

Diversity is a Business Decision

The topic of diversity at all levels of business, from shop floor to boardroom, has held a place on the organisational agenda for more than 40 years. Often it is cited as a core value or strategic imperative. Assessed objectively, more often diversity has been treated as a footnote. If that statement feels strong, consider:

According to the WEF Gender Gap report 2013, which gives a very detailed look at gender diversity in the gender gap in 133 countries measuring four main criteria:

Access to : Health, Education, Economy and Politics.

In the major world region the gap ranges from 42% in the Mideast to 23% in North America, where a gap of 0% would indicate that there is equal opportunity. Of countries Iceland rank as number one with a gender gap of 12,7% to Yemen with a gender gap of 49,7%.

Merryck have real time experience in the challenges that this presents AND exist both right now and as they evolve going forward.

One of the challenges the business world is facing is that the millennium generation is finding its way into the business world. This will, as with every new generation, raise different and exciting questions in addition to opportunities. What we are seeing is that the new generation are looking for leaders who can provide value, in financial terms, but also more importantly, key values. What they are looking for specifically is both diversity and inclusion.

The companies that are going to make a real difference are those that understand how to make diversity inclusive.

Before looking into this in detail, let's explore what is happening in the business world as a whole.

In the last few years, there have been many examples of new companies moving from an initial concept to becoming a world market leader in less than a decade. We have also witnessed companies who have been global leaders in their fields disappear within the same period of time. Each of these have a different reason and yet one common denominator is that those who succeed are open to new ideas and inclusive, whilst those who do not do so well, are not.

With this it is obvious that diversity and inclusion are more crucial than simply Gender diversity and yet this is a good place to start.

Gender diversity has been on the agenda for companies and governments for 40 years. Some will argue that we have come a long way, and yet others will say that we still have a long way to go. I guess it depends on which way you look at the situation.

From my perspective, what matters most is not an individual points of view, but what happens next? How can a CEO, male or female, improve the culture within their company?

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In order to look at that I would like to invite you to revisit the film, *A Beautiful Mind*. This is the film about John Nash, the Nobel Laureate, who was awarded the Nobel prize for what is today known as the Nash Equilibrium. Today it is widely used in business and game theory, and business is a game. I can in no way give the deserved credit to this magnificent work, so for the readers who are truly familiar with it I hope you will be able to accept my interpretation:

The Nash equilibrium states:

Overall, an individual can receive no incremental benefit from changing actions, assuming other players remain constant in their strategies.

What has that to do with diversity and inclusion? Actually, it is not only important but may be crucial. In the many companies in which Merryck work as mentors, we see the following:

The Board and the CEO has diversity on the agenda. It is something that is even sometimes named as a strategic initiative. Responsibility for the implementation is the HR Department. In many companies there are also women's networks. Both the HR Department and the women's network group are being provided with a budget to promote the issue. The HR Department promotes the initiative, the Board, the CEO and all others with business responsibility support it. Everybody is behaving exactly as they are supposed to. This is the classic Nash Equilibrium and the result of this is that the situation does not change. Every player in the game behaves exactly as the other players assume they will.

A Merryck clients recently described her frustration with this and asked me

"How can we change the situation?"

"What is it that you see in the market where it is successful?"

The short answer is *"to get diversity on the business agenda"* and by that I mean that it cannot and should not be the responsibility of simply HR and/or a female group within the company.

To do that we need to look at the Nash Equilibrium. Change your behaviour and then change the game. The other players in the game must see that it is in their own best interests to change their behaviour. To change the entire game one person must change their behaviour and make different strategic choices. The responsibility for the implementation MUST be moved to the business owners.

This is not a compliance game, nor is it a game of quotas and political correctness: This a game of competitiveness, revenue and profitability. Diversity and inclusion is a business decision that has to be taken. Currently, the entire sector of mining and Oil and Gas are going through very difficult times.

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I recently spoke to another Merryck client, a HRD of one of the leading players in this sector. She said *“we are doing much better as a business once we got D&I placed where it belongs i.e. in the individual businesses. My main contribution was to help the business leaders understand that it is a business decision”*

In the companies where they have decided to change the game the results are phenomenal. The most striking theme was the generation of increased revenue and margins to which diversity initiatives have been able to contribute. For some consumer goods companies, that took the shape of radically improving market share among non-majority demographic groups embedded within traditional markets. Diversity efforts under such conditions have been able to yield readily quantifiable ROI.

Equally intriguing were diversity initiatives linked to R&D and even supply chain innovations, where a wider array of perspectives at the table and an expectation of (as opposed to mere tolerance for) creative dissent, led to organisations becoming increasingly agile over time. Here again, the role of the CEO and other senior leaders lent a make-or-break value to such efforts. Leaders who preached diversity of perspectives but punished personal dissent had a greater likelihood of seeing a tapering off of breakthrough ideas.

So What?

Diversity and inclusion is THE key critical differentiator that every company has, IF they decide to use it. It is the most striking game changer they possess in order to keep being relevant in the market, to customers and new talent. Customers and new talent are the ONLY two things that will allow companies to survive in today’s market where technology keeps presenting new possibilities at an ever faster pace. Just compare the list of the fortune 500 companies today to that of 10 years ago and you will see how massive the change has been and how important this will become in the future.