKNOWLEDGED THROUGHOUT THE REPORT.

### 1.3 Methodology

In order to provide up-to-date information on the state of diversity policies and practices in European businesses and as an integral part of this new study, a survey was conducted in 2008 with the help of the European Commission's European Business Test Panel (EBTP)<sup>9</sup>. 335 companies across Europe replied to the survey. The outcome of this new research suggested that while the majority of those diversity benefits identified in the 2005 EBTP study remain valid today, in some areas significant changes have occurred.<sup>10</sup>

In addition to the EBTP survey, 1,200 SMEs across 27 European countries were surveyed and 100 SMEs and 64 SME intermediaries from across 13 Member States were interviewed with the aim of uncovering the extent to which diversity was on their agenda and how they could help promote the business case to SMEs. A summary of the findings of the survey and interviews will be presented in the next chapter, entitled 'Diversity for Talent and Competitiveness: The SME Business Case for Diversity'.

Drawing in part upon these findings and supplemented with a stand-alone Innovation and Diversity (I&D) survey, an attempt was made to unpack the I&D debate and literature. Results of this survey are summarised in chapter 3 ('Joining up the Dots between Diversity, Innovation and Productivity'). 300 companies were contacted of which 35 completed and returned the I&D questionnaire, and from this sample a focus group was held in June 2008. The survey results provide a number of ways large and small enterprises could improve their diversity management to increase the benefits of greater innovation and productivity.

Drawing again in part on the findings of the EBTP survey and our interviews with 21 companies, a third major strand of the research was to look at voluntary initiatives in and for Europe. Augmented with a separate in-depth case-based study on the role of 'Diversity Charters' in France, Germany and the Brussels Capital

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<sup>9</sup> [HTTP://EC.EUROPA.EU/YOURVOICE/EBTP](http://ec.europa.eu/yourvoice/ebtp)

<sup>10</sup> THE COMPANIES THAT RESPONDED TO THE 2005 AND 2008 SURVEYS WERE NOT REPRESENTATIVE OF EUROPEAN COMPANIES AS A WHOLE. FURTHERMORE, THE 2008 SAMPLE WAS NOT MATCHED IN TERMS OF COUNTRY, SECTOR, OR COMPANY SIZE TO THE 2005 SAMPLE. IN THE 2008 SAMPLE, GERMAN COMPANIES RETURNED THE LARGEST NUMBER OF RESPONSES (16 PERCENT), WHILE COMPANIES IN ESTONIA, LUXEMBOURG, LATVIA, IRELAND, AND THE SLOVAK REPUBLIC RETURNED THE LEAST (LESS THAN 1 PERCENT). HOWEVER, COMPANIES IN ONLY ONE COUNTRY (CYPRUS) DID NOT RETURN ANY RESPONSES AT ALL. PLEASE SEE THE REPORT *THE STATE OF DIVERSITY MANAGEMENT IN 2008* FOR FURTHER INFORMATION.

Region (BCR), the objective here was to evaluate the effect and efficacy of developing and implementing charters of this kind on a national and/or European wide basis. The conclusions and recommendations which flow from this study are to be found in a discussion on 'The Tools for a Successful Diversity Journey' in chapter 4.

The last major study on which the research presented in this report is based consists of 2 surveys designed to elicit an understanding of the 'state-of-the-art' in diversity management teaching and research across Europe and beyond. Responses to the first of these surveys – the Deans' survey – were received from 254 academic institutions, of which 137 were based in Europe. In all, 119 institutions returned the Faculty survey and of these 88 were based in Europe. Following this, 32 institutions were selected for qualitative research which resulted in the finding of 20 'good practice' case studies. The detailed findings and conclusions of this research, the follow-up interviews conducted with 15 European academic scholars and the insights that arose from a 'Symposium on Diversity Management Education and Curriculum Development' held on 23 June 2008 at the ESADE Business School in Madrid will be found in chapter 5 on 'Business Schools and Company Networks: Educating and Training Business Leaders for Tomorrow'.

Although additional notes on the methodology, data and material germane to this research report are to be found in a set of specialist research papers<sup>11</sup>, a twelve-month research project of this kind cannot be as conclusive as many might wish – as the research itself has to be seen to form part of 'continuing the diversity journey'. To use the metaphor which underpins the narrative of this report, this finding, together with many more presented in the chapters that follow, suggest that there is some distance to go before the journey's end.

Without the commitment of all the support organisations, however, and especially UEAPME, CSR Europe, ENSR and EFMD, the companies, business schools and universities and many individuals who participated in the surveys, focus groups and symposium, the journey so far would not have been as stimulating as it has been. So to all the support organisations, small and large companies as well as

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<sup>11</sup> The sub-studies that form the basis of the main study and the research papers that emanated from them are as follows: 'Diversity and Innovation: A Business Opportunity for All', 'Diversity for Talent and Competitiveness: The SME Business Case for Diversity', 'Voluntary Diversity Initiatives in and for Europe: The Role of Diversity Charters', 'Diversity Management in 2008: Research with the European Business Test Panel' and 'Diversity Management and Business Schools: Current Practice and Future Partnerships'.

individuals who took part in the study, the research consortium would like to extend its appreciation and thanks.

#### 1.4 Diversity management in 2008: Research with the European Business Test Panel

By far the most prevalent argument for adopting a diversity agenda suggested by the 335 companies that replied to the EBTP survey continues to be that it significantly broadens the pool of talent from which to employ staff, or helps to retain the best staff. 56 percent of participating companies said they had some kind of diversity policies and practices in their enterprise. Of these companies, 59 percent suggested these had a positive impact on their business and 27 percent said they did not know. The link between diversity and innovation has become an increasingly recognised factor, rising from 26 percent in 2005 to 63 percent in 2008. Given that innovation is a significant driver for productivity,<sup>12</sup> and can help companies navigate the changing nature of global and local markets, the relationship between diversity and innovation has the potential to become a crucial aspect of economic growth not only at the private business level but also for the European Union as a whole.<sup>13</sup>

But although many EBTP companies in 2008 recognised the link between diversity and innovation, less than one-third of companies “joined the dots” and associated diversity with productivity. Of those, 83 percent had set targets on diversity and tried to measure the impact of their diversity policies. This is an important finding, and one that suggests companies that seek a self-appraisal of their diversity and inclusion processes can better understand the benefits that diversity brings. Overall, however, little progress has been made in measuring and evaluating the impact of diversity within individual companies. In 2008, just one-quarter of EBTP

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<sup>12</sup> For examples please see: Castellani, D. & Zanfei, A. (2006) *Multinational firms, innovation and productivity*, Northampton, MA, USA: Edward Elgar Publishing; Janz, N., Löff, H. & Peters, B. (2003) *Firm Level Innovation and Productivity – Is There a Common Story Across Countries?* Centre for European Economic Research Discussion Paper No. 03-26 (available at: <ftp://ftp.zew.de/pub/zew-docs/dp/dp0326.pdf>).

<sup>13</sup> FOR EXAMPLES PLEASE SEE: DRAZIN, R. & BIRD SCHOONHOVEN, C. (1996) “COMMUNITY, POPULATION, AND ORGANISATIONAL EFFECTS ON INNOVATION: A MULTILEVEL PERSPECTIVE,” *ACADEMY OF MANAGEMENT JOURNAL*, 39, 5: 1065-1083; STERNBERG, R. & ARNDT, O. (2002) “THE FIRM OR THE REGION: WHAT DETERMINES THE INNOVATION BEHAVIOUR OF EUROPEAN FIRMS?,” *ECONOMIC GEOGRAPHY*, 77, 4: 364-382; VAN DE VEN, A. H. (1986) “CENTRAL PROBLEMS IN THE MANAGEMENT OF INNOVATION,” *MANAGEMENT SCIENCE*, 32, 5: 509-607.

companies that took part in the research suggested that they monitored and measured the effects of diversity on company performance.<sup>14</sup>

Results from the EBTP survey suggest that there are many companies that have diversity policies in place but that more still needs to be done to engage those that do not. Moreover, greater assistance is required for companies that do. As such, there could be a role for intermediaries and other stakeholders – business support organisations, chambers of commerce, and business schools in particular – to advise on the development of diversity policies and communicate its benefits. These organisations could also help companies to develop systems of measurement from the implementation process to the product of enhanced workforce management, innovation, and productivity.

Within this context, new and original ways to communicate the business case for diversity will be required; in particular methods that suit the challenges and needs of smaller companies and those based outside northwest Europe. One of these may be the development of “Diversity Charters” at regional and national level for smaller companies, and an EU-level Charter for larger corporations. As “starting points” on the road to fully-fledged diversity policies, national or regional Diversity Charters have been identified by their signatories in France, Germany, and Brussels as key motivators and central points for information. EBTP respondents, nevertheless, were largely undecided on the value of Diversity Charters for their company. Of all 335, 26.9 percent said that signing a Diversity Charter was/could be beneficial for their company, while 29.3 percent disagreed. However, 43.9 percent had no opinion.

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<sup>14</sup> IN 2005, HOWEVER, THIS FIGURE WAS 57 PERCENT. THE APPARENT DROP IS PROBABLY CAUSED BY THE FAR GREATER NUMBER OF COMPANIES FROM THE 12 NEW MS THAT PARTICIPATED IN THE RESEARCH. PLEASE SEE *DIVERSITY MANAGEMENT IN 2008* REPORT FOR FURTHER DETAILS.

## 2 Diversity for Talent and Competitiveness: The SME Business Case for Diversity

Research on the business case for diversity has been mainly focused on medium and large companies, not small enterprises. Partly because of this focus, the assumption amongst many SMEs is that diversity relates to issues of human resource management of large and often already diverse workforces.<sup>15</sup> Nevertheless, the global and diverse nature of regional and local communities within Europe means that global issues are becoming increasingly relevant for even the smallest SMEs. But, at the same time, the overwhelmingly local nature of the SME marketplace and workforce means that the SME business case should still seek to respond to concerns found at the local level and be communicated through a language and approach that SMEs can relate to.

As part of this study, a survey with SMEs across Europe was conducted to understand better their current relationship to diversity and their particular challenges and needs.<sup>16</sup> In total more than 1,200 responses were received from SMEs in all 27 Member States (EU-27 MS), from which 100 were contacted for follow-up

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<sup>15</sup> A NUMBER OF STUDIES SHOW THAT WHEN ASKED TO DESCRIBE THE BENEFITS OF EQUALITY AND DIVERSITY POLICIES THE MAJORITY OF COMPANIES SUGGEST THOSE RELATING TO HRM MORE OFTEN THAN OTHER AREAS OF BUSINESS PRACTICE. GIVEN THAT EQUALITY AND DIVERSITY POLICIES IN BUSINESS BEGAN WITHIN HR DEPARTMENTS THIS IS NOT SURPRISING.

<sup>16</sup> The survey was designed by Focus Consultancy Ltd in partnership with EIM Business Policy & Research. The European Association of Craft, Small and Medium-Sized Enterprises translated and distributed the survey in 11 EU-27 MS, while the following organisations very kindly distributed the survey or promoted a web-version of the survey across the remaining EU-27 MS: Managing Diversity, Fundación Andaluza Fondo de Formación y Empleo (FAFFE), International Federation of the Roofing Trade, Enterprise Europe Network, European Council for Small Businesses, European Space Agency (SME Unit), Excellis Business Consulting, Irish Business Consulting, Great Western Enterprises, South East England Development Agency, European Small Business Alliance. The sample is not representative of SMEs in Europe. For further information on the methodology, please see the report *Diversity for Talent and Competitiveness*.

interviews.<sup>17</sup> The full methodology and results of the research can be found in the separate report *Diversity for Talent and Competitiveness: The SME Business Case for Diversity*.<sup>18</sup>

## 2.1 Global/local context of SMEs

SMEs are defined as enterprises in the private non-primary sector that employ less than 250 staff.<sup>19</sup> According to the *Observatory of European SMEs* there are 19.3 million enterprises in the European Economic Area (EEA) and Switzerland,<sup>20</sup> providing employment for over 140 million people. Some 92 percent of these enterprises are “micro” (0-9 employees), 7 percent are “small” (10-49 employees), and less than 1 percent is “medium-sized” (50-249). Just 0.2 percent of European enterprises are “large” (250+ employees). Reflecting this, more than two thirds of all jobs in Europe are provided by SMEs, with just one third provided by large enterprises.

The size of companies appears to be a significant factor in whether or not diversity policies are adopted and embedded within organisational practices. Whilst there are many SMEs that have well embedded diversity policies, it is the larger companies that are more likely to lead in this respect. This is in part because SMEs are subject to a number of distinctive and intrinsic characteristics that make them different from their larger counterparts. These affect the contents, nature, and extent of SME business activities generally, and diversity practices in particular. Some of these characteristics include a very small workforce (the average small enterprise employs just 6.8 staff members), significant levels of employment of family members (around half of SMEs provide employment for family members only), low levels of

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<sup>17</sup> INTERVIEWS WERE CO-ORDINATED BY EIM BUSINESS POLICY & RESEARCH AND CONDUCTED BY MEMBERS OF ENSR. FOR FURTHER INFORMATION, PLEASE SEE THE REPORT *DIVERSITY FOR TALENT AND COMPETITIVENESS*.

<sup>18</sup> AVAILABLE FROM FOCUS CONSULTANCY UPON REQUEST.

<sup>19</sup> COM(2003) 1422 FINAL. AVAILABLE AT:  
[HTTP://EC.EUROPA.EU/ENTERPRISE/ENTERPRISE\\_POLICY/SME\\_DEFINITION/DECISION\\_SME\\_EN.PDF](http://ec.europa.eu/enterprise/enterprise_policy/sme_definition/decision_sme_en.pdf)

<sup>20</sup> EUROPE-19 IS USED IN THE OBSERVATORY REPORTS TO INDICATE THE 15 ‘OLD’ EU MEMBER STATES AND THE EEA AND EFTA COUNTRIES.

personnel, time, and financial resources, high levels of economic insecurity, and no formal HRM processes.<sup>21</sup>

A recent Eurobarometer/Gallup<sup>22</sup> survey of SMEs in Europe provides an understanding of the specific challenges faced by SMEs in Europe. According to that survey, the two most important business challenges faced by SMEs include limited customer demand for products and services (46 percent) and a lack of skilled labour (35 percent). The greatest number of challenges was faced by SMEs in the 12 “new” Member States of the European Union (NMS 12)<sup>23</sup> plus several “old” Member States (EU15 MS)<sup>24</sup> including Greece, Portugal, France, Belgium, Italy, and Malta. SMEs in the Nordic countries apparently faced the fewest challenges.

Framing these challenges are the contexts within which SMEs have to operate. For example, the same Eurobarometer/Gallup<sup>25</sup> survey suggested that the majority of SMEs believe that competition has increased in recent years, with 60 percent of managers claiming that competition has recently intensified. SMEs in the NMS 12 were more likely to report that competition has increased.

The primary response of SMEs to the challenge of competitiveness has been to invest in products and marketing.<sup>26</sup> Some 12 percent of turnover within European SMEs now derives from new or significantly improved products or services. However, SMEs in the EU15 MS report higher levels of innovation than SMEs in the NMS 12. Across Europe, the greatest barriers to innovation include problems accessing finance, scarcity of skilled labour, a lack of market demand, and expensive human resources. Just 26 percent of SMEs seek to overcome competition through seeking new markets in other EU countries or beyond. Reflecting the low level of interest in

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<sup>21</sup> *OBSERVATORY OF EUROPEAN SMES 2003, NO. 7*. AVAILABLE AT:

[HTTP://EC.EUROPA.EU/ENTERPRISE/ENTERPRISE\\_POLICY/ANALYSIS/DOC/SMES\\_OBSERVATORY\\_2003\\_REPORT7\\_EN.PDF](http://ec.europa.eu/enterprise/enterprise_policy/analysis/doc/smes_observatory_2003_report7_en.pdf)

<sup>22</sup> FLASH EB SERIES #196 – THE GALLUP ORGANIZATION: *SURVEY OF THE OBSERVATORY OF EUROPEAN SMES, SUMMARY*, FIELDWORK CONDUCTED NOVEMBER 2006-JANUARY 2007. AVAILABLE AT:

[HTTP://EC.EUROPA.EU/ENTERPRISE/ENTERPRISE\\_POLICY/ANALYSIS/DOC/2007/02\\_SUMMARY\\_EN.PDF](http://ec.europa.eu/enterprise/enterprise_policy/analysis/doc/2007/02_summary_en.pdf)

<sup>23</sup> NSM 12: BG, CY, CZ, EE, HU, LT, LV, MT, , PL, RO, SL, AND SK

<sup>24</sup> EU15 MS: AT, BE, DA, DE, EL, ES, FI, FR, IE, IS, IT, LU, NL, NO, PT, SV, AND UK

<sup>25</sup> IBID

<sup>26</sup> IBID

expanding international operations, less than one in ten SMEs create their turnover from exports to other European countries and beyond.

## 2.2 Benefits of a diverse workforce for SMEs

Some of these issues – recruitment of high quality staff and challenges encouraging innovation especially – also face larger companies. But while larger companies have the resources to attract and retain the best staff and foster innovation, SMEs do not.<sup>27</sup> However, a diversity agenda or a set of diversity policies and practices, with clear aims and objectives can offer SMEs a cost-effective approach to overcoming these challenges by attracting the best talent and increasing market competitiveness through skills and greater innovation.<sup>28</sup> A diversity agenda of this kind can also broaden the potential customer base, expanding the ability of SMEs to sell more products to more customers – a significant contribution when the workforce is too small to allow a diversity of employees.<sup>29</sup>

A large majority of the 1,200 SMEs (79 percent) that took part in the diversity survey suggested that they recognised business benefits when employing and promoting a diverse workforce. Although this is overall a very positive finding, it should be interpreted with the context of the research in mind. Crucially, the sample of SMEs was not representative and those that took part were probably in the majority of those with an existing level of awareness in or activities around diversity. It is very likely that “in reality” very many fewer SMEs recognise the business benefits of diversity.<sup>30</sup>

Nevertheless, of those that do recognise the business benefits of diversity, the majority (60 percent) suggested it was because diversity policies enable the recruitment and retention of high quality employees. When interviewed, SMEs

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<sup>27</sup> AS SEEN BELOW, A LACK OF TIME AND RESOURCES WAS ONE OF THE MOST COMMON PROBLEMS MENTIONED BY SMEs AND SME ORGANISATIONS FACING SMEs WHEN DEVELOPING OR IMPLEMENTING A DIVERSITY AGENDA.

<sup>28</sup> FOR DETAILED INFORMATION ON THE LINK BETWEEN DIVERSITY, CREATIVITY, AND INNOVATION PLEASE SEE THE REPORT *DIVERSITY & INNOVATION*.

<sup>29</sup> FOR FURTHER EXAMPLES ON THE BUSINESS BENEFITS OF DIVERSITY FOR SMEs SEE: *UEAPME COMPENDIUM OF GOOD PRACTICES OF DIVERSITY AND NON-DISCRIMINATION IN EUROPEAN CRAFTS, SMALL AND MEDIUM-SIZED ENTERPRISES AND THEIR ORGANISATIONS, 2007*. AVAILABLE AT: [HTTP://WWW.UEAPME.COM/DOCS/COMPENDIUM/COMPENDIUM\\_PRINT.PDF](http://www.ueapme.com/docs/compendium/compendium_print.pdf)

<sup>30</sup> THIS WAS THE FINDING OF THE EBTP STUDY.

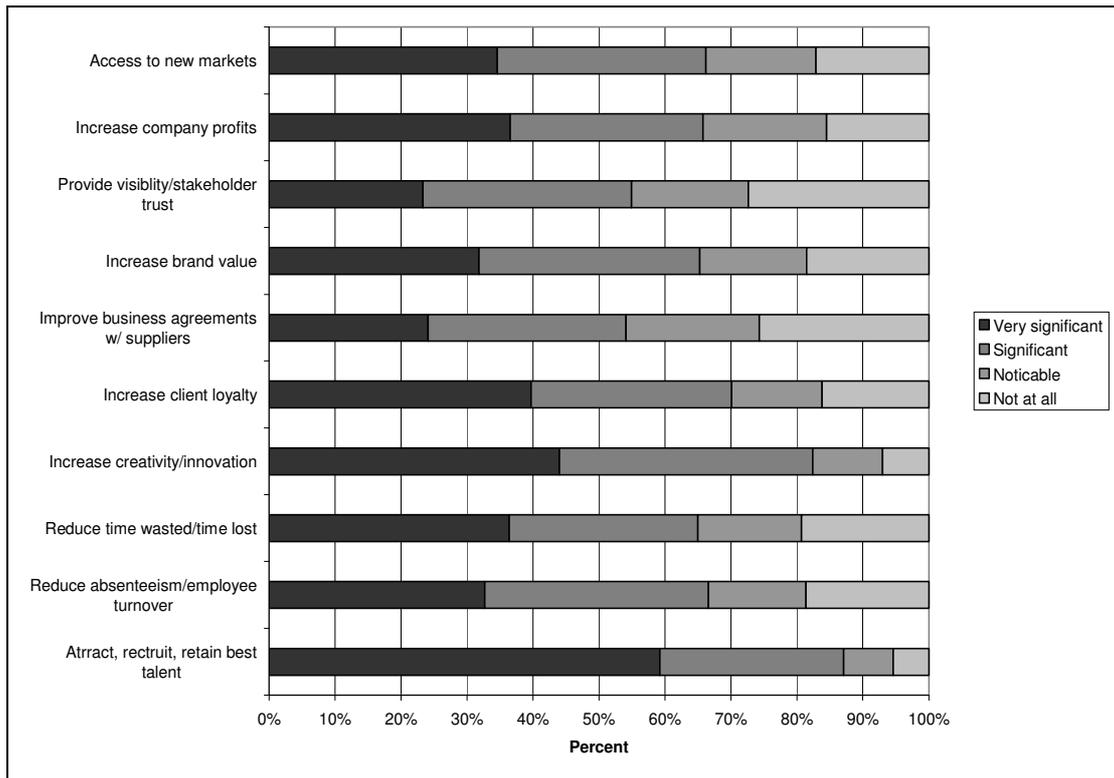
explained that this aspect was especially important given shortages on the labour market and competition for employees between SMEs and larger enterprises.<sup>31</sup> A further 40 percent also recognised a link between diversity, creativity, and innovation. In relation to this, SMEs explained that employees with diverse backgrounds have different approaches to problems and that this breeds creativity. Furthermore, SMEs suggested that the different perspectives of employees can complement each other and this may lead to innovation.

Other benefits of diversity identified by SMEs included reduced absenteeism and employee turnover, reduced time wasted and time lost, increased client loyalty, increased brand value, and the access of new markets. Some SMEs suggested that a diversity policy could help staff to feel that they belong within the company and thus increase the sense of loyalty and dedication to their job.<sup>32</sup> Others pointed out that when employees with many years of experience work alongside new employees they can share their knowledge and skills and help young staff to develop more quickly. In relation to client loyalty, SMEs suggested that diversity can help the company reflect the community of which it is a part and thus increase customer interest and loyalty. SMEs that are internationally active can also better relate to and understand the greater diversity of clients. This can also help when accessing new markets. Overall, diversity was recognised as helping to create a respectable and socially responsible brand.

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<sup>31</sup> IT MAY BE THAT COMPETITION OVER STAFF WILL BECOME INCREASINGLY IMPORTANT FOR SMEs AS SOCIAL CHANGES AND THEIR EFFECTS UPON THE STRUCTURE OF THE FAMILY LESSEN THE DEGREE TO WHICH CHILDREN AND OTHER FAMILY MEMBERS DESIRE TO WORK FOR THE FAMILY FIRM.

<sup>32</sup> THIS MAY BE INCREASINGLY IMPORTANT IN THE CONTEXT OF LOWER LEVELS OF FAMILY-BASED EMPLOYMENT WITHIN SMEs AS OWNER-MANAGERS HAVE TO LEARN NEW WAYS OF MOTIVATING STAFF MEMBERS BEYOND APPEALS TO KINSHIP OBLIGATION AND DUTY.



**Figure 1: SME business benefits associated with diversity**

**(Source: 2008 SME diversity survey)**

Taken together, the means by which diversity can provide SMEs with a solution to their particular market challenges is already recognised by SMEs that know something about diversity. The challenge lies in communicating this more effectively to those SMEs that do not recognise the business benefits of diversity or are even not aware of the concept of diversity and inclusion.

### 2.3 Incorporating diversity: how SMEs establish and implement a diversity agenda

The starting point for most large companies on their diversity journey takes the form of some written statement or policy setting out the principles to which they seek to adhere. In some countries, this is required by law, for example in the UK or Finland when companies have more than 30 employees. In addition, national voluntary initiatives have been established that provide companies with a set of principles in the form of a “Diversity Charter” (for example in France, Germany, and Brussels: see chapter 4 of this report). The value of a written set of principles and a written diversity policy is that they provide an agreed and established reference point for employers, employees, customers, and other stakeholders on the importance of non-

discrimination in the workplace and society. However, although 79 percent of SMEs taking part in the diversity survey recognised the business benefits of diversity, just 17 percent had a formal written diversity policy. A further 55 percent suggested they had an unwritten policy that was communicated verbally.

When interviewed, SMEs that did not have a written policy suggested it was because they had simply not considered it relevant or that they were planning to create one in the near future. For example, one SME suggested that they did not require a policy as recruitment of staff with diverse profiles happened “by chance,” i.e. when applicants with diverse profiles proved to be the “best person for the job.” Others similarly stressed that they only considered the qualifications of applicants, not the applicant’s social background or other characteristics. Another reason mentioned was that the SME was too small to make a written policy worthwhile or relevant: indeed, the results of the diversity survey suggest that SMEs with 50-249 employees were more likely to have a written policy than SMEs with 1-4 employees.<sup>33</sup> Related issues included lack of time to formalise an unwritten policy and lack of support from external organisations in how to write and implement a policy.

## **2.4 Creating a diverse workforce: how SMEs manage human resources**

One of the most common reasons given by the 1,200 SMEs surveyed for why they do not have diversity policies is because they employ so few staff. SMEs that recruit from within the family are also more likely to establish working relationships on principles derived from family obligation and duty rather than formal contract. However, SMEs also claim that one of their greatest challenges lies in recruiting the right people. The assumption that diversity equates only with having a diverse – and so almost by definition large – workforce is incorrect. A truly inclusive human resource strategy also rests on simply establishing recruitment and staff development procedures that identify the best person for the job – regardless of their background.

As small organisations, the SME owner-manager tends to be responsible for HRM. The diversity survey suggested that in two-thirds of SMEs the owner-manager personally deals with HRM issues, while just 22 percent rely on a designated HR manager. As would be expected, larger SMEs more often appoint a designated HR

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<sup>33</sup> IT WOULD BE EXPECTED THAT THIS ISSUE WOULD BE EVEN MORE RELEVANT FOR SMEs THAT RECRUITED FROM WITHIN THE FAMILY ONLY. IN THAT CASE, APPEALS TO A SENSE KINSHIP DUTY AND OBLIGATION WOULD OFTEN BE MORE IMPORTANT THAN FORMAL CONTRACT.

manager than smaller SMEs. There is, of course, a clear rationale for this approach; given the size of many SMEs, it could not be any other way. Because of the resource constraints there is a higher risk in SMEs that the person responsible for HRM may not have had the necessary training to ensure that the best possible systems of recruitment and promotion have been developed and implemented, including diversity training. Indeed, when SMEs participating in the diversity survey were asked what kinds of information they required for improving their HR strategies, two-thirds suggested advice on how to recruit and select the right employee, how to promote individuals within the workplace, and for further information on training opportunities: all areas where knowledge of diversity issues can make significant contributions.

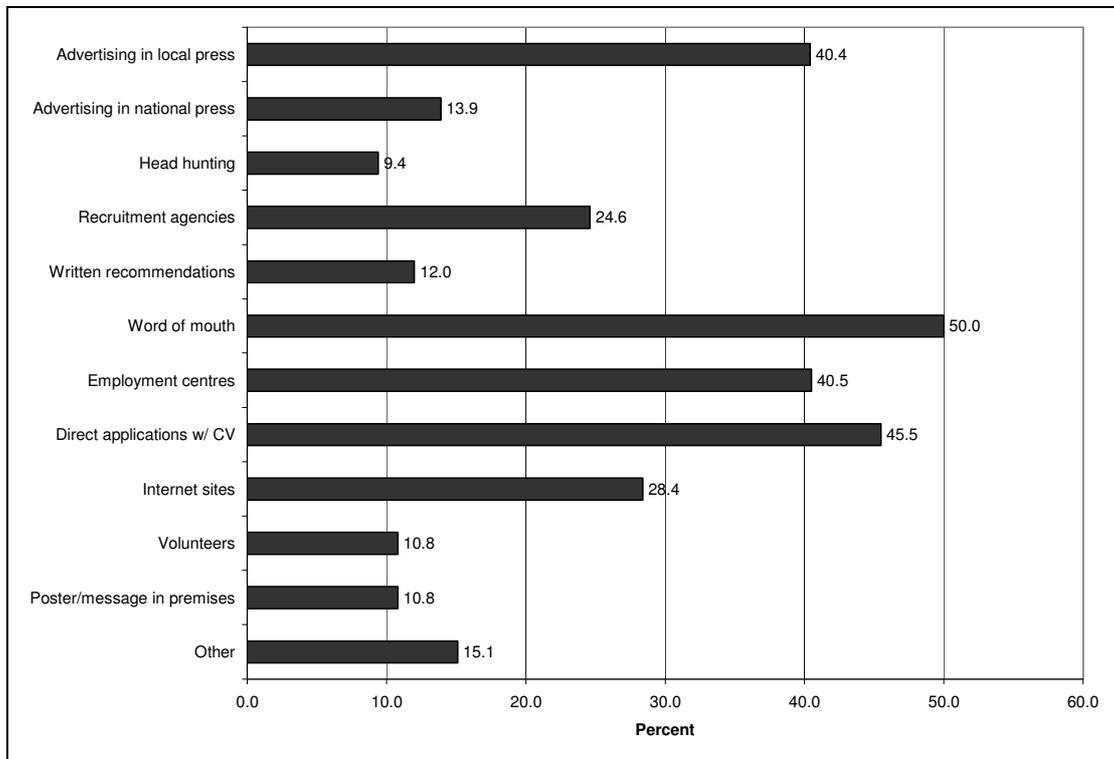
Reflecting this lack of knowledge, according to the diversity survey very few SMEs make full use of all possible recruitment avenues. Half of SMEs that took part in the survey rely on word-of-mouth, while just less than half rely on direct applications with CVs or place advertisements in the local press. Relying on word-of-mouth is likely to restrict the employment choices of SMEs, given that employees are recruited directly from the owner-manager's social network or the friends and family of other employees, suppliers, or customers. In most cases, it can be assumed that this network is relatively small and socially homogenous. Given that the majority of SMEs that took part in the survey recognise the business benefits of diversity, this finding is indicative of how many SMEs nevertheless conduct their HRM without full regard to diversity practices. Of course, the economic reality is that word-of-mouth represents the quickest and cheapest way of filling empty posts within a company.

Direct applications and applications via newspaper advertisements help to broaden the potential pool of applicants. However, there is a high likelihood that employers without HRM training and diversity awareness will favour the CVs of individuals that more closely resemble their own in terms of social and cultural background, while the wording of newspaper advertisements might inadvertently deter people with diverse profiles from applying.

When interviewed, some SMEs suggested that the nature of the work offered meant that it was more suitable to be undertaken by certain kinds of people. A business in Spain indicated that they preferred to employ women for posts that involved customer service and men for posts that involved physical tasks. This view was echoed by another SME that suggested it recruited women for customer service roles because they are "better carers."

These kinds of assumptions may also deter people from submitting CVs or applying for advertised posts. Some women may not feel they can apply for jobs in

traditionally male sectors such as heavy industry, construction, or haulage, while men might choose not to apply for jobs in the social and childcare sectors.



**Figure 2: SME recruitment strategies**

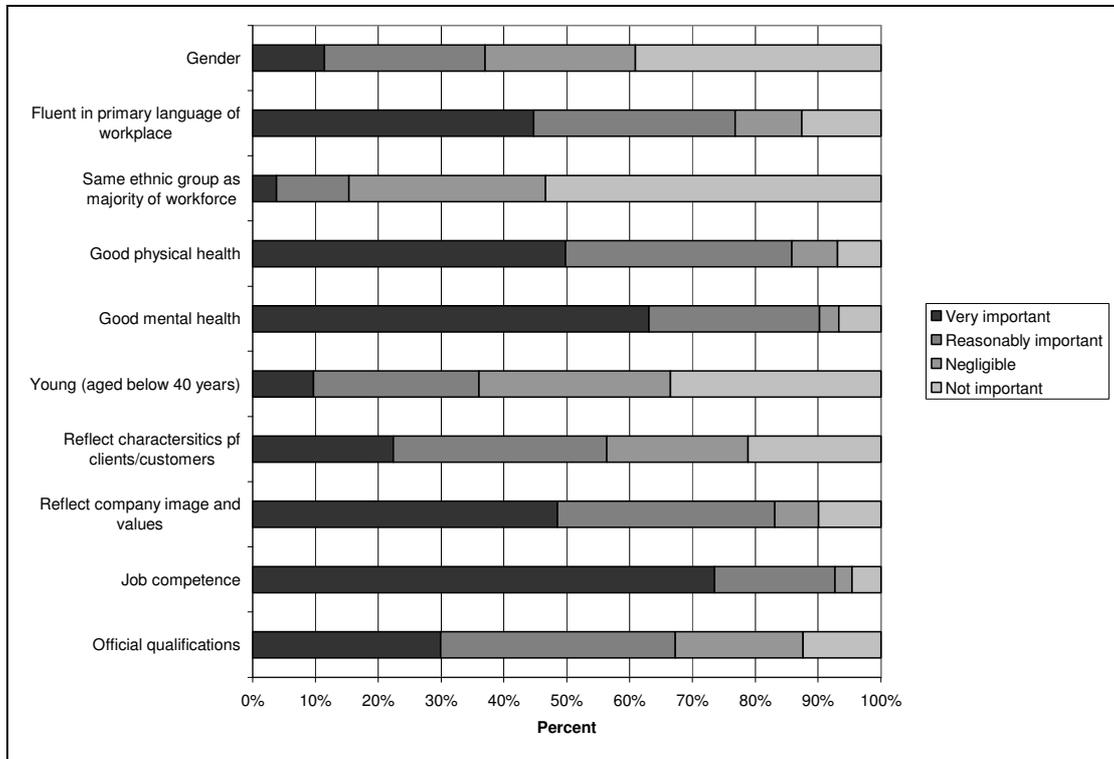
**(Source: 2008 SME diversity survey)**

One of the biggest barriers to having a truly open recruitment process lies in the kinds of characteristics employers tend to seek in potential employees. When asked what kinds of characteristics they look for when employing somebody, the majority of SMEs that took part in the diversity survey claimed that “job competence” was very important. As one interviewee argued, a “diversity policy can be kept in mind when recruiting new personnel. However, in the end it is about recruiting the best/most competent and qualified employee, not the most diverse.”

In the context of informal recruitment procedures, the risk is that potentially excellent staff will be excluded because of how an employer determines “competence.” In some cases, ideas of competence may incorporate irrelevant social, cultural, or personality traits and not directly related competences required to execute the job in an appropriate way.

For instance, a large minority of SMEs taking part in the diversity survey suggested they preferred to recruit individuals who understood and to some extent mirrored the image of the company and its values. Again, this is rather subjective and

can contain a set of biased assumptions about what constitutes the “right kind” of image and set of values. SMEs concerned about client opinions, for example, suggested that they might only employ individuals that reflect their homogenous customer base.



**Figure 3: Characteristics that SMEs look for in employees**

(Source: 2008 SME diversity survey)

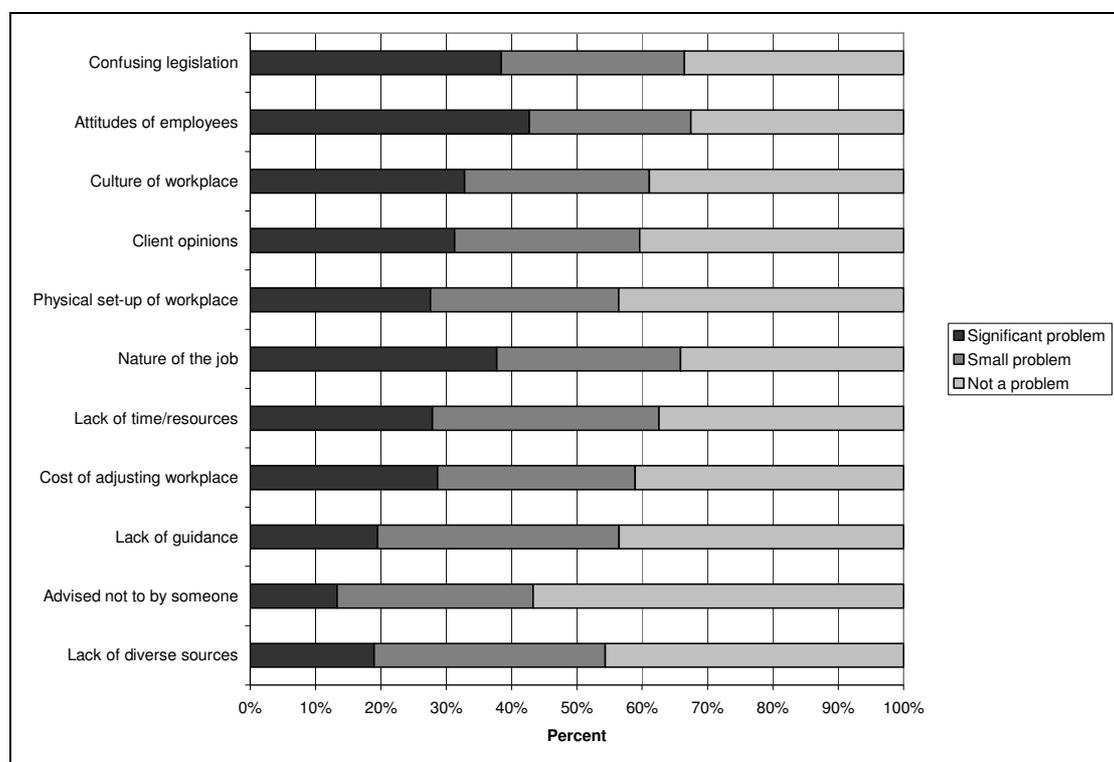
## 2.5 Context-driven barriers to creating a diverse workforce

According to our survey, the context within which employers recruit and SMEs operate also has a detrimental effect on creating diverse HRM procedures. The most significant included attitudes of employees, confusing legislation, and the nature of the job which inhibited the employment of certain types of people. Confusing legislation was more often mentioned by micro-enterprises, as was negative client opinions.

While several of these barriers can be overcome through the dissemination of information and provision of training, barriers created by client opinions are harder to challenge. This was also the view of SMEs, who when asked about the external barriers they faced listed more information and better training as key requirements within strategies to overcome them.

In the diversity survey, many SMEs blamed employees for erecting barriers to diversity. While this may be true in some cases, it should be remembered that in others the owner-manager might have been “shifting the blame”.

Some SMEs when interviewed suggested that language, cultural, or religious differences created distrust and a lack of cohesion within the workforce. For example, one SME indicated that when a Muslim employee took prayer breaks other employees felt uncomfortable, apparently because they were unused to public displays of religious expression. Amongst SMEs that rely on word-of-mouth when seeking employees, a resistant workforce to diversity is also not likely to nominate individuals with diverse profiles.



**Figure 4: Barriers SMEs face when employing staff with diverse profiles**

**(Source: 2008 SME diversity survey)**

A related issue was that of cultural difference, both in terms of the culture of the workplace and the culture of employees. Some SMEs voiced the opinion that the cultural backgrounds of employees manifest as different attitudes to work, in both positive and negative ways. While some SMEs suggested that people from different countries or parts of the world have different expectations in terms of output quality, with some employees producing work that others would not accept, other SMEs

argued that some cultures have stronger work ethics that focus on taking pride in work and producing the best results. Some SMEs suggested that because of these kinds of problems and differences training for employees (for example in the national language, cultural differences, communication differences, and conflict resolution) was necessary.

In relation to confusing legislation, some SMEs suggested they had problems when it came to their obligations when employing persons with a disability, or when arranging a work permit for someone from abroad. A SME in Spain complained that due to immigration laws certain people from Eastern Europe cannot obtain a work permit until a certain date in the future. Others pointed out that when they do employ foreigners they have to complete a lot of paperwork and that this wastes a lot of time. Finally, SMEs suggested that it was difficult to know where they could advertise jobs if they specifically wanted to recruit people with diverse profiles.

## 2.6 SME suggestions for overcoming barriers

During interview SMEs were asked to suggest ways by which they could overcome (or could envisage overcoming) these barriers. In the main, proposed suggestions focused on the further dissemination of knowledge and training within and between SMEs, and by SME intermediary support organisations. Similarly, SMEs were also asked to suggest useful “do’s” and “don’ts” when developing and implementing diversity and equal opportunities policies. The suggestions provided by SMEs are presented in the table below.

<b>Do’s</b>	<b>Don’ts</b>
<i>Do</i> use support offered by government, business networks, business organisations – they possess knowledge and can give advice when dealing with diversity issues	<i>Don’t</i> make the identity of the company a top priority – create space within the identity to make people feel at home and increase interaction between employees
<i>Do</i> keep up to date with national legislation – this can save lots of time when questions and issues emerge	<i>Don’t</i> make diversity seem like a cost but part of running the business in an effective and customer-friendly way – identify how diversity leads to business benefits
<i>Do</i> make in-job training possible –people with disabilities can improve their motor skills and different linguistic groups can improve their language skills	<i>Don’t</i> stick to old policies if they are not working – talk to employees and external organisations to create new strategies

<i>Do</i> offer work-life programmes – these can encourage working mothers or people with disabilities that can only work part time to join the company	<i>Don't</i> discard cultural differences: it is important there is good understanding between employees – this will help to develop and maintain mutual respect
<i>Do</i> set behaviour standards by using role models – exemplary behaviour of managers and older employees will be adopted by others	<i>Don't</i> have a closed mind: try new things – and be prepared for surprises!
<i>Do</i> always employ someone because they are the most qualified person for the job	<i>Don't</i> recruit someone just because they have a different background

**Table 1: SME "do's and don'ts" when developing and implementing diversity and equal opportunities policies**

(Source: SME interviews, July 2008)

## 2.7 Summary

- A large majority of the 1,200 SMEs (79 percent) that took part in the diversity survey suggested that they recognise business benefits when employing and promoting a diverse workforce
- The SME business case for diversity should focus on solving the specific problems and needs of SMEs, not generic business concerns
- The search for talent and competitiveness through innovation in a business environment of increased challenges and economic uncertainty frames the daily concerns of most SMEs
- SMEs in the New Member States (NMS) 12 face these problems to a greater extent according to the Eurobarometer/Gallup Survey
- A focus on inclusion and diversity can help SMEs to recruit and retain the best talent and foster the conditions that can create product and market innovation
- SMEs that seek to formalise their HRM strategies and employee diversity training will be better able to attract workers and get the best from them, helping to improve their market position and competitive advantage
- SMEs seek further forms of advice and guidance in order to succeed in their search for talent and competitiveness

### 3 Joining the Dots between Diversity, Innovation and Productivity

In order to meet the challenges and opportunities created by the changing nature of global and local economies, increasing numbers of companies of all sizes are beginning to recognise the important relationship between diversity and innovation.<sup>34</sup> This is occurring at a time when innovation has been taking an increasingly centre stage in national and European politics. In a 2006 communication, *Putting knowledge into practice: A broad-based innovation strategy for the EU*,<sup>35</sup> the European Commission underlined that Europe has to become a truly knowledge-based and innovation-friendly society in order to achieve the aim of higher levels of growth.<sup>36</sup>

As part of this study, a survey of companies across Europe explored how they envisaged the relationship between diversity, innovation and productivity in more

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<sup>34</sup> THE LINK BETWEEN DIVERSITY AND INNOVATION HAS BEEN WELL DOCUMENTED. FOR EXAMPLES, PLEASE SEE: ALDER, N.J. (2002) *INTERNATIONAL DIMENSIONS OF ORGANIZATIONAL BEHAVIOUR*, 4<sup>TH</sup> EDN. CINCINNATI, OHIO: SOUTH WESTERN, THOMPSON LEARNING; BASSET-JONES, N. (2005) "THE PARADOX OF DIVERSITY MANAGEMENT, CREATIVITY, AND INNOVATION," *CREATIVITY & INNOVATION MANAGEMENT*, 14, 2: 169-176; CADY, S.H. & VALENTINE, J. (1999) "TEAM INNOVATION AND PERCEPTIONS OF CONSIDERATION: WHAT DIFFERENCE DOES DIVERSITY MAKE?" *SMALL GROUP RESEARCH*, 30: 730-750; GRASSMAN, D. (1991) "MULTICULTURAL TEAMS: INCREASING CREATIVITY AND INNOVATION BY DIVERSITY," *CREATIVITY AND INNOVATION MANAGEMENT*, 10, 2: 88-95

<sup>35</sup> COM(2006) 502 FINAL. AVAILABLE AT: [HTTP://EURLEX.EUROPA.EU/LEXURISERV/SITE/EN/COM/2006/COM2006\\_0502EN01.PDF](http://eurlex.europa.eu/LexUriServ/site/en/com/2006/com2006_0502en01.pdf).

<sup>36</sup> SEE [HTTP://EC.EUROPA.EU/ENTERPRISE/INNOVATION/INDEX\\_EN.HTM](http://ec.europa.eu/enterprise/innovation/index_en.htm) FOR FURTHER INFORMATION.

detail.<sup>37</sup> In total 34 detailed responses were received, supplemented by responses to the 2008 EBTP survey discussed above. Further information was also elicited during follow-up interviews with ten leading companies and during discussions held in a workshop exploring diversity and innovation in Brussels on 26 June 2008. Full details can be found in the report *Diversity & Innovation: A Business Opportunity for All*.<sup>38</sup>

### 3.1 Is there a link between diversity, innovation and productivity?

The changing horizons of European businesses at global and local levels present new challenges and opportunities for all companies. Especially in the current context of reduced consumer spending, SMEs as well as large companies must seek new products and markets through innovative ways of doing business.<sup>39</sup>

Innovation is a multidimensional term, displaying both “subjective” and “objective” traits. Subjective traits of innovation include the processes of creativity and original thinking, the communication of creative and original thinking to others, and the uptake of those ideas by others. Here thinking relates to all areas of company activity, including everyday operations and problems through to the research and development of new or existing products, and the sourcing of new suppliers and expansion into new markets.

Objective traits of innovation include the structures within which such ideas are thought about, transmitted to, and taken up by others, and the output and outcome in terms of definable benefits. The success that a company has with encouraging innovation depends upon the ways in which the subjective “raw materials” of innovation – creative thinking by individuals or groups – can be harnessed by the objective structures of innovation. For the purposes of this report, innovation, then, is best defined as “the generation and introduction of new ideas that

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<sup>37</sup> THE SURVEY WAS DESIGNED BY FOCUS CONSULTANCY LTD IN PARTNERSHIP WITH THE EUROPEAN INSTITUTE FOR MANAGING DIVERSITY. THE QUESTIONNAIRE WAS DISTRIBUTED TO MEMBER COMPANIES OF CSR EUROPE AND VIA FOCUS CONSULTANCY AND EIMD CONTACT LISTS. FOCUS CONSULTANCY AND EIMD ALSO CONDUCTED FOLLOW-UP INTERVIEWS. NEITHER THE SURVEY NOR THE INTERVIEWS WERE CONDUCTED WITH A REPRESENTATIVE SAMPLE OF EUROPEAN COMPANIES. A WORKSHOP FURTHER EXPLORING DIVERSITY AND INNOVATION WAS ORGANISED BY FOCUS CONSULTANCY, EIMD, AND CSR EUROPE AND HELD IN BRUSSELS ON 26 JUNE 2008.

<sup>38</sup> AVAILABLE FROM FOCUS CONSULTANCY UPON REQUEST.

<sup>39</sup> FOR FURTHER INFORMATION ON THE SME BUSINESS CASE FOR DIVERSITY AND INNOVATION, PLEASE SEE CHAPTER 2 OF THIS REPORT.

lead to the development of new products and services, processes, and systems in all areas of business activity.”

The ability of diverse individuals to communicate creative and original thinking to others, and the willingness of those others to listen and respond to such ideas, might be constrained by institutional and non-institutional forms of discrimination. These could include the degree to which the company has a culture of “inclusion” and the objective organisational structures within which creative and innovative thinking takes place. As such, any attempt at encouraging “latent” creativity and innovation within and through diverse workforces must be linked with wider management processes and practices of the businesses themselves.

A final dimension relating to “diversity-led” innovation is that its occurrences and benefits are seldom “seen.” Amongst companies that participated in the EBTP survey, although the majority recognised the link between diversity and innovation, only a minority also linked diversity with productivity. Of those that did, the vast majority actively measured the effects of diversity upon their company. Findings obtained through the diversity and innovation survey suggested that whilst many companies are of the opinion that a relationship between diversity and innovation exists, very few can point to specific examples. If the innovative potential of diversity is to be properly leveraged by companies, it is essential that they develop systems of measurement that capture it and thus help to shape future activities to promote it.

Previous research and indeed commentary from business leaders indicates that there can be a positive relationship between diversity and innovation in a business context. Some research examples are:

- Adler (2002) notes that diversity in multicultural teams is associated with positive group outcomes such as increased levels of innovation, creativity and problem solving<sup>40</sup>
- Hennessey and Amabile (1998) suggest that diversity, when combined with an understanding of individual strengths and weaknesses, and working relationships that are founded upon sensitivity and trust, enhances creativity and problem solving capability<sup>41</sup>

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<sup>40</sup> ADLER, N.J. (2002) *INTERNATIONAL DIMENSIONS OF A ORGANIZATIONAL BEHAVIOUR*, 4<sup>TH</sup> EDN. CINCINNATI, OHIO: SOUTH WESTERN, THOMPSON LEARNING.

<sup>41</sup> HENNESSEY, B.A., & AMABILE, T.M. (1998) “REWARD, INTRINSIC MOTIVATION, AND CREATIVITY” *AMERICAN PSYCHOLOGIST*, 53, 674-675.

- Niebuhr (2006) found higher levels of research and development and innovation in regions of Germany that had higher levels of cultural diversity than regions with lower levels of diversity<sup>42</sup>
- In a most comprehensive study of 1000 international teams, Gratton *et al* (2007) found that innovation was positively correlated with equal gender ratio within work teams and negatively correlated with an unequal ratio<sup>43</sup>
- Moreover, the internationalisation of innovation renders cultural diversity a reality for innovative teams

*One example of this is the **Hewlett Packard's** latex printing technology - an innovation driven by diversity. The technology is a new solution that offers print service providers a compelling printing alternative for a wide variety of applications. It provides durable, sharp, vivid image quality while reducing the total impact of printing on the environment. The innovation was the result of consciously assembling a diverse team of 120 engineers across four different countries. Issues of cultural and other forms of diversity were effectively managed in order to release the creative potential of different individuals from a wide range of backgrounds.*

There are a number of ways in which diversity contributes to innovation.

- Flexibility, creativity, and the ability to innovate are enhanced by the existence of dissimilar mindsets – that is to say, like-minded people make like-minded decisions, limiting the breadth and depth of innovative and creative thinking<sup>44</sup>
- While situations where individuals and groups find their existing mindsets, beliefs, and knowledge-sets challenged will produce effective learning, this is

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<sup>42</sup> NIEBUHR, A. (2006) "MIGRATION & INNOVATION. DOES REGIONAL DIVERSITY MATTER FOR R&D ACTIVITY?," *IAB-DISCUSSION PAPER*, 14/2006.

<sup>43</sup> GRATTON, L., KELAN, E., VOIGT, A., WALKER, L. & WOLFRAM, H-J. (2007) "INNOVATIVE POTENTIAL: MEN AND WOMEN IN TEAMS," *REPORT BY THE LEHMAN BROTHERS CENTRE FOR WOMEN IN BUSINESS AT THE LONDON BUSINESS SCHOOL*. AVAILABLE AT: [HTTP://WWW.LONDON.EDU/ASSETS/DOCUMENTS/WORD/INNOVATIVE\\_POTENTIAL\\_NOV\\_2007.PDF](http://www.london.edu/assets/documents/word/innovative_potential_nov_2007.pdf).

<sup>44</sup> OZBILGIN, M.F. (2008) *INNOVATION AND DIVERSITY IN ORGANISATIONAL SETTINGS*, UNPUBLISHED MANUSCRIPT.

more likely to happen when there is diverse mix of participants and an environment in which all individuals feel their views are valued

- Diversity can contribute to more effective decision-making and problem-solving capabilities by providing a diverse range of perspectives, a broader spectrum of expertise, and more robust critical evaluation<sup>45</sup>
- Teams characterised by diversity have the capability to access broader networks of relationships, cultural capital, and bicultural competence and bring these assets into the innovation process. Increased productivity, innovation, and creativity are about making effective use of this capacity

Findings obtained through the EBTP and diversity and innovation surveys suggested that companies actively recognise these benefits. As already mentioned, almost two-thirds of EBTP companies said that the link existed, and a further 20 percent said that they did not know. Interestingly, SMEs and larger companies were equally likely to recognise a link between diversity and innovation.<sup>46</sup>

In the specialised diversity and innovation survey, the large majority of companies that participated did recognise the link between diversity and innovation: some 85 percent. Furthermore, the benefits of increased innovation were seen by these companies as a key argument for promoting workplace diversity. Of those that recognised there was a link, 32 percent suggested that diversity-led innovation was one of many equal arguments for diversity, while half suggested that it was among the top three drivers.

However, of those that recognised the link, just less than one-third monitored and/or measured the innovation benefits of diversity. This is a common challenge in assessing the impact of diversity generally – because the determining of the causality and connectivity between a diversity initiative and its outcomes, and separating it out from other factors, can be a complex problem that will require further research.

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<sup>45</sup> BASSET-JONES, N. (2005) "THE PARADOX OF DIVERSITY MANAGEMENT, CREATIVITY AND INNOVATION," *CREATIVITY & INNOVATION MANAGEMENT*, 14, 2: 169-176.

<sup>46</sup> SMEs 59%; 250-499 EMPLOYEES 58%; 500+ EMPLOYEES 58%: THIS FINDING FOR SMEs WAS REPLICATED BY THE SME DIVERSITY SURVEY REPORTED IN CHAPTER 1 OF THIS REPORT.

### 3.2 Areas of diversity and innovation

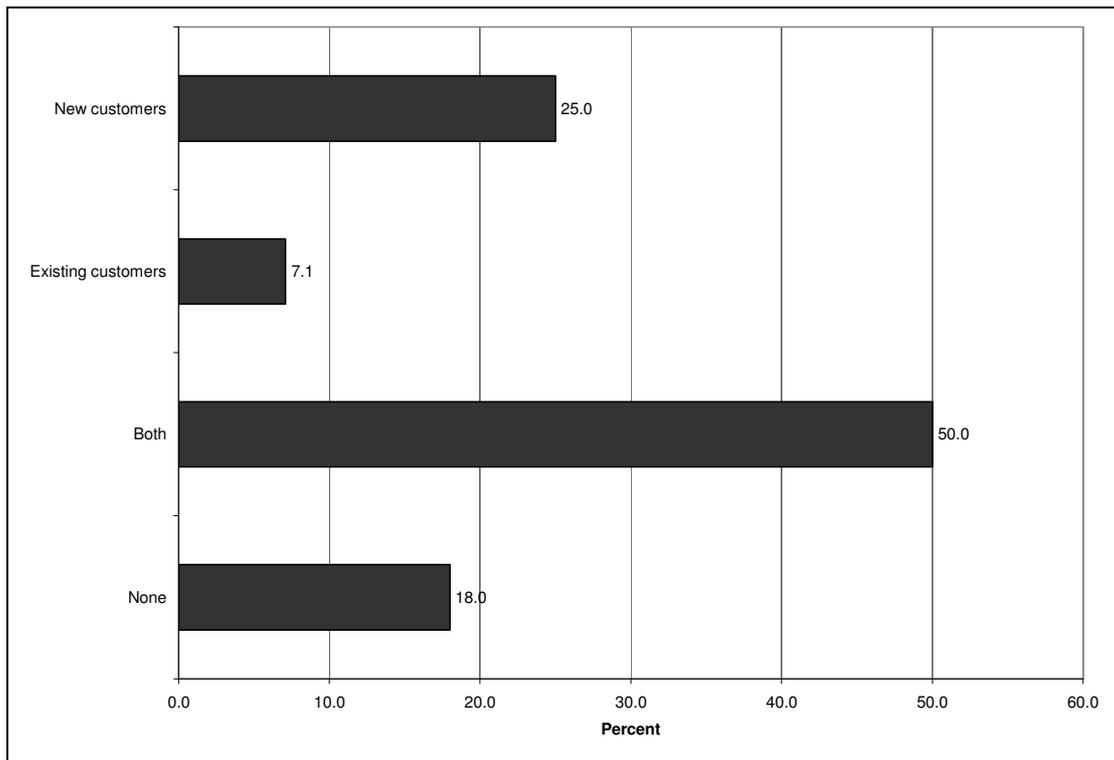
Companies taking part in the diversity and innovation survey were asked which areas of company activity they thought benefited from diversity-led innovation. These areas can be broadly categorised as product innovation, sales innovation, and operational innovation.<sup>47</sup>

In relation to product innovation, participants were asked whether they thought diversity led to innovation in new and existing products, for new and existing customers. In total, 82 percent of respondents thought that diversity led to the development of new products. One-quarter of these thought that diversity led to products for only new customers, and half for both new and existing customers. Just 7 percent thought that diversity led to new products for existing customers only. Over one-quarter did not think that diversity led to new product innovation at all. Broadly similar results were obtained when the question was put whether diversity led to the adaptation of existing products.

*Novartis has developed an external advisory council to act as an independent and objective body to put pressure on Novartis' executive teams to follow through with diversity commitments. Following pressure from the council, research was conducted into the gender make up of its agricultural customer base that subsequently led to the development of specific products for women*

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<sup>47</sup> THESE ARE NOT FORMAL CATEGORIES BUT ARE USED TO HELP UNDERSTAND AND INTERPRET THE DATA.

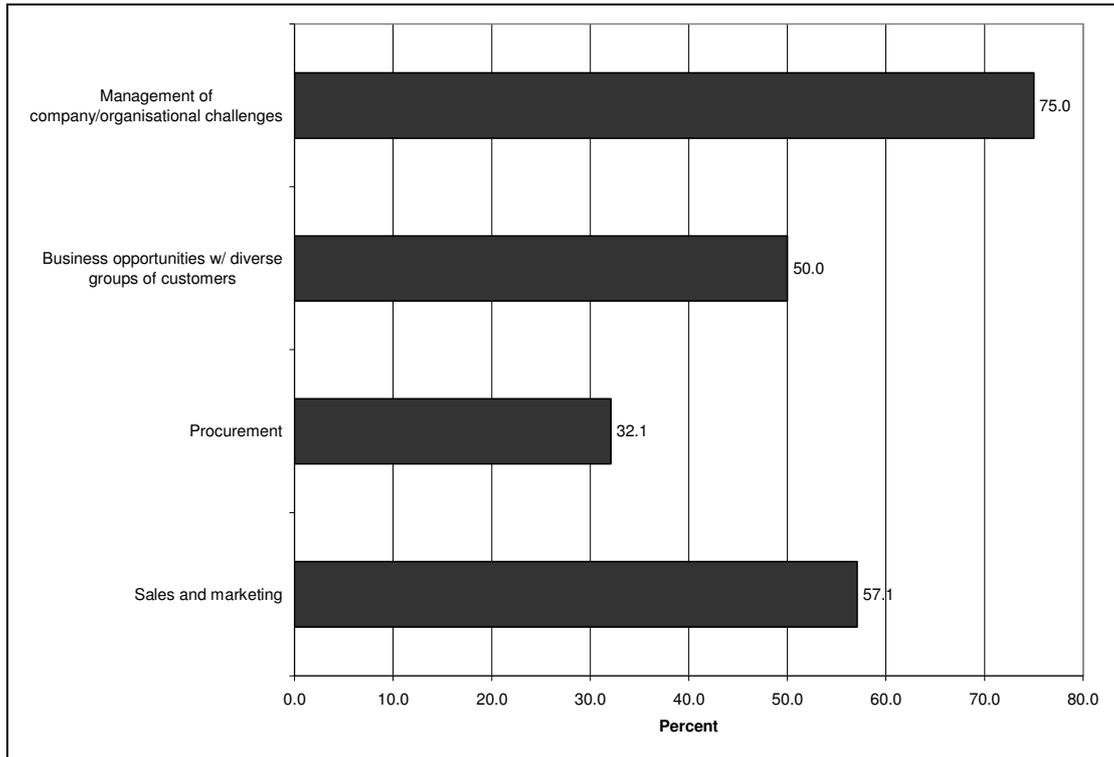


**Figure 5: Diversity-led innovation leading to new products for new and/or existing customers**

**(Source: 2008 diversity and innovation survey)**

In relation to sales innovation, participants were asked to evaluate the relationship between diversity and sales and marketing, procurement, and the development of business opportunities with diverse customers. Just over half of respondents thought that diversity led to innovation in sales and marketing, and half agreed that business opportunities could be created with diverse customers. However, only one-third thought that diversity led to innovation in procurement. Attitudes in relation to customer service and engagement were more divided. Half agreed that diversity led to innovation in this field, while half disagreed.

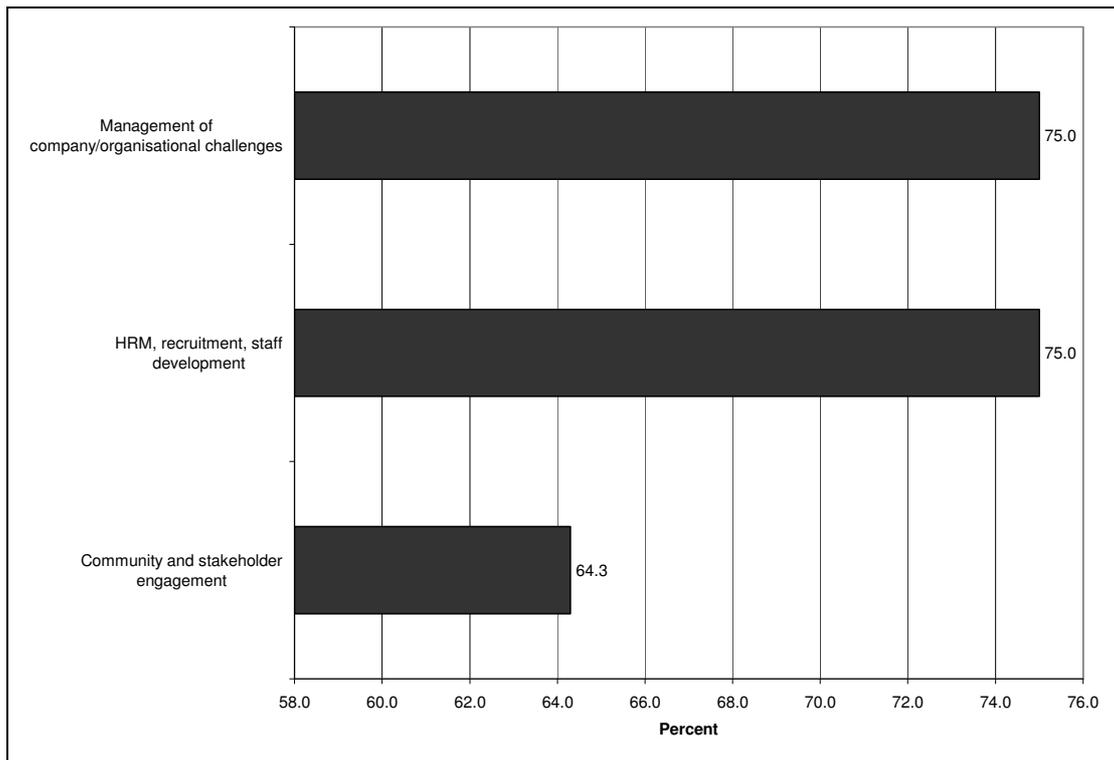
*L’Oreal noticed that no specialist products existed for Muslim women who wear a veil. Following a consultation process with these women, L’Oreal developed a range of skin-care products that suited their needs.*



**Figure 6: Diversity-led innovation leading to innovation in sales, marketing, and procurement strategies**

**(Source: 2008 diversity and innovation survey)**

Finally, companies were asked to evaluate the relationship between diversity and operational innovation. Three-quarters of all companies thought that a relationship existed with the management of company and organisational challenges. More than 92 percent thought that diversity led to innovation in human resource management and staff recruitment and development practices. Just 18 percent suggested that this related to initiatives specifically for diverse employees, suggesting that the innovative value of processes developed with equality and diversity in mind had value for all staff regardless their background.



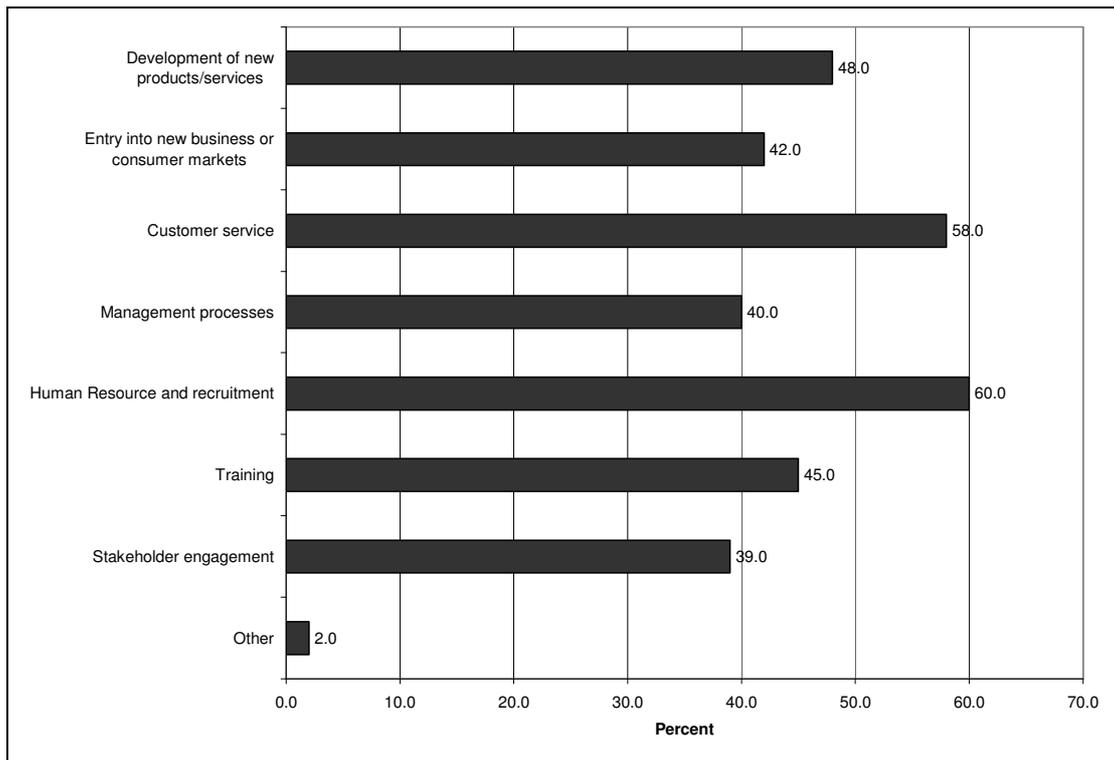
**Figure 7: Diversity-led operational innovation**

**(Source: 2008 diversity and innovation survey)**

Overall, the research suggests that companies strongly associate diversity-led innovation with product innovation and operational innovation, particularly HR issues. Customer service and sales innovation, on the other hand, are less well recognised.

### **3.3 Benefits of diversity-led innovation**

The majority of EBTP companies that recognised the link between diversity and innovation identified HRM processes (60 percent) and customer service (58 percent) as benefiting most. Other areas included those related to the development of new products and services.

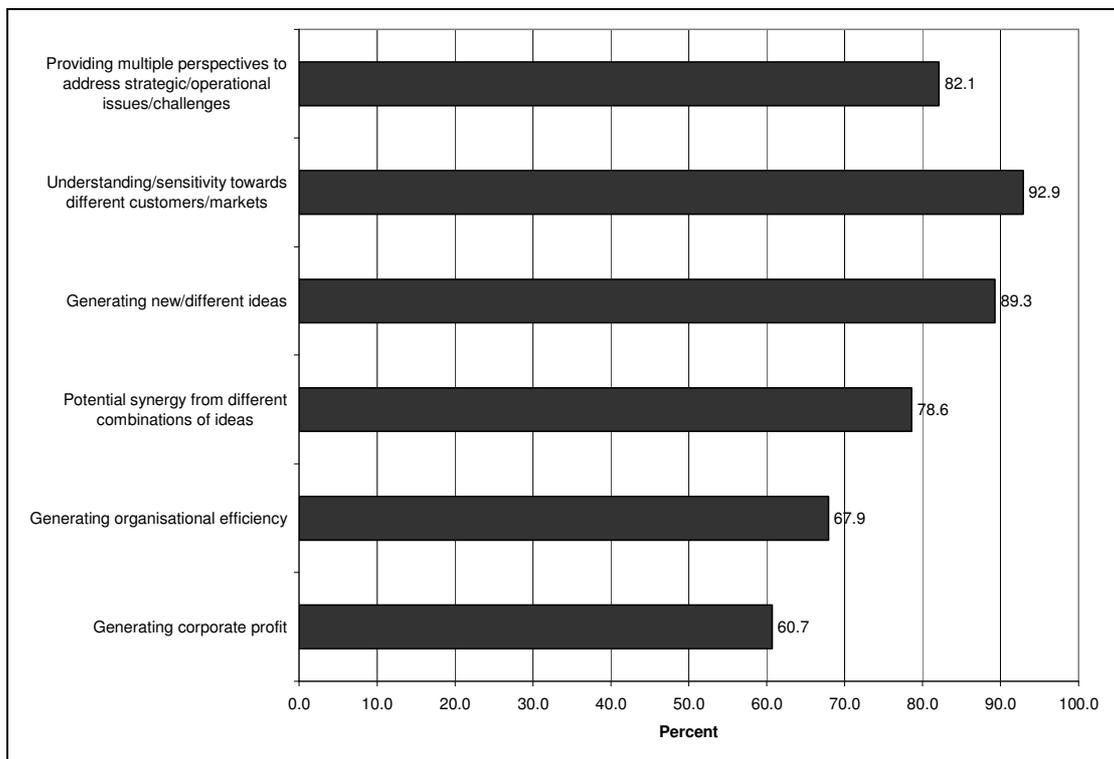


**Figure 8: EBTP companies' assessment of diversity-led innovation**

**(Source: 2008 EBTP diversity survey)**

Companies that took part in the diversity and innovation survey were also asked to evaluate how they perceived the benefits of diversity-led innovation. Questions focused on the benefits of operational and innovative ideas and their effects in terms of organisational efficiency and corporate profit. The large majority of companies agreed with the benefits suggested to them. These included the provision of multiple perspectives to address strategic and operational issues and challenges, greater understanding of and sensitivity towards different customers and market segments (in this sense, the innovation also had product and sales innovation benefits), and the generation of new ideas and synergy from the combination of different ideas. In addition, more than half of respondents thought that these benefits translated into organisational efficiency and corporate profit.

**Dublin Bus** in Ireland provides a good example of diversity resulting in greater understanding of a customer segment and the introduction of an innovative strategy. Following consultations and discussions with its older employees, a new marketing initiative was introduced developing positive images and languages in relation to older customers and an awareness raising initiative in relation to ageism. The result has been seen in positive feedback from these older customers and greater satisfaction of this customer base.



**Figure 9: Benefits of diversity-led innovation according to companies that took part in the diversity and innovation survey**

(Source: 2008 diversity and innovation survey)

### 3.4 Barriers to diversity and innovation and productivity

Despite all the positive links between diversity and innovation, we also have to acknowledge that poor diversity management can produce negative results and low levels of innovation. DiStefano and Maznevski (2003)<sup>48</sup> carried out research on 73

<sup>48</sup> DISTEFANO, J.J. & MAZNEVSKI, M.L. (2000) "CREATING VALUE WITH DIVERSE TEAMS IN GLOBAL MANAGEMENT," *ORGANIZATIONAL DYNAMICS*, 29, 1: 45-63.

company-based teams from six different countries. Their findings suggest the following: “Diverse teams tend to perform either better or worse than homogeneous ones, with more performing worse than better. They set out to determine what distinguished the poor performers from the high performers and found that poor diversity management was the key issue.

The main challenge to the linking of diversity and innovation is that differences between members of teams in organisations may lead to reduced cohesion, increased conflict, and problems of communication and participation. In turn these problems may also present certain forms of “cultural dominance” that can lead members of non-dominant groups to remain “voiceless.” In this way, the innovation potential of diverse workforces remains dormant.

The key determinant of success is the effective management of diversity. The application of equality and diversity policies in such business contexts not only reduces the negative effects of cultural dominance, but also help to release the latent innovation potential of diverse staff. In other words, the innovation potential of diversity is best harnessed when efforts to maximise such potential are coordinated with more general and essentially structural approaches to diversity management. The application of organisational embedded strategies rather than individual strategies designed to foster good equality practices, trust, and inclusiveness through effective leadership, when combined with creativity and innovation techniques that capitalise on diversity to deliver innovation, provide a basis for increased business and economic productivity and competitive advantage.

Workplace diversity is thus said to be a paradox,<sup>49</sup> or a double-edge sword. When managed poorly it can be as disruptive as it can be beneficial, when managed well. As such diversity, as well as diversity-led innovation, is seen to be a risk. The innovation benefits of diversity are especially dependent upon good organic, strategic management, both in terms of diversity management and innovation management.

Good diversity management, therefore, is particularly important for encouraging operational innovation as this stems from and relates directly to the functioning of diverse work teams. Broadly, diversity management can encourage (operational) innovation when it focuses on issues of communication, team integration, and the problem of “enculturation” (“coaching” staff so they fit into “corporate culture” – usually a version of the dominant group culture).<sup>50</sup> Through these strategies, the positive potential of diverse workforces can be harnessed.

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<sup>49</sup> BASSETT-JONES, ID: 169.

<sup>50</sup> ADLER, ID.

*Recognizing that gay and lesbian television viewers in Belgium lacked specific programming on the main national television channels, **Belgacom** created a new market opportunity by establishing a dedicated channel for that community. However, the key challenge that it had to overcome was in convincing the top management of the “acceptability” of such a channel, and addressing issues of stereotype and prejudice.*

The most important forms of diversity management were thought to encompass those concerning integration. More than one-third of companies in the diversity and innovation survey suggested that overcoming stereotypes was very important. However, between two-thirds and three-quarters of companies thought that all remaining methods of diversity management were of some importance, especially communication between diverse team members and the suppressing of differences to fit into corporate culture. On the other hand, the issue of enculturation was also considered to be of little importance by 21 percent of companies.

### **3.5 Managing diversity to achieve innovation and productivity**

The literature review and the results of the EBTP and diversity and innovation surveys indicate a general acceptance and understanding that diversity can generate innovation in the form of new products, processes, and systems. Some 60 percent of companies with some form of equality and diversity policy and practices suggested that diversity has a positive impact upon their business, and 64 percent identified a link between diversity and innovation. Yet only one-third of companies that recognised the link also tried to record its results. As one respondent said, “*we try to measure and monitor, but it’s hard to isolate the effects deriving from the diversity of staff*”.

This challenge shows through in the difficulty of empirically assessing the creativity and innovation that comes through the diversity factor in team membership. Examples of this are less readily available as few organisations will systematically monitor it. On the other hand, what are easier to assess are the focused business interventions to leverage the diversity of the workforce or the customer base into increased creativity and innovation. Examples for these are more prevalent.

These latter examples highlight the ways by which companies can actively seek to harness the innovation potential of their employees. In many instances,

policies of equality and diversity are not the leading principle of these initiatives, but are given equal attention alongside policies designed to manage the creativity and innovation of employees. However, this is precisely the means by which the mainstreaming of equality and diversity management can and should be achieved: by releasing it from the HR departments where it was first recognized and developing diversity strategies within other departments. In so doing, the challenges of negative stereotyping, poor communication, and poor integration can be overcome through the development of specific organizational processes aimed at providing a space for all employees within which their ideas can be shared.

Enculturation – defined as the suppression of diversity in order to create a homogenous company culture – specifically has no place there. Indeed, at BASF, innovation initiatives actively sought to increase a heterogeneous company culture through encouraging their employees to risk thinking differently and speaking out.

*The **BASF Group's** has a "Recognition and Innovation Policy: Suggestions for Improvement" program. It elevates the status of all employees (including students and third-party employees) to that of "collaborators" and gives them the chance to be recognized and rewarded with cash prizes and points for outstanding ideas and contributions to innovation. For example, in BASF Group Spain over the past four years some 800 suggestions have been implemented and 200,000 EUR awarded to employees. Because of these suggestions, BASF Spain made average savings of more than 1.5 million EUR per year.*

For many companies diversity-led innovation is a reality. It is recognised as a driver for innovation across the range of business activities. Most of the companies contacted in the Innovation & Diversity (I&D) survey suggested that new products, services or processes had been developed because of applying a diversity perspective to innovation.

Yet some barriers remain that do inhibit the relationship between diversity and innovation by making it more risky. Innovation means taking risks. While some new and creative ideas succeed, many fail. Individuals who communicate their ideas and companies that listen to such ideas therefore risk a negative outcome. This is especially true when ideas come from diverse individuals who might already feel on the "outside" of mainstream company culture and processes and whose ideas might seem too far outside mainstream company thinking. But, as Scott Norum, a project

leader at Hewlett Packard argues, diversity-led innovation *“means taking risk – the risk of making mistakes and the risk of trying out ideas that might initially sound off-track – but this is how breakthrough innovation occurs.”*

Given this, companies that wish to benefit from the innovation potential of diverse workforces must first create the conditions that encourage risk-taking. This they can do by fostering a culture of inclusion within the business. This is ultimately a management challenge. The benefits of successfully addressing this challenge are seen in fully unlocking the innovative potential of a diverse workforce, increased productivity and improved business and economic performance.

### 3.6 Summary

- Some 60% of companies with an E&D agenda suggested that it has a positive impact upon their business
- Some 64% of companies with an E&D agenda identified a link between diversity and innovation
- Only one-third of companies that recognised a link between diversity and innovation also tried to record its results
- Half of companies suggested innovation was among the top three drivers for having a policy and practice of diversity and inclusion
- Product and operational innovation were seen to benefit most from diversity; within this, diversity was seen to lead to new products for new customers and adapted products for existing customers
- The most prevalent area for diversity to lead to innovation is in HR management and recruitment, with the innovations seen to be of general application and not simply linked to a particular demographic group.
- Many areas of company operations and processes were seen to benefit from diversity-led innovation, particularly better understanding of customers and provision of multiple perspectives
- Issues of negative stereotyping, poor communication, and poor team integration were most seen to inhibit diversity-led innovation

## 4 Tools for a Successful Diversity Journey

Companies that respond to new challenges and opportunities created by diversity in the society through implementing a diversity agenda benefit from access to more talent, increased competitiveness, and improved conditions for innovation. However, when managed poorly diversity can represent a risk that is just as damaging as well-managed diversity can be beneficial. As such, no company can afford not to take diversity seriously – whether it is in relation to the diversity within the company or the diversity that exists in the contexts in which the company operates. But companies are not alone when they embark upon their diversity journey. Numerous organisations and initiatives exist that can offer companies support and advice along the way.<sup>51</sup>

### 4.1 The role of intermediary organisations

The role of intermediary organisations for SMEs was investigated alongside the SME business case for diversity. Sixty-four SME intermediaries from across Europe were interviewed, and their views on the SME business case for diversity assessed. Further information can be found in the separate report *Diversity for Talent and Competitiveness: The SME Business Case for Diversity*.

The SME survey suggested that the majority of SMEs do not seek information on diversity at all. Those that do usually refer to the five intermediary organisations listed below:

1. Professional associations/networks

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<sup>51</sup> IN ADDITION TO *THE BUSINESS CASE FOR DIVERSITY: GOOD PRACTICES IN THE WORKPLACE*, PLEASE SEE FOR EXAMPLE: *UEAPME COMPENDIUM OF GOOD PRACTICES OF DIVERSITY AND NON-DISCRIMINATION IN EUROPEAN CRAFTS, SMALL AND MEDIUM-SIZED ENTERPRISES AND THEIR ORGANISATIONS* (EUROPEAN ASSOCIATION OF CRAFT, SMALL AND MEDIUM SIZED ENTERPRISES, 2007).

AVAILABLE AT:

[HTTP://WWW.UEAPME.COM/DOCS/COMPENDIUM/COMPENDIUM\\_PRINT.PDF](http://www.ueapme.com/docs/compendium/compendium_print.pdf); *TALENT NOT TOKENISM: THE BUSINESS BENEFITS OF WORKFORCE DIVERSITY* (EQUALITY & HUMAN RIGHTS COMMISSION, TRADE UNION CONGRESS, CONFEDERATION OF BRITISH INDUSTRY, 2008). AVAILABLE AT:

[HTTP://WWW.EQUALITYHUMANRIGHTS.COM/EN/FORBUSINESSESANDORGANISATION/DOCUMENTS/TALENT\\_NOT\\_TOKENISM.PDF](http://www.equalityhumanrights.com/en/forbusinessesandorganisation/documents/talent_not_tokenism.pdf).

2. Central government sources
3. Government-sponsored business support agencies
4. Training centres / recruitment agencies
5. Informal networks / clients

SMEs use these organisations and contacts to obtain support when finding out about or developing equal opportunities and diversity policies.

Most of the 64 SME intermediaries interviewed had placed diversity on their agenda. However, it should be kept in mind that the sample of organisations is not representative. Of organisations that do not have diversity on their agenda, some suggested that this was because they feel diversity is not a concrete work field or explicit issue. It is nevertheless incorporated within sub-projects including those relating to Human Resources Management (HRM). Others suggested that diversity is not an issue or a problem in their country or region, and so see no need to add it to the agenda.

### **Intermediaries' assessment of diversity benefits**

Intermediary organisations were optimistic about the benefits of diversity for SMEs and their abilities to stimulate SMEs to develop policies. As one interviewee put it, "once SMEs are aware of diversity and the benefits it might create, they like to know more about it." Intermediaries recognised a range of business benefits for SMEs, ranging from those relating to improved HRM process and employee loyalty and efficiency through encouraging the conditions for creativity and innovation to creating an improved company reputation.

For example, one intermediary suggested that SMEs were able to fill vacancies faster and with staff that are more suitable when they adopted recruitment procedures that facilitated the recruitment of staff with diverse profiles. Another suggested that diversity among employees can imply a diversity of knowledge and ways of thinking that can create innovative solutions, products, and markets.

Recognising the costly consequences of discrimination, one intermediary pointed out that it was good for SMEs to be informed of the legislation around discrimination. Finally, other intermediaries recognised that a diverse workforce could make SMEs more attractive to clients. Some organisations recognised that the diversity of their own staff could help to attract SMEs from across various different social groups.

### **Intermediaries' assessment of how some SMEs struggle with diversity**

Intermediaries were asked to suggest how and why some SMEs might struggle with the concept of diversity or developing or implementing diversity policies. As had been predicted at the outset of the research, some organisations suggested that not all SMEs understand the term “diversity,” or how it relates to their business practices (this is especially the case when diversity is simply associated with the management of already diverse or large workforces).

Intermediaries suggested that to be successful diversity has to be linked specifically to SME business operations and contexts. Even when SMEs do come to understand the benefits of diversity, support organisations suggested SMEs might face problems implementing policies due to lack of time and resources.

A particular problem identified by intermediaries related to how SMEs can practically implement diversity policies. They pointed out that little exists by way of support for SMEs when preparing individuals from some “disadvantaged groups” for employment. While many SMEs are happy to do all they can to train individuals, some outside help is often required. Related to this, intermediaries suggested that some SMEs would require their existing staff members to undergo additional training in order to accommodate and respond to the needs of colleagues with diverse backgrounds. This again is only something that external organisations can offer, and at a cost in money and time.

Other intermediaries suggested that SMEs were unprepared to risk problems and conflicts in the workplace that could be created by a diversity of staff. Reflecting earlier findings intermediaries suggested that some SMEs would not be happy recruiting women for traditionally “male” jobs, or because women ask for time off for maternity or childcare responsibilities. Echoing popular assumptions, intermediaries suggested that people with diverse ethnic or religious backgrounds (for example Muslims) could clash with women or homosexuals. For these reasons, some SMEs might fear that other employees would object to a diversity policy and, furthermore, that diversity could deter clients and customers.

### **How intermediaries support SMEs**

During interview, intermediaries were asked to describe how they support SMEs with their HRM needs in general. According to them, the most often requested form of support by SMEs is information on how to recruit the right person for the job. In response, intermediaries provide a range of solutions. Some offer SMEs guidebooks, readers, brochures, and other information materials. Many of these can be downloaded from the intermediary’s website. In some cases, the website also hosts a service desk to which SMEs can send their specific questions.

Other intermediaries do not provide support on HRM issues or offer only limited support. Instead, however, intermediaries sometimes provide a platform for SMEs to exchange questions and answers that could encompass HRM issues. By providing peer exchange, they hope that individual solutions can be shared.

Finally, some intermediaries that did not provide support on HRM issues might provide support on diversity specifically. For example, a trade union in the Netherlands does not provide support on HRM but does offer support on diversity through the initiation of employee conversations on ethnic minorities on the work floor.

The majority of intermediaries that provided support on HRM also provided support on diversity issues. Intermediaries were asked to describe the diversity strands covered and the type of support offered. Most of those interviewed suggested that they focused on only one or a few diversity aspects. The selection of target groups depended upon the social, economic, and demographic characteristics of the country and region in which organisations are based. The most often targeted groups including ethnic minorities, women, people with disabilities, and the elderly. A few intermediaries also mentioned groups not often considered in diversity policies: for example, in Poland an intermediary provides support in relation to farmers and artisans. Others focus on particular issues - for example, the arrival of immigrant workers into a national or regional economy and its impact upon the labour prospects of all citizens.

The most common types of support provided by intermediaries include information and advice, networking opportunities, financial support for implementing diversity strategies, and diversity awards. Most intermediaries offer a website where information about diversity is presented and where experts can be contacted for further information. When supporting the development and implementation of a diversity plan some provide SMEs with a guidebook or other support materials such as brochures. Others also suggested they try to contact SMEs directly through site visits or consultancy activities. Other forms of support include training sessions, meetings, conferences, and seminars.

Networking opportunities provided by intermediaries exist at international, national, and local levels. Through these, SMEs can exchange information, knowledge, and experiences relating to diversity. Some intermediaries also provide financial support for companies when their diversity action relates to a specific or locally disadvantaged group. Finally, several intermediaries have established best practice awards. These awards can help to promote the relevance and importance of diversity for SMEs.

### **Best practice for SME intermediaries**

During interview, intermediaries were asked to suggest how they can best help SMEs embark and continue on the diversity journey. One intermediary summed up the general feeling by stating, “The term ‘diversity’ does not say much to SMEs. One must explain what is meant by ‘diversity’ and show there is an economic advantage. One must make it practical. If it remains general, SMEs are not likely to take it up.”

Some of the specific and practical suggestions that emerged from the interviews included:

- Create awareness amongst SMEs on the relevance and value of diversity
- Focus on the specific needs of SMEs including branch and regional issues
- Communicate the message in a positive and inspiring way – focus on the economic advantage
- Collect and disseminate best practice examples – best practice awards can be a great help
- Demonstrate how SMEs have overcome barriers to create a functioning and beneficial diversity policy and diverse workforce
- Create support tools that are personal and direct – include training, coaching, and discussion
- Make sure to include middle management – they are even more important than employees to target
- Provide general information about diversity on a website
- Offer practical advice and examples – this can save SMEs a lot of time

### **Summary**

- Organisations interviewed recognised the role that diversity can play in attracting talent and creating competitive advantage for SMEs
- Most organisations that provide Human Resources Management support also provide diversity support – this takes the form of information and training through published and downloadable materials, on-site or away-day training sessions or meetings, or the championing of best practice through awards
- The most important advice intermediary organisations can give to those seeking to promote the business case for diversity to SMEs is to *keep it relevant, keep it simple, keep it local!*

## 4.2 The role of Diversity Charters

Although positive developments regarding non-discrimination and diversity in the workplace can be seen across Europe, far more still needs to be done. 56 percent of the companies that participated in the 2008 EBTP survey said they had some kind of E&D policies and practices in their enterprise. Of these, many would prefer to have simplified access to further sources of information and support, especially when starting out on their diversity journey.

Attempts to interest companies in adopting and developing diversity policies take several forms. While legally the consequences of instigating or permitting discrimination in the workplace provide a “push” factor for companies to adopt diversity policies, it needs to be emphasised that many also respond favourably to “pull” factors such as the ethical and moral arguments and the obvious, often HRM, business benefits associated with diversity. Many companies are also making strong links between E&D policies on the one hand, and Corporate Social Responsibility (CSR) on the other.

Responding to both of the “push” and “pull” factors, there exists a range of voluntary initiatives that encourage companies to adopt or further develop their existing diversity policies. These include competitions for “Best Practice” awards issued by external bodies,<sup>52</sup> systems of ranking and benchmarking that measure success in developing and implementing diversity policies,<sup>53</sup> and collaborations between private companies and public sector contractors that encourage business

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<sup>52</sup> BEST PRACTICE AWARDS EXIST IN THE MAJORITY OF EUROPEAN COUNTRIES. THEY TEND TO BE ISSUED BY A RANGE OF GOVERNMENTAL AND NON-GOVERNMENTAL BODIES OPERATING AT NATIONAL, REGIONAL, AND LOCAL LEVELS. WHILE SOME BODIES GIVE AWARDS FOR ACTION AROUND A SPECIFIC DIVERSITY GROUND (FOR EXAMPLE GENDER OR RACE AND ETHNICITY), OTHERS RECOGNISE ACTIVITIES IN RELATION TO DIVERSITY MORE GENERALLY. FURTHERMORE, SOME AWARDS ARE SIZE AND SECTOR SPECIFIC, WHILE OTHERS CONSIDER SMES ALONGSIDE LARGER COMPANIES AND THOSE OPERATING IN ANY FIELD OF BUSINESS. COMPANIES ARE TYPICALLY CONSIDERED BY SELF-NOMINATION AND AWARDS ISSUED ON A YEARLY BASIS.

<sup>53</sup> VARIOUS FORMS OF RANKING AND BENCHMARKING EXIST, AND THEY OFTEN GO BY DIFFERENT NAMES. HOWEVER, THE OVERALL PRINCIPLE IS THAT COMPANIES SELF-ASSESS AND/OR ARE SUBJECT TO EXTERNAL ASSESSMENT OF THEIR DIVERSITY POLICIES AND AWARDED A GRADE. ASSESSMENT TYPICALLY TAKES PLACE ON A YEARLY BASIS AND SPECIAL AWARDS ARE GIVEN TO THE BEST/MOST IMPROVED COMPANIES.

between organisations with a proven diversity record.<sup>54</sup> They also include the idea of ‘labels’; in France, for instance, there is now a diversity label in addition to the equality label.

Many existing voluntary initiatives focus on companies with already established policies and practices. In France, Germany, and the Brussels Capital Region (BCR), “Diversity Charters” seek to provide starting points for companies setting out on their diversity journeys as well as a framework for developing existing policies. It should be noted that there is currently positive development in setting up Diversity Charters in other countries such as Spain and Switzerland.

Operating at national and regional levels and financially sponsored by a range of governmental and private or public organisations, Diversity Charters also provide a recognised public “trademark” that symbolises commitment to diversity issues. Furthermore, Diversity Charters are open to any public or private company, and signing up to a Charter requires no formal inspection or assessment, making this a completely voluntary initiative. As such, Diversity Charters are widely seen to be suitable for companies with little or no prior experience of implementing diversity and as useful ways of encouraging further action to be taken.

#### **Similarities and differences between the French, German, and BCR Charters**

- French and Brussels Charters grew out of political process and company activity; German Charter more the result of just company activity
- Single Charter for private, public, and charity sector organisations in France and Germany; in Brussels a separate Charter exists for each sector
- Brussels Charter provides signatories with financial assistance to develop a diversity agenda
- French and German Charters focus on all non-discrimination grounds, although there is a focus in the French Charter on ‘ethnic origin’, in particular regarding recruitment; Brussels Charter focuses on just gender, age, ethnic and racial origin, and disability
- French and Brussels Charters explicitly mention anti-discrimination; German Charter talks more about diversity and inclusion
- French and Brussels Charters include more activity around evaluating company activities

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<sup>54</sup> FOR EXAMPLE, DIVERSITY WORKS FOR LONDON. SEE:

[HTTP://WWW.DIVERSITYWORKSFORLONDON.COM/](http://www.diversityworksforlondon.com/)

## **Company reactions to Diversity Charters**

To understand company reactions to Diversity Charters, research was conducted with the EBTP<sup>55</sup> and through a separate survey<sup>56</sup> with 62 signatories in France, Germany, and Brussels. In addition, 20 interviews were conducted with signatories and non-signatories to elicit further information. Finally, a workshop was held for signatories and non-signatories in Brussels on 26 June 2008.<sup>57</sup> For further information regarding the methodology employed and the full results, please see the report *Voluntary Diversity Initiatives In and For Europe: The Role of Diversity Charters*.

## **EBTP reactions to Diversity Charters**

In the EBTP survey, companies were provided with a short description of Diversity Charters and based on this and/or their prior knowledge asked to assess their relevance. EBTP companies were largely undecided on the value of Diversity Charters for their company. Of all 335 companies, 27 percent suggested that the signing of a Diversity Charter was/could be beneficial for their company, while 29 percent disagreed and 44 percent had no opinion.

Views were also divided amongst companies that had already heard about Charters. More companies that had heard about Charters before the survey suggested they were not relevant than companies with no prior knowledge (40

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<sup>55</sup> SEE THE REPORT *THE STATE OF DIVERSITY MANAGEMENT IN 2008* FOR FURTHER INFORMATION.

<sup>56</sup> THE SURVEY WAS DESIGNED BY FOCUS CONSULTANCY AND WAS AVAILABLE IN ENGLISH, FRENCH, AND GERMAN. IT WAS DISTRIBUTED BY CSR EUROPE AND THROUGH DIRECT CONTACT WITH SIGNATORY COMPANIES BY FOCUS CONSULTANCY. THE SAMPLE OF SIGNATORIES AND NON-SIGNATORIES WAS NOT BALANCED AND NEITHER WERE REPRESENTATIVE. FOR FURTHER DETAILS, PLEASE SEE THE REPORT *VOLUNTARY DIVERSITY INITIATIVES IN AND FOR EUROPE*.

<sup>57</sup> THE WORKSHOP WAS ORGANISED BY FOCUS CONSULTANCY, EIMD, AND CSR EUROPE.

percent to 27 percent).<sup>58</sup> Companies with no prior knowledge were, understandably, more likely to have no opinion either way (48 percent to 23 percent).<sup>59</sup> Of all companies, SMEs and companies with between 250 and 499 employees were less likely than very large companies to think that the signing of a Diversity Charter is/could be beneficial to their company.<sup>60</sup> Furthermore, companies in the EU15 MS were more likely than companies in the New Membership States (NMS) 12 to think that signing a Diversity Charter would *not* be beneficial (35 percent to 16 percent), while companies in the NMS 12 were more likely to have no opinion (36 percent to 62 percent).

Attitudes were equally split when companies were asked whether they thought a Diversity Charter was/would be a good idea in their country. Of all companies, just over one-third thought that a Diversity Charter would be a good idea in their country. However, 23 percent disagreed and 40 percent again had no opinion. No difference was found between the responses of SMEs and larger companies. However, companies in the NMS 12 were more likely to favour Diversity Charters than companies in the EU15 MS (51 percent to 35 percent).

### **Benefits of Diversity Charters**

Amongst companies participating in the EBTP survey, the most popular reason given for the benefits of Diversity Charters was that they helped/could help raise internal awareness around diversity issues. However, this issue only received a small majority of support while others received the support of around one-third of companies. Responses to this question were affected by the size of companies responding. Larger companies were more likely than SMEs to think Diversity Charters could help to achieve progress in diversity management;<sup>61</sup> improve company reputation;<sup>62</sup> strengthen company commitment to diversity and non-

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<sup>58</sup>  $CHI = 0.002$ ;  $PHI = 0.193$

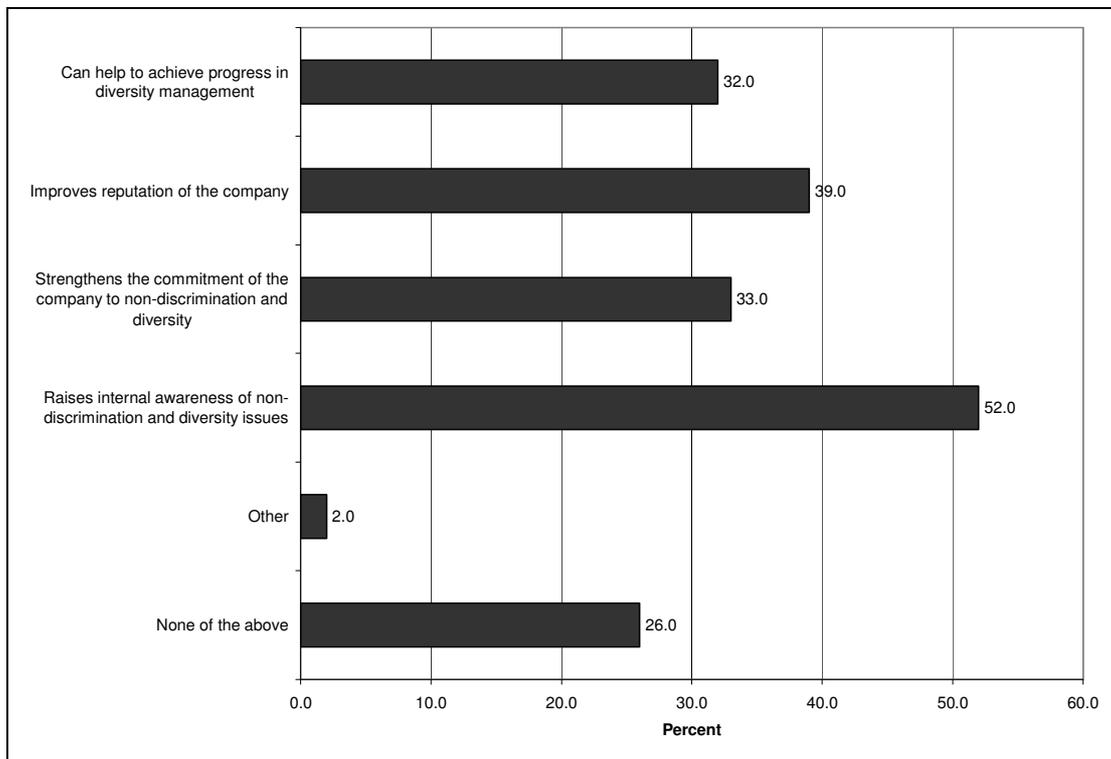
<sup>59</sup>  $CHI = 0.002$ ;  $PHI = 0.193$

<sup>60</sup> SMEs 21%; 250-499 STAFF 26%; 500+ STAFF 42%;  $CHI = 0.001$ ;  $PHI = 0.234$

<sup>61</sup> 500+ STAFF 44%; 250-499 STAFF 31%; SMEs 27%;  $CHI = 0.016$ ;  $PHI = 0.157$

<sup>62</sup> 500+ STAFF 59%; 250-499 STAFF 36%; SMEs 31%;  $CHI = 0.000$ ;  $PHI = 0.240$

discrimination;<sup>63</sup> and/or raise internal awareness of diversity and non-discrimination issues.<sup>64</sup>



**Figure 10: How Diversity Charters can benefit E&D policies within companies**

(Source: 2008 EBTP diversity survey)

### Extensions of Diversity Charters across Europe

Finally, 30 percent of EBTP companies said that they would see the benefit of signing up to a European-wide initiative, 24 percent a national initiative, 14 percent a regional/local initiative. The largest group of respondents – one-third – did not know. The size of companies was associated with how companies responded to this question. SMEs were more likely to favour a regional-level initiative, companies with 250 to 499 employees a national-level initiative, and companies with over 500 staff an EU-level initiative.<sup>65</sup> Not totally unexpected, this perhaps reflects the geographical level at which SMEs and larger companies respectively work: SMEs are more

<sup>63</sup> 500+ STAFF 54%; 250-499 STAFF 28%; SMEs 35%; *CHI* = 0.005; *PHI* = 0.179

<sup>64</sup> 500+ STAFF 60%; 250-499 STAFF 49%; SMEs 45%; *CHI* = 0.084; *PHI* = 0.121

<sup>65</sup> *CHI* = 0.001; *PHI* = 0.261

concerned with local and regional level issues while larger companies are more concerned with national, international, and global issues.

### **Why some EBTP companies weren't interested in Diversity Charters**

When interviewed later, non-signatories taking part in the EBTP survey were asked why they had not signed or were not interested in Diversity Charters. Several companies saw no added value in signing a Charter, either because they were too small for a diversity policy, or because their country region or business sector was not diverse (or from their point of view had no problem with discrimination issues). Additionally, some thought that commitment to non-discrimination and diversity should be obvious without recourse to a Charter. Other companies suggested that they were already involved enough with diversity and thus did not need to sign a Charter.

### **Signatory reactions to Diversity Charters**

Sixty-two signatory companies returned the Diversity Charter questionnaire. These companies suggested they had first heard about the Charter through direct Diversity Charter promotional and awareness-raising literature, entrepreneurial and business networks, and national or regional government bodies; the recognised routes along which many companies tend to receive information about diversity.<sup>66</sup> In the majority of cases (73 percent), actions leading to the signing of the Diversity Charter – as well as the signing itself – were led by the top executive levels of management.

When interviewed, signatory companies suggested that as well as being a requisite of company policy for top-level management to agree to such activities, the involvement of senior figures helped consolidate the importance of signing the Charter for all employees. Typically, the signing was accompanied by a degree of internal and external publicity and all staff were made aware of what was taking place. According to some interviewees, this created a useful sense of momentum around the development of diversity policies and practices.

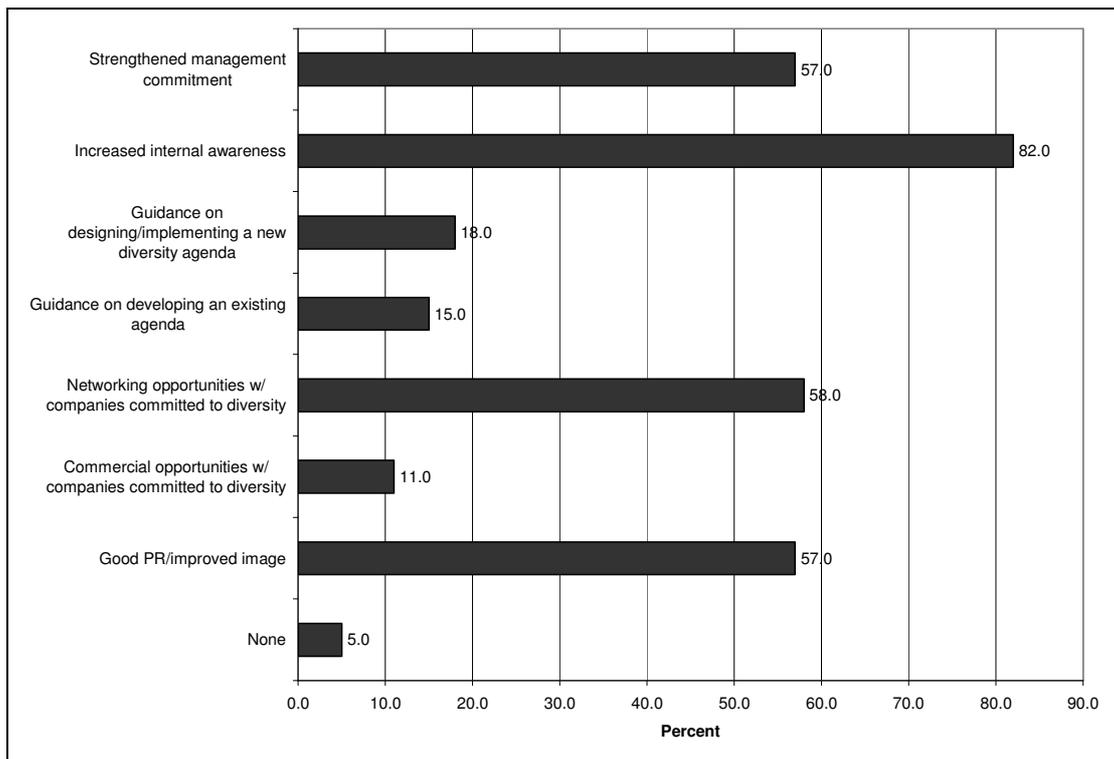
### **Expected and perceived benefits that followed from signing the Diversity Charter**

When companies that took part in the research signed the Diversity Charter, they expected several benefits to follow. The majority (82 percent) assumed that it would lead to increased internal awareness about diversity issues. A further 58 percent

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<sup>66</sup> SEE: *THE STATE OF DIVERSITY MANAGEMENT IN 2008*.

thought that the signing of the Charter would lead to increased networking opportunities; 57 percent considered it would lead to increased management commitment to diversity; and the same percentage again to good public relations and improved company reputation. More than half of those that took part in the research suggested that the action had instigated the development of existing policies or implementation of some new ones.



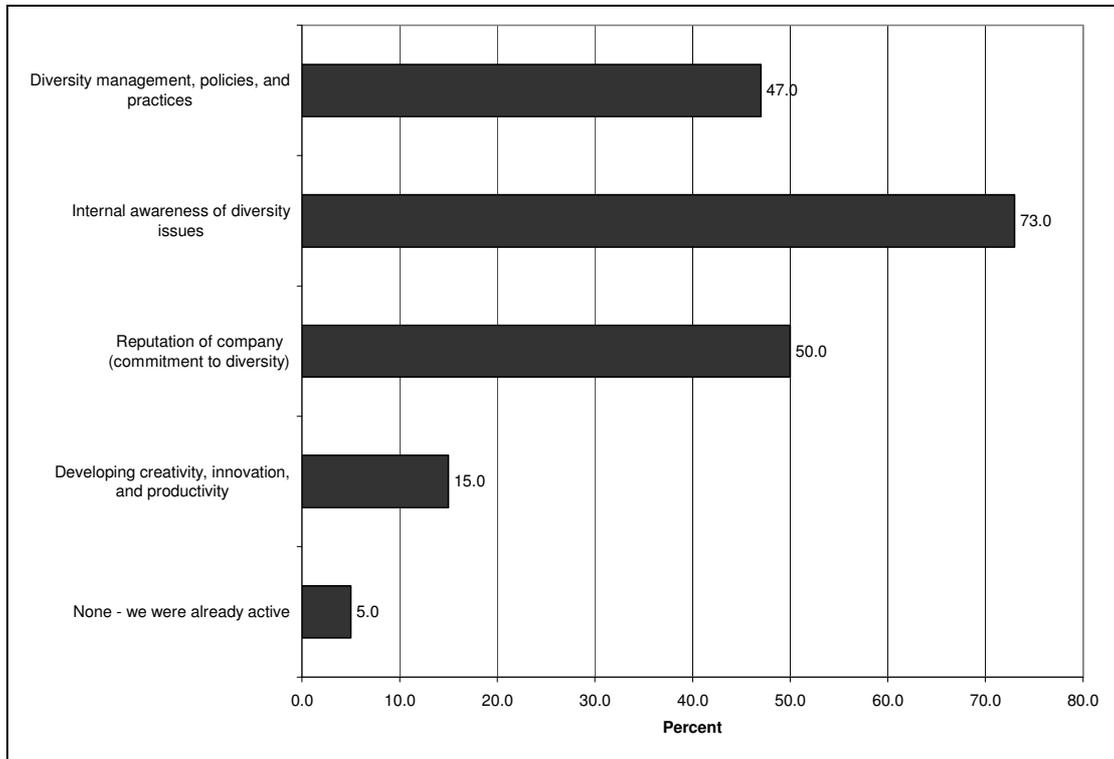
**Figure 11: Expected benefits deriving from signing the Diversity Charter**

**(Source: 2008 Diversity Charter survey)**

Quite interestingly, one quarter of signatories that took part in the research suggested that the signing of the Charter had led to the development of a completely new agenda. Albeit not conclusively, this last finding suggests that although Diversity Charters are seen as starting points for many companies, the majority of those that took part in the research had in fact some kind of diversity policy already in place.

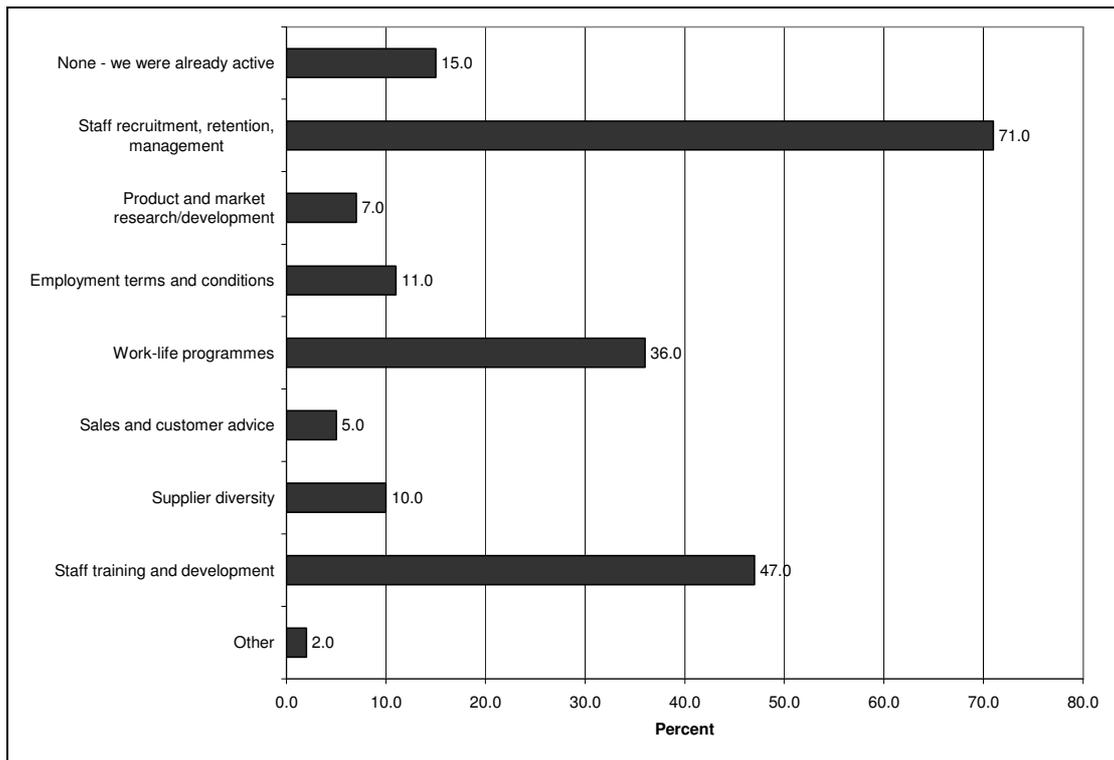
This fact was also echoed in many of the signatory interviews. Several companies stressed that the signing of the Diversity Charter was just one aspect of a wider diversity plan, or that they had already implemented a comprehensive set of policies. For companies just setting out on the diversity journey, signing the Charter was one activity that helped to create momentum within the company for further action.

According to companies that took part in the research, several areas of diversity and business activity benefited from signing the Diversity Charter. In relation to diversity activity, the majority (73 percent) identified increased levels of internal awareness. A further 50 percent identified an improved reputation of the company's commitment to diversity, and 47 percent witnessed an increased commitment of management to diversity issues.



**Figure 12: Areas of diversity activity that benefited from signing the Charter**  
**(Source: 2008 Diversity Charter survey)**

In relation to business activity in general, the majority (71 percent) identified areas relating to staff recruitment, retention, and management, while large minorities identified staff training and development (47 percent) and work-life programmes (36 percent).



**Figure 13: Areas of diversity activity that benefited from signing the Charter**

**(Source: 2008 Diversity Charter survey)**

### **Signatories' assessment of possible extensions and improvements**

Signatory companies taking part in the research were asked to consider the value of “extensions” to the Diversity Charters. Several companies selected more than one possible kind of extension, with some selecting all of them. Overall, however, 30 percent of companies suggested they would like to see an EU-wide initiative. This approach may have arisen from the fact that the majority of companies that had completed the questionnaire were large and operated at European and global levels. Indeed, this issue was echoed by some companies during interviews, who explained that rather than signing up to Charters in each country where they had an operation it would be more relevant to sign up to a single, European-wide Charter; one that would be recognised across all national borders and hence within each country.

When probed, however, companies that favoured a national level Charter (either individually or in conjunction with an EU-level Charter) suggested that this was because each country needed something that reflected the particular economic and social context of that country. For example, some French companies pointed out that the Charter in their own country was built upon the principles of the French Republic as codified in the constitution, or was suited to the particular needs of ethnic minority groups across France. Taking the issue further, other companies suggested that a

regional or local level initiative would be even more suitable. Some companies in Germany suggested that the very different economic and social histories of east and west Germany, for instance, necessitated quite different approaches. Finally, a company in Belgium was keen to point out how relevant it was for a single Charter for the Brussels Capital Region (BCR), as it responded to the needs of the region and its specific situation.

Interestingly, around one-third of companies also suggested that separate initiatives for companies of different sizes or operating in different fields could be useful. Representing a very large company, one interviewee suggested that the needs and business contexts of large and small companies were too different to accommodate a single perspective on diversity. Another suggested that diversity issues were greater in some business sectors than in others.

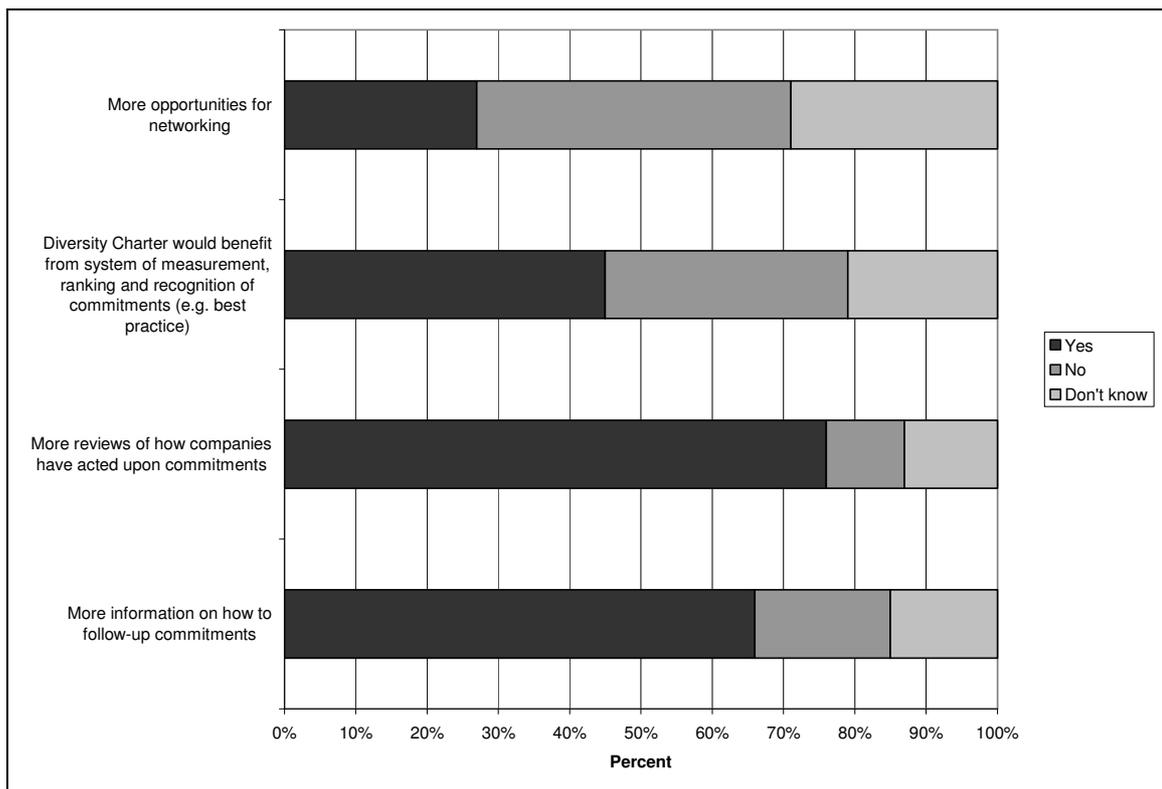
Signatory companies were also asked how Diversity Charters might be improved upon. Although more than half of those taking part in the research suggested they expected networking opportunities with companies, less than one-third wanted to see more opportunities for networking. One interviewee in France suggested that because company details were already available on the website, there was no need for further information. Another company in Germany suggested that they were unlikely to do business with companies just because they were a signatory to the Diversity Charter although they did recognise the value of greater opportunities for sharing information on diversity.

Just less than half of all the companies taking part in the research suggested that a system of measuring, ranking, and recognising commitments through some kind of “Best Practice” award or similar form of recognition would be useful. It should be noted that during the Diversity Charter workshop and during many of the interviews this issue was seen as being quite controversial. For example, during interviews, some companies already heavily involved with diversity issues suggested they would like to see this kind of development because they already compete for awards elsewhere and hence it would make sense for the Diversity Charter also to award one. On the other hand, companies that had just set out on their diversity journey were not inclined to be measured and ranked. Quite insightfully, they pointed out that this could in fact deter some companies from signing the Charter in the first place.

A large majority of the companies that took part in the research suggested, however, that they could benefit from more reviews of how the principles to which they were committed were being put into practice. They also intimated that they needed more information on just how to do this, because especially those already

heavily involved in diversity felt that the signing of the Charter was “too easy.” They went on to suggest that because of the non-compulsory nature of the Charter process, the danger existed that the value of the Diversity Charter as a symbol of respect for diversity would be reduced, because companies do not have to follow through and act on their commitments. Some feared that the Charter could, quite simply, become a cynical PR device or mere rhetoric. Several companies that had not signed a Diversity Charter suggested that this was already the case, and that is why they had refrained from becoming signatories.

A significant number of signatories suggested that more practical reviews and guidelines would help them and others to implement the Charter “best practices” correctly, as well as providing further motivation and momentum for further work in the area. These companies also tended to suggest that after signing the Charter they required not only more general help and advice but also more specific assistance on how to measure and monitor progress.



**Figure 14: How Diversity Charters might be improved**

(Source: Diversity Charter survey)

### 4.3 Summary

- Diversity Charters are among the latest in a list of voluntary diversity initiatives aimed at encouraging companies to take diversity seriously, and develop and implement diversity policies
- Unlike many kinds of initiatives, however, Diversity Charters stand as both valuable starting points for companies wishing to embark upon the diversity journey while also providing a framework for companies to develop existing policies
- Because of their “dual role,” little consensus exists between Charter signatories over the degree to which commitments should be monitored and rewarded. While companies that actively seek diversity accolades recognize the benefit of having one awarded by the Charter, companies that are new to diversity do not. It seems that a careful line must be drawn between creating a Diversity Charter that is open to all companies and ensuring that real actions on diversity do stem from it.
- Although opinions are strongly divided over the value of an EU level initiative – with a large number of companies simply unsure about where they stand – it would seem that preference rests with extending Charters at national level (and within countries perhaps even to regional level). The vast majority of companies and SMEs operate at regional and even just local level. Diversity initiatives are thus most valuable when they speak to issues and concerns relevant to those levels.<sup>67</sup>
- At the EU level, there exists a need: (a) to promote actively the exchange of experience between Charter organisations; (b) to promote the setting up of Charters in other countries; and (c) to consider the establishing of an awards scheme and/or a Europe-wide ‘labels’ initiative based, perhaps, upon the French model.

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<sup>67</sup> SEE: *DIVERSITY FOR TALENT AND COMPETITIVENESS*.

## 5 Business Schools and Company Networks: Educating & Training Business Leaders for Tomorrow

Managers and business leaders have to respond to the diversity challenges and opportunities with innovation and dynamism. In this context, business schools have a growing and vital role in training business leaders for the future, as well as providing career-long and organisational forms of support.<sup>68</sup> In addition to diversity management training, issues raised during this report have identified a particular need for more company target-setting and measuring to take place if successful diversity journeys are to be planned and embarked upon. To facilitate this, greater dialogue between business schools and companies needs to take place during which each communicates what is required, with a view to putting research and teaching firmly into practice.<sup>69</sup>

As part of this study two surveys – one with business school Deans and the other with Faculty<sup>70</sup> members – aimed at understanding the “state-of-the-art” in diversity management teaching and research across Europe and beyond. The feasibility of a network of business schools and companies was also investigated. In total, responses to the Deans’ survey were received from 254 academic institutions, 137 of which were based in Europe. A further 119 institutions returned the Faculty survey, and of these 88 were based in Europe. Following this, 32 institutions were selected for qualitative research into their current teaching and research activities, and these resulted in the collection of 20 “good practice” case studies. Finally, 15 follow-up interviews were conducted with academic scholars across Europe.

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<sup>68</sup> LENSSEN, G. & LACY, P. (2007) “LEARNING TO LEAD,” *ETHICAL CORPORATION* (BUSINESS EDUCATION SPECIAL REPORT) IN ASSOCIATION WITH THE EUROPEAN ACADEMY OF BUSINESS IN SOCIETY

<sup>69</sup> A SMALL MINORITY OF EBTP COMPANIES SUGGESTED THAT THEY USED BUSINESS SCHOOLS AS SOURCES OF SUPPORT AND INFORMATION WHEN IMPLEMENTING DIVERSITY POLICIES. HOWEVER, THE SAME SMALL NUMBER USED ORGANISATIONS LIKE CHAMBER OF COMMERCE – THE PROBLEM MAY NOT LIE WITH THE DISTANCE BETWEEN ACADEMIA AND “REAL WORLD” PRACTICE BUT WITH LEVELS OF AWARENESS AND DIALOGUE BETWEEN STAKEHOLDERS.

<sup>70</sup> THE TERM “FACULTY” REFERS TO THE ACADEMIC STAFF OF A BUSINESS SCHOOL OR UNIVERSITY. IN THIS REPORT WE REFER MOSTLY TO ACADEMIC STAFF WITH DIVERSITY EXPERTISE.

The natural follow-on from the research and data analysis was to launch the key findings and insights in a relevant public forum. To that end, on 23 June 2008, a *Symposium on Diversity management Education and Curriculum Development* was held in Madrid, Spain<sup>71</sup>. Organised by EABIS in partnership with Focus Consultancy, EFMD and EIMD, the Symposium was hosted by ESADE Business School. The event brought together over 80 participants from 13 nations, representing a wide range of roles and sectors including research faculty, senior managers from multinational corporations and SMEs, NGOs and public authorities.

The full methodology of the results and outcomes of the research are presented in the report *Diversity Management & Business Schools: Current Practice and Future Partnerships*.

## 5.1 Diversity at the strategic level

### Diversity management as a strategic initiative

Business schools and universities are not atomised entities operating outside the societal context. On the contrary, they can be expected to reflect the community of which they are part. However, in recent years business schools (especially) and universities have been criticised for not following societal trends and meeting expectations. Some argue that business schools do not educate students to become ethical and responsible leaders, whereas others claim that they have “lost their way,” failing to live up to their original mission.<sup>72</sup>

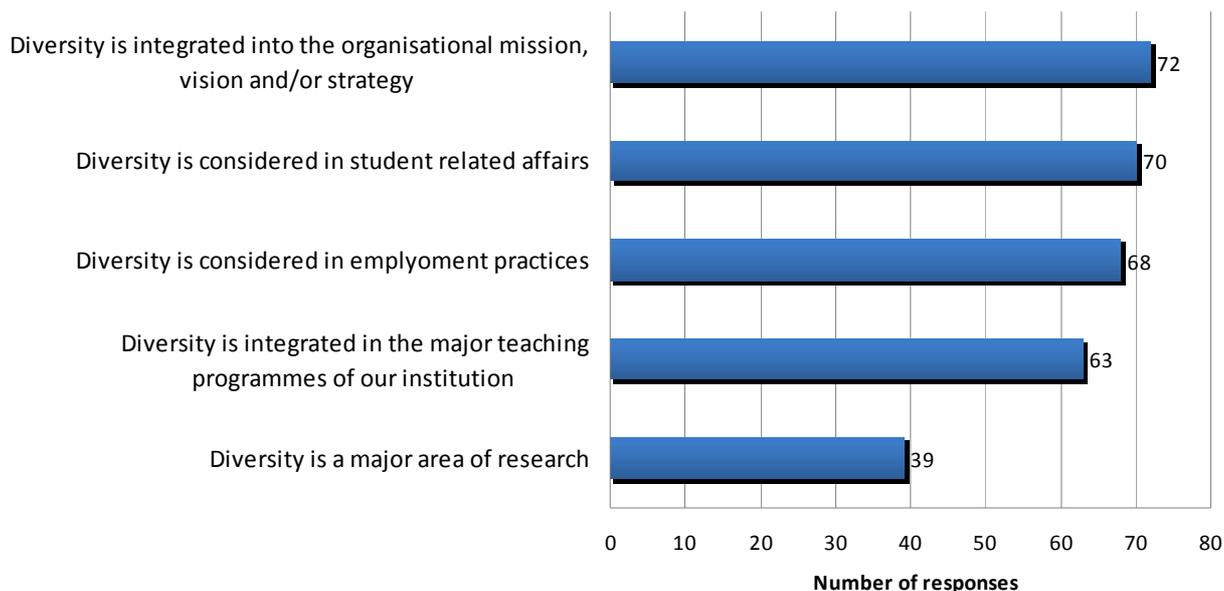
The data obtained from the survey show clearly that today’s Deans acknowledge the importance of diversity management issues and its relevance to the (societal) performance of the school. Just over 65 percent of European Deans<sup>73</sup> believe that their institution has a particular strategic or high-level focus on diversity, whereas only 15 percent think that it does not. A further 20 percent of respondents report that diversity management activities are being developed or planned in their institution.

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<sup>71</sup> FOR FURTHER INFORMATION ON THE SYMPOSIUM AND RESEARCH PRESENTED PLEASE SEE: [HTTP://WWW.EABIS.ORG/EDUCATION/BUSINESS-CASE-FOR-DIVERSITY.HTML](http://www.eabis.org/education/business-case-for-diversity.html)

<sup>72</sup> BENNIS, W. & O'TOOLE, J. (2005) “HOW BUSINESS SCHOOLS LOST THEIR WAY,” *HARVARD BUSINESS REVIEW*, 83, 5: 96-104.

<sup>73</sup> THE PERCENTAGE REFERS TO DEANS HAVING ANSWERED POSITIVELY TO ONE OR MORE OF THE AREAS HIGHLIGHTED AS PART OF FIGURE 15.



**Figure 15: Diversity management in different areas of the institution**

**(Source: 2008 Deans diversity survey)**

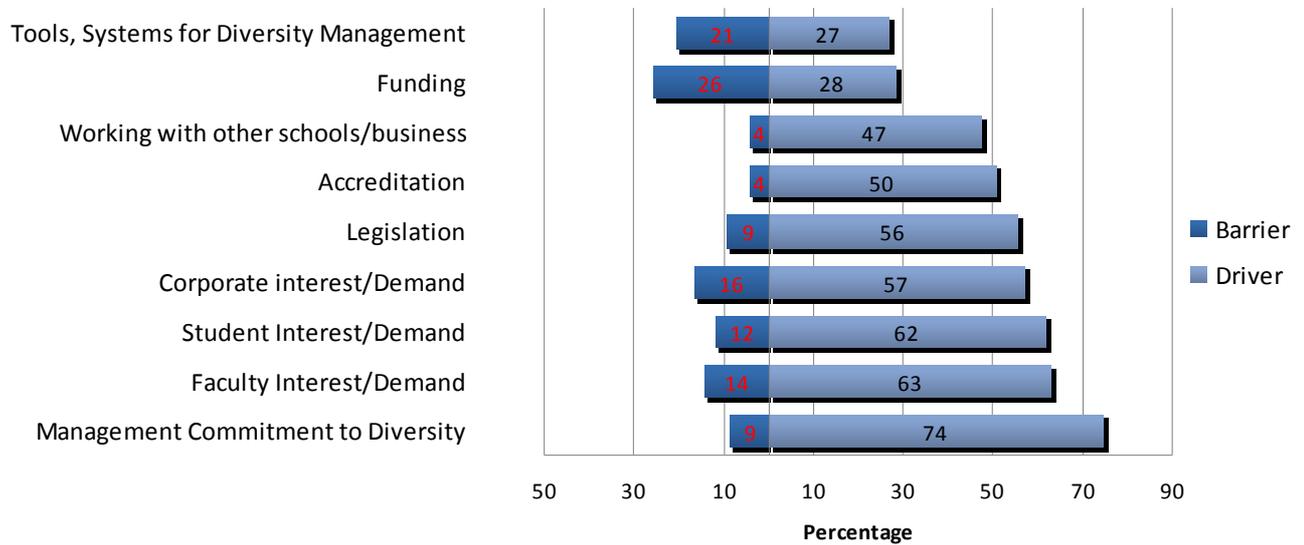
The result is particularly interesting in the context of research activities. The data suggest that Deans do not consider diversity management to be high on the research agenda of their institutions, with only 45 percent of Deans responding that diversity management was currently a major area of research for their schools. This finding seems to support Richard's *et al* (2008)<sup>74</sup> conclusion that more research on this subject is needed to nurture the consolidation of the discipline within academic curricula, and to address the priority knowledge and learning agenda for business on diversity-related themes.

**Key barriers and drivers: factors influencing diversity management performance**

It would appear that the future development of diversity management as an academic field is strongly linked to business school leaders committing to support it as a strategic priority. In general, the greatest barriers to this seem to be lack of funding and management tools/systems. The greatest drivers are management commitment,

<sup>74</sup> RICHARD, S.A., DAWSON, G., WHEATLEY, K. & WHITE, C.S. (2008) "THE PERCEIVED DIVERSITY ON ORGANIZATIONAL PERFORMANCE," *EMPLOYEE RELATIONS*, 30, 1: 20-33.

and student and faculty interest. Results also indicate that Deans regard pressure from a number of institutional stakeholders (students, faculty, and business) as a significant catalyst for more activity around diversity management issues.



**Figure 16: Barriers and drivers for diversity management**  
(Source: 2008 Dean’s diversity survey)

The Deans’ perceptions of barriers and drivers for diversity management vary to some extent by region. For instance, respondents in Northern European countries seem to be more likely to consider legislation as a driver for diversity management. Those from Eastern European countries are more likely to consider access to funding as a key obstacle to further promotion of diversity management.

These barriers and drivers certainly influence decanal views of the future development of the field. In fact, the large majority believe that there will be more institutional emphasis on diversity management in the next two to three years across research, employees, teaching and student affairs (ranging from 58.2 percent to 74.2 percent respectively). Only a very small minority thought that diversity management would lose momentum in that same period (between 3.3 percent and 8.2 percent). Again, perspectives on the future of diversity management differ within Europe. Deans in Eastern Europe seem confident that there will be more focus on diversity management in teaching whereas their colleagues in Southern Europe are of the opinion that growing emphasis on diversity issues will in particular be apparent in student affairs.

## **How business schools and universities can find their way to diversity**

Realising that diversity management is a long-term challenge for key stakeholders and their own institutions, business schools and universities are clearly expressing commitment to include it in teaching, research, student affairs and employment practices. Not doing so might in fact create a notable risk in terms of talent recruitment and retention in a highly competitive marketplace. More broadly, failure to do so poses a longer-term risk regarding the business capability to manage diversity and to create institutional, economic, and societal value from it.

The current levels of strategic commitment are encouraging and a vital first step, but clearly the journey is far from completion. Well-intentioned policies, strategies, and mission statements are not enough to guarantee the integration of diversity management in everyday teaching, research, and employment practices. To develop diversity management as a core domain of activity in management education, committed teachers and researchers will for example require enhanced tools and resources to design specific teaching contents and generate new knowledge. It will also be important to recruit, train, and support faculty staff which should result in both a diverse representation of persons and thoughts and, ultimately, the fostering of innovation and change.

There will also need to be a concerted effort on the part of the Deans to promote interconnectivity and dialogue with other scholars and disciplines within their schools and universities. Finally, schools must encourage new and better partnerships and dialogues with other critical stakeholders, especially business itself. Only through a more integrated exploration of the systemic impact of diversity management on companies and organisations will we define, understand and respond to an optimal agenda for progress. The next section intends to investigate and explore these issues in greater depth.

### **5.2 Diversity at the Faculty level**

Although important, it is not enough that Deans formulate the overall vision and set the strategic directions for diversity issues in universities and business schools. Faculty members are largely responsible for bringing these visions and strategies to life, either through research, teaching, or student engagement. Therefore, understanding diversity management in business schools also requires an understanding of how faculty members perceive the subject and integrate it in their day-to-day activities. With this purpose, a second survey looked for “an insider’s

perspective” on four thematic areas: (1) Curriculum and Teaching, (2) Research, (3) Diversity in Institutional Management Students and Staff<sup>75</sup>, and (4) Institutional Collaboration (Networking<sup>76</sup>).

### **Diversity management – Curriculum and Teaching in Europe**

The research suggested that three-quarters of European faculty respondents state that diversity management already features in their institution’s academic teaching programme<sup>77</sup>. Another 15 percent indicated that such a step is being planned or developed in the future. Approximately half of respondents suggested that their institution has offered teaching on diversity issues for more than four years. This finding was replicated during interviews. Some interviewees believed that diversity management teaching is still in its infancy whereas others argued that their institutions have dealt with these issues for decades. An analysis of regional responses also suggests that institutions in Northern and Western Europe are more likely to have introduced diversity management.

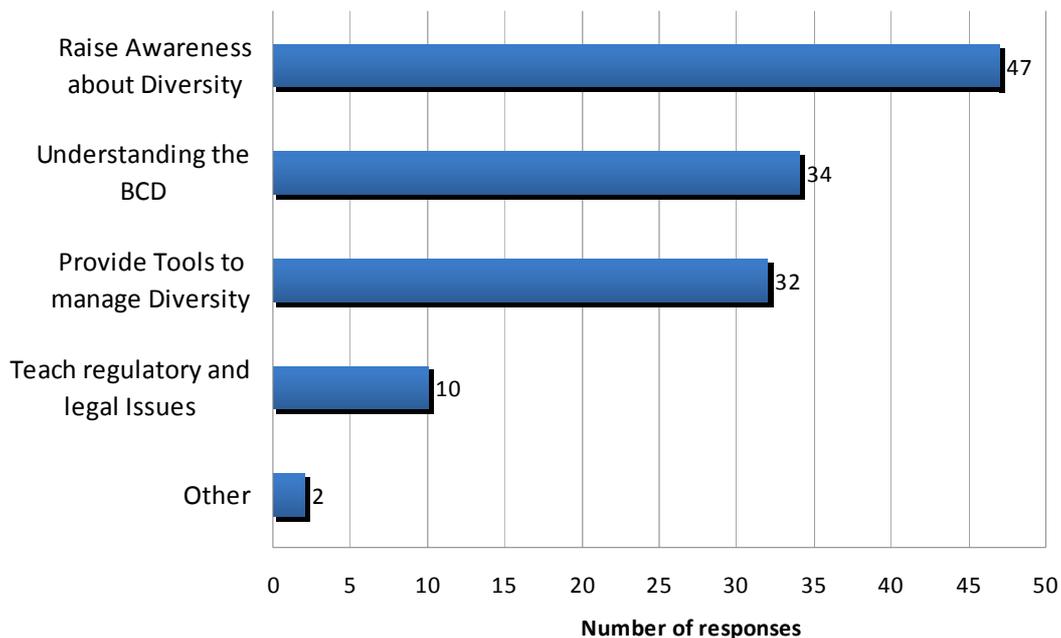
In response to the survey, faculty members have expressed different business-relevant learning objectives for addressing diversity management in curriculum and teaching, with the main objective stated as awareness-raising and helping students understand the business case for diversity.

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<sup>75</sup> SURVEY FINDINGS ON STUDENTS AND STAFF ARE NOT INCLUDED AS PART OF THIS REPORT. FULL DETAILS ON THESE CAN BE FOUND IN THE SEPARATE REPORT ON *DIVERSITY MANAGEMENT & BUSINESS SCHOOLS*

<sup>76</sup> SEE SECTION 5.3

<sup>77</sup> WHILST THE DATA OF THE DEANS SURVEY IS REPRESENTATIVE (RESPONSE RATE OF 25.4%), THE FACULTY SURVEY SHOULD BE SEEN RATHER AS A SHOWCASE OF CURRENT ‘GOOD PRACTICE’ AND EMERGING INNOVATION AS MOST LIKELY MUCH OF THE FACULTY DATA HAS BEEN PROVIDED BY LEADING INSTITUTIONS ALREADY ENGAGED OR ENGAGING IN DIVERSITY MANAGEMENT ACTIVITIES.



**Figure 17: Business relevant learning objectives of diversity management**  
 (Source: 2008 Faculty diversity survey)

This suggests that many business school and university programmes are at an early stage in their curricular development. As such, they have not yet begun to include systemically more focused management tools and practices into their classrooms. Clearly, there is plenty of scope for faculty to develop these current initiatives into a strategic approach to diversity management across different business disciplines.

Similar to the Deans survey, the faculty data suggest cultural and gender issues dominate the curriculum whereas issues in relation to religion, sexual orientation, and disability are less emphasised. The interviews shed further light on this subject. For instance, the interviewees generally believe that e.g. gender issues have been a topic for years. However, changes in the environment (e.g. due to globalisation and immigration) have made it increasingly relevant to broaden the scope of diversity teaching and research. Therefore, the interviews indicate that we are seeing the contours of a thematic shift in diversity education and research; from a narrow one-dimensional focus to a broader and more multi-faceted perspective.

Some regional differences were found regarding the diversity issues covered in the curriculum. Institutions in Western Europe seem to emphasise issues in relation to cultural background/nationality, whereas their colleagues in Northern

Europe are more likely to integrate the gender aspect of diversity management in curriculum and teaching.

Overall, it is important to note, however, that only one third of institutions, according to the faculty members, have procedures for evaluating whether learning objectives have achieved their anticipated effects. Therefore, it is difficult to assess if diversity management curriculum and teaching are having their desired impacts.

### **The organisation of diversity management curriculum and teaching**

Faculty respondents reported that diversity management teaching initiatives come predominantly from Organisational Behaviour or International Human Resource Management departments (or close equivalents thereof). Others mentioned frequently were Corporate Social Responsibility and Business Ethics. Even though there are substantial differences between these institutions, what seems to be clear is that more technical disciplines like Accounting, Finance, Marketing, and Strategy are not yet seen as natural domains within which to integrate diversity management content and programmes. This result contrasts with the views of some of the interviewees who think of diversity management as a cross-sectional topic that should be integrated in mainstream courses on management, strategy, and marketing, following to some extent the ESSEC Business School model.

#### **ESSEC Business School – Chair of Diversity & Performance**

Inaugurated in September 2007, the Chair of Diversity and Performance brings together complementary domains (diversity management, intercultural management and marketing). The chair comprises of:

- a teaching function, recruiting between 15 to 20 MBA students each year to work on diversity-related topics in order to prepare the managers of tomorrow for the complexity of the situations they will have to deal with.;
- a research function, working on issues of diversity in HR, the discourse of diversity, branding issues etc.; and
- a promotional function, promoting diversity issues in colloquiums

ESSEC works in close collaboration with its founding partners L'Oréal, Air France and Deloitte in the Chair to set research priorities, definitions and perceptions of diversity, and identify practical projects in which to engage students following diversity management courses.

The research also indicates that in terms of teaching, diversity management is typically part of a core or an elective course (see Table 2 below). Only rarely is it a major area of specialization. Moreover, diversity management seems to be taught with greater frequency at the undergraduate level compared to Masters or MBA programmes. What is not clear from the survey responses, however, is whether the elective courses themselves are linked directly to what students cover in their core curriculum.

	As a section of another course or module	As elective or optional classes or modules	As compulsory classes or modules	As a major area of specialisation	As a full degree	Total
<b>Undergraduate (BA, BSc etc.)</b>	31 70.5%	16 36.4%	7 15.9%	2 4.5%	0 0.0%	44 100.0%
<b>Masters (MA, MSc etc.)</b>	17 39.5%	22 51.2%	12 27.9%	4 9.3%	4 9.3%	43 100.0%
<b>MBA</b>	17 60.7%	7 25.0%	5 17.9%	3 10.7%	0 0.0%	28 100.0%
<b>Executive education</b>	9 56.3%	3 18.8%	3 18.8%	2 12.5%	0 0.0%	16 100.0%

**Table 2: Diversity management in education**  
(Source: 2008 Faculty diversity survey)

Diversity management is taught mainly through lectures and case studies. Only rarely are alternative methods and tools (simulations, field trips, media, etc.) used in the diversity management training. Interestingly, the traditional teaching methods are criticised by some of the interviewees who consider them as too static. Instead, more experimental learning methods (gaming, simulations, virtual interaction, etc.) are considered as key in teaching diversity. As one of the interviewees argues, people need to experience diversity in order to understand and manage it. Exchange of knowledge regarding dynamic teaching methods can be one of the issues covered by a business-academic network on diversity management.

## **Drivers and barriers for diversity management: teaching and curriculum change**

According to the faculty survey data, the three key factors influencing curriculum change are (1) faculty interest, (2) increasing research activity and (3) student demand. External issues involving governmental bodies (education polices, government incentives, regulation) are seen as comparatively less important. Collaboration with other business schools and universities is not yet seen as a strategic benefit or incentive for more activity on diversity management in the curriculum and teaching. One possible explanation for this final point is that the relevant community of scholars has not yet reached critical mass in terms of numbers and geographic proximity to forge stronger partnerships and institutional links.

Interestingly, the interviewed faculty members do not necessarily share the view of the survey respondents when it comes to the drivers and barriers for diversity management. The interviewees seem more likely to emphasise changes in the external environment as a driver, e.g. the consequences of globalisation and new regulation. With regard to the latter, the interviewees refer to changes in labour laws as a factor that has stimulated an interest in diversity. Moreover, the interviewed faculty members are also less inclined to consider student demand as a driver of diversity management teaching. On the contrary, students, firms and other stakeholders do not yet seem to demand more diversity management courses. In the view of some of the interviewees, the limited demand slows down the pace of advancing and expanding diversity management.

However, both the survey respondents and the interviewed faculty members consider research as a driver for the introduction of diversity management into the curriculum. One of the interviewees notes that teaching on diversity management is simply an opportunity for capitalizing on previous research. Scholars directly involved in this field seem to be aware of the need to develop theories that are more specific and management tools that align with corporate practice and managerial training demands. But problems are identified with regard to resources. In fact, faculty members generally perceive funding as the biggest obstacle to teaching advances. Moreover, just as faculty interest can be a key driver, a lack of faculty interest is also viewed as a serious impediment for the promotion of diversity management content.

Overall, European faculty members perceive more drivers than barriers in diversity management. This positive view is also reflected in their expectations about the future. None of the respondents believe that a decrease in diversity management teaching will be witnessed in the next two to three years, and the majority is of the opinion that activities will be expanded.

## **Diversity management and future research agendas**

Faculty members highlight research as one of the key drivers for the future development of diversity management mainstreaming. Once again, roughly three-quarters of the faculty respondents claimed their institutions are conducting research on the theme. This is especially the case in Northern Europe where 88.6 percent of respondents indicate research activities on diversity management.

By extension, 37 percent of faculty respondents cited a research chair, centre or group dedicated to diversity management in their institutions. If we compare this finding with the results from the Deans survey, there seems to be a potential gap between the high-level strategic focus on diversity management at the institutional level and the actual allocation of resources dedicated to diversity management research. Moreover, when specific centres on diversity management exist, they are relatively small. Centres with just 1 to 5 academic staff were the most frequent.

Another relevant indicator of the importance of diversity in research initiatives is its inclusion in PhD programmes. 35.3 percent of survey responses indicate that their institution addresses diversity management through its doctoral programmes – but mostly by having specific sessions on these issues. Only two respondents reported that the institution had a specific PhD programme dedicated to diversity management issues. These doctoral initiatives are particularly relevant for the future of the field, as they are the basis for the development of a trained and committed research staff.

Lastly, when looking at the dimensions covered by diversity management research, the results from the survey indicate that (1) gender equality, (2) equal opportunities, and (3) cross-cultural management dominate the field.

### **5.3 Feasibility of a network of business schools and companies**

The faculty survey demonstrated a significant consensus (78.7 percent) among academic experts that they would consider an active contribution to a European or global network of companies and business schools on the theme of diversity management. This sentiment was further expressed by business schools and companies at the June Symposium. Through post-survey interviews, the research team invited some leading academics to elaborate further:

*“There has to be an exchange of ideas, knowledge and experience which today is in the corporate world. There has to be more links with other research*

*centres and with business. There is still a huge gap to manage in all diversity-related subjects.*

*“Learning from each other and exchanging ideas is important. [The] objective would be to combine academia and the business sphere... [to] generate good research questions. Business can raise their dilemmas and suggest business-focused questions. This is what makes research relevant to business.”*

The result of this wide-ranging research and consultation with business schools and companies makes it clear that a well-structured collaboration on diversity management is perceived to be of potential value. Corporate managers acknowledge that business schools have considerable experience in direct relationships with firms large and small (arguably more so than universities). Their researchers often fill external advisory or consulting roles on strategy- or systems-based change management projects. This level of access and insight enhances the prospect of a genuinely business-relevant collaboration in various dimensions.

Leading European business schools have a depth of insight and breadth of knowledge across business disciplines to channel into a high level, multi-stakeholder dialogue on a diversity management agenda. They are not limited to informing the debate on “big business,” however. Institutions are renowned for their intensive research on SMEs, both as part of corporate supply chains and as stand-alone entrepreneurial activities. Therefore, a future network might realistically focus more on multinational corporations, or could include the smaller firms connected to their supply chain. The key, as always, would be to convince researchers to adopt a genuinely interdisciplinary approach that crosses the boundaries of their own field of expertise. Core arguments in favour of collaboration include:

- The strategic management of diversity issues in the workplace cannot be separated from the broader challenges of evolving HRM frameworks and developing the human capital of the firm. Companies are facing growing threats in terms of talent retention, staff turnover, and impact on performance. Developing a sustainable workforce environment has therefore become a top priority for companies and stakeholders of all sizes
- Future dialogue and research must avoid taking an overly narrow view of individual diversity issues. Rather, they should examine the impact of diversity within the context of corporate strategy and systems management

- As key suppliers of management training (theoretical and practical) with close relationships to business (local and international), business schools are vital actors for raising awareness among current and future managers on the strategic relevance of workforce diversity
- A future role for academia should be to develop new theoretical insights and tools better aligned with real-world corporate HR and training experiences. Emphasis must be placed on format, so that material can be easily integrated into corporate training and education programmes
- Companies would benefit from academic insights on new learning styles such as a shift from classroom approaches to coaching and mentoring and online instruction
- Academic research can play an important role in helping companies better understand how to address core diversity challenges across localised legal systems within the wider context of international or global frameworks, strategies and systems
- Academic research might focus on helping business to understand the emotional cost of managing diversity in the workplace, which until now has been seen as a sensitive and little-understood topic. Such work could ultimately enhance workplace policies, cultural integration, employee performance systems and managerial frameworks, among others
- There are significant barriers between business and academia in terminology and knowledge transfer, and a disconnection in terms of expectation on both sides. The type of business-academic partnership network being discussed could be a strategically important platform to address this
- The academic world is based on ideas, and the time seems right for a deeper connection with business to consolidate vision and theory with the pragmatic approach of companies to the diversity management agenda

Finally, the survey respondents cited research and teaching as the two priority activities to be undertaken. In this respect, the following kind of activities and outputs could be considered in the short- to medium-term as part of a business-academic diversity initiative:

- A public access database integrating a wide range of existing corporate solutions with a comprehensive listing of academic and stakeholder research on diversity management.

- An online directory of individual academic researchers, teaching activities, and thematic research interests.
- A dynamic, virtual network of corporate managers tasked with designing and/or delivering diversity management training and other initiatives
- Multi-stakeholder workshops to discuss emerging needs on skills and competencies, learning innovations, new case studies as teaching materials, etc.
- Executive Briefings targeted for senior executives and Deans of engaged companies and Business schools.
- Exchange of knowledge regarding dynamic teaching methods
- An explorative study on European curriculum guidelines on diversity management skills and competencies.
- Exchange of knowledge regarding dynamic teaching methods and learning styles including the development of innovative pedagogies.

#### 5.4 Summary

- Both Deans and faculty members acknowledge the importance of diversity management. The majority of deans believe that their institution has a strategic or high level focus on diversity and they expect growing institutional emphasis on the topic in the next 2-3 years
- Overall, the research findings indicate encouraging levels of diversity management interest and activities but also highlight the need for further improving the integration of the topic in teaching, research and employment practices within European business schools
- There is still a long way to go before diversity management moves from the margins to the mainstream of teaching and research
- Diversity management courses are primarily found within the departments of organizational behaviour or HRM and taught mostly as a section of another course or as an elective class. This contrasts with the view of diversity management as a cross-sectional topic that should permeate all departments and be integrated in mainstream courses on e.g. management, strategy, and marketing
- Lack of funding and limited institutional focus on research constitutes barriers for the future mainstreaming of the diversity management at business schools and universities

- There is a strong interest in establishing a business-academic network on diversity management. Almost four out of five respondents participating in the faculty survey expressed an active interest in such a framework. The findings were further confirmed during the Symposium where a large majority of companies and schools indicated the potential value of such a network to share knowledge, ideas, experiences and 'good practices' on diversity management.
- Various existing network organisations seem well positioned and structured to play a central coordination role bringing business and academia together, alternative models for partnership and mutual learning between business and academia or other agents such as corporate universities or the Center for Creative Leadership.

## 6 Conclusions and Ways Forward

The research and consultation presented in this report suggests that an increasing number of small and large companies are recognising the business importance – even imperative – of diversity and diversity management, and thus are embarking upon a journey to create and manage a more diverse workforce and to do business in a way that recognises diversity as a business opportunity in its own right. While the core drivers for doing this – the search for talent, competitiveness, innovation and market expansions – are the same regardless of the size of companies, the means by which diversity and inclusion can be realised can be very different. Within SMEs particularly, the argument for incorporating diversity approaches in the way they conduct their business must be based on their concerns – reduced customer spending, increased market competition, recruitment issues – and must show that those concerns can in part be answered through adopting a diversity agenda.

A company that sets out on the journey to diversity is not likely to succeed if it goes alone. Increasingly intermediary organisations and voluntary diversity initiatives provide companies with a starting point and well planned route. The challenge lies in tailoring these and new forms of support to the immediate needs and concerns of individual companies. As such, and through the organisations that already exist at EU, national, and local levels, flexible and relevant tools for a successful diversity journey should be further disseminated.

At the same time, greater efforts must be made when trying to reach those companies that have not already recognised the importance of diversity for their business. Diversity Charters seem to be filling at least one role in relation to this, namely, acting as “beacons” in the economy and attracting and highlighting the way forward for companies interested in diversity. Real change must also take place within the academic contexts and university curricula that produce the managers of and for tomorrow. While diversity management exists within business schools as a subject of teaching and research, it has barely been mainstreamed.

Many European businesses – large and small – and other European stakeholders are beginning to see the need for diversity and effective diversity management as outlined in the European Commission's previous report ('The Business Case for Diversity: Good Practices in the Workplace,' 2005) and embark upon a journey which presents both challenges and opportunities. So whilst the

benefits of diversity are visible, and in fact constitute many of the opportunities, the practices of diversity, however, present some major challenges for not only businesses but also intermediary organisations, business schools and, indeed, government-sponsored support agencies.

A number of specific conclusions and ways forward can be teased out from the research and consultations presented in this report which in turn can be summarised under the main chapter headings employed in this report.

### **Diversity for Talent and Competitiveness: The SME Business Case for Diversity**

- While the SME business case for diversity should concentrate on specific business problems and needs, including the search for talent and competitiveness, companies agree that a focus on inclusion and diversity could, firstly, help with the recruitment and retention of talented employees and, secondly, foster the conditions that could create product and market innovation.
- Those SMEs who formalise their human resource management strategy and provide for employee diversity training will be better able not only to get the best from employees but also to improve their market position and competitive advantage.
- There is a considerable need for further forms of advice and guidance in order for SMEs to succeed in their search for talent and competitiveness.
- The main barriers faced by SMEs when employing staff with diverse profiles need to be addressed and overcome in ways which do not undermine or devalue the ethnic, faith and cultural backgrounds of employees.
- In addition to the researching, collating and dissemination of knowledge, a way forward to overcoming barriers would be to promote an interactive training programme between SMEs and by SME intermediary support organisations.

### **Diversity, Innovation and Productivity**

- Innovation and productivity are still seen among the top three drivers for the developing of policies and practices of diversity and inclusion.
- Human resource management, recruitment and retention are areas where diversity directly leads to innovation, although product and operational innovation are also areas which benefit greatly from diversity.

- While negative stereotyping, poor communication and poor team integration are seen to inhibit diversity-led innovation, many areas of company operations and processes – eg, the better understanding of customers – benefit from diversity-led innovation.
- Given that a company's diversity profile and objectives with regard to innovation and productivity can be compromised by suppliers who do not have a diversity agenda, some particular attention should be given to what has become known as 'supplier diversity'.
- The need to continue to make the case and measure the impact of the relationship between diversity, innovation and productivity will remain for some time to come, for many companies still need to create the conditions that encourage the kind of risk-taking necessary for the linkages to be made.

### **Tools for a Successful Diversity Journey**

- Although the most common types of support provided by intermediaries include information and advice, networking opportunities and finance, there is still a need to be even more proactive – eg, raising awareness amongst SMEs, collecting and disseminating examples of best practice and communicating of all messages in a positive and inspiring way.
- Further, it is important to create support tools that are personal and direct, including training, coaching and informed discussion with particularly middle management, who are in charge of operational, employment and production processes and initiatives.
- There is clear a movement towards more national Diversity Charters. The European level could provide added value by promoting actively the exchange of experience and dialogue between Charter organisations; to promote the setting up of Charters in other countries; and to consider establishing either an awards scheme and/or a Europe-wide 'labels' initiative. There could also be some merit for companies operating EU-wide in considering creating an EU-level Charter.

### **Business Schools and Company Networks**

- Deans and Faculty members acknowledge the importance of diversity in general and diversity management in particular.

- Nevertheless, there is a need to move the teaching and researching of diversity from the margins and locate it more central in the research and teaching activities of business schools in Europe.
- Companies that have strong relationships with business schools (and those who do not) should help these schools to explore how funds and other resources can be mobilised to underpin diversity management research and teaching as a mainstream activity.
- Whether or not diversity management will be seen as a cross-sectional topic that should permeate all departments, courses and degrees will depend largely upon each business school's perspective. A first step forward, however, should perhaps be an EU-wide discussion on the explicit bottom and top line advantages of the subject in a global economy.
- A further way forward, as there is a strong interest in establishing a business-academic network on diversity management, is to give some consideration to involving relevant stakeholders in such an initiative other than the business and academic communities (such as EU bodies, trade and professional associations, large and small companies, etc) so that it is not seen as the sole preserve of one or two interest groups.