

DIVERSITY & INCLUSION: AN ASIA PACIFIC PERSPECTIVE EXECUTIVE SUMMARY



In the current business and economic environment, diversity is a key driver of innovation and is becoming increasingly critical for creating competitive advantage, especially here in Asia Pacific. Given the competitive labor market and more emphasis being placed on attracting and retaining a strong workforce, diversity and inclusion practices are increasingly becoming more important in differentiating one employer from another.

In light of the increasing importance in Diversity and Inclusion practices in Asia Pacific, Mercer has taken a closer look at diversity & inclusion (D&I) strategies and practices in the region to understand the unique reasons why companies in Asia Pacific are looking at diversity as a competitive advantage.

NEW RESEARCH SHEDS LIGHT ON DIVERSITY AND INCLUSION PRACTICES IN ASIA PACIFIC

In preparing this report, Mercer conducted comprehensive interviews with 31 companies throughout the Asia Pacific region. The companies chosen include those spearheading diversity and inclusion efforts as well as those interested in enhancing their current diversity and inclusion strategies.

The research also includes a survey conducted in December 2011 to January 2012 which yielded 355 responses from companies located in seven key markets across the region: Australia, China, India, Japan, Hong Kong, South Korea and ASEAN. Findings from this survey have established a baseline to determine what is occurring in the region around the diversity and inclusion agenda.

WHAT DOES “DIVERSITY” MEAN IN ASIA PACIFIC?

How diversity is understood varies widely across the region since the topic is a relatively new one. While awareness of diversity and inclusion issues in Asia Pacific started to build in the early 2000s, it wasn't until 2005 that evidence of a real diversity and inclusion agenda among some companies in the region began to emerge. As a result, even the meaning of terminology is an issue when addressing this topic in Asia Pacific. While “diversity” – both as a term and a practice – remains virtually unknown in some countries, in others it has various names and meanings. For example, companies in Singapore speak of “fair employment practices,” while diversity and inclusion practices refer almost exclusively to gender-related initiatives in India (although this is beginning to change) and Japan.

The definition of diversity also differs greatly from its meaning in the West. From the type of diversity targeted to the practices implemented, diversity and inclusion as it is being practiced in Asia Pacific is distinct from the Western model. Moreover, the concerns and practices in one market in Asia Pacific are distinct from those in another.

“I believe Asia has a truly unique opportunity to both learn from other regions where diversity & inclusion has been pursued more directly for many more years, while at the same time avoiding some of what we would see as lessons learned: for example treating diversity & inclusion as a legal requirement, focusing on discrimination and compliance. In addition, given Asia’s unparalleled economic growth, the region also faces a unique opportunity to make significant progress more quickly than will other regions where growth is stagnant.”

- KARI RESTON, HEAD, GROUP DIVERSITY & INCLUSION, STANDARD CHARTERED BANK, SINGAPORE

“Organizations in Asia started looking at diversity not because of compliance or their western headquarters demanding them to, but because of the benefits it brings. As a region, Asia Pacific started late on this journey because of the lack of legislation around it but due to the fast economic growth of the region and the need to address the talent gap, diversity and inclusion became a business imperative.”

- ANU SARKAR, REGIONAL LEAD
DIVERSITY (ASIA PACIFIC),
DEUTSCHE BANK AG,
SINGAPORE

A FOCUS ON GENDER, FOLLOWED BY NATIONAL CULTURE AND RACE/ETHNICITY

Diversity programs implemented by companies in Asia Pacific are most likely to target gender, with three-quarters of those surveyed listing gender as the main focus of their diversity efforts. Consistent with this focus, the most common diversity programs offered by companies are gender-related, such as flexible work arrangements, mentoring, and family-friendly policies.

A smaller but still significant number of companies are concerned with diversity in terms of national culture or race/ethnicity – overlapping categories since race in Asia Pacific is most often defined through national culture, with Chinese, Indian, and Japanese seen as descriptions of race. Ethnicity, on the other hand, is linked to the same national culture (common beliefs, values, history, etc.) but denotes diverse ethnic groups within that culture, including some that are legislatively defined as minorities, such as the Uygur in China or the aboriginals in Australia.

This focus on culture and ethnicity is also reflected in the programs offered by survey respondents, which include culture sensitivity training, diversity and inclusion training, and linkages between performance management and diversity and inclusion practices.

WHAT'S DRIVING DIVERSITY AND INCLUSION IN ASIA PACIFIC?

The data show that most companies have a diversity and inclusion strategy in place at the global and regional level, although 20% of respondents have a strategy developed at the market level.

Demographic trends

Diversity and inclusion are increasingly pressing issues in Asia Pacific because of demographic changes affecting both the workforce available to businesses and the customers they serve. Companies surveyed pointed to several trends that are impacting their employee base, including multiple generations and nationalities in the workforce, an increase in women in the workforce, an increased expectation for flexible work arrangements, and an aging population.

Economic growth

Another key driver of diversity initiatives in some markets in Asia Pacific is rapid economic growth. Robust expansion across the region has increased the demand for talent, in some cases straining the ability of local labor markets to keep up. In response, companies are widening their gaze, reaching out to talent pools that they may have overlooked in the past.

The impact of trends on HR programs

Now more than ever, HR professionals in Asia are shaping their human capital strategies and practices to reflect the increasingly diverse talent pool in their countries. The research shows that hiring and recruiting practices, career pathing, and other HR policies are expected to change considerably due to demographic trends.

Diversity and inclusion as a business necessity

Several research studies on diversity and inclusion practices in the U.S. and Europe have found that diversity initiatives in these mature markets are driven largely by legislation. In contrast, legislative mandates pertaining to diversity and inclusion are almost nonexistent in the countries of Asia Pacific, with the exception of Australia. Instead, the push for diversity in the workforce in Asia Pacific is being driven primarily by business needs.

Overall, companies in the region with diversity and inclusion strategies have built those strategies on a well-founded business case that clearly links diversity to the organization's mission and goals. These companies have linked their business strategies to workforce planning and thus understand how diversity best serves their workforce needs. A majority also sees their diversity strategies as enabling them to better meet the needs of diverse customers.

A focus on inclusion

In Western organizations, diversity and inclusion efforts have evolved slowly over the last 25 years from being focused almost exclusively on diversity to encompassing a combination of diversity and inclusion practices. Early on, many companies were concerned primarily with improving their metrics and increasing the diversity of their workforces by hiring more women, different races and different generations. However diversity itself does not bring organizational culture change if there is not true inclusion of the diverse employee segments.

For most organizations in Asia Pacific, however, research indicates that they are largely focused on inclusion and on "harmony" in the workplace. Rather than highlighting differences and celebrating the uniqueness of the individual – a common approach to diversity in the West – companies in the region place a higher value on the group and on achieving balance between the different elements in the group.

"The key thing is not only diversity but also inclusion. You need to address any biases, need to get people to truly embrace the differences, people need to truly appreciate differences."
- XU ZHAO XIA (ANGELA), CHINA
TALENT MANAGEMENT, HENKEL

DIVERSITY AND INCLUSION IN 2012

Top issues

For companies with diversity strategies in place, efforts in 2012 will focus on two main initiatives: developing women for leadership roles and attracting more diverse talent to their organizations. It is interesting that, while a third of survey respondents listed age as a key topic of concern for their organizations, few said that it is a main area of focus for 2012.

Goals for advancing the diversity and inclusion strategy

Companies plan to advance the diversity agenda in the coming year primarily by deepening the message around diversity and inclusion for their employee population and leveraging their senior leaders to change mindsets.

How companies can better meet the challenges

We have identified four fundamental principals that all companies can follow to ensure the success and business impact of their diversity and inclusion strategies.

1. Increase leadership participation

The research indicates that many companies in the Asia Pacific region are failing to gain commitment from their business leaders to support diversity and inclusion efforts. This commitment will most easily be secured when diversity and inclusion is tied directly to the business strategy and the workforce plans required to execute on that strategy.

2. What gets measured gets done

Because diversity and inclusion strategies involve a long-term investment, and change will not come within a few months, it is important to measure and track all levels of diversity within the organization and make leaders, from senior to middle management, accountable for improvement in these metrics.

3. The business case: Focus on what matters as a start or as an evolution

For companies just starting to develop a diversity and inclusion strategy, targeting many topics will stretch their resources too thin; for those that implemented their initiatives years ago, the question is how to ensure those practices are still relevant. The key in both cases is to focus on what matters most to the business. This means that the strategy will be different for each company, so while gender balance, for example, may be an important business goal for one, it may not be for another.

4. Communication is key

Diversity and inclusion strategies can be important to both business success and branding, but only when the strategies are successfully communicated. Among the companies surveyed, over 60% use their diversity strategy as a branding proposition because they see it as a competitive advantage.

USING MERCER'S DIVERSITY AND INCLUSION FRAMEWORK TO ADDRESS EXISTING CHALLENGES

At Mercer we believe that having a diversity and inclusion strategy is a competitive advantage for companies, enabling them not only to attract and retain the best talent, but also to leverage that talent to target segmented customer populations and bring innovation and creative thinking to the business. To be most effective, diversity and inclusion should be embedded in all HR practices and policies and linked to business goals.

Due to our presence in all core Asia Pacific markets, we have applied a local lens to Mercer's diversity and inclusion solutions framework for the Asia Pacific region. This framework is based on this research and is designed to address the key points highlighted in this report.

Our framework focuses first on diagnosing the current state of the organization, analyzing workforce metrics for all levels of talents (attraction, retention and promotion of diverse talent populations) and assessing leadership and employees' understanding of the issue and level of engagement.

Once the baseline is established, Mercer's framework links diversity and inclusion to leadership and talent development, offering a variety of learning and development tools and customized consulting solutions.

This framework also gives attention to communications and change management, which are vital factors for a successful mindset shift around this issue and the successful implementation of any initiative.

As the region is diverse itself and companies are in different stages in developing and implementing diversity and inclusion strategies, our framework leverages the extensive knowledge of our human resources consultants and learning and development experts to create a unique approach both for companies that are starting on their journey and need to establish a strategy around the topic and for those that have set the ground work and are looking for specific targeted customized actions.

MERCER'S POINT OF VIEW ON BUILDING A DIVERSITY AND INCLUSION STRATEGY



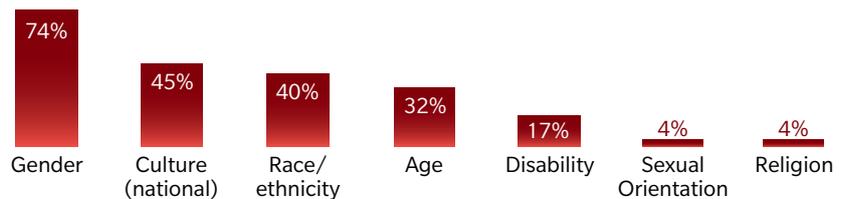
WHO HAS A DIVERSITY STRATEGY?

Does your company have a diversity strategy?



A FOCUS ON GENDER, FOLLOWED BY NATIONAL CULTURE AND RACE/ETHNICITY

Which are the main areas of focus in diversity and inclusion for your organization?



Note: Companies could provide up to three responses so results do not add up to 100%

A FOCUS ON INCLUSION

How accurately do the following attributes describe your organization?

■ Fully Agree + Agree ■ Neutral ■ Fully Disagree + Disagree

My organization focuses strongly on harmony in the workplace



My organization focuses strongly on inclusion



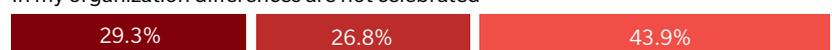
My organization is focusing on building diversity at the moment



My organization doesn't have a lot of diversity within the workforce



In my organization differences are not celebrated

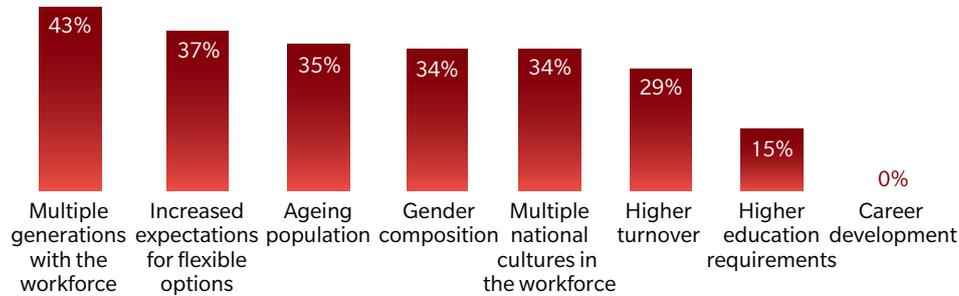


Note: This question was asked to all survey respondents

WHAT'S DRIVING DIVERSITY AND INCLUSION IN ASIA PACIFIC?

Demographic trends

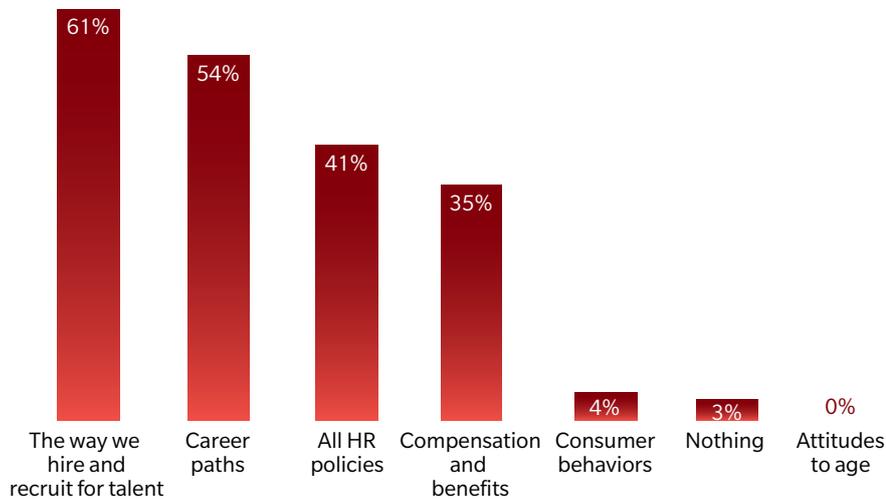
Which of the following workforce trends are having a significant impact on your employee base?



Note: Companies could provide multiple responses so results do not add up to 100%. This question was asked to all survey respondents.

The impact of trends on HR programs

Which of the following is expected to change the most given the demographic trends above?



Note: Companies could provide multiple responses so results do not add up to 100%. This question was asked to all survey respondents.

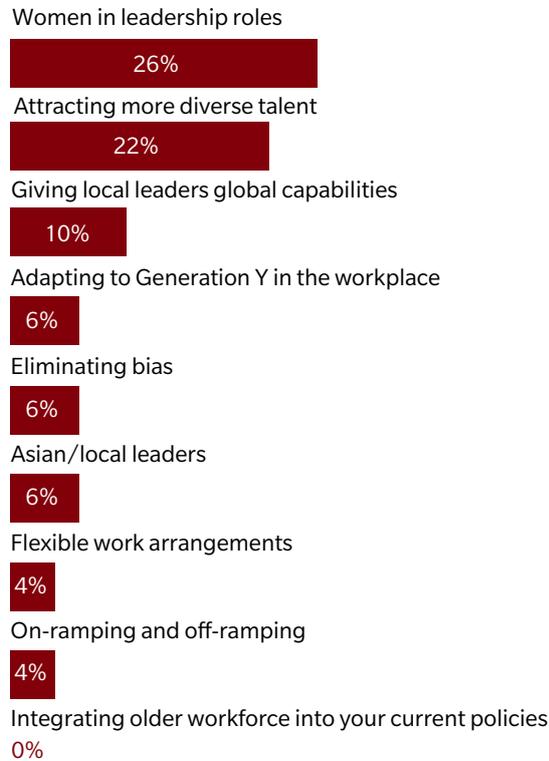
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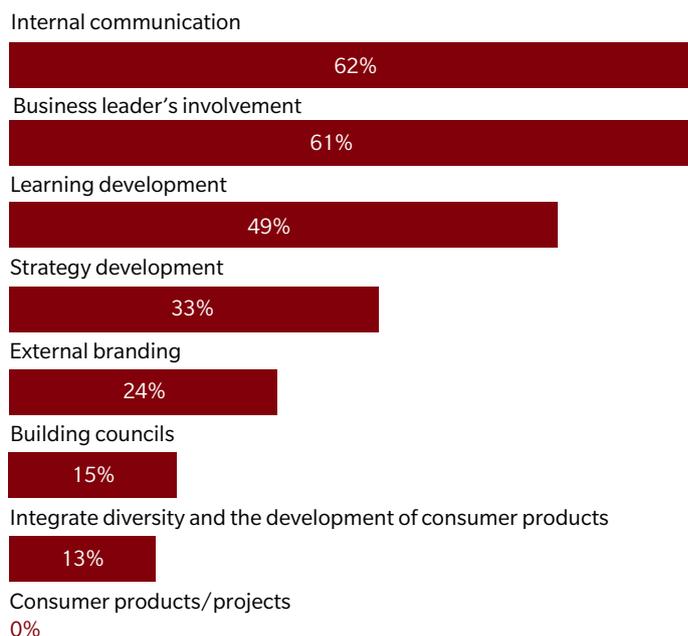
DIVERSITY AND INCLUSION IN 2012

What is your organization's top diversity and inclusion issue of focus in 2012?



Note: The survey respondents could select only one key issue. This question was asked to all survey respondents who reported having a diversity and inclusion strategy.

What are the top three priorities for developing your organization's diversity & inclusion strategy in 2012?



Note: The survey respondents could select up to three responses. This question was asked to all survey respondents who reported having a diversity and inclusion strategy.

CONFIDENTIALITY

All data provided in the survey is confidential and did not match the data given to single companies. Mercer has taken appropriate steps in collecting and disseminating this information in order to avoid any perceptions that could lead to identification of companies by the survey data.

Mercer is providing this survey information to its clients to permit them to make independent decisions regarding their diversity and inclusion strategies.

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