

# Diversity - is it good for business?

'Diversity & Inclusion initiatives have gained a lot of traction throughout Ireland's corporate landscape. But do they add tangible value for organisations?'

By Olivia McEvoy

*Although accountants might not be able to bring themselves to agree, it can seem like there are countless quotations pertaining to and definitions of 'diversity'. Malcolm Forbes describes it as 'the art of thinking independently together' while others draw on an old Muslim saying that 'a lot of different flowers make a bouquet'. Despite the overwhelming number of definitions, common ground is reached in the certainty that strength lies in differences.*

## What is diversity and inclusion?

The EY definition of Diversity and Inclusion is: Diversity is about differences, seen and unseen. Inclusion is about creating an environment in which people are valued, feel valued and are able to achieve and contribute their full potential. Creating an inclusive environment improves the way we interact with our people, our clients and our communities. Inclusion is also about leveraging our differences to deliver better business results.

In both this definition and much of the recent commentary on Diversity & Inclusion, the focus is very much on 'inclusion'. Indeed, some suggest we have achieved diversity and now need to concentrate our efforts on 'inclusion'. There is no doubt that 'diversity' is now an aspiration for most businesses in Ireland as well as globally, but many of those same businesses still struggle to attract a diverse workforce in terms of gender, sexuality, ability, age and education as well as personality type and thinking style. We tend to view Diversity & Inclusion as a journey, and it is important to acknowledge that some businesses are in the starting blocks and some of us are further down the road. Very few have reached 'Destination D&I'. It is, however, true to suggest that diversity can be the easier element to achieve; the real test begins in earnest when you are trying to build an inclusive environment and leverage diversity to improve business performance. It is equally true to say that if you are successful in building an inclusive environment, you are much more likely to attract and retain a diverse workforce.

## What are the benefits of Diversity & Inclusion to business?

Although it is almost universally accepted now that Diversity & Inclusion is a business imperative and 'must have' rather than a rights based agenda or 'nice to have', there are some who still question whether Diversity & Inclusion can actually deliver better business results and contribute to competitive advantage. Again, there is a myriad of research and countless statistics that support Diversity & Inclusion as a key driver in having success in new markets, improving market share and ultimately driving revenue generation and profitability. While many of these statistics are global and depend on variables such as company size, there remains much indisputable evidence. A highly regarded McKinsey study in 2015 titled Diversity Matters, examined data for 366 public companies across a range of industries in Canada, Latin America, the United Kingdom, and the United States. It found that:

- ▶ Companies in the top quartile for racial and ethnic diversity are 35 percent more likely to have financial returns above their respective national industry medians;
- ▶ Companies in the top quartile for gender diversity are 15 percent more likely to have financial returns above their respective national industry medians.

More recently, in 2016, the Peterson Institute for International Economics and EY released a study revealing a significant correlation between women in leadership and company profitability. The report found that companies with at least 30% female leaders had net profit margins up to 6% higher than companies with no women in senior ranks. This report is but one of many to find that gender diversity has a positive impact on profitability. As such, there are few businesses who can choose to ignore what automatically increases revenue and profitability, but the benefits of Diversity & Inclusion do not stop there. It also delivers:

- ▶ Continuous innovation achieved by harnessing the power of different experiences, knowledge and skills;
- ▶ Enhanced team performance and stronger collaboration;
- ▶ Increased awareness of biased behaviours and their impact, resulting in better decision-making;
- ▶ Enabled leadership to drive cultural change and build high performing diverse teams;
- ▶ Increased motivation for employees resulting in better job satisfaction, reduced stress and reductions in absenteeism and;
- ▶ Enhanced reputation in consumer markets.

Despite the compelling nature of all of the above benefits, it is often the fact Diversity & Inclusion is accepted as a key contributor to talent acquisition and retention that sways many businesses to pursue the agenda. No matter the size of your company, the 'war for talent' is a hard one to wage and win. This is particularly the case in relation to attracting and retaining 'millennials' who are the first generation to grow up in the digital age. There are currently more than half a million millennials in Ireland and, in just 10 years, they will comprise nearly 75% of the workforce. This elevates the importance of the Diversity & Inclusion agenda even more, as millennials absolutely expect diversity as a matter of course. Indeed, millennials fully expect to be celebrated for their differences. And how right they are.

Cognitive diversity, which is different thinking styles and personality types, is particularly valued by this cohort, as it stimulates dynamic ideas and solutions that can drive innovations in a much more effective way. Indeed, research from the Billie Jean King leadership initiative reports that millennials see the concept of diversity and inclusion through a completely different lens and that there is now a trench between the generational mind-sets on the issue. Fundamentally, millennials see Diversity & Inclusion as a necessary element for innovation. The same report emphasises that companies with high levels of innovation achieve the fastest growth of profits, while radical innovation trumps incremental change by generating 10 times more shareholder value. The impact of a lack of cognitive diversity and inclusion hits hard on engagement and empowerment, as well as the ability of employees to remain true to themselves. If any of us are to be fully engaged, we require supportive leadership and a supportive culture. As reported in the Billy Jean King report:

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*'If you want to build a truly inclusive culture—one that leverages every individual's passion, commitment, and innovation, and elevates employee engagement, empowerment, and authenticity—you should be willing to break down the narrow walls that surround diversity and inclusion, and limit their reach. If you don't know where to start, ask your millennials. Every one of them wants to be heard.'*

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## What makes for a good diversity programme?

There has been an understandable tendency to adopt a 'strand' based approach to Diversity & Inclusion, with the need to address gender equality particularly obvious. The referendum on marriage equality brought increased awareness of and focus on the LGBT strand in Ireland. Therefore, at this juncture and where strides have already been made, we need to step back and take a more holistic and strategic view of Diversity & Inclusion and integrate it into our corporate strategy and core business activity. Central to any successful Diversity & Inclusion programme is:

### 1. Diagnostics and Diversity & Inclusion Data

Accountants should not need convincing of the importance of knowing the numbers! And they are spot on; it is absolutely imperative to 'know your organisation'. Diversity & Inclusion data gives critical insight into organisations. Indeed, even the data we are not able to gather tells its own story. Through diagnostic assessment, data can drive a deeper understanding of the employee experience and where the critical decision points are in order to achieve diversity goals. This might be across any one business component such as talent attraction and retention, performance management and progression or leadership competence and accountability. Detailed data on the likes of recruitment ratios, promotion rates of female employees compared to male employees, or salary related data allow us to develop tailored action plans to address any specific issue that emerges. As with any other business element, it is vital to ascertain your current state before you can meaningfully set realistic targets and goals and make progress. Once you diagnose the situation, you can establish Diversity & Inclusion KPI frameworks and know how you are going to measure success. One of the challenges for those keen to pursue the Diversity & Inclusion agenda is that it is sometimes seen as a 'nice to have' add-on. Having evidence-based data helps counteract that and enables us to measure progress and resulting growth.

### 2. Sustainable Strategy & Good Governance

A Diversity & Inclusion strategy that is incorporated into business strategy and core business activity is key to success. Very simply, Diversity & Inclusion needs to become an essential component of how we conduct business. Having a strategy really helps align Diversity & Inclusion with corporate strategy, and enables it to become embedded in the overall culture and governance of the organisation. The strategy needs to be goal orientated, metric-focused and underpin all Diversity & Inclusion activity. The strategy should also be accessible and include key principles and messages that can be understood by all.

### 3. Informed, Enabled & Accountable Leadership

Any Diversity & Inclusion strategy or programme needs visible c-suite and executive sponsorship to succeed. Leadership needs to be aware and really understand Diversity & Inclusion, talking about it with people at all levels, inside and outside the business. As leaders, we also need to live and practice Diversity & Inclusion in our thinking, recruitment and work practices. In addition to leadership commitment and support, we must also emphasise impact, measurement and accountability. Introducing 'accountability' as part of performance measurement certainly helps to elevate Diversity & Inclusion from a 'nice to have' to a core element of business activity. However, rather than expect leadership to be automatically familiar with and knowledgeable about Diversity & Inclusion, we need to enable leaders to drive the agenda. To this end, it is essential to resource inclusive leadership and unconscious bias training that enables leaders to build high performing teams and facilitate innovation.

There are, of course, multiple other tenets of a successful Diversity & Inclusion programme, including flexible working arrangements that allow for and support diversity in the workforce. The visibility of diverse role models should not be underestimated based on the simple premise that 'you can't be what you can't see'. People will naturally seek employment where they see themselves represented in the organisation, particularly at leadership level. Dovetailing recruitment practices with the Diversity & Inclusion data diagnosis and ensuing metric targets is also a key factor.

## Diversity & Inclusion into the future

Diversity & Inclusion is a key driver of the future we aspire to, where we equate business in Ireland with risk excellence, sustainable growth and performance as well as cutting-edge innovation. It is also a key tenet of success right now. The first step is to truly value, champion and celebrate diversity, creating spaces where different perspectives are encouraged, from a workforce diverse in ability, age, ethnicity, gender, race and sexual orientation, as well as in thinking style and personality type. With the right strategic approach, leadership support and marriage with data analytics, we have the tools to leverage those celebrated differences to build a better working world that is truly diverse and inclusive. It is the right option. It is the business-smart option. It is the only option.



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Olivia leads a dedicated consultancy team in EY to help clients achieve their Diversity & Inclusion (D&I) ambitions as a key driver of talent acquisition, employee engagement and ultimately, success and growth in the marketplace. Marrying D&I with data analytics, the team help clients understand their D&I activity through objective assessments resulting in diagnostic outcomes, sustainable strategies and roadmaps, KPIs and an informed and enabled leadership.

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