# Finding the Value in Diversity: Diversity and Inclusion Isn't Just a Fix

The business imperative of diversity and inclusion in the Nordics

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# Introduction

Diversity is a business imperative when it comes to winning the '20s[1]. The challenges that businesses will face in the coming decade, such as a faster pace of change, a more competitive fight for talent, an increasingly intertwined world, and more complex geopolitics, cannot be met without embracing diversity and inclusion (D&I). The past has taught us that succeeding with D&I is not straightforward. If leaders are committed to stepping up their game and accelerating change, they must understand how diversity fuels competitiveness, how to craft an inclusive culture where diversity thrives, and how to best lead a diverse workforce.

## Diversity for Diversity's Sake Is Not Enough

Over the past few years, growing pressure from society to embrace diversity has encouraged businesses to review their D&I efforts and take increased responsibility for promoting diversity in societies. A majority of companies tackled this from an HR perspective by positioning D&I as a core topic on the human resources agenda, leading to a stronger emphasis on objectivity in evaluation and promotion processes. In addition, the enforcement of anti-discrimination policies made D&I part of company values or commitments, which are typically published on corporate websites and the like. These efforts, however, are to a large extent an attempt to "fix" diversity, with the end goal of improving a KPI. Only a few companies have demonstrated how diversity can be leveraged as a strength, a source of value, and a competitive advantage.

## Powerful D&I Strategy Is Anchored to Business and Talent Enablement

Diversity should be viewed as a management tool that can meet various business challenges as well enable the full talent potential of employees. Differing perspectives, experiences, and world views can improve decision making in a complex world, which will enable the company to better interact with customers, suppliers, and markets. D&I can help craft a workplace where all talent is both fully utilized and encouraged to speak up, to foster these differing views.

But to succeed, it's necessary to understand the deep-rooted patterns and structures that hinder employees today, and are often unique to the specific organization. Simply addressing the formal structures will not be sufficient. Organizations need to identify key moments of truth, and situations where diversity is either secured or lost, and take action to truly enable diversity through inclusion.

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1. BCG: What Will it Take to Win in the 20s?

# Nordics Still Don't Embrace Diversity as a Business Imperative

The communication and statements on D&I from top companies in the Nordics highlight that many have started to link diversity to business value, but there is still a significant share that promote it exclusively because they feel it is the right thing to do. Caring about D&I because it is a moral obligation, and pushing it because it drives business value, are not conflicting motivations—emphasizing the link to business value makes it easier for companies to treat D&I as any other business priority in the organization. In studying D&I statements for the 30 top-listed companies in Denmark, Sweden, Norway, and Finland (in total 120 companies), BCG found that only 11% pursue focused efforts with a clear link to value. Fifty-two percent of companies have a higher-level link to business value, but limited efforts beyond HR and recruitment; while 37% focus on the moral obligation of providing equal opportunities with no reference to the positive business value from D&I.

## Clear Lack of Diversity at the Top

Nordic countries are famous for being egalitarian and have historically been highly regarded on overall gender equality, but the four Nordic countries are not pioneers in leverag-

# Exhibit 1 | Leadership in the Nordics does not reflect business surroundings

Exec. teams of top 30[1] listed companies　　■ Male, HQ nationality[2]　■ Male, not HQ nationality　■ Female, HQ nationality　■ Female, not HQ nationality
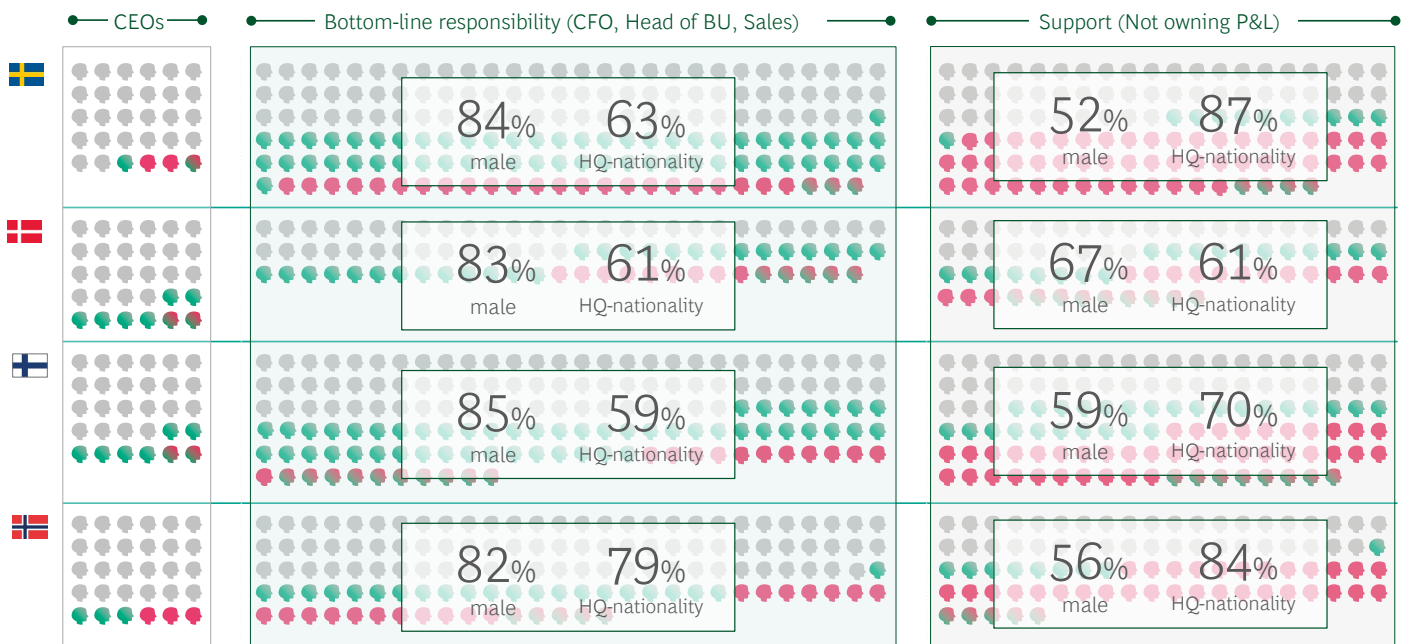


**1.** Top 30 listed companies by country based on revenue in 2019　2. Nationality the same as country of headquarters.

**Source:** Company websites, Orbis, Desktop research.

ing diversity for value realization. The lack of diversity among the executive teams of top Nordic businesses is striking: at least 27 of the CEOs of the 30 largest listed companies in each Nordic country are males, and at least 22 of the 30 in each country have the same nationality as the company's headquarters. (See Exhibit 1.)

The common belief that D&I will improve on its own over time is not supported by examining the remainder of executive teams. Of roles with bottom-line responsibility (CFO, Head of BU, and Head of Sales), more than 80% are males and about 60 to 80% of these leaders are from the country where the company is headquartered. These roles are typically stepping-stones for the CEO position, which makes it evident that the next wave of CEOs will likely resemble the CEOs of today.

Looking at executives in support functions with no profit and loss responsibility, the female share is significantly higher, about 30 to 40% vs. less than 20% for bottom-line responsibility roles. For support roles such as Head of HR, Head of Legal, and Head of Marketing, women are actually overrepresented, holding around 60% of these positions in the top 30 companies. It is evident that the key decision-making positions in the largest companies in the Nordics are held by an extremely homogeneous set of people.

## Nordics Are Progressing, but Being Outpaced

Recent rankings show the Nordics being outpaced on women's participation in leadership. Development of women's share in leadership has stagnated: all countries except Sweden have declined in ranking over the last 10 to 15 years. In 2006, Norway and Sweden shared rank 36, Finland ranked 46th, and Denmark was 53rd. Today, Sweden ranks 35th, the only Nordic country in the top 50, while Finland, Norway, and Denmark stand at 51, 68, and 101 respectively. (See Exhibit 2.)
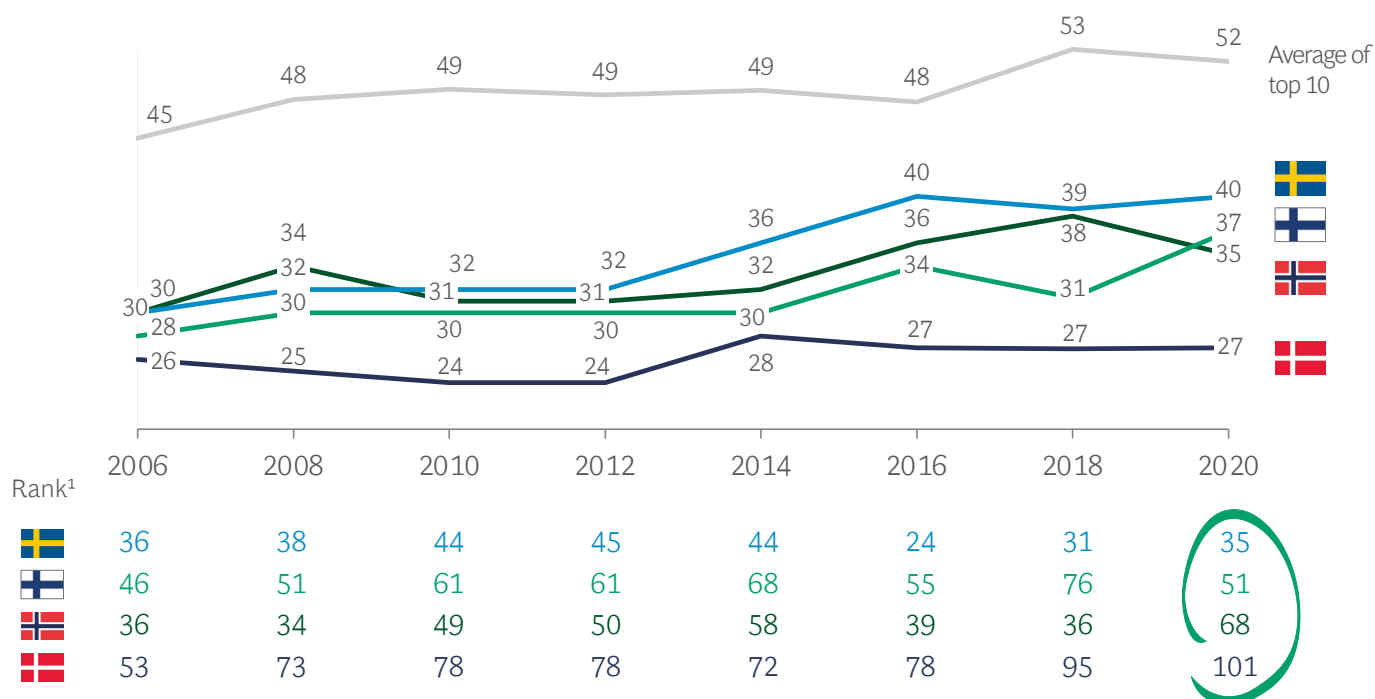
## Exceptionally Large Gender Gap on Tendency to Actively Seek Advancement

At the other end of the career pipeline, we also see cause for concern about the future of leadership diversity. The gap between the sexes on the tendency to seek career advancement is much larger in the Nordics than on a global level among younger generations[2]. Interestingly, the gap between men and women is as large as 24 percentage points for young people in the Nordics, whereas it never exceeds 6 percentage points on a global level. (See Exhibit 3.)

**2.** BCG Global Diversity Survey 2020.

# Exhibit 2 | Looking at women's share in leadership, Nordics' progress has stagnated, while being outpaced by other countries

%-share representation of women in leadership (legislators, senior officials and managers)



| Rank[1] | 2006 | 2008 | 2010 | 2012 | 2014 | 2016 | 2018 | 2020 |
|---|---|---|---|---|---|---|---|---|
| 🇸🇪 | 36 | 38 | 44 | 45 | 44 | 24 | 31 | 35 |
| 🇫🇮 | 46 | 51 | 61 | 61 | 68 | 55 | 76 | 51 |
| 🇳🇴 | 36 | 34 | 49 | 50 | 58 | 39 | 36 | 68 |
| 🇩🇰 | 53 | 73 | 78 | 78 | 72 | 78 | 95 | 101 |

**1.** Rank in of countries included in World Economic Forum Global Gender Gap report, higher rank means higher share of women.

**Source:** World Economic Forum: The Global Gender Gap reports 2006 to 2020.

There is, however, potential for companies to improve. If employees experience the company culture as inclusive, there is a 29% higher share seeking promotions, and companies that offer gender diversity programs have, on average, a 38% higher share of employees seeking promotions compared with companies that do not have such programs.

## Significant Cost of Failing on Inclusion and Enablement Across All Diversity Types

Diversity is about more than women, so companies must integrate additional minorities, when defining D&I efforts.

**LGBT+** (lesbian, gay, bisexual, transgender, and additional groups). A substantial share of LGBT+ is still not comfortable being open about how they identify while at work. The share of those identifying as LGBT+ who in 2020 hid their status at work was 18% for both Sweden and Denmark, and 27% in Finland[3]. Furthermore, the share reporting having experienced negative attitudes toward them at work for being LGBT+ was 12% in Denmark, 13% in Sweden, and 21% in Finland. Companies have every reason to act on this, as significant talent is lost through employees not feeling respected and valued. A BCG survey from 2018 found that LGBT+ employees who regularly experience negative touchpoints at work were 40% less productive and 13 times more likely to quit[4].
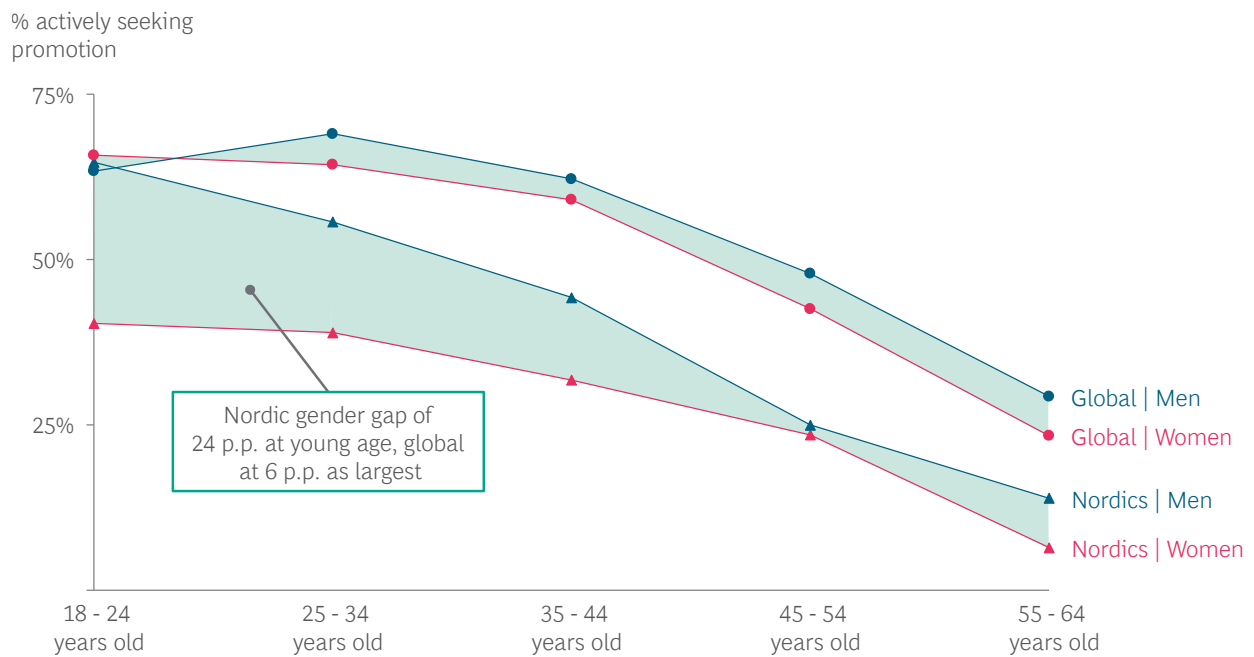
**Nationality.** Companies operate in increasingly complex and international business contexts, where nationality should be a key diversity factor when discussing value. Around 50% of the top 30 companies in each of the Nordic countries have sourced more than half of their revenues from outside the Nordics, whereas only about 20% of leadership teams are not themselves from the Nordics. (See Exhibit 4.) Having employees of different nationalities in the company can be a pivotal asset when dealing with both customers and suppliers in countries where culture, business norms, and market dynamics differ from our own. Assessing the executive teams of the 30 largest listed companies in each of the Nordic countries, 80% were born in the Nordics, while, for example, only 2% (combined) of the executive teams were from Asia, Africa, and Australia.

This discrepancy raises the question of whether Nordic companies could enhance their competitiveness in global markets by securing stronger international representation on their executive teams.

**3.** European Union Agency for Fundamental Rights.

**4.** A New LGBTQ Workforce Has Arrived – Inclusive Cultures Must Follow, BCG.

## Exhibit 3 | Young Nordic women actively seek promotions less than men and gender gap is significantly higher in the Nordics than globally
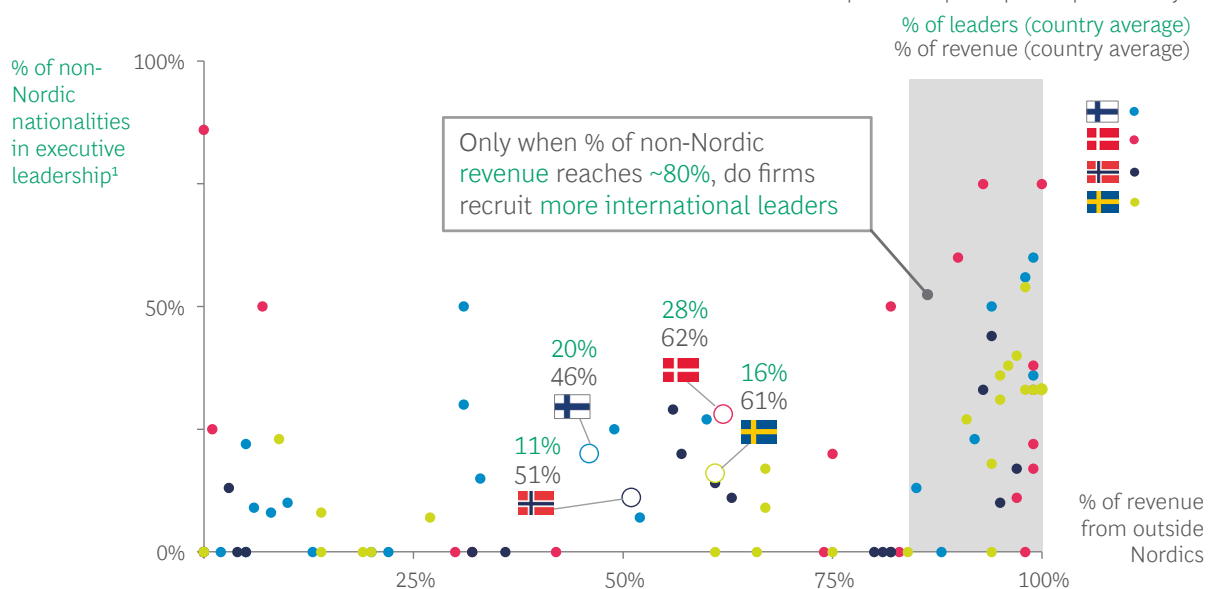
% actively seeking promotion



Nordic gender gap of 24 p.p. at young age, global at 6 p.p. as largest

- Global | Men
- Global | Women
- Nordics | Men
- Nordics | Women

| 18 - 24 years old | 25 - 34 years old | 35 - 44 years old | 45 - 54 years old | 55 - 64 years old |

**Source:** BCG Global Diversity Survey 2020

## Exhibit 4 | ~50% of largest Nordic companies primarily generate revenue outside Nordics, yet only ~20% of executive teams are non-Nordic

Average %-share for top Nordic public firms'² per country

Dots represent top companies per country
% of leaders (country average)
% of revenue (country average)

% of non-Nordic nationalities in executive leadership¹

Only when % of non-Nordic revenue reaches ~80%, do firms recruit more international leaders

20%
46%

28%
62%

16%
61%

11%
51%

% of revenue from outside Nordics

**1.** Includes companies' executive leadership team members, 2. Among top 30 listed firms by revenue in 2019, where data available, N per country: FI = 22, DK = 22, NO = 23, SE = 26

**Source:** Financial statements, Desktop research, BCG analysis.

# Diversity talent pipeline is leaking in several places

## Low diversity share in leader-generating study lines

- Education is to a large extent gender segregated
- Female representation is exceptionally low in science, technology, engineering, business administration, and finance: the educational backgrounds known to be the most common among leaders in the Nordics

## Narrow recruitment of talents

- Companies typically recruit from few study lines
- Loyalty toward a few national talent pools also hinder recruiting of strong talent, with same competencies, from other universities

## Unconscious bias in promotions

- We typically promote people who are similar to ourselves
- Several studies have proved that, as most leaders are men, we naturally subconsciously tie masculine traits to the leader image

## Structures and policies encouraging traditional behavior

- In most cases, parental leave is taken by females
- Flexible models for leader roles have not been particularly prevalent – high expectations for presence and availability of leadership

## Lack of recognizing the challenge

- In the Nordics, we view ourselves as global leaders on equality
- Only ~1/10 believe that talent from minorities is not promoted at same rate as majority and only ~1/5 believe that recruitment could be improved[1]

**1.** Applicable for all the Nordic countries - BCG Global Diversity Survey 2020

**Sources:** BCG Global Diversity Survey 2020; BCG: How Leaders Can Advance Gender Diversity in Denmark; Desktop research; HBR: Women Rising: The Unseen Barriers, Statistics Norway, Statistics Finland, Statistics Sweden, Statistics Denmark; BCG experience.

## Societal Developments Push the D&I Agenda Ahead

**Younger Generations and Societal Movements.** Younger generations tend to downgrade non-diverse and exclusive workspaces more frequently than older ones. Looking at our global survey responses, 34% of 18- to 34-year-olds have chosen not to apply for a job because of a lack of D&I culture in the company, whereas the percentage is 18% among those 35 to 64 years old[5]. Support from companies and leaders for the Black Lives Matter and #MeToo movements further demonstrates that society is demanding a step-change on D&I, and younger generations are well represented in making these demands, further stressing the burning platform for companies today.

**COVID-19 Has Created a Way to Rethink Work.** In the shorter term, the coronavirus pandemic can be viewed as hindering D&I in the Nordics, as women have been affected more than men in terms of job losses. Both in the first and second waves of COVID-19, the percentage of job loss was significantly higher for women than for men in all four countries: between 1% and 4% for women and between 0.5% and 2.5% for men[6]. A key driver of this development is the high female share in professions that have been particularly exposed to downscaling, such as retail and hospitality. Nevertheless, the crisis has allowed for, or rather imposed, large-scale application of alternative working models. Flexible working options is one of the most common initiatives mentioned by Nordic women as effectively promoting D&I[7]. Every leader must seize this moment to learn and consider adopting the flexible solutions that are effective in breaking barriers, not only for minority groups, but for all employees.

**5.** BCG Global Diversity Survey 2020

**6.** Statistics Norway, Statistics Finland, Statistics Sweden, Statistics Denmark

**7.** BCG Global Diversity Survey 2020

# Stop Talking About Diversity

The emphasis on D&I is not new, but there is still a lot of ground to cover to embrace it across Nordic companies. BCG sees three key adjustments that can help companies achieve a step-change and realize uncaptured value potential from D&I:

1. **Don't become stuck in the mindset of 'fixing diversity'**

2. **Realize how D&I can unlock value from an end-to-end perspective**

3. **Accelerate D&I effort by concretizing value and fully anchoring it in the business**

## 1. Don't Become Stuck in the Mindset of 'Fixing Diversity'

Most companies in the Nordics still approach diversity as something that simply needs to be fixed. Efforts are focused on avoiding bias and unfair treatment of employees, increasing recruitment of talent from minority groups, and punishing discrimination. D&I is less often promoted for its ability to increase competitiveness and business value. But this must be part of any winning strategy going forward,

# Table 1

| Stakeholder groups | | Why relevant for DE&I? | What are key moments of truth? |
|---|---|---|---|
| **Top management** | | Top mgmt. acts as role models for all employees and set the overall direction for the companies | Leadership appointments, succession planning, appointment of board etc. |
| **Employees** | | Employee satisfaction and composition is fundamental to the company's productivity and innovation | Promotion decisions, decision on new HR policies, salary negotiations, etc. |
| **Potential employees** | | Potential employees act as the recruiting pipeline and is therefore key to future productivity and innovation | Hiring decisions, decision on interview structure, decision on recruiting focus etc. |
| **Customers** | | Customers are the only revenue generators and key to the short- and long-term profitability | Marketing campaigns, new product decisions, decisions on new market launch etc. |
| **Suppliers** | | Diverse supplier landscape reduces risk of supply chain bottlenecks and risk of negative consumer boycotts | Signature of supplier contact, supply chain review etc. |
| **Other external stakeholders** | | External stakeholders can be potential team players in strategic partnerships to improve value creation | Fundraising decisions, decision on new export markets, agreement on strategic partnerships, etc. |

**Source:** BCG

since efforts anchored in the business are more likely to both yield value and be prioritized. There are four imperatives of which leaders must be aware to avoid getting stuck in the 'fixing diversity' approach. The four imperatives are: connect to business, go beyond HR, avoid tokenism, and track effectively.

**Connect to business.** There must be a strong link to strategy, purpose, and broad business outcomes for D&I efforts to truly work and be considered a priority. Driving D&I efforts from both a human rights and a value standpoint will yield a stronger commitment across the organization. Ideally, this commitment is identified at the outset, in order to best incorporate efforts in areas where diverse

views will be key to success. An example could be boosting diversity in sales teams to better understand customer segments or in supplier negotiations to better interact with the suppliers.

> **"The more people realize this [diversity] is linked to value creation and the success of business, the more it will be the driving force. That needs to be the driver."**
>
> **- Kjerstin Braathen, CEO DNB**

**Go beyond HR.** When D&I is understood to be a business imperative, it will then be treated as one, and delivered by

managers throughout the organization. Improving D&I cannot simply be the responsibility of the HR department. Many companies focus their efforts on recruiting more diverse people, but spend little time realizing the value from that diversity. Hiring new employees from diverse groups is easier than successfully addressing the deep-rooted cultural and organizational issues that they will face in their daily work. Companies must adopt more holistic approaches.

> **"Diversity and inclusion should always start at the top… We know that diversity and inclusion make us better, in our aim to deliver great customer experiences, in our efforts to create the best workplaces, and long-term to deliver the best financial performance."**
>
> **– Frank Vang-Jensen,
> CEO Nordea**

**Avoid tokenism.** Building a strong and stable foundation to support the D&I efforts is critical to avoid falling back on tokenism. Symbolic gestures alone will not create the necessary change. Interventions must be anchored to proven solutions and key moments of truth, for example, when recruiting for leadership positions, launching new products, applying for funds, or when employees return from maternity leave.

> **"The correlation between diverse teams, inclusive working environments, and business performance is unambiguous. But diversity is not enough—nor should it be the end goal ….Tangible and lasting results will require specific and immediate action, continuous commitment, gentle nudging of our leaders, a vow to measure progress, and an active approach to tackling biases."**
>
> **- Joris Huijmans,
> Chief HR Officer Carslberg Group**

**Track effectively.** Measuring and tracking to ensure transparency will drive accountability. The lack of progress over the last decade demonstrates that expecting 'things will right themselves with time' is not the answer. Without tracking measures that can disclose real progress, step-change is unlikely. Through concrete data, pinpointing specific company challenges will become much easier and help facilitate the progress.

> **"You don't make progress quarter over quarter. You make progress over a sustained period of time on this specific topic here. It's about a pragmatic approach to attracting and nurturing the right talent, and making sure the leadership is held accountable."**
>
> **- Jakob Gudbrand,
> CEO GN**

## 2. Realize how D&I can unlock value from an end-to-end perspective

When planning a D&I effort, a company should look at all its stakeholders, its full business context, to identify key players and focus areas. This enables both an internal D&I focus (talent retention, management representation, pay equity, etc.) and an external D&I focus (recruiting efforts, procurement, consumer relations, etc.). Companies must understand the importance of each stakeholder group and key moments of truth to determine suitable D&I interventions. The table above highlights how D&I can add value to distinct stakeholder groups, as well as common moments of truth. Leaders should build the company's D&I strategy around the stakeholders and processes that are deemed most important in relation to the company's underlying objectives.

## 3. Accelerate the D&I Effort by Concretizing Value and Fully Anchoring in Business

Companies will have to become more targeted in their approach, beginning by defining the desired business value that increased D&I should yield. We propose that companies craft their D&I strategy by following these five steps:

I.      **Set the vision**

II.     **Define the scope**

III.    **Set the targets**

IV.     **Decide on initiatives**

V.      **Ensure strong governance**

**I. Set the vision.** The key is to formulate a D&I strategy that emphasizes value growth in the form of clear business outcomes with a clear foundation in the overall purpose and commercial strategy of the company. Engagement and input from top management in the vision-setting is crucial to securing leadership buy-in, necessary resources, and long-term prioritization. A clear definition of the intended value from D&I is the strongest starting point for both reviewing current D&I efforts and adjusting efforts to maximize results.

One example would be a large European pharmaceutical company that views D&I as a key driver for its innovation and quality assurance. It does this by leveraging D&I to create a workspace where people are empowered to share opinions and challenge established thinking.

**II. Define the scope.** This step includes identifying key stakeholders and moments of truth that must be tackled.

The company should consider all stakeholders in its end-to-end operations, how improving D&I would be relevant for these groups, and where the moments of truth—where diversity is either secured or lost—are (as outlined in Table 1).

If a company wants, for example, to leverage D&I to improve sales to specific customer segments, it is vital to assess its diversity in sales and/or marketing. Diversity needs to be secured in the departments related to the business challenges; places where diversity will be an enabler of success.

**III. Set the targets.** Companies must define end goals through concrete KPIs and targets to determine "what good looks like." As with Setting the Vision and Defining the Scope, specificity is something to be stressed. The "right" KPIs and tracking methods will be crucial to driving the desired progress. KPIs must be specific to selected stakeholder groups and clearly linked to the overall business objectives. Benchmarking both internally and externally against comparable industry players can be valuable in assessing competitiveness and status. Allowing for different ambition levels of the various KPIs (such as reaching top quartile on some, but settling for industry average on others) will allow the company to focus its approach and emphasize the areas that are considered most important.

As an example, a large consumer company in the Nordics had very limited diversity among employees with technical expertise. It developed concrete KPIs specifically for this group. As more diversity was added, the supply of new products increased. Today, the company credits improved D&I with the increased innovation and creativity.

**IV. Decide on initiatives.** A key task is to prioritize potential initiatives and develop action plans tailored to specific moments of truth. It is important to involve key stakeholders and employees in identifying the moments and situations that need work, and then in developing initiatives. When prioritizing, the company must be selective and focus on initiatives with the highest anticipated impact and executional certainty.

A Nordic consumer company had a low share of females in its higher ranks. It instituted a new push for D&I, and one of its first actions was an anonymous survey of 800 leaders across the organization to harvest information about attitudes toward diversity and underlying root causes of the lack of diversity. This allowed the company to prioritize and implement concrete initiatives to alleviate the underlying challenges.

**V. Ensure strong governance.** It's crucial for progress and value realization to plan your governance strategy before executing it. Dedicated program sponsors from top management are essential to ensure it is prioritized, and there must be sufficient participation from owners outside the HR department to confirm a clear connection to business and accountability throughout the organization. Clear ambition deadlines for implementation of interventions and target realization are required.

Recently, a global consumer company implemented executive incentives to ensure accountability from the top. Beginning in 2021, executive compensation will be linked to progress on 2025 D&I targets.

# Last Words

There is a major drive among Nordic companies to make progress on D&I that emphasizes a growing recognition of the fact that diversity is not only about doing good, but also about doing well as a business. Yet most Nordic companies have difficulty clearly articulating what type of value they expect from improved D&I. When this ambition to find value is neither concrete nor connected to the company's businesses, both value and actual progress will typically either be slow or simply fail to materialize. Leaders must take a step back and rethink their approach to D&I; companies that manage to leverage diversity as a business strength will enhance their competitiveness in this decade and beyond.

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