



the inside track #11

Highlighting CSR Issues of the moment

Diversity – Political Interference or Business Opportunity?

The diversity debate has been reinvigorated by Trevor Phillips with the launch of the platform for the new Commission for Equality and Human Rights (CEHR).

In his final act as chair of the Equalities Review Panel, Trevor Phillips launched the panel's report, Fairness and Freedom, at the end of February. In the accompanying press statement, he summarised ten steps the report recommends would improve equality.

Whilst the CEHR is not operational until October 2007, these ten steps set out an agenda and provide clear signals about the potential environment in which businesses (as well as other organisations) are likely to have to function in the near future.

The thrust is to move beyond just compliance, which has been the approach of many companies. A few though would argue that they already embrace the principles of diversity, and have seen genuine commercial benefits resulting from their activities.

The fact that currently many companies adopt a compliant approach to diversity is confirmed by the findings of a recent survey by the Chartered Institute of Personnel & Development which indicates that for many the prime reason for acting on diversity is to minimise the risk of legal challenge. As a result responsibility for diversity typically tends to lie within the Human Resources function, with the main diversity activity likely to have a strong internal and employment legislation driven focus.

Trevor Phillips expects these ten steps to improve equality by moving beyond direct legislation, which often is limited in its ability to drive real and permanent change. Some steps are very clearly going to have a direct impact on many, if not all, businesses.

For example, Step 3 suggests the use of an equality scorecard. In addition, Step 4 calls for greater transparency. It recommends publication of diversity data for all organisations, both public and private, by all diversity categories (e.g. gender, sexual orientation, etc.) against a standard format yet to be proposed by the CEHR.

But by far the most significant and direct in its impact (and linked to a transparent publication of data) is Step 8: **“Using public procurement and commissioning positively”**.

The report's concept on diversity that “public agencies should require suppliers to adopt the same principles under which they themselves are required to operate” has been around for some while, but without real teeth. Perhaps a perception of the way in which Government thinking is moving came when the Olympic Delivery Authority announced that it would only consider bids where information on diversity by the supplier was available and presented. The implications are that those businesses seeking 2012 Olympic contracts will need to ensure the way they deal with diversity is up to standard.

It is not just the public sector that is requiring such standards from suppliers. Large corporations that see the public sector as a significant stakeholder are starting to require diversity policies from their suppliers, to ensure their supply chain meets similar requirements. Does this effectively mean that businesses are subjected to more political interference, or is it, in reality, a business opportunity?

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The challenge for companies (and one that will have more weight once the CEHR gets into full swing) is to ensure they are well positioned to take full advantage of a continually changing environment. To do so, diversity needs to move onto and also up the Board's strategic agenda. Key questions are how your company plans to respond both to the new diversity agenda and to continually changing demographic profiles.

In the UK, constituent parts of the population are changing very dramatically. By 2011, half the growth in the working age population will be from ethnic groups. By then, only 20% of the UK workforce will be white able bodied men aged under 45. This will be critical in recruitment and retention planning.

At the same time, the income of ethnic groups has risen dramatically – up tenfold since 1997, to a current estimate of £156 billion after tax. As a result, companies need to recognise ethnic groups as a significant consumer category with multi-billion pound spending power.

Companies wishing to create the right strategic approach on which to build their business should ensure their diversity policies, procedures and behaviours are of a high standard to give them the best chance of securing their business future. We are already aware of public sector tenders that exist where a 25% weighting or more of the selection criteria are based on being able to demonstrate that the companies' approach is diverse.

Diversity is inexorably moving from being a compliance area to becoming increasingly a potential source of competitive advantage. So what should your company's strategy towards diversity encompass?

Firstly decide how important diversity is to your business.

In this respect, if the public sector or large multinationals represent a significant revenue base then it is likely to be important; if not now, then certainly in the near future. Equally if the business has any plans to expand, where will employees of the future come from?

Secondly, look at your current approach to diversity, and whether it simply 'ticks the boxes' (particularly just on employment) or is it an integral way of doing business? If you consider there is a high probability that you would need to demonstrate good or best practice on diversity, then your company should be looking to change, if it cannot already demonstrate such standards.

Thirdly, look at your stakeholders and be aware of changing demographics. You will need to assess the impact that a positive approach to diversity will have on your business.

Any organisation's ability to independently judge the level at which it operates is often difficult without a benchmark against which to compare. For example, best practice is likely to require Action Plans on most elements of diversity but these will vary by organisation, so it is not necessarily straightforward, and certainly not formulaic.

In our experience, relatively few organisations have viewed diversity as part of a business-critical strategy. The future is likely to require better management and reporting of diversity standards to satisfy up and coming needs of stakeholders, the public sector and those other organisations who expect their suppliers to meet high standards in this field.

Diversity is no longer just about compliance – it is becoming an integral part of doing business - ignore it at your peril!

If you would like to discuss any of the points raised in this newsletter, please contact Tony Hoskins - thoskins@thevirtuouscircle.co.uk

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