

Diversity snapshot: ethnicity, age and gender



Foreword

Despite evidence that diversity of thought gives businesses a competitive edge¹, many are still struggling to act. Businesses are also under ever-intensifying pressure to reflect the diversity of their markets and communities. So, what is holding back progress?



Businesses that seek to broaden their perspective by bringing a diverse range of voices to the table are more self-aware, more market-aware and more broad-minded. These qualities hold the key to success in a globalised and largely unpredictable world. At a time when digitisation is changing the business landscape fast, inclusive decision-making teams will be better equipped for success if they are drawn from a range of backgrounds and contexts.

Our Women in Business research, now in its 13th year, provides a powerful benchmark on the participation of women in leadership teams and an understanding of how gender diverse teams out perform their single-sex peers. We will be publishing our 2018 Women in Business report, on International Women's Day on 8 March 2018.

Given the evidence shows business performance improves² as businesses diversity increases, we have expanded our research to track the ethnic and age diversity of global leadership teams.

The highlights are shared in this snapshot which we hope will serve as an important first step in broadening the debate on diversity in business.

We find ethnically diverse senior management teams in only six out of 35 countries investigated. Meanwhile, female representation at the top hovers at 25%. Businesses seem more comfortable with the idea of an age-diverse team, with 51% of businesses thinking age diversity is important.

Our findings on how businesses approach the issue are revealing. On average, only 40% of businesses believe diversity is important to their success, and just 14% are taking action to improve the diversity of their senior team. Notably, the data show diversity only really improves when businesses both value diversity and have plans in place to support it. This is a valuable reminder that change will be difficult to achieve without leadership commitment.

Diversity is an opportunity we must grasp for the businesses in which we work and our wider communities. In this snapshot, we set out some pragmatic steps for businesses seeking to improve their commercial performance by boosting the diversity of their senior management teams.

Kim Schmidt

Global leader, leadership, people and culture, Grant Thornton

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1 Women in business: The value of diversity - Grant Thornton (2015); Women as a valuable asset - McKinsey & Co (2012); Building diversity in Asia Pacific boardrooms - Korn Ferry & NUS Business School (2016)

2 Singapore Board Diversity Report 2014: The diversity dividend - NUS Business School (2014)

Overview of findings

 **40%**
of businesses, globally, think diversity is important to their business success

 **14%**
of businesses, globally, have specific plans in place to improve the diversity of their senior team

This snapshot captures the views of 2,500 business leaders in 35 countries. It explores the diversity of senior teams around the world by ethnicity, age and gender. We also investigate business leaders' attitudes towards these three key aspects of diversity.

We find that businesses are, for the most part, not ethnically or gender diverse. Age diverse teams are more common, although it is far from the norm to have a senior team member who is under 35 years old.

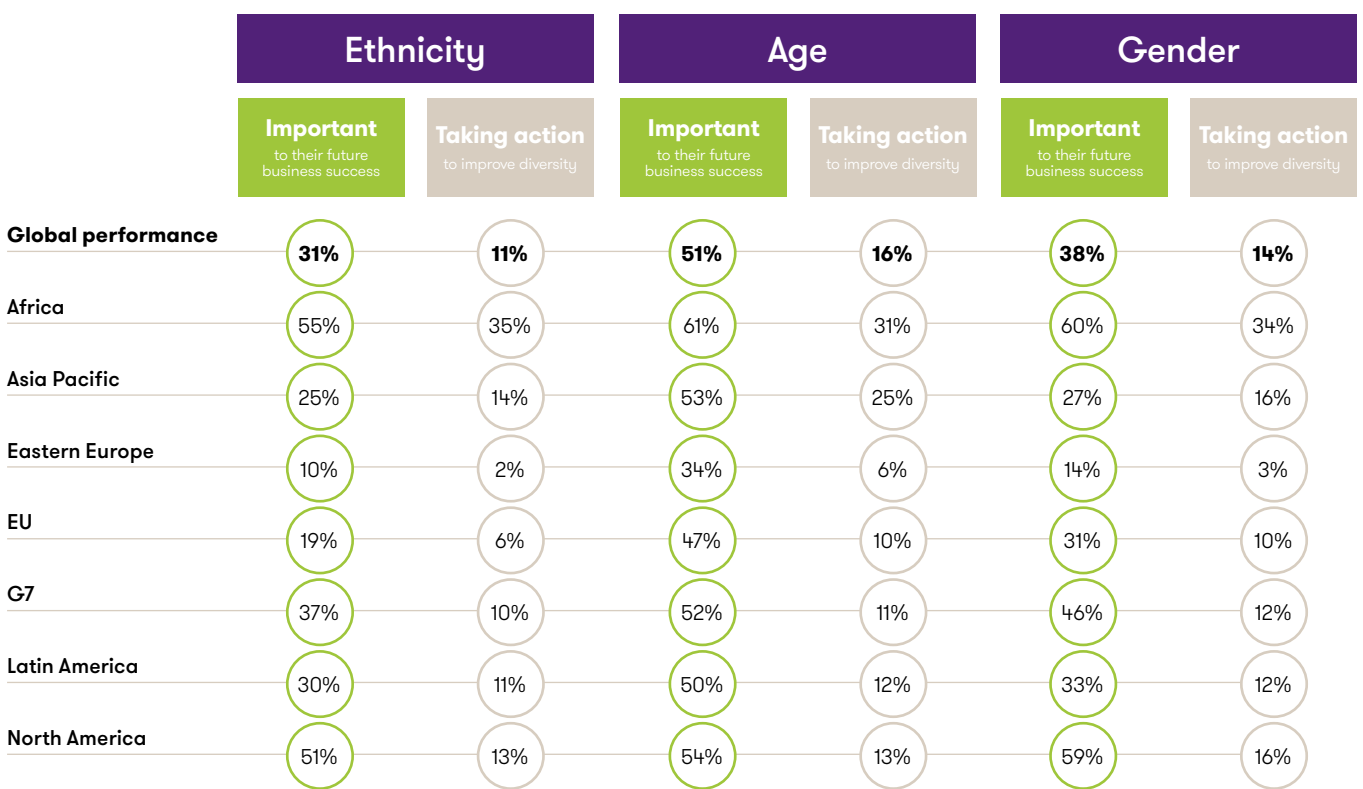
Africa and North America consistently see diversity as important, while Eastern Europe scores the lowest across all three categories, with the European Union not far behind.

Africa is by far and away the most action-oriented across all three categories, with Europe at the bottom of the list.

The data shows that age diversity matters more to businesses than gender or ethnic diversity. Ethnic diversity ranks lowest in terms of importance to their business success, with few firms taking active steps to improve it. Low and varied levels of commitment in general demonstrate how challenging it is to drive change. Change takes place when deliberate actions are taken to do things differently.

We want to help other businesses understand these diversity shortfalls. The sections that follow consider each aspect of diversity in turn. We have then included some ideas for positive steps businesses can consider to help increase their diversity.

Figure 1: Regional differences in the number of businesses that consider diversity to be important, and the number that are taking action to improve it





Ethnic diversity

Ethnic diversity emerged as the lowest priority of the three characteristics explored.

Only 31% of businesses see ethnic diversity as important to their success, and just 11% have specific policies or initiatives in place to improve it. This sentiment is reflected in the ethnic composition of senior management teams.

As there is no universal definition of race or ethnicity, we asked businesses how many ethnic groups they have in their senior teams, allowing individuals to answer from their own country's perspective. A number of two or more can be classified as ethnically diverse. A number of less than two means that, on average, businesses in that country are not ethnically diverse.

The findings show that the average number of ethnic groups represented by senior management teams worldwide is 1.5. Looking at regional data, only African businesses have more than two ethnic groups at 3.2. The lowest regional figure is 1.2 for the European Union.

At a national level, we found that only six out of 35 countries we surveyed have businesses with typically more than two ethnic groups (which we classify as ethnically diverse) represented in their leadership teams: Botswana, India, Malaysia, Nigeria, the

Philippines and South Africa. To some extent, this reflects the ethnic diversity of these countries in general. The populations of Nigeria, India and South Africa are among the 20 most ethnically diverse nations in the world, and Malaysia ranks near the top third³.

However, Botswana and the Philippines cannot be accounted for in this way as their populations are far less ethnically diverse. Therefore, it may indicate a difference in attitude and commitment when it comes to increasing ethnic diversity of their leadership teams. In Botswana, a much higher than average number of businesses (58%) believe ethnic diversity is important to their success, while a higher than average number of businesses (18%) in the Philippines have policies in place to increase the ethnic diversity of their senior team.

If businesses are going to focus on better reflecting the diversity of markets they serve, then a key first step is understanding the ethnic make-up of their employee base relative to the underlying population.



³ Ethnic and cultural diversity by country - James Fearon (2003)

⁴ Diversity snapshot: ethnicity, age and gender

“It’s concerning that, on the whole, businesses are not ethnically diverse. How can we effectively serve our markets if we don’t reflect their diversity? Businesses have got to understand if and how they fit within the wider society in which they operate.”

Kim Schmidt, Global leader, leadership, people and culture, Grant Thornton

Discussing ethnicity

What language do you use to discuss ethnicity? Ethnic structures differ across countries, and how people choose to describe their own race or ethnicity is often subjective. In some countries, these forms of identity are hard to separate from issues of social class, which can further complicate the conversation. Scarlett Brown, Senior Governance Analyst, Grant Thornton UK, explains that “the history of the country matters a great deal. In America, race has been an issue for a long time due to its culture, but here in the UK we’re very uncomfortable talking about it.”

One solution is to talk about diversity as a whole, instead of limiting the discussion to a particular aspect. Senior leaders might choose to ask their employees about the kind of language they use themselves, making a diversity framework that everyone is comfortable with.

Figure 2: Number of ethnic groups represented by senior management team by region



“Mid-market businesses don’t always feel they have sufficient resources to dedicate time to an issue like diversity. They have other priorities on their plate. But the value of diversity is undeniable, and we need to continue making this argument to business.”

Francesca Lagerberg, Global leader, network development, Grant Thornton



Age diversity

Age may be the easiest of the three issues to openly discuss. However, it is common to generalise about age – we often hear a person ‘isn’t old enough’ or is ‘too old’ for a position. Businesses should avoid making assumptions, about age or any diversity characteristic.

A 51% majority of businesses think an age diverse team is important, which appears to reflect the composition of senior teams. We found that a quarter (26%) of senior teams, globally, include an individual who is older than 64 years old. A similar number (24%) have a senior member who is aged 35 or younger.

Hugely successful technology businesses like Facebook are creating a wave of youthful leaders. That said, it is not yet the norm to involve a young person in senior decision-making. For 50% of businesses, the youngest member of the senior management team is between 35–44 years old.

There is still a gap between perceived importance of age diversity and plans to improve it. Only 16% of businesses are taking action to extend their age range. Companies recognise its value, they just aren’t acting on it.

So, what is the right mix of age diversity? Perhaps the answer lies in reflecting the age diversity of your markets, your employees, where you operate and the kind of industry you are in.

Regional differences

China, a society renowned for the respect it shows its elders, appears to extend this courtesy to the young. Nearly a third (32%) of senior management teams in China have a member who is aged 34 or younger, which is three times the number in the United States (11%). This may be partly for demographic reasons – 25% of the Chinese population is between 20–34 years old, compared to 21% of Americans – although it cannot entirely account for the discrepancy.*

In general, businesses in large, well-established economies – like those in the G7 – seem to prioritise experience over fresh talent, with fewer younger and more older members within their senior team. The opposite is true for emerging markets in Africa and Latin America.

*United Nations data

“Expecting senior candidates to have 20-plus years’ experience is unrealistic in certain fields that may have emerged only in the past decade. Faced with artificial intelligence and large-scale automation, businesses need to change their definition of what it means to be experienced.”

Peter Bodin, Global chief executive officer, Grant Thornton

Figure 3: Percentage of businesses with a senior leader younger than 35 years old by region

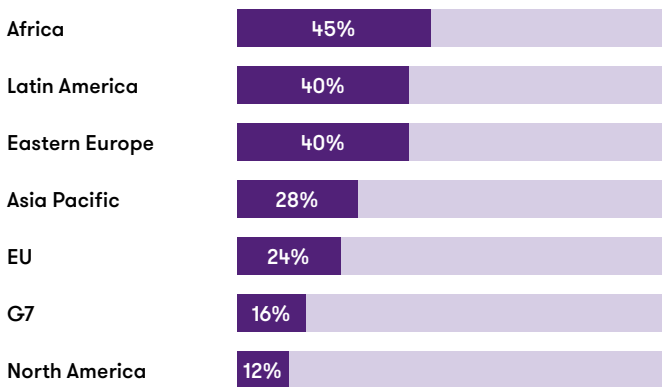
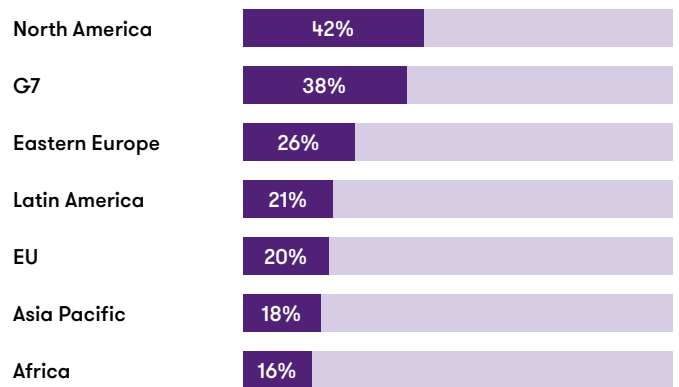


Figure 4: Percentage of businesses with a senior leader older than 64 years old by region





Gender diversity

We know from Grant Thornton *Women in Business* data that global gender diversity figures are slowly improving.

In 2017, we reached an historic milestone: one in four senior roles are now held by women⁴. However, at only 25%, parity between men and women at executive level is still a long way off. In the past decade, we've only seen a 1% improvement in the proportion of senior roles occupied by women. It begs the question; how long must we wait to see significant change?

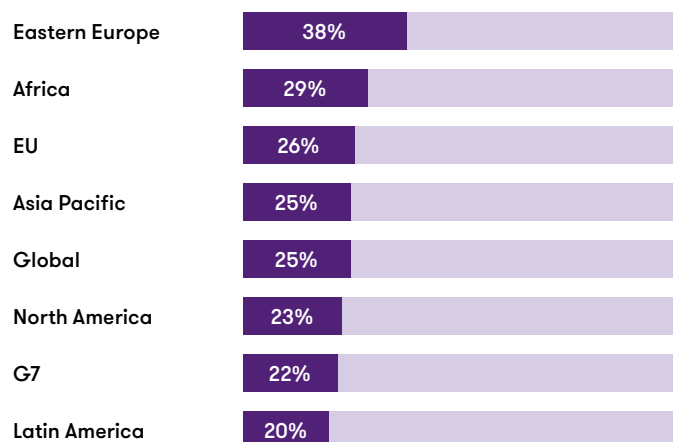
Although there is slow progress, businesses shouldn't assume that improvement will continue without ongoing effort and commitment. The belief that we will make progress naturally is a fantasy, says Scarlett Brown: "It is a dangerous assumption because another tech boom, for example, might benefit men more than women, causing things to slip backwards." We cannot afford to sit back and do nothing. It is therefore concerning that just 38% of businesses consider gender diversity to be important, and only 14% are planning to take action in this area.

In previous research, we have uncovered key obstacles to change to better understand how we can find solutions for greater gender equality. Overcoming these challenges is not straightforward. We know that significant numbers of women continue to face gender stereotypes; a lack of confidence; fewer networking opportunities and entrenched leadership models. A desire to balance parenthood and other family commitments⁵ can also impact on career decisions. Of course, men also experience social/business norms which impact on the role they play in business and in their families.

So, where do we go from here? We are investigating the roles played by governments and businesses in encouraging people to act in our *Women in Business 2018* research, which will be published on International Women's Day, 8 March 2018. By considering how different policies interact, we hope to better understand where active intervention exerts positive influence on business attitudes and behaviours.



Figure 5: Percentage of senior roles held by women by region⁶



⁴ Women in business: New perspectives on risk and reward – Grant Thornton (2017)

⁵ Women in business: The path to leadership – Grant Thornton (2015)

⁶ IBR Women in business 2017

Priority, plans and performance

Our research shows a link between prioritising diversity, putting plans in place to increase it, and achieving greater diversity in senior management teams.

Each region's performance, priority and plans have been given a percentage ranking for each of the three diversity characteristics of ethnicity, gender and age. Some of the outliers can be placed in their specific political, cultural and demographic contexts.

North America has a relatively small percentage of people aged between 20-34 (21%) in its overall population, which may partially explain why businesses have a low number of young people in their senior teams. By the same measure, countries like Argentina and Brazil have larger populations in this age category – 26% and 23% respectively – which could, again, partly account for Latin America's outperformance on this front.

We know from previous research that Eastern Europe owes some of its continued women in business success to the legacy of communist principles on equality. Why business leaders

do not consider this to be an important issue could simply be because gender diversity is normalised in the region and does not need to be prioritised or planned for.

It will be interesting to see if plans put in place in Asia Pacific convert to a higher performance in coming years, despite the perceived (relative) unimportance of the task.

It is harder to explain why plans to improve gender diversity are not paying off in North America, and why they are in the European Union, where efforts are weaker. Policies such as paid maternity leave, parental leave and holiday entitlements, which are far more generous in the EU than in the US, perhaps play a part⁶. We will investigate where specific business and government-led policy may be making a difference in our upcoming Women in Business report in March 2018.

Figure 6: Ethnicity, age and gender percentage rankings (highest to lowest) by region

	Ethnicity			Age			Gender		
	Priority ranking of importance given to ethnic diversity	Plans in place ranking for addressing ethnic diversity	Performance ranking of ethnic diversity in leadership teams	Priority ranking of importance given to age diversity	Plans in place ranking for addressing age diversity	Performance ranking of age diversity in leadership teams	Priority ranking of importance given to gender diversity	Plans in place ranking for addressing gender diversity	Performance ranking of gender diversity in leadership teams
Africa	1	1	1	1	1	1	1	1	2
Asia Pacific	4	2	4	3	2	4	5	2	4
Eastern Europe	6	6	5	6	6	3	6	6	1
EU	5	5	6	5	5	5	4	5	3
Latin America	3	3	3	4	4	2	3	4	6
North America	2	3	2	2	3	6	2	3	5

Outliers key:

- underperforming compared to priority and plans level
- outperforming compared to priority and plans level

NB: Age rankings are based on member of SMT who is 35 or younger

Ideas to consider



If a business reflects the market and community it operates within, it has potential to attract more customers, investors and talent to its door.

We know from the global research in this snapshot that there has been slow progress for many aspects of diversity; it is clear businesses need to pick up the pace.

Businesses face not only barriers to progress but also competing priorities, which means diversity is failing to reach top of the agenda for change. So, how can we help businesses become more diverse and reap the rewards? Here are a number of considerations to help businesses take positive action towards increased diversity.

Positive steps towards increased diversity

Consider your wider context. Look at your country's population and how your business' diversity measures up by comparison. Then place this in relation to your sector and assess your own performance. Use this as the basis for a more productive and persuasive conversation with employees.

Address unconscious bias. Awareness of an issue is not enough to overcome natural and hardwired bias. Embed measures that nudge employees in the right direction; for example, publicising "unusual" role models (such as job sharing at senior level) to challenge stereotypes and show what is possible.

Learn to talk about diversity sensitively and naturally. Consult employees on the language they use to talk about gender, age, race, ethnicity, and any other form of diversity, to create a framework that facilitates a shared and open conversation. Ask what are the culture issues that exist and what support they need to be successful.

Do not confuse diversity and inclusion. A business can have a diverse team that is not inclusive, or an inclusive team that is not diverse. Challenge yourselves to bring these concepts together without collapsing them in to one.

Check for gaps in your perspective. Consider expanding the skill set of your senior team by reaching out to different age groups who may bring a different generational perspective to key business issues like digitalisation and automation.



Specific plans to consider

Create your own diversity benchmarking tool to track progress. Consider which aspects of diversity you can measure and how you can systematically (and sensitively) collect data on existing and future members of staff. Go beyond body counting to track what else you know about individuals and their roles; for example, where they are geographically based and whether they are full-time or not. Understanding the numbers is key – not just to see where a barrier may exist but also to find out why it is there. Deep dive into people turnover, explore why people leave, who gets promoted and when.

Re-evaluate your business' key performance indicators. Consider how your current approach to diversity and inclusion contributes towards your business strategy; for example, if the composition of your senior team is reflective of your customer base. This will help incentivise specific policies and targets.

Publicise concrete diversity and inclusion policies and targets. Be vocal within your team about the policies and targets your business has in place, and review how employee attitudes and behaviours are changing towards diversity, as well as the company's approach.

Formalise information sharing on diversity and inclusion. Make diversity and inclusion a standing item on the senior leadership team agenda, and ensure that the collective leadership 'own' diversity and that it is not allocated to just one member of the team. Leadership ownership and belief in the importance of diversity is a critical starting point.

Ensure diversity and inclusion are an integral part of your company's values. Strong organisational values create the everyday culture of your company and are a key driver in improving attitudes and behaviours. Ensure diversity and inclusion are embedded in yours.



Research

Expand existing evidence. To maintain momentum on this issue, we need to continue to investigate what supports cultural change: the barriers that impede, and the incentives that propel, progress.

Target new research. In much the same way that environmental, social and governance (ESG) factors are changing investor demand, we need to consider how diversity affects shareholder behaviour and activism.

How Grant Thornton can help

In today's globalised and volatile business environment organisations need to be able to take a balanced approach to exploring risk and opportunities to create sustainable growth.

Leaders also need to ensure they can bring a balance of perspectives to the table to take decisions. Grant Thornton engages with business leaders to build and foster a resilient and collaborative workforce equal to the task.

We help you create, transform and protect value. From exploring your strategic growth options, understanding how to manage risk and opportunity, to getting the best from talent, our global network provides the specialist support you need to thrive in a fast-changing world.

IBR methodology

The Grant Thornton International Business Report (IBR) is the world's leading mid-market business survey, interviewing approximately 2,500 senior executives every quarter in listed and privately-held companies all over the world. Launched in 1992 in nine European countries, the report now surveys more than 10,000 business leaders in 35 countries on an annual basis, providing insights on the economic and commercial issues affecting the growth prospects of companies globally.

The data in this report are drawn from 2,500 interviews conducted between August and September 2017 with chief executive officers, managing directors and other senior decision-makers from all industry sectors in mid-market businesses in 35 countries. A further 15 in-depth interviews were conducted with business leaders from inside and outside Grant Thornton. The definition of mid-market varies across the world: in mainland China, we interview businesses with 100–1,000 employees; in the United States, those with US\$20million to US\$2billion in annual revenues; in Europe, those with 50–499 employees. For the purposes of this research senior management is defined as those holding C-suite jobs, such as chief executive officer (CEO), chief operating officer (COO) or chief finance officer (CFO), managing directors or partners.

More information:

Publications: [grantthornton.global](https://www.grantthornton.global)

Methodology: [grantthornton.global](https://www.grantthornton.global)

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