A diverse leadership yields higher earnings
By Lotte Hjortlund Andersen (ISS) & Morten Kamp Andersen (proacteur)

Diversity is not an end in itself but a means to something greater - to improve competitiveness and the bottom line. In this respect, diversity matters both among employees and among management. Management influences culture and thus helps to promote the gains of diversity.

This report shows that the benefits of having a diverse management are significant; businesses with the most diverse management have an operating profit margin of an average of 12.6 percentage points more than companies with the least diverse management. In addition, the most diverse companies have an operating profit margin on an average of 5.7 percentage points more than their competitors do.
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Executive Summary

Companies with the most diverse leadership earn an average of 12.6 percentage points more than companies with the lowest diversity in leadership. At the same time, the most diverse companies earn an average of 5.7 percentage points more than their competitors.

ISS and proacteur has - based on data collected by PwC - surveyed the level of diversity in Danish management teams. In a unique study, Danish companies have been ranked according to the level of diversity of their managements on four diversity criteria: gender, ethnicity, age-range and seniority.

The three conclusions of the survey are:

- High-diversity managements achieve a significantly better bottom line.
- Diversity is an effective mean of achieving commercial success.
- There is still a huge untapped commercial potential in making Danish management teams more diverse.

A vue of the Danish diversity landscape among managements reveals that gender and ethnicity continue to be the two parameters to be addressed, whereas age-range and seniority diversity are more in balance. It also reveals large differences between sectors, with pharmaceutical industry managements accounting for high diversity, whereas the building and construction sector and car industry exhibit relatively low diversity.
Background and purpose of the report

In recent years, diversity has received greater focus within Danish companies – and with good reason. A number of companies sees the potential and understands how to take advantage of the commercial advantages that diversity holds.

In this report we focus on diversity within Danish corporate managements and across all management levels, because diversity is not only about employees, but also about diversity at the management level. Management is highly instrumental in fostering a desirable company culture, and hence in promoting the benefits of diversity.

At ISS, we have worked with diversity for a number of years now. This report is about the attainment of commercial targets via diversity within corporate leadership. We have therefore conducted a survey of diversity across all management tiers within Danish companies. The outcome of the surveys were compared with the companies’ financial ratios in order to demonstrate the advantages of actively pursuing diversity. In order to increase the scale and hence the validity of the survey, we went beyond ISS to examine data from a large number of other Danish companies.

The compilation of the report was the outcome of a joint project between ISS and proacteur. The study’s profiles are shown in Figure 1:

![Figure 1](image)

**Study – method and process**

The purpose of the study was to establish the degree of diversity that exists among large and medium-sized Danish companies, and to examine whether a financial advantage may be derived from ensuring diversity in the composition of company management.
Our definition of large and medium-sized Danish companies comprises businesses with 130 employees or more and annual turnover exceeding DKK 500 million.

Three databases were used for data collection:

- LinkedIn, which was used for collecting diversity data on managers within Danish companies. Almost 1.8 million Danish profiles are registered on LinkedIn, and large and medium-sized enterprises accounted for an exceedingly large share of those profiles. For each company, up to 30 profiles were obtained across management tiers categorised as ‘manager’, ‘director’, ‘VP’, ‘CXO’ and ‘Board’. Companies with fewer than nine profiles were excluded in order to guarantee a statistically valid basis.

- Bisnode, which collected a large volume of business information from official sources such as the Danish register of companies, the Danish Business Authority and Statistics Denmark, provided extensive data on Danish companies which were used in our analyses.

- Finally, we collected financial data and other information from the companies’ own annual reports.

For the purpose of this report, diversity is defined in its broadest sense; diversity is being present when people with different backgrounds interact. In Denmark, workplace diversity is typically synonymous with gender and ethnicity, but in theory, the list of parameters is endless. In our survey, the data set was collected and subsequently analysed in respect of four parameters: 1) gender, 2) seniority (meaning length of service within a company), 3) ethnicity and 4) age. These parameters were selected based on what was possible: the data that could be found for the purpose of the survey. For example, diversity of educational background would have been an interesting parameter, but due to the number of different qualifications that exist and the variable methods of registering them, including this parameter was not practically possible.

We chose to address leadership/management in the broadest sense of the term. This was a conscious choice because we believe that all management levels have positive impact on an organisation and thereby generate the benefits afforded by diversity. We chose to divide leadership up into the following categories: Board, CXO, VP, Director and Manager.

The above mentioned method and process resulted in a list consisting of 321 Danish companies.

In the survey, the Herfindahl-Hirschman (HHI) model from the report “Diversity Matters” (McKinsey, 2014) was used in devising a corporate diversity metric. As the individual diversity parameters are mutually exclusive, it was possible to determine the degree of diversity for each parameter and then the total diversity value from the mean value. This made it possible to benchmark the individual parameters against each other or consider them in isolation.

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1 See also “Method for assessing diversity in Danish Companies”, a report by PwC
Diverse leadership yields financial benefits

Diversity has both a moral and a financial dimension. Companies should strive to achieve diversity in their management because it is the right thing to do (equal terms and opportunities for everyone) and also because it is in the company’s and ultimately its owners’ best interest. The latter, however, has until now been more a claim than a truth. Few studies have addressed and documented the extent to which diverse leadership (in its broadest sense) actually pays off financially in Denmark. This is what the present study seeks to ascertain.

**Diverse Leadership boosts the bottom Line**

We know that diverse teams generate a higher profit than non-diverse teams. We documented this in an earlier survey where we found that diverse teams within ISS earn an average of 3.7 percentage points more than non-diverse teams (ISS, PwC and Innoversity, 2011). The reasons why highly diverse teams generally generate higher earnings is due to lower level of sickness absences, lower employee churn rate and higher productivity, and, not least, the positive effect of good management.

So, we know that diversity among employees pays off. But what about diversity among leadership? Does this also result in measurable and documentable value on the bottom line?

We measured and ranked all large and medium-sized companies according to the degree of diversity among their management across all management tiers on four diversity parameters: gender, ethnicity, age-range and seniority (see the methodology described above); see the methodology described above. If we compare the ten companies that have the most diverse management with the ten that have the least diverse leadership, the conclusion is clear: diverse management yields significantly higher profits.

Figure 2 shows that companies with the most diverse management earn 12.6 percentage points more than the ten with the lowest diversity score. This is a huge difference for any business.

To put it in another way: if two companies generate turnover of DKK 1 billion, and Company A has high-diversity management and Company B has very low-diversity management, then A stands to earn 126 million more than B.

Because individual sectors generate different operating margins, and some sectors are better at diversity (see Figure 13), it is worth looking at whether companies that excel at diversity in management also exceed the average in their sector or industry, i.e. benchmarked against their competitors. Figure 3 shows that companies with the most diverse leadership have an average operating margin that is 5.7 percentage points higher than their competitors’. Conversely, the ten companies with the lowest degree of diversity in their management earn an average of 5 percentage points less than their competitors. In other words, the most diverse earn 10.7 percentage point more than their competitors compared with the least diverse.
If we expand our evaluation of the effect of having diverse leadership to include the 25 companies that have the most and the least diverse management, respectively, we find (see Figure 4) that here again the benefits are present, albeit with lesser effect. The 25 companies with the most diverse management have a 3.5 percentage points higher operating margin, as against 5.7 percentage points for the ‘top-10’ in diversity. This means that the benefits of diversity in management increases exponentially: the more diversity there is, the higher the additional profits will be.

The figures speak for themselves: companies with the most diverse leadership earn significantly more money than those with the least diverse leadership measured in respect of four diversity criteria: gender, ethnicity, age and seniority.

**This is why diverse leadership boosts the bottom line – Diversity Profit Chain**

The figures above are compelling, but they do not tell us why diverse leadership creates value at the bottom line. How do we know that it is not the high earnings that create scope for an organisation to pursue diversity? In other words: how does diversity in leadership create value for customers and shareholders?

In order to explain and demonstrate the commercial benefit, we have devised a model: Diversity Profit Chain. This is a modified version of the Service Profit Chain (Heskett et al., 1997), which demonstrates how internal processes affect employees, customers and the company bottom line. We have adapted the model so that the focus is on how diversity in leadership influences these specific factors. The model is shown below.

![Diversity Profit Chain](image)

**Figure 5: Diversity Profit Chain (Source: proacteur, 2015)**
Diverse leadership impacts the entire organisation

Diversity in leadership impacts a great many factors, both directly and indirectly, within an organisation. Basically, the measurable and value-creating impact is achieved in two ways:

1) diverse leadership results in a more diverse organisation, which in turn creates a number of positive outcomes for the organisation, customers and shareholders.

2) the management as a group works more innovatively, is more dynamic in its decision-making, more productive and stable if its composition is diverse. In short, leadership decisions and the effect of leadership are better.

A lot of studies have investigated both of these impacts. By far the majority of these have not been validated, and their individual conclusions can therefore be contested. But taken as whole and supported by case studies from and by organisations that embrace a diverse management, we believe that the overall picture is very compelling. It is simply difficult to disregard the abundance of studies that to varying degrees demonstrate a positive connection between diversity on the one hand and positive outcomes for organisations on the other hand.

It is not possible in this report to discuss all the relevant studies, so a couple of selected examples follow below:

LEADERSHIP
Managements with a high degree of knowledge-based diversity generally achieve higher management team performance (Rodan & Galunic, 2004). In their meta-study, Stahl, Maznevski, Voigt & Johnson (2009) demonstrate that diverse teams are more innovative and come in on-budget and on-time. This study investigated teams generally, but the same dynamics can be applied to management teams. Management teams possessing high cultural intelligence gained through ethnic and national diversity are higher achievers (Groves & Feyerherm, 2011).

STAFF
Engagement
Diversity within management and employees results in higher employee satisfaction and engagement (McKinsey, 2015; Gallup, 2014 in Justesen, 2015). Gallup demonstrates a positive correlation between diversity and engagement. In their survey, 60% of staff working for companies with a high level of diversity responded that they are engaged in their work, compared to only 11% of employees working for companies with a low degree of diversity (Gallup Organisation, 2006). But commitment to achieving diversity must be perceived as genuine, otherwise it has the opposite effect (Enchautegui-de Jesús et al., 2006).

Engagement is very important because it results in many positive, valuable and demonstrable outcomes for organisations. It is also one of the things which a diverse
management influences directly. One of the largest-scale and most comprehensive studies of its kind, which documents the degree of correlation between employee engagement, customer satisfaction and profit, was recently conducted by ISS (Andersen, Svegaard & Ankerstjerne, 2015). This study, comprising more than 500,000 employee satisfaction surveys, 25,000 customer satisfaction surveys and 2,500 individual profit elements, demonstrated that the correlation (i.e. the degree of interdependence between variable quantities) between employee engagement and customer satisfaction is $r=0.55$. This is a strong correlation and demonstrates that a lot of the customer satisfaction is explained by the employee engagement.

The same study also revealed that the correlation between employee engagement, customer satisfaction and profit is equally strong. Similarly, it has been documented that engaged employees are more productive (Royal & Stark, 2010; Gallup Organisation, 2006; Wellins, Bernthal & Phelps, 2005; Rayton, Dodge & D´Analeze, 2012, and that organisations with high engagement generate higher profits. This led Aon Hewitt to conclude that organisations in the USA with high levels of engagement posted shareholder returns 22% higher than the average, while Rayton et al. (2012) concluded that companies with high levels of engagement are 4.2 times as likely to generate profit as their competitors.

This profit derives in part from reduced employee costs. In the UK, engaged employees have an average of 2.7 sickness absence days per year, while non-engaged employees have 6.2 (Corporate Leadership Council, 2004). Rayton et al. (2012) concluded that the voluntary turnover rate of the 10% least engaged employees was twice as high as that of other employees.

So the fact that a diverse management results in higher levels of engagement makes it a powerful means to achieving a multitude of commercial benefits.

**Sickness absences and retention**

Diversely composed teams display a greater retention rate and reduced sickness absence rate. This results in increased stability, promotes interpersonal relations and results in better-perceived services among customers (ISS, PwC & Innoversity, 2011). This applies to both staff and management. A study from ISS showed that the sickness absence rate and the turnover rate among management (supervisors) was twice as high among those born in Denmark as opposed to those not born in Denmark (Andersen & Vestergaard, 2010). Generally, we see that the retention rate is higher in teams with diverse composition (Just & Skovborg, 2008).

**Attracting talent**

New generations are attracted by companies with a diverse profile: 60% of candidates in a StepStone study from 2013 responded that it is ‘very important’ or ‘important’ that their workplace is inclusive regardless of nationality, religion, sexual orientation, gender and disability.
PRODUCTS
Harvard Business Review published a study showing how diversity in leadership both unlocks innovation and drives market growth (Hewlett, Marshall & Sherbin, 2013). Studies also demonstrate that the more diverse organisations are, the greater their prospects of taking out new patents, resolving complex problems and realising innovations (Justesen, 2015). Generally, the evidence for diversity and innovation is compelling (Niebuhr, 2006).

SERVICES
As noted by Justesen (2015), diversity, especially of gender, yields brighter ideas, more perspectives and deeper insights into the market, which allow good services to be adjusted to the target audience. And better insight into the market results in higher earnings. A Gallup study from 2014 of 800 business units within two large service enterprises, revealed that the diverse units earned 19% more than non-diverse units.

CUSTOMERS

CONCLUSION
As stated earlier, diversity impacts the entire organisation, but not only positively. In general, companies should expect more conflicts in diverse organisations and teams. Diversity is in no respect a one-way track to better financial performance, but the results are undeniable: diverse leadership influences the organisation’s financial performance in a positive direction.
A general overview of diversity in the leadership of Danish companies yields a number of interesting conclusions:

#1 Diversity in leadership is independent of the size of the company

#2 There are still relatively few Danish female leaders and these leaders are younger than their male colleagues

#3 Female leaders have a slightly longer education on average than their male colleagues, but have the same seniority

#4 There is untapped potential in ethnic diversity

#5 Senior executives are still typically aged 50+

#6 There are large individual differences between sectors. The pharmaceutical, textile and consultancy industries are significantly more diverse than the building and construction and car industries.

These conclusions will be illustrated and expanded on in the following.

**Conclusion #1:**
**Diversity in leadership is independent of company size**

**SIZE OF COMPANY RELATIVE TO ITS DIVERSITY**

Figure 6 shows the correlation between the number of employees in Danish companies and the diversity in their leadership. As illustrated, there is no statistical correlation between the two. In other words, companies with few employees are just as diverse in their leadership as companies with many employees.

\[
R^2 = 0.01753
\]

*Figure 6: A high diversity score is indicative of high diversity.*
This conclusion raise a significant and positive point: that commitment to, and successful implementation of, diversity in leadership is not something only the largest companies can do but can be achieved by all companies regardless of size. Besides which, as we shall see later, everyone stands to reap the benefits of diversity in leadership.

Conclusion #2:
There are still relatively few Danish female leaders and they are younger than their male colleagues

GENDER BALANCE
From an overall perspective, it is remarkable that there are still so few Danish female executives. In general terms, 26% are women, but with some variation in the different management tiers. Only 12% of CXOs, that is at the very highest level, are women, whereas women’s share at manager level is 28%. The respective shares of women leaders in the different management tiers are shown in Figure 7 below.

![Women across management tiers](image)

The figures are supported by a global survey conducted by World Economic Forum: Global Gender Gap Report 2015, which reveals that the gender balance in Danish leadership is 26% women against 74% men.

Numerous evidence-based studies have demonstrated that gender diversity in leadership especially improves financial performance. An internal Sodexo study from 2014 for instance found that a gender balance of between 40% and 60% resulted in 23% greater profit and 13% added organic business growth in Sodexo’s divisions (Sodexo, 2015).

GENDER BALANCE AND AGE DISTRIBUTION
A study of the age of men and women indicates that female leaders are generally slightly younger than their male colleagues at the same level. This is illustrated in Figure 8 below.
The study data provide some grounds for optimism regarding greater gender diversity in management tiers in the future. It can be assumed that there are more women on the way up in the management levels and hence a shift in the gender balance may therefore come. Presumably, however, this is not enough in itself to close the gender gap. This may then be a parameter on which companies would be well advised to review their in-house processes and performance management systems in order to ensure that the entire talent base is brought into play.

**Conclusion #3:**
Female leaders have a slightly longer education on average than their male colleagues, but have the same seniority

**GENDER AND EDUCATIONAL LEVEL**
When we look at the duration of education in male and female leaders, as illustrated in Figure 9, we find that female leaders have a slightly longer education on average, without it being statistically significant however. In other words, this disparity is not enough to account for any differences in performance, behaviour or promotion potential.
GENDER AND SENIORITY

Figure 10 shows the seniority of male and female leaders by the three management tiers of manager, director and VP. The Figure reveals that there is no significant and noteworthy difference between the two genders.

Conclusion #4:
There is untapped potential in ethnic diversity

ETHNICITY IN LEADERSHIP

Surveying the Danish leadership scene generally, we find that approximately 5% of leaders are of non-Danish ethnicity. Figure 11 shows the ethnicity balance in Danish leadership.

Candidate ethnicity is based on native language, country of compulsory education and name on LinkedIn. Candidates were in principle categorised as being Danish unless several indicators were suggestive of other ethnicity. This approach to defining ethnicity/native language may be perceived as controversial, and the resulting figure – 5.3% of leaders are of non-Danish ethnicity – is consequently relatively cautious.

Data from Statistics Denmark on distribution in relation to ethnicity of persons in employment in Denmark show that out of all employed persons, approximately 90.5% are persons of Danish origin and approx. 9.5% are persons of non-Danish origin (immigrants and their descendents). These data support the accuracy of assuming that approximately 5.3% of leaders in Denmark are of other ethnicity than Danish.

Ethnic diversity may impact several business agendas. Global companies naturally stand to reap the rewards of local market knowledge, but non-global companies will also benefit in the form of customer affinity, increased innovation and generally a different perspective on many issues. We would assert that all companies stand to benefit from ethnic diversity in their leadership. Regrettably, the figures speak for themselves: few companies reap this benefit.
Conclusion #5:
Chief executives are still typically aged 50+

AGE DISTRIBUTION
For a number of selected management tiers (Board, CXO, VP, Director and Manager) the age range is generally increasing, with a preponderance of members aged 50+. The age is slightly younger when compared with other management tiers, where the age range is between 35 and 50 years. Across the management tiers, our study finds that the number of leaders in a given management tier decreases with rising seniority.

Figure 12 shows the age balance in Danish leadership.

An age balance in leadership has the advantage of giving a company the latest knowledge, while experience and organisational knowledge can be brought into play.

Conclusion #6:
There are large individual sectoral differences: the pharmaceutical, textile and consultancy industries are significantly more diverse than the building and construction and car industries.

As indicated, there are significant differences between the pharmaceutical, textile and consultancy industries on one side and notably the building and car industries on the other. Companies could reap significant value in those industries where diversity is low (see Diversity Profit Chain). It would therefore be of benefit to pursue an increase in diversity in those industries where diversity is low, since a number of low-hanging financial benefits are just waiting to be plucked (see Diversity Profit Chain). This report does not aim to examine the reasons for these differences, but this would definitely be relevant for the industries concerned to examine.
Diversity in leadership pays, but how does it work out in daily practice?

The following chapter provides inspiration on how companies can address their need for diversity. In other words: How companies can translate the diversity approach within the company from being an end in itself to being a means of achieving something greater, that is, driving competitiveness and boosting the bottom line.

**Within ISS we link diversity with business**

ISS will and shall always have focus on diversity. Just as companies should never cease to improve the efficiency of other processes in their organisation, it is natural for us to constantly apply data and evidence in optimising the part of our business that concerns people. The status of diversity within ISS’ Denmark leadership at year-end 2015 is shown below:

<table>
<thead>
<tr>
<th>Gender</th>
<th>Under 35 yrs</th>
<th>35-50 yrs</th>
<th>Over 50 yrs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>11.6%</td>
<td>58.9%</td>
<td>29.6%</td>
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<tr>
<td>Men</td>
<td></td>
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<table>
<thead>
<tr>
<th>Age</th>
<th>Under 35 yrs</th>
<th>35-50 yrs</th>
<th>Over 50 yrs</th>
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<tbody>
<tr>
<td>Under 35 yrs</td>
<td>11.6%</td>
<td>58.9%</td>
<td>29.6%</td>
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<tr>
<td>35-50 yrs</td>
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<td>Over 50 yrs</td>
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<tr>
<th>Levels</th>
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<th>4</th>
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<tr>
<td>1</td>
<td>2.6%</td>
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<tr>
<td>2</td>
<td>16.6%</td>
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<tr>
<td>3</td>
<td>22.6%</td>
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<tr>
<td>4</td>
<td>58.2%</td>
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<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>Danish ethnicity</th>
<th>Non-Danish ethnicity</th>
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<tbody>
<tr>
<td>Danish ethnicity</td>
<td>83.9%</td>
<td>16.1%</td>
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<tr>
<td>Non-Danish ethnicity</td>
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<table>
<thead>
<tr>
<th>Education</th>
<th>Master</th>
<th>Bachelor</th>
<th>Pro. Bachelor</th>
<th>High school</th>
<th>Skilled trade</th>
<th>Public school</th>
<th>Other/Not stated</th>
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<tbody>
<tr>
<td>Master</td>
<td>8%</td>
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<td>Bachelor</td>
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<td>Pro. Bachelor</td>
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<td>11%</td>
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<tr>
<td>High school</td>
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<td>7%</td>
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<td>Skilled trade</td>
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<td>3%</td>
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<tr>
<td>Public school</td>
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<td>24%</td>
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<tr>
<td>Other/Not stated</td>
<td></td>
<td>13%</td>
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There are commercial benefits to gain by continuing to address diversity at ISS. Among other factors, the gender balance at level 1 (CXO) can still be improved, a fact which ISS is intently aware of.

Below, we offer specific examples of how ISS has addressed diversity as part of its business strategy.
DIVERSE LEADERSHIP PIPELINE
If a company fails to bring all talents into play, it costs money. Because recruitment is a costly affair. And when external candidates are recruited to positions which could have been filled by internal candidates, the result is frustration among the employees who feel overlooked. A specific example from ISS is that data indicated that we did not have the same proportional share of non-Danish-ethnic managers as we had non-Danish-ethnic staff. And because we believe at ISS that the potential is the same regardless of ethnicity, we placed extra focus on this for a couple of years. In this way, we succeeded in raising the number of non-Danish-ethnic managers. We increased our talent base, but also changed attitudes among our managers in relation to recruitment of new colleagues. And we achieved a financial benefit in that we retained talented employees who would otherwise have made their next career move outside of ISS.

STAFF

Pride
Within ISS, our commitment to diversity helps to build employee pride in the company. A pride which contributes to increased engagement, loyalty, lower employee churn rate and not least that our employees meet our customers with the right pride in the company they represent. This pride comes via many channels, but an important element for ISS has been the external recognition we have achieved. Over a number of years, we have received the City of Copenhagen integration award in 2007, the City of Aarhus integration award in 2009, The Ministry for Integration’s employment award in 2009 and the Danish Institute of Human Rights’ diversity in working life award in 2010. ISS took a new proactive line, engaging in advocacy to inspire other companies to commit to diversity. Most recently, we presented our CSR Diversity Prize in 2014 and 2015 to other companies for achievements in translating and linking diversity into business.

Engagement
An important aspect in employee retention is to ensure that all employees feel “part of the team”, i.e. are engaged. More specifically, this means that employees are seen and heard for who they are. An example of relating to employees with respect for their diversity is that the ISS annual employee engagement questionnaire can be completed in a large number of different languages. We survey at regular intervals which language groups are dominant and thereby ensure that the survey is made available in these languages. In the same way, we have different language versions of the ISS staff appraisal interviews, and ISS introduction programme, occupational health & safety instructions and our professional training programme are based on e-learning programs and videos in which the messages are conveyed in images.
Transparency
Research from Lotte Holck (Holck, 2015, 2012, 2011) shows that organizational transparency is crucial in order to create a diverse and inclusive culture. The many unwritten rules in the workplaces makes it difficult for diverse graduates to navigate and fit into the organization. Rules and procedures for workflow, promotions and performance requirements etc. must be made explicit and available. ISS has a strong and transparent performance management system, with very clear performance goals.

SERVICES
As described, there is sound evidence that diversity can be used in adapting services to the target audience. Within ISS we seek continuously to maintain a strong service culture, which we call “Service With A Human Touch”. This is the ISS service programme, and entails training of both staff and management in serving our customers, while maintaining focus on the unique and personal facets of the Human Touch.

BOTTOM LINE
As stated earlier, ISS has previously demonstrated that diversity pays on the bottom line. This was demonstrated by ISS in a comprehensive study conducted by PwC and Innoversity in 2011. The study documented that earnings in diverse teams within ISS are 3.7 percentage points higher than in non-diverse teams. The higher earnings derive primarily from a reduced sickness absence rate and higher employee satisfaction, while sound management and thorough induction are also key parameters. At that time, this meant that if all teams within ISS were put together in a balance of gender, ethnicity and age, earnings would increase by DKK 100 million per annum.

FIVE USEFUL PIECES OF TIPS
Based on our experiences within ISS, in the following we offer five useful tips of advice as inspiration for pursuing business-driven diversity:

1. Use employee data in identifying untapped commercial potential
2. Prioritize one or two potentials relating to your organisational strategy and pursue them intently
3. Secure senior management’s commitment
4. Set clear targets and success criteria; put the value into financial figures
5. Communicate good examples and cases
Examples from other companies
Based on the in-depth survey of large and medium-sized Danish companies which generate commercial results by pursuing diversity, three companies were nominated for the ISS Diversity Prize 2015, these being Hempel A/S, ECCO Sko A/S and Ferring Pharmaceuticals A/S.

A common trait of the three companies is their understanding of how to actively apply the diversity mindset in value creation, which is why they excel at diversity management. Diversity is regarded as an opportunity and is embedded at all levels of their company culture – from top-tier management to team structure. There is no standard formula for diversity-driven value-creation. However, a number of elements recur in these success stories.

<table>
<thead>
<tr>
<th>Common traits of diversity initiatives</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The diversity initiative is a part of company’s strategy and/or DNA</td>
<td>• Have access to the most talented candidates</td>
</tr>
<tr>
<td>• Employ a diverse workforce</td>
<td>• Are competitive on the global market</td>
</tr>
<tr>
<td>• Engage in conscious diversity recruitment</td>
<td>• Are more aware of global trends</td>
</tr>
<tr>
<td>• Actively use diversity for gaining practical insights into local conditions and markets</td>
<td>• Possess greater commercial and cultural intelligence</td>
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<tr>
<td>• Communicate the benefits of diversity internally – raise awareness of internal diversity</td>
<td>• Develop creative and innovative solutions</td>
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<td>• Find several solutions to the same problem – identify more opportunities</td>
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<td>• Walk the talk – employees understand why diversity matters and act accordingly</td>
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<tr>
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<td>• Have a dynamic business</td>
</tr>
</tbody>
</table>

Table 1, Traits and output of diversity initiatives

In sum, a common denominator in the three companies is that value-creation occurs where the diversity initiative is consistent with the business objective, vision, values, culture and conduct. Meaning: that it should not be a stand-alone HR project, but part of the company’s strategy, culture and DNA.
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This report was prepared jointly by the following parties
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proacteur, Morten Kamp Andersen, Partner; financial calculations and co-author

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PwC, data concerning diversity in Danish leadership. For more detailed information, see the report “Method for Assessing Diversity in Danish Companies”, available on request from lotte.hjortlund.andersen@dk.issworld.com

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Company profiles

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