Diversity and the Talent Pipeline: A Note

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For APWiL

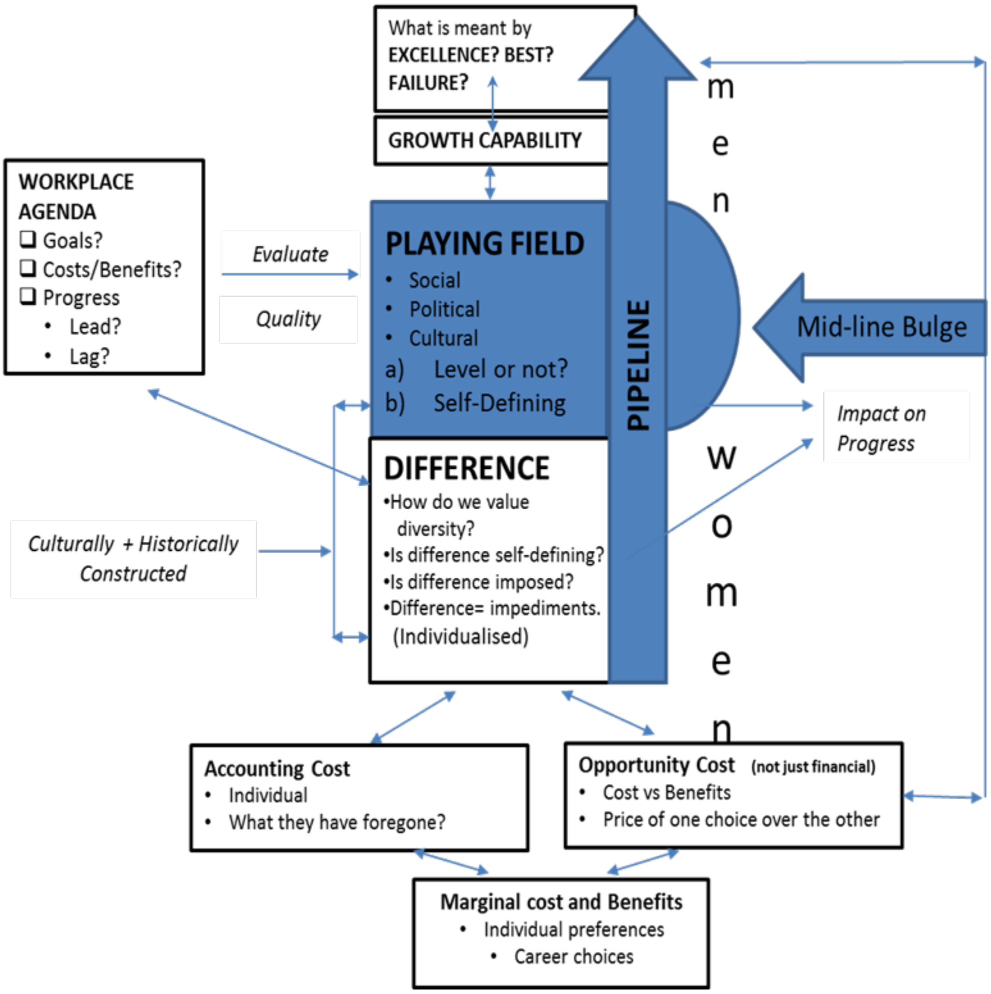
Most institutions, whether public or private, value the ‘goodwill’ of their business and do everything they can do to protect it. The reason is that goodwill is an asset, something to be quantified and valued, especially at the time of either selling the business, takeover or merger. It is also used in calculating the performance of the Board and the CEO. Goodwill has a qualitative aspect (which can also be quantified) in terms of an organisation’s standing as a ‘good employer’ or a ‘good service provider”. The “good employer brand” is powerful in trying to attract the best and brightest talent and fits in with most employers striving for excellence.

And yet diversity and efforts in striving to become socially inclusive does not always form a significant part of goodwill or the firm’s “good employer” brand. To be fair, an increasingly number of employers today perceive themselves as such, at least philosophically even if they are not always able to apply their policies to the fullest extent or attain the desired targets. Most large organisations have a charter of equality on their official website accompanied by images depicting the diversity of their staff, customers, and clients as well as marketing collateral demonstrating access to services, programs and the like. In the banking industry for example, it goes without saying that banks play a significant institutional role in most economies, given their huge workforces and dominance on the listed market. There are a number of other similar non listed institutions in the financial, education, health and commercial sectors of most economies. Universities are another important example given the value of the education to export markets. It is safe to conclude that such institutions are important in leading diversity even if they are not always making significant progress in real terms.

Just as gender and ethno-cultural inclusion are important aspects for institutional branding, these organisational attributes are critical to the employment relationship and its associated aspects (e.g. appointment to positions of power, remuneration, role and managerial transitions) as is disability. Gender for example, plays different roles in men's and women's professional development as well as their cultural identities. The existence of a glass ceiling for women relative to men has been well documented (Cotter et al. 2001; Huffman 2004; Maume 2004), and for ethno-cultural minorities and mainstream women relative to mainstream men (Elliott and Smith 2004; Maume 2004). The reverse for men working in female dominated professions is not founded by research; and in fact men experience a certain amount of favouritism in recruitment, selection and in promotions to higher-paying, more prestigious positions in these fields (Budig 2002; Snyder and Green 2008). However research also shows that men from *mainstream* backgrounds are more likely than *minority* men to benefit from working in female-dominated jobs (Wingfield 2009). What is going on here?

Figure One below outlines the situation in any given workplace and attempts to explain the interaction between a number of key factors used in professional milieu, industry and workplaces. Specifically, employment is guided by merit, variously referred to as seeking to employ the "best" talent. Many decisions that are taken based on this however have an adverse impact on building the talent pool which depends on growing capability especially for the pipeline of talent, diversity, equality and individual performance and progress. This point will be demonstrated below. Each factor applied within any given workplace seems fine at face value. However within the state of affairs depicted in *Figure One*, there are opportunity costs for all, especially women, and those from diverse cultural backgrounds and with disabilities.

Figure One: Diversity and Talent Pipeline Framework



In this context, an opportunity cost is the depleted value to the business of some people not being employed or promoted at the expense of others. If an employer was costing a program or a service either to initiate or finish, the full accounting cost as well as the cost of not offering the service or program would be quantified as well as consideration for such qualitative issues such as damage to brand. In a talent selection decision, it is rare for this to occur that is, to quantify and qualify the value of two individual's capability, current or prospective, as well as their experience and then evaluate this full account against the benchmark of merit. Noting that merit is often not explicitly defined other than being thought of as the "best" person for the job or in some cases, indicators such as revenue growth, cost savings, new services etc. are used which is viewing capability in a one dimensional way. Consequently, it is important to analyse what is meant by opportunity cost. In the case of talent decisions it includes both

a. quantitative factors (e.g. budget capacity to hire, skill acquisition and development, training costs, familiarisation costs, capacity to work non-flexibly, level of experience (often narrowly conceived and assumed), salary costs) as well as

b. qualitative ones (e.g. unrealised performance and outcomes, learning capacity, new ideas, considering lateral experience, motivation, fitting in with a team, working collaboratively, leading culturally) and the

c. trade-offs within selection decisions.

As stated, in hiring and promoting staff, selectors are evaluating the costs (usually only quantitative) between appointing one person over another. In the variables ((a) to (c) above), subjective assessments are made on each rather than any objective evaluation. No harm in that on the face it. However, decisions based on merit are assumed to be purely objective and when merit is discussed this issue is rarely raised. It is what happens in how selectors deliberate on these factors that renders them highly subjective. This fact is rarely made evident.

Consequently, opportunity costs are often unstated and therefore, overlooked in selection decisions making. Factors such as the value of (1) social diversity to an existing team, (2) any differences that women, staff from culturally diverse backgrounds or those with disabilities may bring due to their experiences, and (3) their work being at least equal or greater to the person being selected. These opportunity costs are feasible and may have significant value longer term, not only on productivity for example but also in regard to cultural transformation, even though they may not have an immediate efficiency or monetary value. Because opportunity costs remain tacit, selectors are blind to their effect on decision making.

The question to ponder is what is the opportunity cost to organisations, when employers continue to select and appoint people from a narrow subset of the talent pool, usually male and from mainstream backgrounds as the statistics attest, to midline and higher order positions within industry, professions and organisations? The opportunity cost also includes the value of extending the talent pool as well as demonstrating tangible commitment to the organisation's policies on social inclusion, flexible work, family friendly and the like. This then is one of the great challenges in thinking and applying diversity, that is, addressing and overcoming conscious and unconscious bias at critical points in decision making in regard to decisions about selection, promotion and performance and so on. One way to address this is to ensure that people who participate in selecting talent, mentoring, coaching or sponsoring staff are aware of bias; and this is best achieved through training and development.

The following example shows that when overlooking the opportunity cost of appointing women for example in flexible roles, it does have an effect on the bottom line of the organisation. This example is based on the *Ernst & Young Productivity Pulse Wave 3* study, where researchers found that women in flexible roles waste only 11.1% of work time, compared to an average of 14.5% for the rest of the working population. Given that in this study's sample, 43.2% of women in the workforce worked part-time, compared to 13.5% of men, this translates into an important quantitative indicator that few selectors measure or consider in their trade off decision making when selecting staff. More importantly, the researchers found that annually, women working flexibly contribute an extra week and a half of productive work, simply by using their time more wisely. The E&Y researchers conclude that for every 71 women employed in flexible roles, an organisation gains a productivity bonus of one additional full-time equivalent staff member.

In decisions around staffing, the value of the seemingly "next-best" person may in fact not be the best outcome overall especially in the longer term e.g. productivity, pipeline effect and a positive cultural outcome showing tangible support for policies.

While in the past, opportunity costs have been considered for things like environmental issues, it is time to consider them in regard to the talent pipeline. For example, the *Ernst & Young Productivity Pulse Wave 3* determined the extent of Australia's female productivity potential. It also quantified how much low female workforce participation is costing Australia for example, which is relevant to other OECD economies. The E&Y report demonstrated that from 2002 in Australia some gains in female workforce participation have been attained, with the rate rising by just over 4%, largely due to older women re-entering the workforce post child-rearing. Other Australian research attests to this too. For example as shown in Figure Two below, Australia's major banks remain well short of their own gender diversity targets, despite continuing efforts to achieve greater balance on their boards and in senior management ranks.

Women on major bank boards and executive committees

	Board		Executive committee	
	2015	2010	2015	2010
Westpac	2 (8)	3 (10)	2 (11)	1 (13)
ANZ	2 (8)	1 (8)	2 (12)	3 (10)
NAB	2 (11)	2 (13)	3 (10)	3 (12)
CBA	3 (11)	2 (9)	5 (13)	1 (11)
TOTAL	**9 (38)**	**8 (40)**	**12 (46)**	**8 (46)**

Note: number in brackets is the sample size; for example, two of Westpac's eight directors are women

Figure Two: Female representation in banking. *Source:* TheAustralian Thursday March 12. P.23

The Australian Newspaper (March 12 2015) reported that the percentage of women on the Boards of Australia's major four banks remains has barely altered over the last five years, although female membership at executive-committee level as increased – 4 more since 2010. Like many institutions referred to in the first paragraph of this section, banks have growing numbers of women in the pipeline but there is a bulge at the midline.

By the financial year 2012, the Australian Bureau of Statistics (ABS) recorded male labour force participation at 79%, 14% higher than the female rate of 65%. The labour force participation rate was higher for males than females across all age groups. The E&Y report also explored opportunities about how to increase representation of women across all industries and at all levels.

Based on the evidence provided by this E&Y report, it can be seen that most selectors of talent operate within a narrow set of decision parameters and many easily pass over opportunities for talent growth not only within their immediate and broader pipelines but also in the case of individuals. Most selections decisions are made without thinking more broadly about how this interfaces or interacts with other policy decisions. As a result, selectors avoid pursuing value-maximising opportunities, assuming that the best is defined quantitatively. Instead, workers slave to achieve target production goals and avoid any changes that might hurt their short-term performance, for which they may be continually evaluated.

It is time to consider the following when selecting people for positions and roles along the following lines:

1. Most people will overlook opportunity costs.

2. Opportunity costs are tangible and affect the *triple bottom line*; not only economically, but also socially and environmentally. By choosing from a narrow subset of the talent pool, the cost of the decision made assumes the cost of the option not taken.

3. Opportunity costs are often not realised until later, every attempt needs to be made to make them explicit and attempt to quantify and qualify them within every workplace and professional setting.

How do we address these issues? Using a pipeline analogy as one might do in logistics; there are a number of factors pulling women up the line e.g. policies and a number of push factors which suggest that women have a talent impediment (e.g lack of experience or skill mainly as this is evaluated differently to that of men or that women sabotage their own chances by psychologically impeding their own progress.

Needless to say, that both sets of factors are resisted. In regard to the pull factors such as organisational policies and targets these are often resisted by men, who are concerned, that they are being overlooked for promotion and claim that merit is being thwarted. In pushing or encouraging women to hang in there or "lean in" there is push back from women who opt out of being considered or exit the organisation completely, due to the burden of having to work beyond expectations to avoid implication that merit is being breached. Sponsoring women, which is in such short supply as to be non-existent is required urgently to overcome these push factors. The real impediment is the specific culture of the organisation and the assumptions, values and norms it reinforces to support both the push and pull factors. As indicated in Figure One, diversity like 'risk' should be placed on the agenda of every meeting of a division, unit, sub-unit as well as other committees that may transverse these. For example if safety rather than diversity was being discussed, then much stronger attention would be placed on it. A diversity culture like a safety culture is synonymous with climate. The question would be asked: what are the essential characteristics of a 'good' safety culture and how might they be best measured, what are the reliability, validity and utility of existing measures of safety culture, and how does the concept contribute-if at all-to good safety systems and performance. This framework needs to be applied to diversity.

And if an employer was trying to improve their safety they would target both best practices as well as quantifying outcomes in terms of number of incidents and so forth. A suggestion for improving the diversity culture is to translate 'targets' into 'quotas' making explicit the guidelines for merit decision making. One reason why the introduction of quotas are resisted so strongly is that the resistors know that merit is a policy that often lacks substance or real application in decision making. It is imperative that there is much to be gained from a rigorous and controlled focus on both merit and the diversity culture. Another suggestion is to ensure that at least 50 per cent of candidates on interview shortlists are female, that all interview panels have more than one female member and that the 50 per cent rule applies to all talent development and workforce planning. Other initiatives include invited women leaders to address fora on a regular basis in organisations for both men and women. In other words all programs addressing diversity should contain 50 per cent men.

Dismissing opportunity costs, knowingly or unknowingly goes to the heart of the professional and workplace culture. Employees decide whether to trust their organisation or professional body based not only on the policies that are developed but also the commitment to those policies through the decisions made and actions taken. A further test is whether or not these met the employees' expectations about not only what is in their best interest but what is right in any given context (Barbalet 2009; Hetherington 2005; Giddens 1990; Rousseau et al. 1998).

Professional and organisation trust is based on goodwill as to whether a system is operating in the best collective interest and competent in dealing with issues or problems (Das and Teng 2001; Malhotra and Lumineau 2011).

As indicated at the outset of this section and in the context of this discussion, goodwill needs to be understood apart from its usual accounting concept which even there can be a bit of a black box. It is one thing to understand goodwill it is another to experience it in action. Like opportunity costs, it has quantitative and qualitative aspects (Dahmash et al., 2009; Dorata, 2009). Drawing on the work Johnson and Petrone (1998), two main perspectives on goodwill can be observed, i.e. a top-down perspective and a bottom-up perspective. From the top-down perspective, goodwill may be little more than expedient for an organisation to proclaim its values, reputation and brand (Cooper, 2007). In addition goodwill could include value of not identifiable intangible assets such as important stakeholder relationships and synergies e.g. government, business, professional associations, educational institutions. From a bottom-up perspective, goodwill is perceived by those working within the profession and organisation. The values employees observe may be somewhat at odds with the official line. What they observe and experience needs to make sense to them and also be aligned to the organisation's brand and reputation. These cultural artefacts are a crucial link with institutional trust (Schyns and Koop 2010; Tan and Tambyah 2011). Diversity is an important aspect of this. As the talent pool widens and the opens its narrow neck at the centre to more diverse employees, it becomes the vehicle to introduce new ideas and concepts into the organisation, enables concurrence of cultural artefacts, reorders thinking around the status quo and taken-for-granted aspects such as "best" and "excellence" and challenges thinking that resolves incongruities (Leung et al. 2008). Making sense of the world is key and making social comparisons plays a significant part in shaping choices, decisions and outcomes all leading to enhancing or diminishing trust (Dunn et al. 2012).

Returning to the notion of *triple bottom line*, mentioned briefly above is important way to view the "bottom line" of universities because the social and people aspect is brought into the picture and takes account of opportunity costing. Using TBL ensures sustainability of diversity and the pipeline effect. Sustainability reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for University performance toward the goal of sustainable development of its diverse talent pipeline.

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