



The Leading Edge of Diversity and Inclusion

11th International Executive Panel
October 2012

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Foreword

For decades, forward-thinking companies have trumpeted their aspirations to grow more diverse and inclusive. But how far have we actually come? What are the current and prevailing attitudes toward Diversity and Inclusion? How have leaders' concepts of diversity evolved? And to what degree do organizations' actions match their words?

In the summer of 2012, Egon Zehnder International invited executives from around the world to participate in the eleventh International Executive Panel, a global leadership survey exploring perspectives on key talent and leadership issues. More than 500 members of the “Club of Leaders” – an online community of executives who registered at Egon Zehnder International’s website (www.egonzehnder.com) – took part in this study of Diversity and Inclusion.

Participants in this panel hail from across Europe, North America, South America, Asia and Australia. They represent a wide range of industries and the full spectrum of organizational sizes, from small companies of less than 50 employees to major corporations employing 10,000 or more.

As a group, the executives participating in this International Executive Panel study are highly attuned to organizational challenges and strategies. Virtually all say that working in a diverse, inclusive environment is personally important to them. An overwhelming majority report that their organization actively promotes diversity.

As such, this latest International Executive Panel offers penetrating, global insights into “The Leading Edge of Diversity and Inclusion” in 2012.

Executive Summary

The leaders in this study are almost unanimously committed to Diversity and Inclusion, viewing it as positive for them personally and good for the companies they lead.

96% of the 511 executives participating in the eleventh International Executive Panel say that working in a diverse and inclusive environment is personally important to them. 99% believe there is a strong business case for D&I, with nearly two-thirds declaring that D&I is often and not just sometimes good for business. Most personally experience D&I daily or regularly.

They have a sophisticated concept of Diversity and Inclusion.

A substantial majority of the panel participants see D&I as a key to broadening their personal horizons, stimulating lively discussions, increasing the quality of their decisions, and generating new ideas and solutions. Most also agree that D&I can help their company build a more socially responsible culture, show greater respect for individuals, create access to new markets, and tap fresh customer bases.

These and other findings strongly suggest that executives now increasingly view Diversity and Inclusion in what David A. Thomas, Dean at Georgetown McDonough School of Business and former Professor of Business Administration at Harvard Business School, calls “positive and optimistic” terms associated with achieving business success, as opposed to a conservative view of D&I as merely a means of preventing discrimination.

Another finding that points to leaders’ increasingly sophisticated concept of D&I: 72% cite the importance of understanding how their own biases affect their judgment of others. Most executives appear to realize that even well-intentioned leaders can succumb to unconscious stereotyping of those who are in some way different from themselves. This finding hints at a broad awakening. Facing the fact of bias, rather than pretending it does not exist, is a critical step toward crafting a Diversity and Inclusion culture that explicitly helps people manage their inevitable biases to the common good.

Executives are realistic about D&I and watchful of its costs.

Although nearly all the study participants say D&I is personally important to them, less than half suggest that working in a diverse environment is easy. Many apparently wonder about the potential downsides of D&I, such as positive discrimination, slower decision-making, increased operating costs and even the risk of undermining coherence and alignment. Some say that when pressure rises on their business, diversity could get in the way.

Most companies actively pursue diversity, but they remain conservative in their approach.

Company approaches to D&I often seem out of step with the high levels of personal commitment and sophistication expressed by individual leaders. While 80% of the participating executives report that their company actively pursues diversity, the panel participants say the most common reasons their companies promote D&I are to ensure access to top talent and to provide people with equal opportunity and fair treatment – worthy but conservative D&I objectives.

More forward-looking reasons for promoting Diversity and Inclusion – fostering a learning organization and driving innovations – are named far less often, although leaders from smaller firms are noticeably more likely to suggest their company sees D&I as a critical means to those positive business ends.

Other findings suggest that companies' D&I priorities remain heavily numbers-oriented. Nearly three-fourths of participants count gender among their company's top three diversity priorities, but only half say their company gives similar weight to the more qualitative D&I dimension: "Diversity of perspectives and thinking."

Accountability for encouraging and enabling D&I is limited.

90% of panel participants report that their company's top managers are committed to Diversity and Inclusion, or are growing more so. Top-level commitment is obviously a vital ingredient to achieving D&I, yet clear and tangible accountability for encouraging and enabling D&I appears to be limited. Fewer than a third of the respondents report that their company has publicly communicated its diversity commitment. Less than one-fourth say their company has a well-established process for assessing individual contributions to D&I in performance evaluations.

While a solid majority say their company has integrated diversity strategy into its hiring process for all positions, nearly one-quarter report that their company applies diversity strategy only when hiring into leadership positions. Roughly one in five say their company has yet to integrate a diversity strategy into the hiring process at any level.

Diversity and Inclusion remain much more an ideal than a reality.

The companies represented in this International Executive Panel appear to have some distance to go to realize the Diversity and Inclusion ideals voiced by their executives. Looking squarely at the bottom line of D&I achievements, only 53% of executives report that their company is making good progress in gender diversity. Less than half say their company is advanced in terms of promoting diversity of perspectives and thinking, nationality, industry backgrounds, or educational backgrounds. Fewer than one-third report that their company has made good progress in promoting D&I in terms of ethnicity, age, people with disabilities, or sexual orientation.

Leaders see where their companies must go from here.

The sophisticated beliefs and attitudes voiced in this study suggest that most participating executives clearly understand that D&I can help their company not only to meet the moral imperative to provide everyone with equal opportunities and fair treatment, but also the business imperative to perform at much higher levels.

One key to making that happen, suggests D&I authority David A. Thomas, is actively ensuring that people perceived to be “different” in any regard by the company’s dominant group be allowed to go on being different – rather than assimilated into the dominant culture, as many conventional diversity initiatives seek to do. Even more, differences must be honored, cultivated, and tangibly valued, as people who are different can bring more diverse perspectives and thinking into the company.

85% of the leaders participating in this International Executive Panel agreed that “An inclusive corporate culture” is essential to an effectively diverse working environment. No doubt they are right. It is heartening to hear so many leaders express a sincere desire for Diversity and Inclusion, in so many forms, and to know that they advocate D&I for such sophisticated and sustainable reasons. But even at the “Leading Edge” of Diversity and Inclusion, fulfilling leaders’ personal ideals and aspirations remains unfinished business.

3

Survey Design

Objective

Gain global insights into the current state of Diversity and Inclusion as viewed by executives who are personally committed to D&I, and whose organizations actively promote D&I: “The Leading Edge of Diversity and Inclusion.”

Survey sample

International sample of 511 executives registered with the “Club of Leaders”: an online community at Egon Zehnder International’s website www.egonzehnder.com.

Survey methodology

Online questionnaire

Survey period

25 June to 31 July, 2012

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Results

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4.1

Leadership Commitment to Diversity and Inclusion

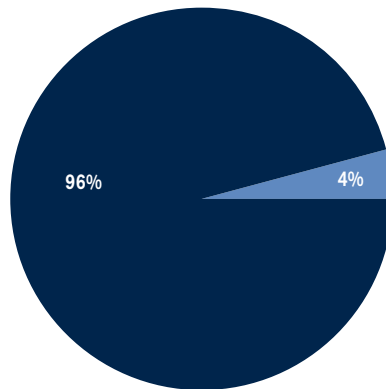
The executives participating in the eleventh International Executive Panel overwhelmingly declare that working in a diverse and inclusive environment is personally important to them. Nearly all believe there is a strong business case for D&I. Most personally experience diversity on a daily or regular basis.

Their reasons for advocating Diversity and Inclusion are varied and thoughtful, suggesting a concept of D&I that is largely consistent with the “positive and optimistic” approach championed by Professor David A. Thomas of Georgetown McDonough School of Business. This sophisticated and aspirational concept of Diversity and Inclusion stands in clear contrast to the more conservative view of D&I as a mere antidote to discrimination.

4.1

COMMITTED: Leaders value diversity and believe it is good for business

Is a diverse and inclusive environment of great value to your work?



■ Yes ■ No

Do you believe there is a strong business case for a diverse and inclusive organization?



■ Often ■ Sometimes ■ Never

Base: n = 509 Total. Percentage values.

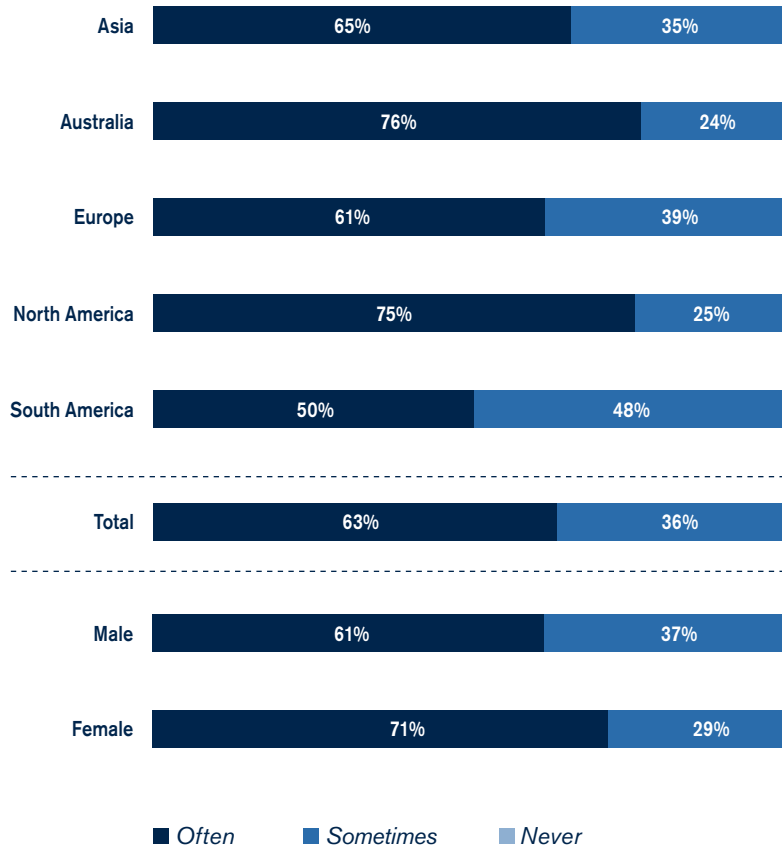
Q5b: n = 481 Total, without n = 28 Don't know. Is a diverse and inclusive environment of great value to your work?

Q5d: Do you believe that there is a strong business case for a diverse and inclusive organization?

4.1

North Americans, Australians, and women are most sold on D&I

There is a strong business case for a diverse and inclusive organization.

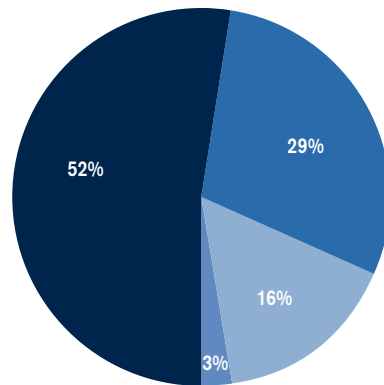


Base: n = 509 Total; n = 55 Asia, n = 33 Australia, n = 302 Europe, n = 72 North America, n = 40 South America; n = 423 Male, n = 86 Female. Percentage values.
 Q5d: Do you believe that there is a strong business case for a diverse and inclusive organization?

4.1

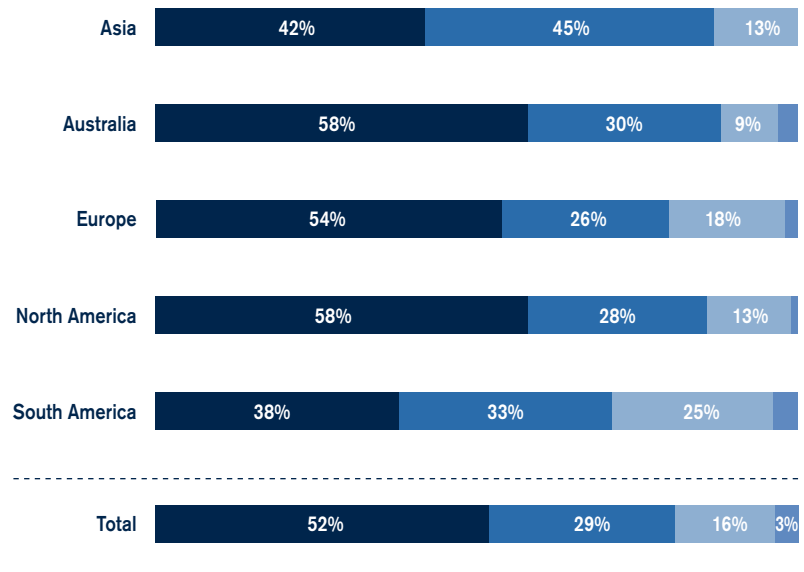
EXPERIENCED: Most regularly work in diverse teams

I work in diverse teams...



- *Every day*
- *Regularly*
- *Sometimes*
- *Never*

Exposure by region:

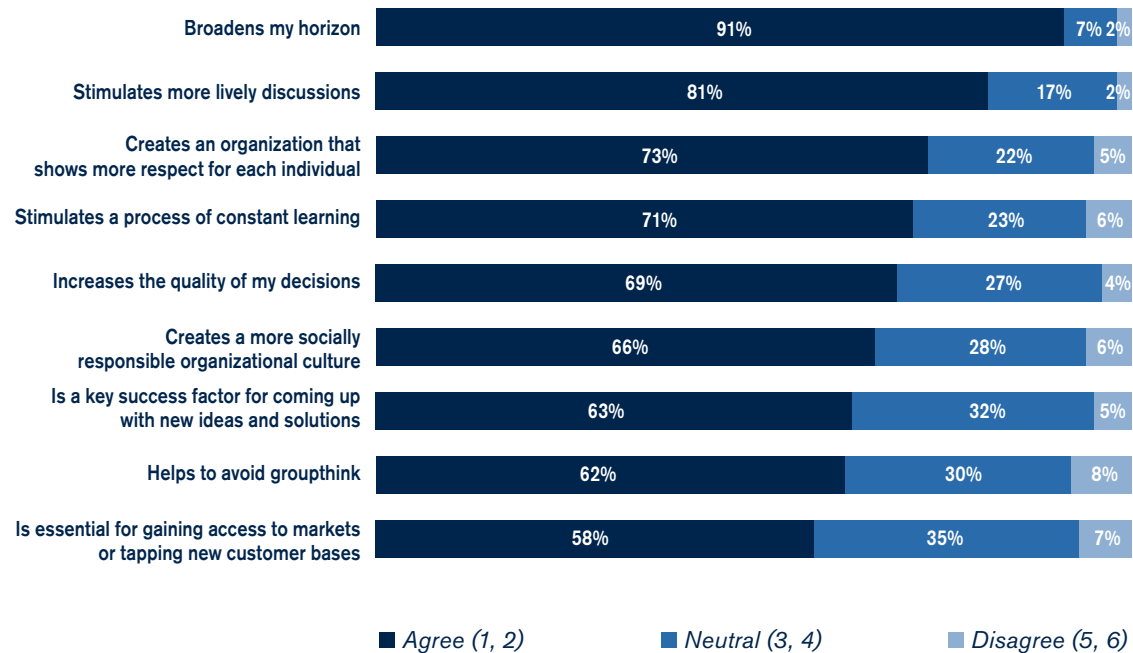


Base: n = 509 Total: n = 55 Asia, n = 33 Australia, n = 302 Europe, n = 72 North America, n = 40 South America. Percentage values.
Q5a: Your personal experience with diversity and inclusion: What is your personal exposure to diversity?

4.1

SOPHISTICATED: Leaders value D&I for thoughtful reasons

From your own experience, what are the benefits of diversity?



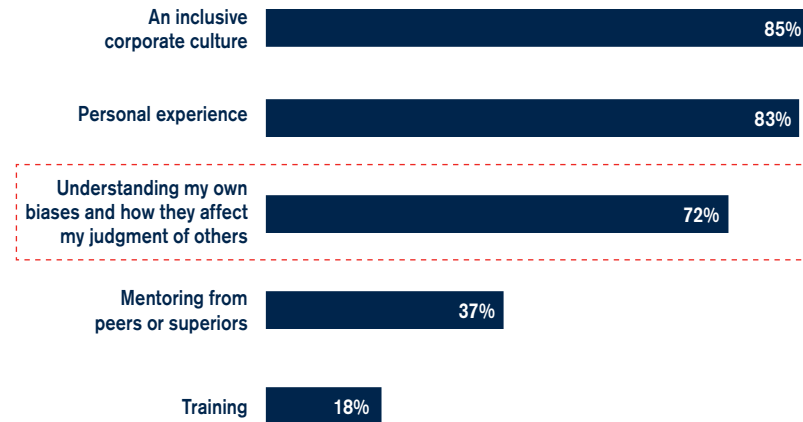
Base: n = 510 Total. Percentage values.

Q8: Judging from your own experience, what are the benefits of diversity?

4.1

SOPHISTICATED: Leaders recognize that understanding the power of biases is a key to working in a diverse environment

What do you consider helpful when working in a diverse environment?



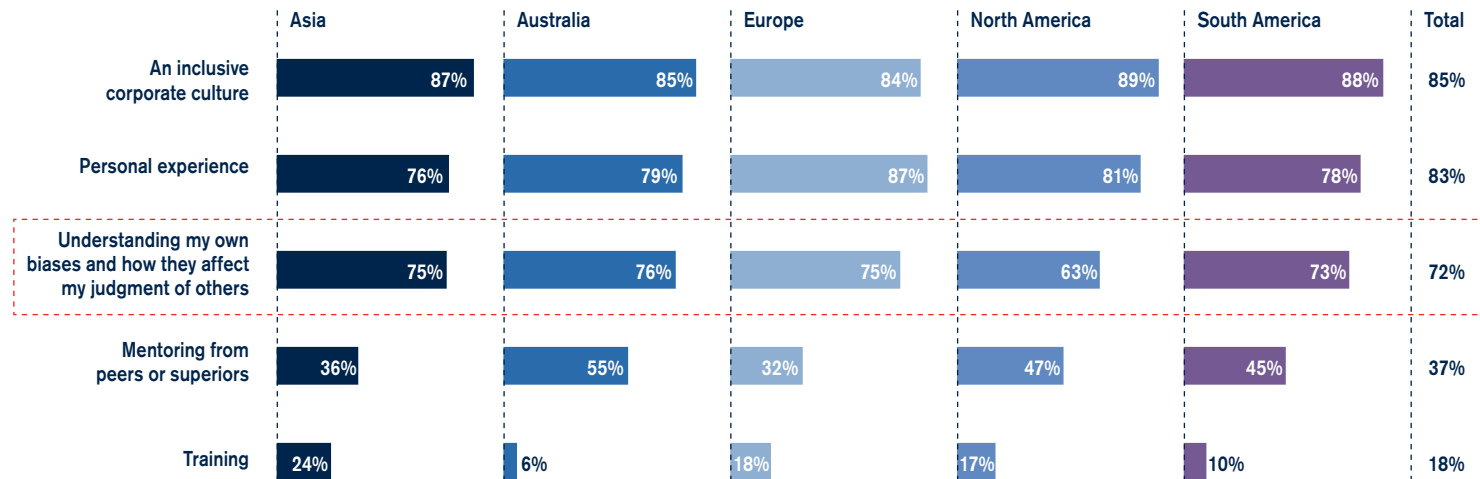
Base: n = 507 Total, without n = 2 None of the above. Percentage values. Multiple answers possible.

Q6: What do you consider helpful when working in a diverse environment? Please choose the 3 most helpful factors.

4.1

Importance of personal bias cited worldwide

What do you consider helpful when working in a diverse environment?



Base: n = 507 Total, without n = 2 None of the above: n = 55 Asia, n = 33 Australia, n = 300 Europe, n = 72 North America, n = 40 South America.

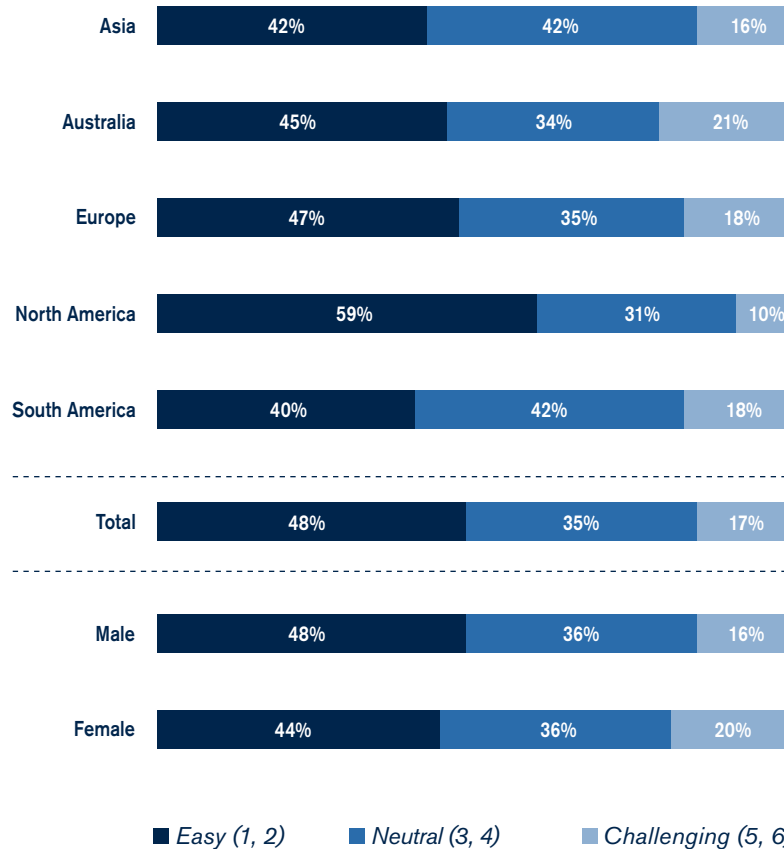
Percentage values. Multiple answers possible.

Q6: What do you consider helpful when working in a diverse environment? Please choose the 3 most helpful factors.

4.1

REALISTIC: Less than half say working in a diverse environment is easy

I believe it is ... working in a diverse environment.

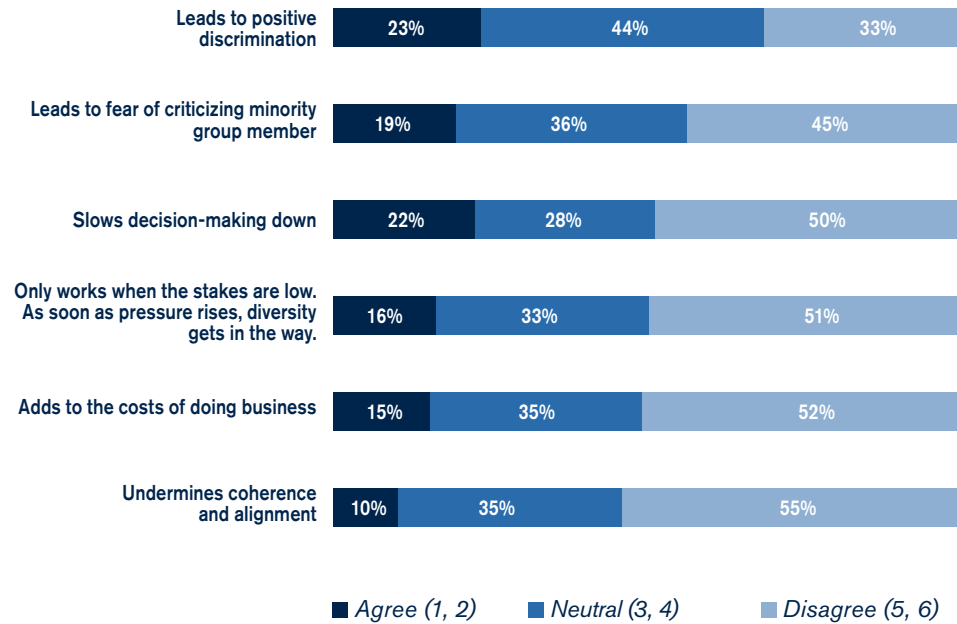


Base: n = 505 Total, without n = 4 No experience: n = 55 Asia, n = 33 Australia, n = 299 Europe, n = 71 North America, n = 40 South America; n = 421 Male, n = 84 Female. Percentage values.
Q5c: On a scale from 1-6, how would you characterize your experience of working in a diverse environment?

4.1

WATCHFUL: Some signal concerns about costs of D&I

From your own experience, what are the costs of diversity?

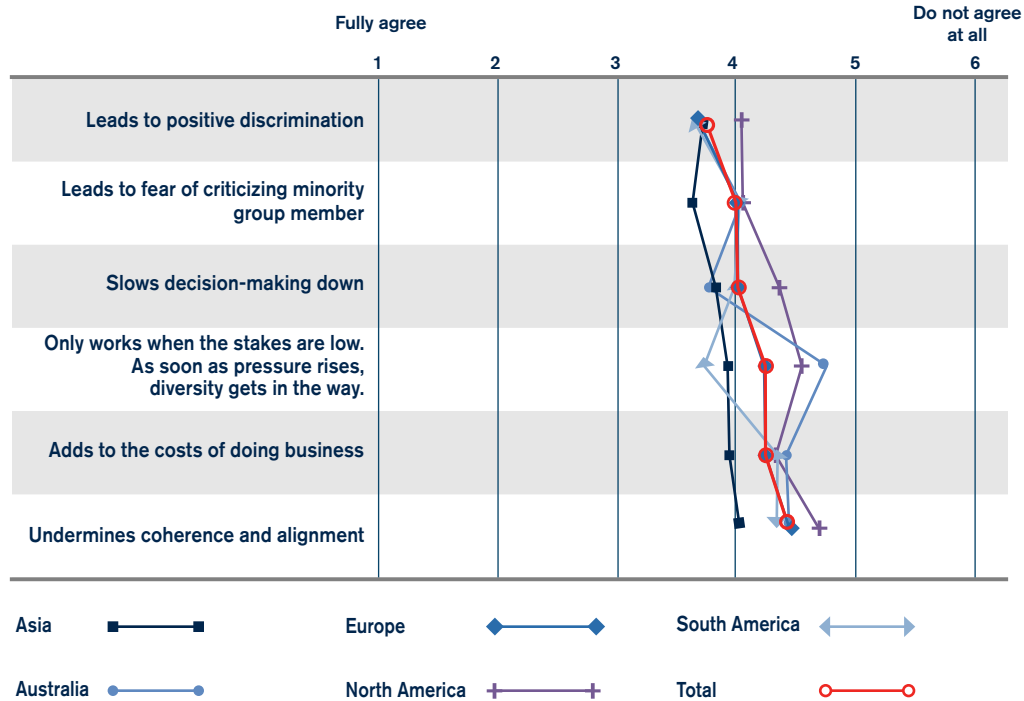


Base: n = 453 Total. Percentage values.
Q7: Judging from your own experience, what are the costs of diversity?

4.1

Perceived costs of D&I by region

Costs of diversity



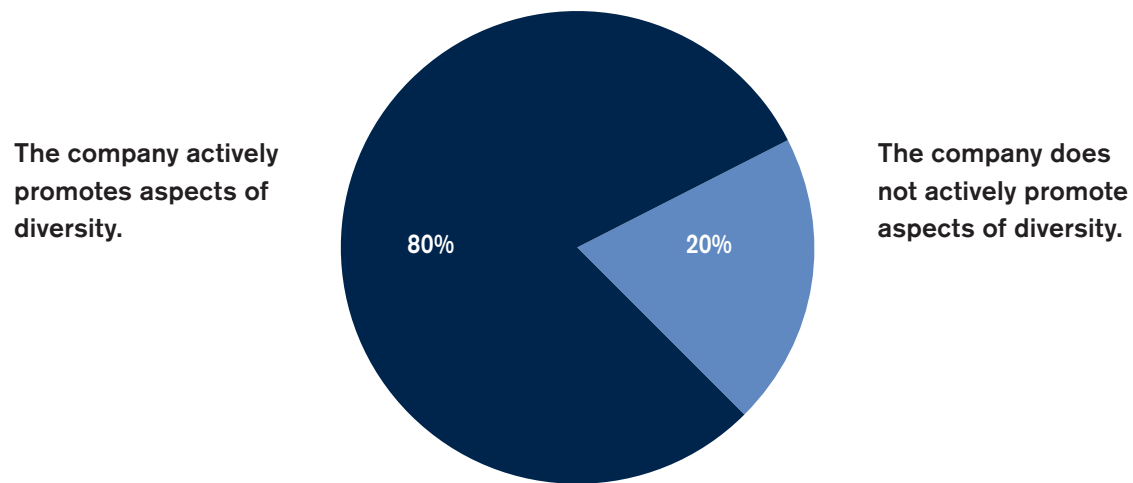
Base: n = 453 Total: n = 51 Asia, n = 29 Australia, n = 264 Europe, n = 66 North America, n = 36 South America. Means.
 Q7: Judging from your own experience, what are the costs of diversity?

4.2 Company Approaches to Diversity and Inclusion

While most participating executives say their company actively pursues diversity, company approaches to D&I often seem out of step with the high levels of personal commitment and sophistication expressed by individual leaders. Company rationales for pursuing Diversity and Inclusion are often conservative and numbers-oriented, although executives from smaller companies more often point to forward-thinking, qualitative D&I rationales such as fostering a learning organization, driving innovation, and tapping more diverse perspectives.

Accountability for encouraging and enabling D&I is limited. The executives report that relatively few of their companies have publicly communicated their diversity commitment. Less than one-fourth have a well-established process for assessing individual contributions to D&I in performance evaluations. And nearly one-fourth report that their company applies diversity strategy only when hiring into leadership positions. Roughly one in five say their companies have not yet integrated a diversity strategy into the hiring process at any level.

4.2 ACTIVE: Most say their company pursues diversity



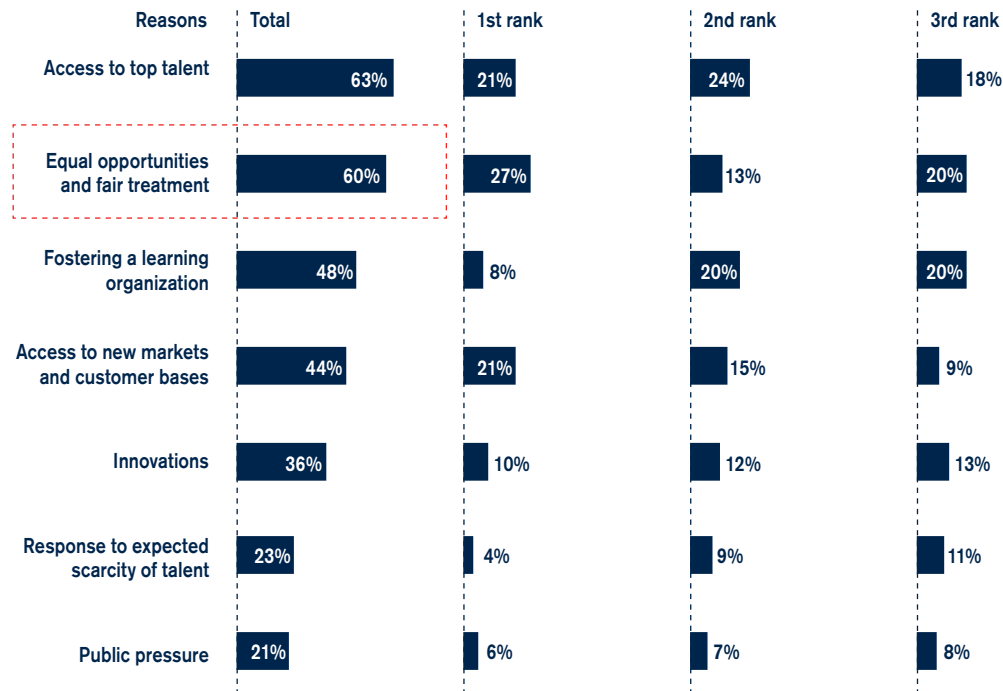
Base: n = 511 Total. Percentage values.

Q1a: Which of the following aspects of diversity does your company actively promote? Answer options: Either choose the top 3 aspects (listed above as "The company actively promotes aspects of diversity") or choose "My company does not actively promote diversity and inclusion" (listed above as "The company does not actively promote aspects of diversity")

4.2

CONSERVATIVE: Many companies retain traditional rationales for D&I

What are your company's 3 main reasons for promoting diversity and inclusion?



Base: n = 408 Total, without n = 3 None of the above. Percentage values. Multiple answers possible for Q3a.

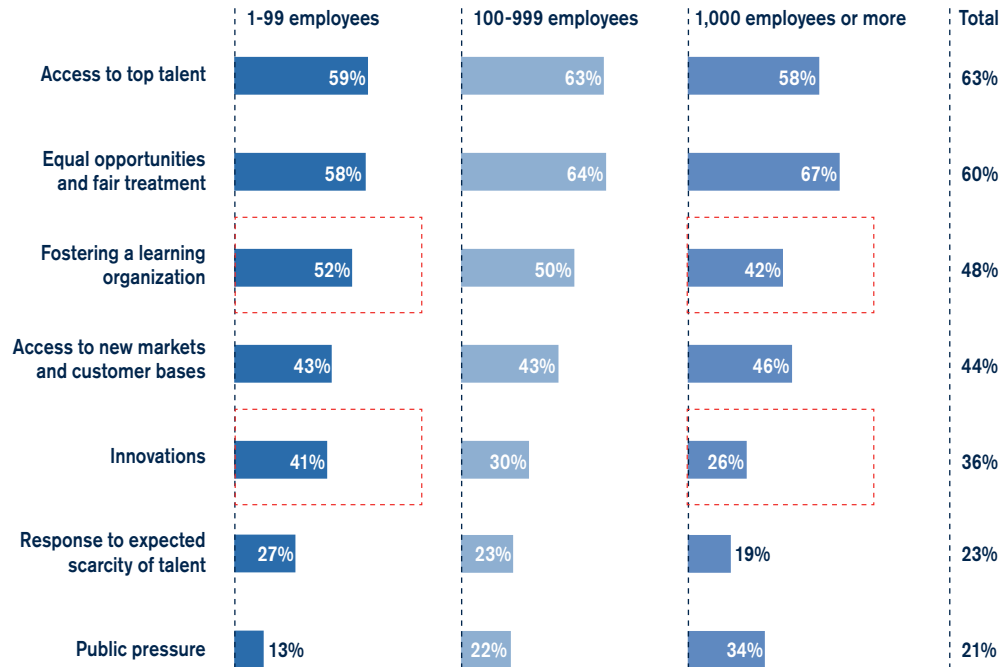
Q3: What are your company's 3 main reasons for encouraging diversity and inclusion?

a. Please choose the 3 main reasons.

b. Please rank them in order of importance.

4.2

Small vs. larger company rationales for pursuing D&I



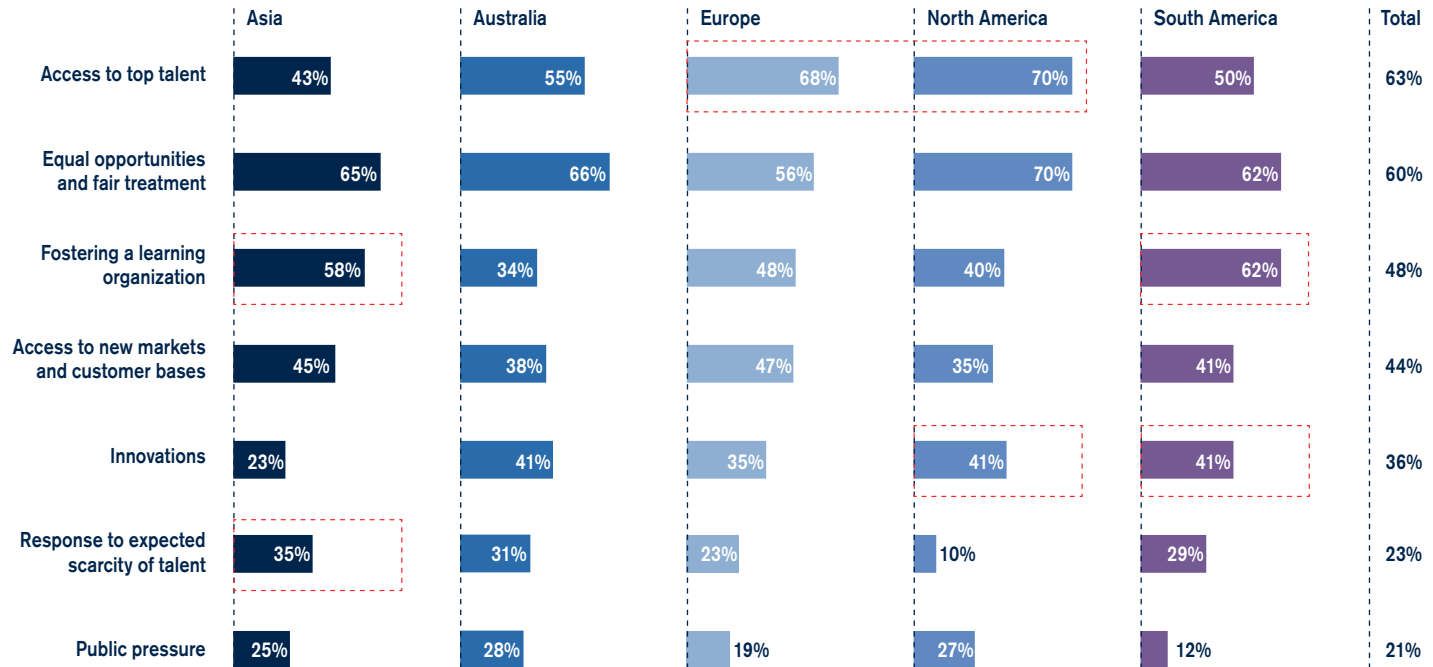
Base: n = 408 Total, without n = 3 None of the above: n = 90 1-99 employees, n = 120 100-999 employees, n = 122 1,000 employees or more.

Percentage values. Multiple answers possible.

Q3a: What are your company's 3 main reasons for encouraging diversity and inclusion? Please choose the 3 main reasons.

4.2

Regional differences in why companies pursue D&I



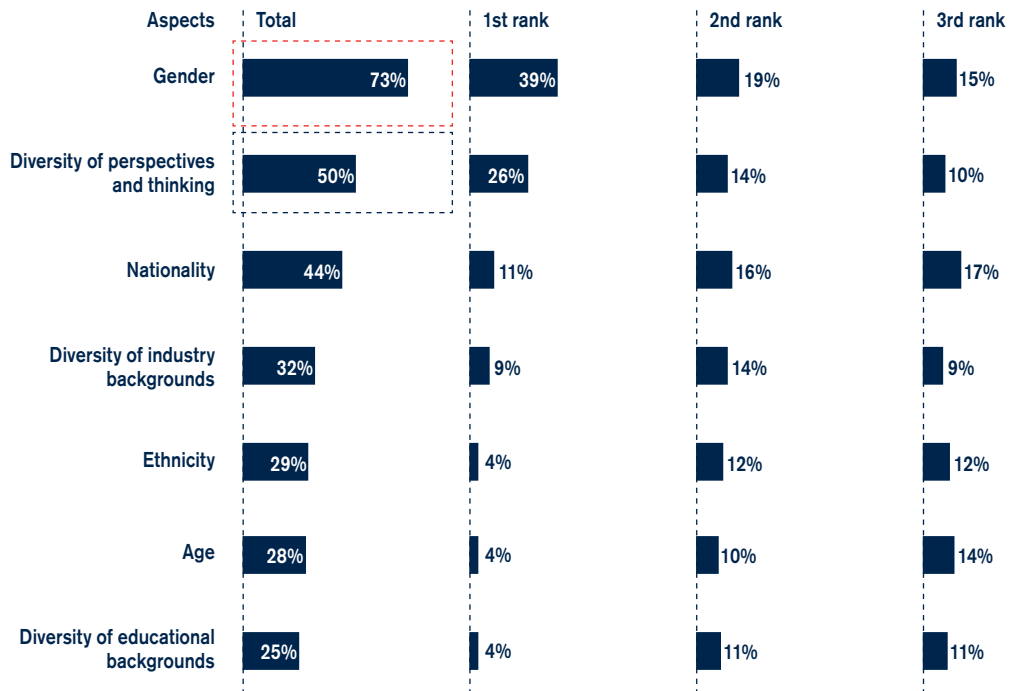
Base: n = 408 Total, without n = 3 None of the above: n = 40 Asia, n = 29 Australia, n = 235 Europe, n = 63 North America, n = 34 South America.

Percentage values. Multiple answers possible.

Q3a: What are your company's 3 main reasons for encouraging diversity and inclusion? Please choose the 3 main reasons.

4.2 NUMBERS-ORIENTED: Only half rank diverse thinking as a D&I priority

Which aspects of diversity does your company actively promote? Please rank order.



Base: n = 411 Total. Percentage values. Multiple answers possible for Q1a.

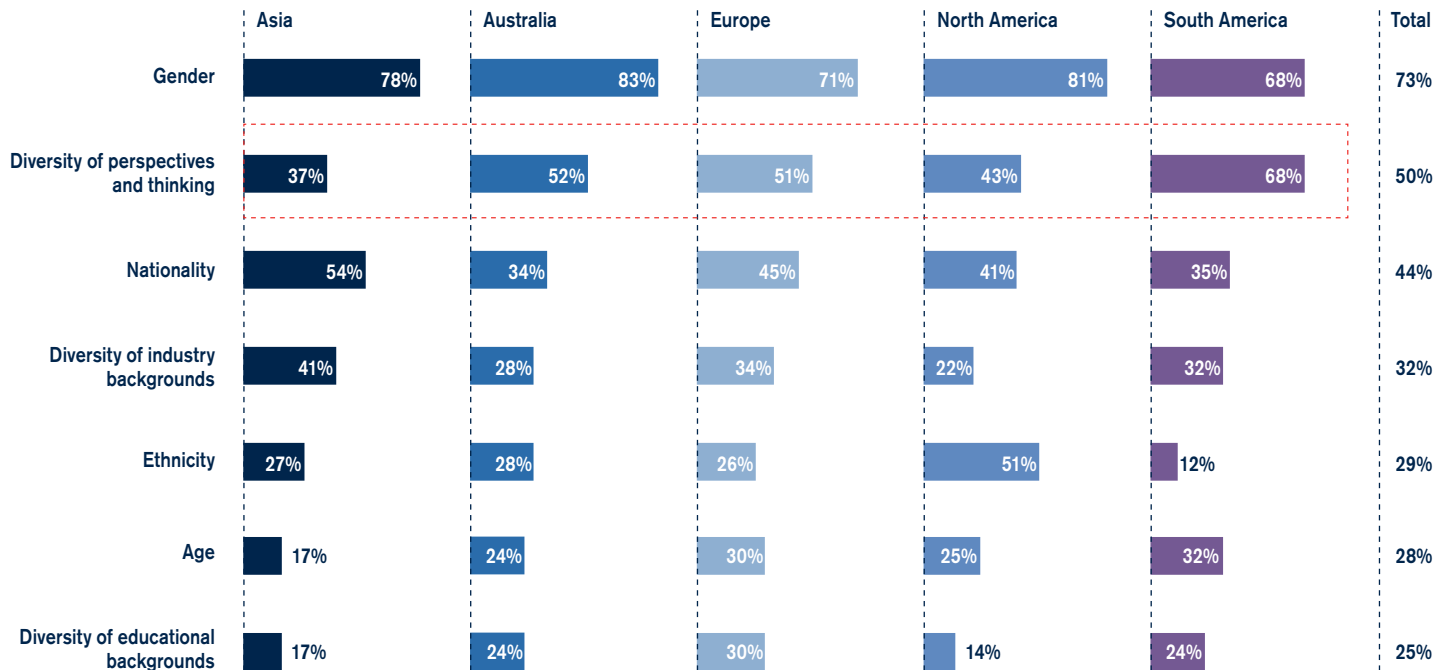
Q1: Which of the following aspects of diversity does your company actively promote?

a. Please choose the top 3 aspects.

b. Please rank them in order of importance.

Comment: Aspects of diversity equal to or lower than 10 per cent are not stated: Disabilities, sexual orientation, other aspects.

4.2 Regional differences in D&I priorities



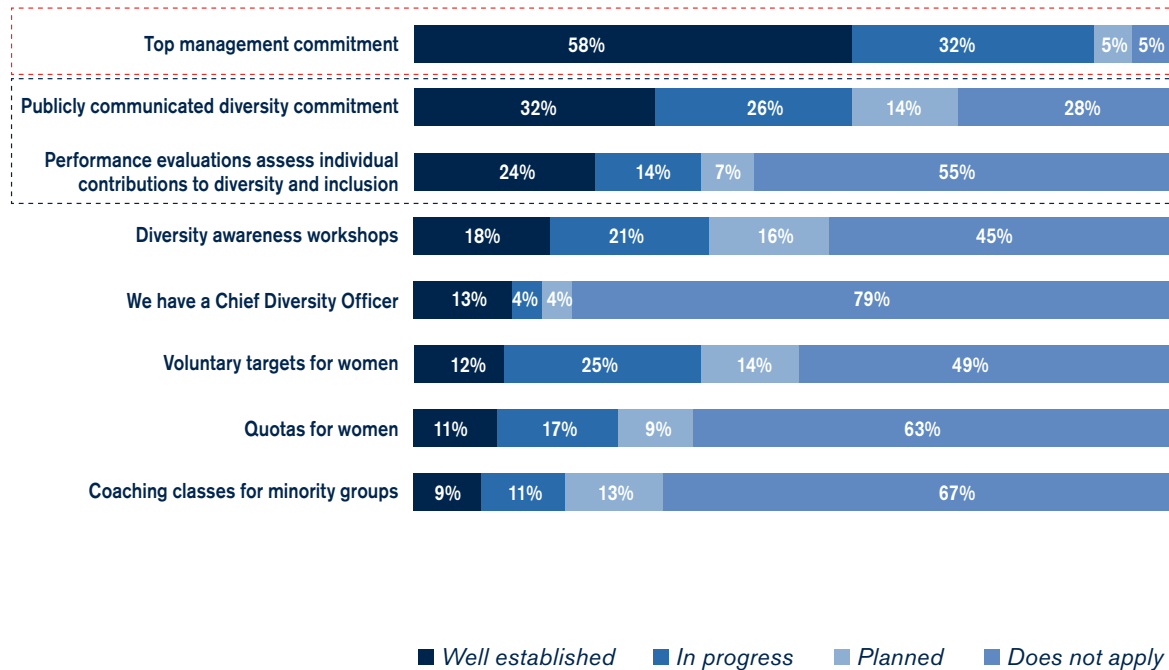
Base: n = 404 Total, without n = 7 not specified: n = 41 Asia, n = 29 Australia, n = 237 Europe, n = 63 North America, n = 34 South America.
Percentage values. Multiple answers possible.

Q1a: Which of the following aspects of diversity does your company actively promote? Please choose the top 3 aspects.

Comment: Aspects of diversity equal to or lower than 10 per cent are not stated: Disabilities, sexual orientation, other aspects.

4.2 UNACCOUNTABLE: Committed but public declarations, D&I assessments lag

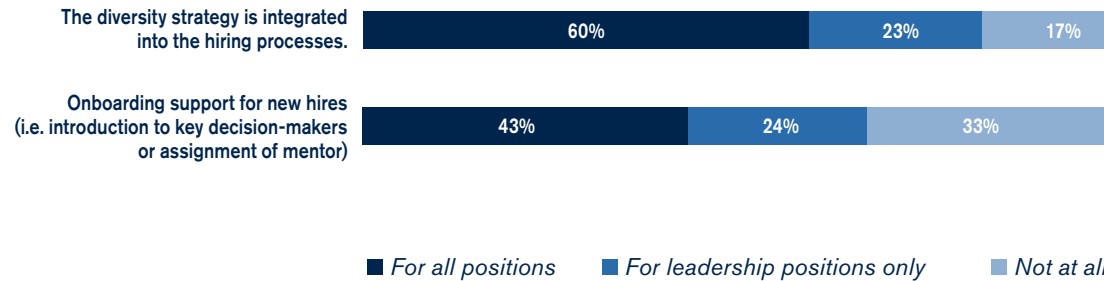
How does your company encourage and enable D&I?



Base: n = 411 Total, without n = max. 42 Don't know (=10 per cent): Percentage values.
 Q4: How does your company encourage and enable Diversity and Inclusion?

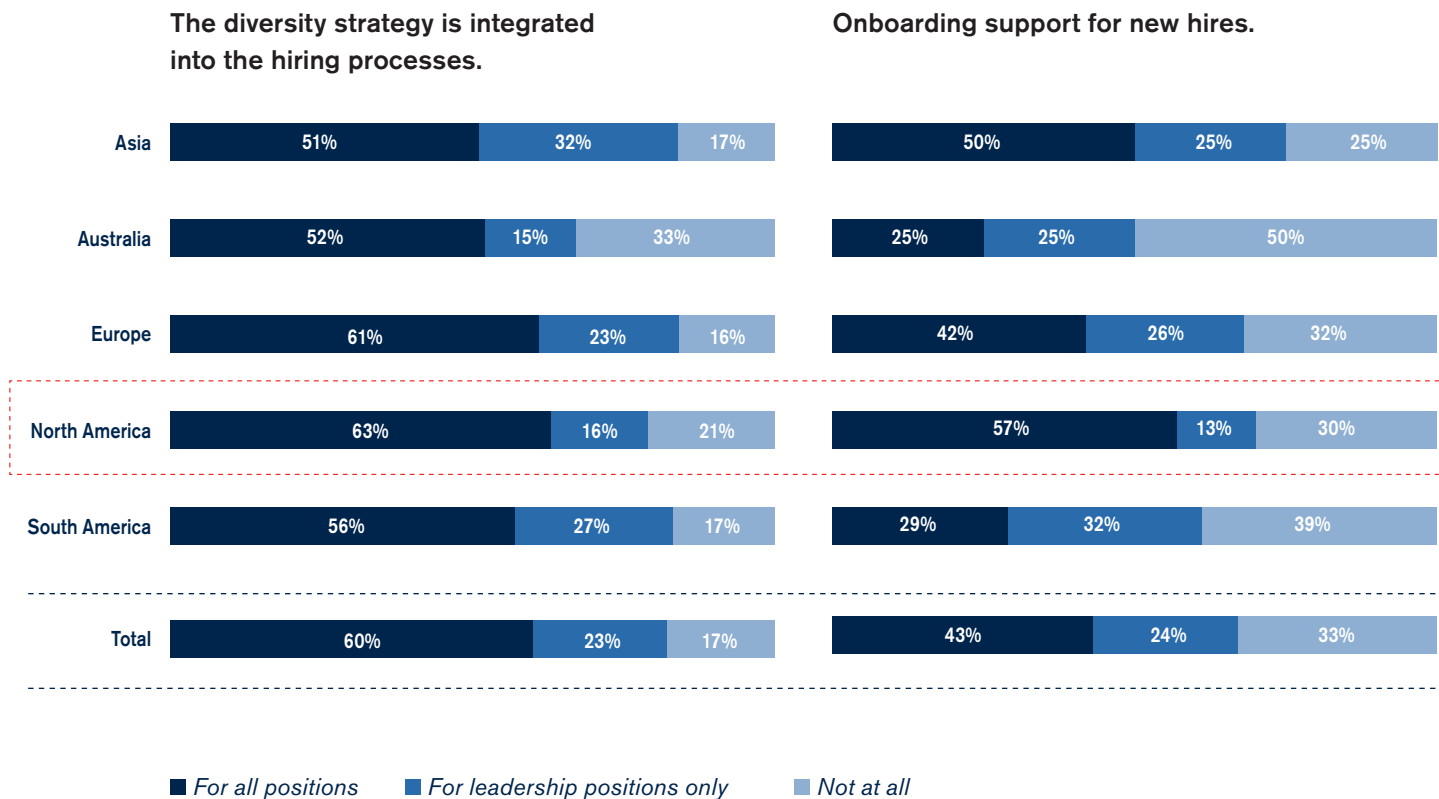
4.2 WELCOMING: Majority hire for diversity, many support onboarding

How does your company encourage and enable D&I?



Base: n = 411 Total, without n = max. 44 Don't know (= 11 per cent): Percentage values.
Q4: How does your company encourage and enable Diversity and Inclusion?

4.2 Integration of D&I into hiring and onboarding support, by region



Base: n = 374 Total, without n = 37 Don't know: n = 37 Asia, n = 27 Australia, n = 223 Europe, n = 51 North America, n = 30 South America. Percentage values.
 Q4: How does your company encourage and enable diversity and inclusion?

4.3 Ideals vs. Reality

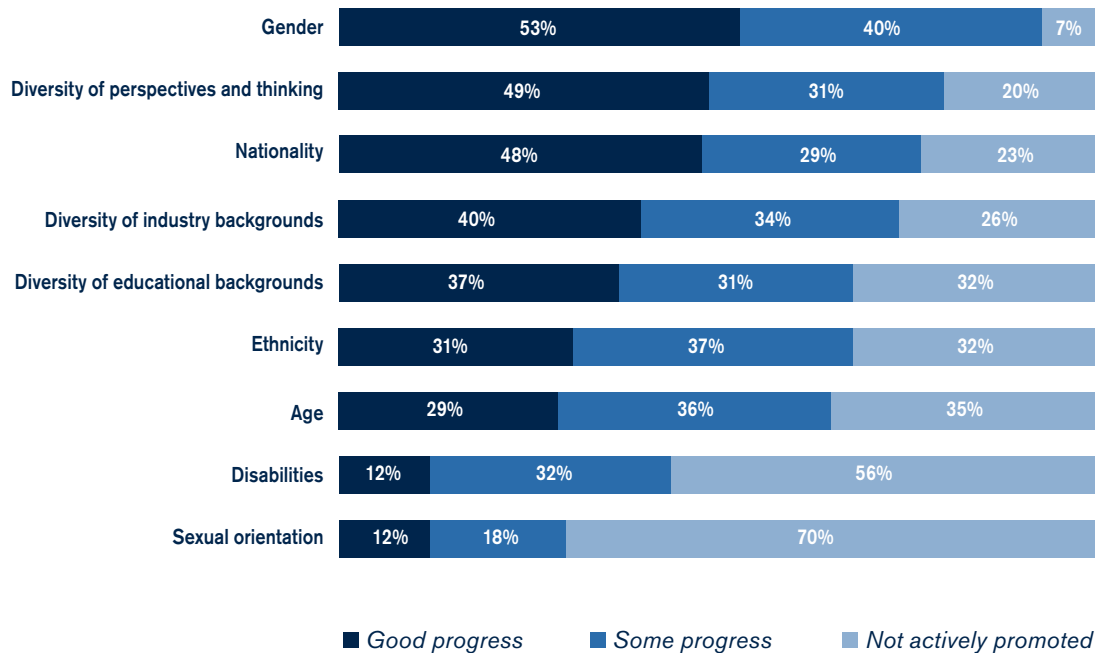
The companies represented in this International Executive Panel appear to have some distance to go to realize the Diversity and Inclusion ideals voiced by their executives.

Fewer than one-third of the participating executives report that their company has made good progress in promoting D&I in terms of ethnicity, age, people with disabilities, or sexual orientation.

Similarly, fewer than half report good progress in promoting diversity of perspectives and thinking, nationality, industry backgrounds, and educational backgrounds.

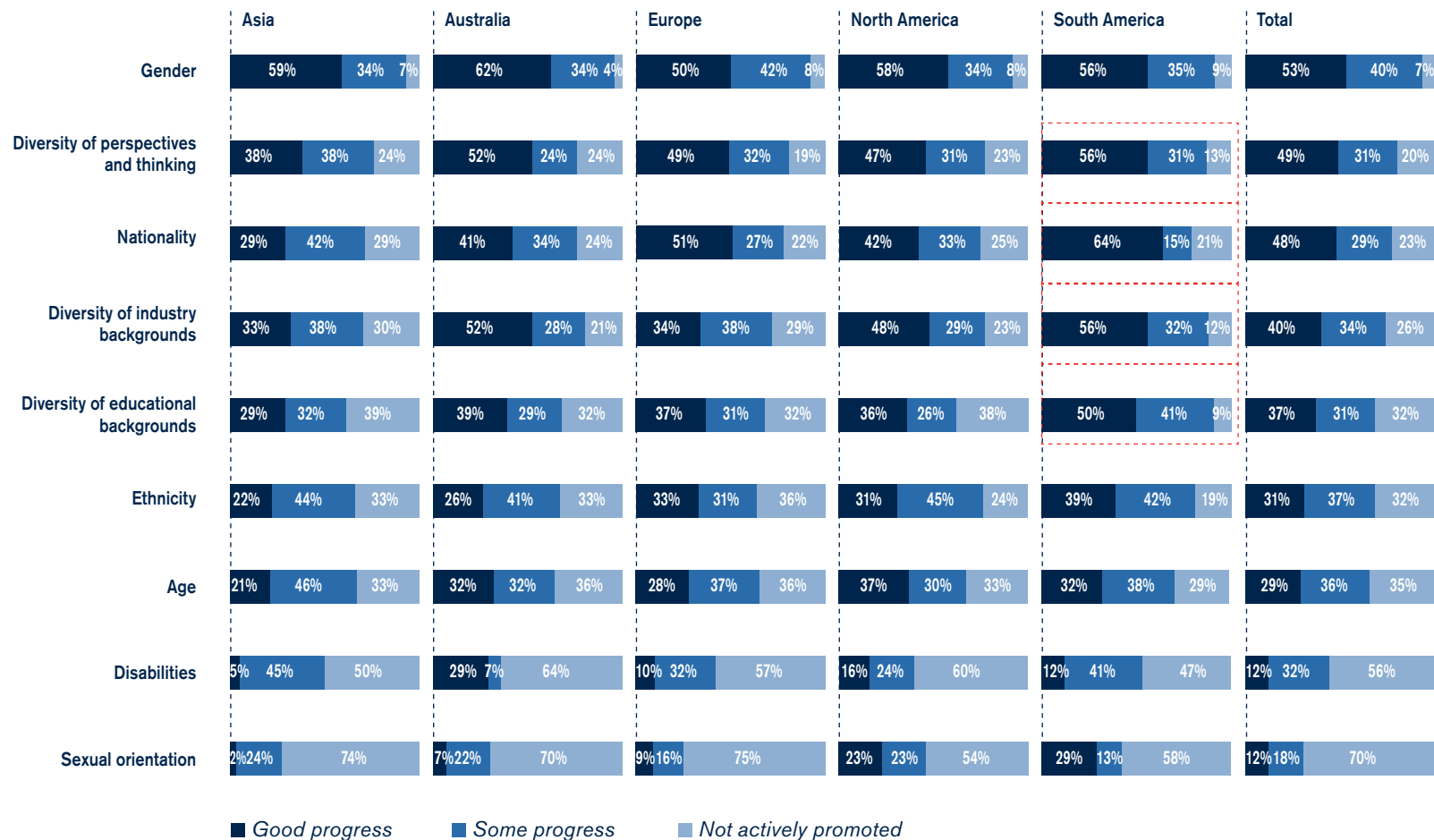
4.3 BOTTOM LINE: D&I is still more an ideal than a reality

How do you rate your company's progress in each aspect of Diversity and Inclusion?



Base: n = 411 Total, without n = max. 62 Don't know (= 15 per cent). Percentage values.
Q2: How do you evaluate your company's progress in the different areas?

4.3 The state of D&I, by region



Base: n = 411 Total, without n = max. 62 Don't know (= 15 per cent): n = 41 Asia, n = 29 Australia, n = 237 Europe, n = 63 North America, n = 34 South America. Percentage values.

Q2: How do you evaluate your company's progress in the different areas?

Comment: Percentage values equal to or lower than 6 per cent are not stated.

4.4 Demography

Participants in the eleventh International Executive Panel hail from across Europe, North America, South America, Asia, and Australia.

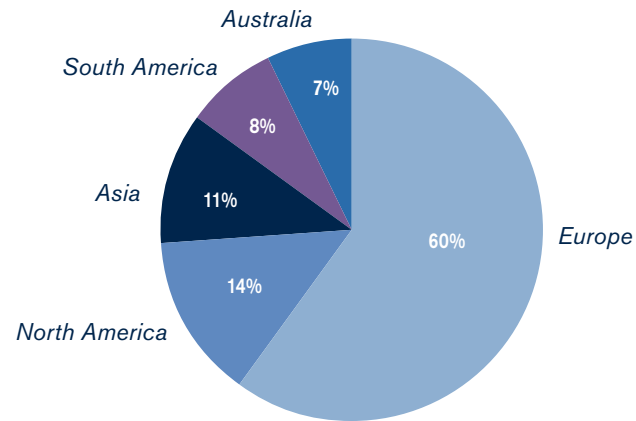
They work in a wide range of industries and across a full spectrum of organizational sizes, from small companies of less than 50 employees to major corporations employing 10,000 or more.

Nearly half the companies represented in this study are global. Roughly one-third are multinational.

The vast majority of participants in this panel are relatively senior. More than three-fourths are between 40 and 60 years old.

4.4 Demography

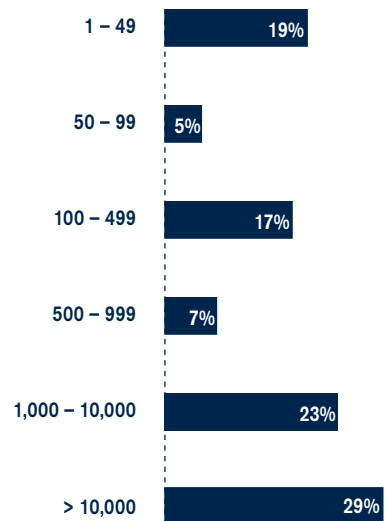
Regions



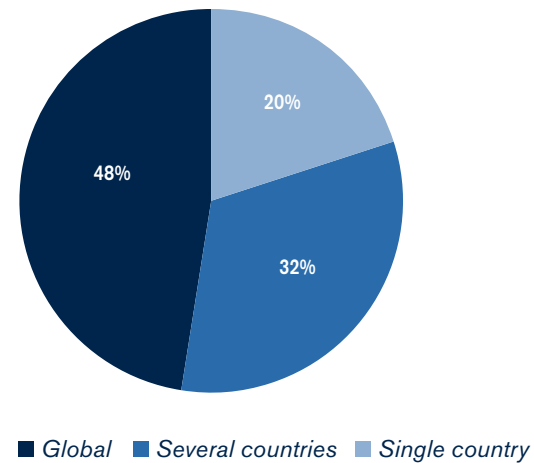
Base: n = 502 Total, without n = 9 not specified. Percentage values.
Q9: Demographics.

4.4 Demography

Company size (No. of employees)

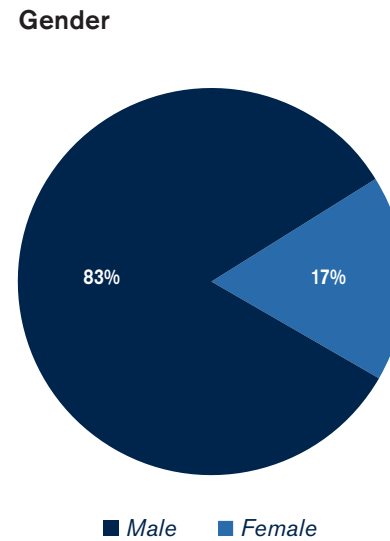
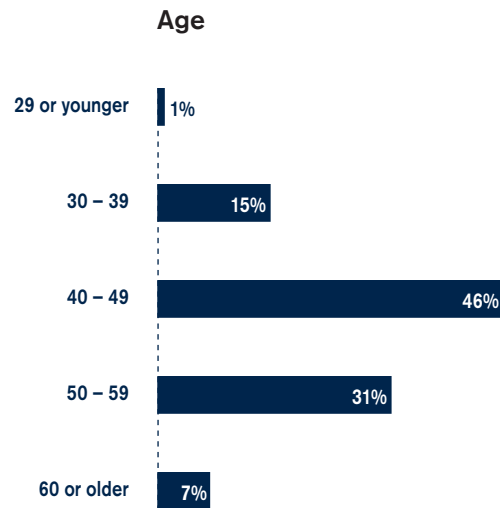


Company scope



Base: n = 511 Total. Percentage values.
Q9: Demographics.

4.4 Demography



Base: n = 511 Total. Percentage values.
Q9: Demographics.

Concept and implementation

Egon Zehnder International
Corporate Communications
Dr. Ulrike Mertens

Project managers: Astrid Carniaux, Markus Schuler

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