

More Diversity? Attitude Is Not Enough!

On the organizational ability to sustainably promote diversity

By Wasko Rothmann



Diversity and inclusion are among the major business challenges of our time. For many years, politicians, business leaders and the public have been discussing how to ensure that, for example, women have the same career opportunities as men. There is a general debate about how all people, regardless of their nationality, religion, sexual orientation or physical condition, can also find the opportunity in companies to be themselves, to realize their potential and to take on tasks in line with their abilities, skills and potential.

Diversity in German companies – quo vadis?

Although initial successes are now visible, it is clear that the goal is still a long way from being achieved. In absolute terms, diversity in the executive suites of German companies (both DAX and SMEs) is still low.¹ It is true that many companies have addressed gender diversity by means of targets or quotas. But a look at the proportion of women on DAX executive boards alone shows unmistakably that these targets and measures are not enough. There is also still work to be done with regard to other diversity aspects: internationality is low, the East-West divide is high, the age gap is small, and the elite study by Professor Olaf Jacobs, University of Leipzig, published in June 2022, showed that most careers have their cornerstone at a small number of West German universities.

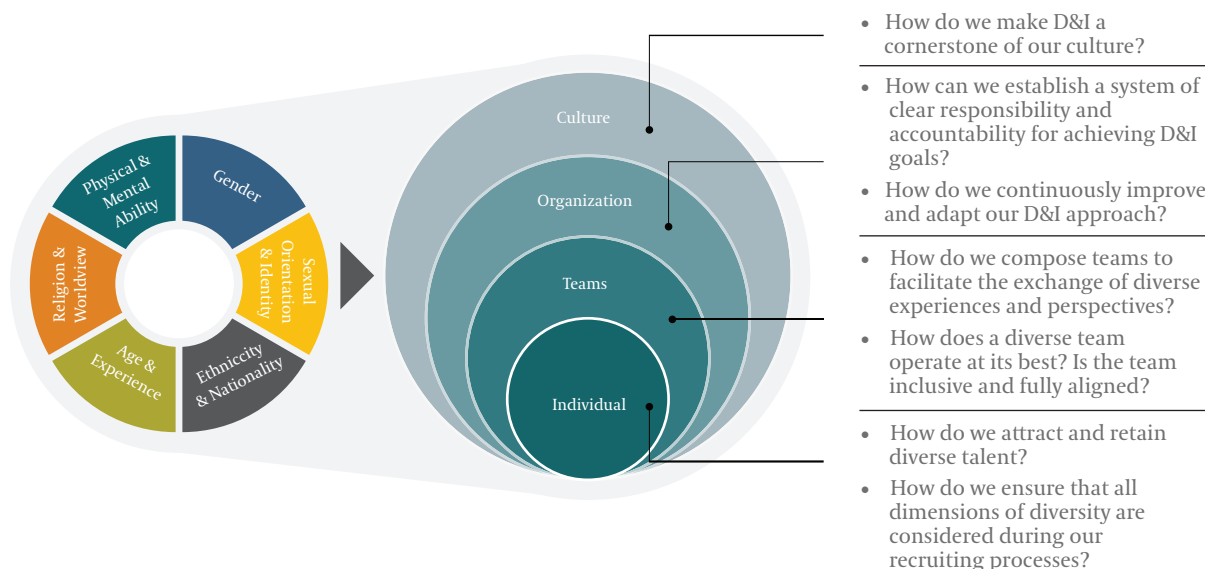
Diversity and inclusion as a corporate and social aspiration

The result: most companies are significantly less diverse in their top teams than, for example, their customer groups. Companies that sell their products to very diverse customer groups could think more about taking this into account in the composition of their top teams and boards. A company that sells much of its product in Asia and the U.S. may benefit from having board members who have their own backgrounds (personal and career) in those regions. Such an understanding of diversity leads not least to better business results. For example, by enabling managers to better understand their markets, products, and partners, and to incorporate more diverse perspectives into strategic discussions among top teams.

Beyond this functional argumentation, which tries to position diversity above all as a corporate advantage, it should not be forgotten that diversity is now also a social demand on companies. If our society is diverse, then companies should also reflect this in themselves and not systematically exclude parts of society. From a social perspective, gender is only one of several dimensions in which companies should be able to ensure diversity. A more holistic way of thinking encompasses these core dimensions:

 Age and experience	 Religion and worldview	 Physical and mental abilities
 Gender	 Sexual orientation and identity	 Ethnic origin and nationality

The core dimensions of diversity and how we think about inclusion



Companies that claim to be diverse must enable and promote diversity in all these dimensions. In this sense, diversity is not just a key figure, such as a “women’s quota,” but much more than that: The extent of diversity is ultimately a statement about the organizational competence of a company to enable and promote diversity and to integrate it into a productive overall system (“inclusion”).

The organizational competence to generate diversity

Obviously, diversity does not arise in companies on its own. Considerable social efforts have already been required to address equal opportunities for women and men accordingly. Many of the other dimensions have hardly been addressed. At least: large corporations have begun to form departments or at least small teams that explicitly address the issue of diversity. These teams are usually part of the human resources department and are often directly linked to the executive board. The task of such departments is to collect and evaluate data on diversity within the company and to derive measures to increase diversity. A recent survey conducted by Egon Zehnder among diversity officers at various national and international companies revealed that the availability of data in particular, but also access to the executive board, are crucial for D&I teams to make a significant impact.

D&I teams can be an important carrier of the organizational competencies needed to increase diversity – if they are adequately equipped to help their board set the right course for the company. However, D&I teams alone are not enough to effectively address diversity. Companies that are serious about working on their diversity should build the following competencies in their organization:

- **Identification of the relevant dimensions:** The demand for diversity changes over time. It is important that companies build mechanisms to identify which dimensions are becoming more important and respond accordingly. In the USA, for example, “race” has become increasingly important over the past few years – and in Germany, “social origin” is gaining in importance. In the medium term, promoting women alone will no longer meet the requirements of a diverse company.
- **Collecting the necessary data:** German labor law permits the collection and evaluation of very little data. At the same time, many companies find it difficult, even within the limits of the law, to generate evaluations from their systems about the composition of their teams, their organizational units or their management level. But if you don’t know anything about the status quo, you can’t derive targeted measures either.
- **Discourse in the relevant bodies:** A goal-oriented debate about key figures and indicators must be learned. Small remarks by influential stakeholders are enough to promote – or prevent – the translation of important findings into target-oriented measures. If D&I topics are put on the agenda at all in the relevant bodies (e.g., management board and supervisory board), it is important to conduct the discussion openly, to reduce prejudices and to minimize the so-called “unconscious biases”.
- **Setting targets and discussing the achievement of targets:** Diversity should be part of the regular strategic analysis, just like key figures on purchasing prices or customer satisfaction.
- **Comparison of target achievement and corporate success:** If corporate targets are linked to diversity measures, the achievement of these targets should also be continuously compared. If it turns out that, contrary to scientific evidence, effectiveness does not increase with increasing diversity in top management, this could also be an indication that one of the most important organizational competencies in the D&I context is lacking: inclusion or the competence to integrate diversity into a productive overall system.

Inclusion as an organizational competence

Diverse teams alone are no guarantee of success. Group research has already shown that homogeneous teams initially perform faster than heterogeneous ones. Leading diverse teams in an integrative way and managing diverse organizations effectively is therefore the second important area of competence that companies should focus on. In many operational contexts in particular, this is precisely the real challenge: teams are multicultural, multireligious, gender-diverse and have large age differences. Good management manages not to overcome these differences, but to preserve them and also to use them – and to keep them usable across management levels. Above all, an inclusive culture is important for this, i.e., a world view shared within the company that

is characterized by openness and does not exclude per se. It is also essential to ensure and control mechanisms that generate inclusion. Such mechanisms can, for example, be part of feedback, talent programs, recruiting and performance management.

One of the most relevant organizational competencies in the field of inclusion is undoubtedly the training of leaders and the joint work on promoting diversity through daily decisions as well as effective leadership behavior, recognizing and leveraging the strengths of diverse teams, and contributing to an inclusive culture through “good” leadership.

Provided that an organization is inclusive in its formal processes as well as in its informal structures (e.g., corporate culture), diversity in companies has a real chance – in all dimensions, including beyond gender.

Entrepreneurs, board members and supervisory board members who want to approach the topic of D&I more holistically can start with the following questions along their overall system:

- **Individual:** Do we have leaders who think holistically and progressively, understand the need for D&I and are committed to equal opportunities?
- **Team:** Do we have D&I-sensitive teams that also have the methodological and conceptual competencies to deal with differences in a constructive and inclusive way that effectively leverages and promotes diversity?
- **Organization:** Do we have the relevant data, analytics, and processes to support us in achieving our D&I goals?
- **Culture:** Do we have a corporate culture that celebrates and promotes diversity and difference?

Conclusion

Just as important as metrics and indicators on diversity and inclusion are organizational competencies in these areas. Because only if these competencies are in place can we assume with some confidence that a company will develop in the right direction over the coming years. If these competencies are insufficiently developed, it is also unlikely that a company will become more diverse and inclusive over time. Integrating people with different characteristics, attitudes, family backgrounds and prerequisites into a company in such a way that all people can develop and realize themselves according to their abilities is one of the most important entrepreneurial challenges of our time.

¹Since 2004, Egon Zehnder has been evaluating the data of 1,600 companies worldwide every two years as part of the Diversity Tracker. Among them are 55 companies from Germany, including all DAX companies and companies with sales of up to six billion euros. In these companies, women hold only 35 of a total of 289 board positions. Their share rose only minimally from 10.5 percent in 2018 to 12.1 percent in 2020.

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