



Department
for Business
Innovation & Skills

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**The Business Case for Equality and
Diversity**

A survey of the academic literature:
Executive Summary

JANUARY 2013



Government
Equalities Office

Putting equality at the heart of government

ECONOMICS

Executive Summary

Understanding the business impacts of equality and diversity: what does the evidence tell us?

This report considers the evidence for the business case for equality and diversity in private sector organisations. The aim is not to make the business case, but to assess the current evidence from academic journals and some key practitioner sources.

Key findings

- Studies appear to have found evidence that firms have reaped business benefits from equality & diversity, but not all firms in all contexts at all times.
- The firm's economic and organisational **context** is crucial in determining how equality and diversity brings about business benefits. The business case is likely to depend on the markets a firm operates in, its labour market, organisational and other strategies and the actions of managers and leaders.
- How diversity is managed is also crucial: if appropriately, it can bring benefits to business, if poorly, it can increase costs. Different approaches are likely to be needed, depending on the nature of diversity, the internal workplace context and external environment.
- There is **no single approach** that all businesses can adopt to ensure equality and diversity are beneficial. To be effective, equality and diversity need to be embedded in the business strategy, not treated as an ad-hoc addition.

Key policy implications

- There is no “one-size-fits all solution”. Businesses know best their own market and sector, and should approach equality and diversity with that in mind. Government needs to take this into account in its engagement with business on this issue.
- This is not saying that businesses can ignore equality and diversity if it is not in their business interests (they still have to comply with the law), but rather that they may be overlooking important business benefits.
- Gestures cost money: to achieve benefits and avoid costs, businesses need to see diversity as a strategic resource.

- Being strategic about equality and diversity means more than merely complying with legislation, although this too can result in business benefits.

Approach

This research was commissioned by the Department for Business Innovation & Skills (BIS) and the Government Equalities Office (GEO).

This report sets out the findings from a systematic review of the (primarily academic) literature on the evidence for the business case for equality and diversity. The business case is distinct from the legal and moral case in that it involves factors which can improve the economic performance and competitiveness of the firm. The focus is on evidence that is relevant for businesses seeking market advantage in a competitive environment.

The report aims to:

- improve understanding of theoretical positions and issues related to the business case for diversity and equality
- develop a consistent framework for assessing evidence on the business case
- within this framework, present a review of the evidence
- create a robust compendium of the evidence.

These are needed to assess a fragmented literature where different conceptual frameworks, methods, and measures have been used, and where there are substantial methodological challenges. These different approaches to understanding and assessing the business benefits from equality and diversity explain some of the variability in findings.

A key distinction in the assessment is the difference between *External* and *Internal* Business Benefits, both of which can improve measures of business performance such as profitability.

External Business Benefits arise when firms better represent the world (and legislative environment) around them. For instance, having staff with roots in other countries and cultures can help a business address its products appropriately and sensitively to new markets. Consumers are becoming more diverse and firms may need to reflect this or risk losing out in important markets.

Internal Business Benefits arise from improving operations internal to the firm. For example, a diverse workforce which includes a range of perspectives can improve creativity and problem-solving, resulting in better decisions. Also a diverse workforce can offer greater flexibility.

Future research

The academic research analysed in this paper tends to involve the comparison of data on activities and performance across a number of companies, with little consideration of the role of internal processes and policies. This kind of evidence cannot explain *how* business benefits were realised, which would be of more use to businesses facing specific challenges. Evidence on what has actually worked and why would require detailed company case studies.

There are already quite a few case studies of the business benefits from equality & diversity, but they tend not to focus on business performance impacts, or to look at firms' context and strategic response, what worked and why. The insight from this report suggests that the business case for equality & diversity might have more resonance with businesses if there was credible evidence of this more practical kind.

More generally, there is a need to take forward existing work analysing diversity in teams, and workplace equality and diversity management.

Next Steps

A second project stage is planned from January 2013 to consult the private sector and explore options such as the development of case studies which clearly demonstrate the business benefits of good equality and diversity practice, and the success factors which have proved critical in specific cases.

Illustrative evidence from case studies examined in this research

The analysis of academic research was supported by evidence from a survey of organisations carried out on behalf of the GEO which considered their approaches to equality and equality legislation. The survey revealed widespread engagement with equalities and equality legislation.

There were a number of reasons provided as to why organisations positively embrace equality. Most respondents felt the approach derived from a sense of moral obligation on the part of the owners or managers, as well as a concern to be in compliance with workplace equality legislation. An additional driver was the concern that the organisation should be viewed favourably by communities, customers and suppliers.

The case studies below provide high level snapshot examples of current practice and impacts on business performance.

Enterprise Rent-A-Car: Work life balance and opportunities for progression

Enterprise Rent-A-Car has always seen gender diversity as a top business priority and fundamental to creating a culture of success. They view it as something that propels business growth and creates a tremendous opportunity for employees.

Issue

Enterprise Rent-A-Car wanted to ensure that they developed female talent so that women form a representative proportion of the workforce at all levels of the organisation, ensuring future sustainability.

Action

Enterprise Rent-A-Car has taken the following actions:

- Launched a new scheme for keeping new parents in touch with business developments whilst on maternity leave. Involving senior leaders across the business rather than just HR. 'Mums and Tots' update meetings were rolled out across the business.
- Providing top quality mentoring and sponsorship opportunities for promising female talent.
- Launching a Leadership Development Pilot Group designed to help women achieve promotion to more senior roles.
- Launched a maternity coaching project with Talking Talent.

Result

Enterprise Rent-A-Car achievements in 2011 included:

- A 3% increase in the number of women in the UK workforce to 37%.
- 89% of women returning from maternity leave.
- Over 50 female employees being mentored by senior directors, with a 9% promotion rate to senior roles.

Eversheds LLP: Increasing Overall Female Representation

International law firm Eversheds LLP has a strategic commitment to being a great place to work.

Issue

Eversheds has a significant number of women at entry level, but fewer female partners. They have an aspiration for 25% of the partners in the organisation to be female by 2015.

Action

Eversheds introduced a flexible working scheme called FlexAble. This allowed staff to agree flexible working hours on a short term basis with their managers rather than formal contractual changes.

Result

- The number of people working flexibly has nearly doubled from 48% to 91%.
- Productivity improved by 5% compared to the same period the previous year.
- Partnership is now 22% female following the 1 May 2012 promotions process.

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