



MAKING DIVERSITY EVERYONE'S BUSINESS

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Executive Summary

- Companies in the top quartile for gender and ethnic diversity are more likely to have higher financial returns than the industry average.
 - In the UK only one in five small and medium-sized business are being run by women, creating a significant pool of untapped entrepreneurial potential.
 - Key recommendations to address the leadership diversity gap within businesses include:
1. Embedding diversity in enterprise and economic development strategies
 2. Supporting and widening business networks
 3. Tackling barriers to leadership and mentoring
 4. Supporting the widening of access to markets

About the research

[A major report](#) on leadership diversity in the West Midlands, led by Professor Kiran Trehan from the University of Birmingham Centre for Women's Enterprise, Leadership, Economy and Diversity [WE LEAD] identified recommendations to address the leadership diversity gap within businesses. As a result, diversity strategy, operations and workplace practices have improved at both a local and national scale.

Background

Brexit, the financial crisis, the shifting political landscape, and disclosure in business and public services are highlighting the consequences and impact of a lack of diverse leadership to business success. With discussions continuing amongst the public and policy makers on leadership diversity and how to repair trust in business, the demand for more inclusive workplaces has never been so high.

Inclusive leadership for inclusive growth

Every small or medium sized enterprise (SME) is different, with its own markets, products, growth potential, and with different elements of skills, experience, networks, gender and ethnicity, depending on the entrepreneur(s) who drive it. Diversity is therefore a feature of any business community. Yet, too often support to business growth ignores many aspects

of diversity, applying a 'one size fits all' policy which results in opportunities being lost through an inability to engage many of the businesses that could benefit.

Research from the University of Birmingham's Centre for Women's Enterprise, Leadership, Economy and Diversity [WE LEAD] highlights that embedding diversity at the centre of business support policy is necessary to ensure that:

- The full potential for growth across the whole business community is realised;
- Support is tailored to help diverse firms overcome the specific barriers they face;
- Policies to promote business and jobs growth benefit all and do not exclude people and enterprises from particular demographic groups.

Leadership diversity is essential and can occur across sectors, but the full potential will not be realised if some in that spectrum are excluded from growth opportunities or if the barriers to growth are not tackled.

Policy recommendations to promote entrepreneurial diversity

The research has given rise to the following recommendations:

1. Embed diversity in enterprise and economic development strategies

Recognising and acting on diversity benefits all businesses and the economy as a whole. Potential growth opportunities, such as through trade with emerging economies or new domestic markets, can be grasped and latent enterprise skills, such as in new communities, unleashed when diversity is embedded in strategies.

Embedding diversity within strategies means:

- being aware and sensitive to these issues;
- filling in gaps in market intelligence and monitoring impact;
- reaching out and engaging diverse businesses
- co-ordinating approaches;
- championing successful policies and innovations.

2. Support and widen business networks

Many diverse businesses provide support to each other through networks that are often run on shoestring budgets.

These networks are also sources of valuable information for policy makers and practitioners and should be consulted and represented on strategic and decision-making bodies. At the same time, these networks may be less extensive and excluded from wider business networks. Supporting these networks therefore also means helping them break into and connect better with wider networks.

3. Tackle barriers to leadership and mentoring

Much has been made of business mentoring in current enterprise policy, in part because it draws to a large extent on private rather than public resources. However, evidence suggests that mentoring is most productive, and beneficial to both the mentored and the mentoring business, when it is based on long term, trusting relationships built through developing a deep understanding of each other's businesses.

Successful mentoring models include:

- Peer-to-peer business mentoring between small and medium sized firms;
- Larger corporates mentoring smaller firms, following a careful process of relationship building;
- Business support and professional services working with minority businesses to promote their commitment to mentoring by engaging in a variety of outreach activities, starting with ice-breaking, explanatory sessions in which misunderstandings are dispelled and expectations clarified. This develops trust; promotes knowledge-sharing; and generates sustained relationships.

4. Support the widening of access to markets

Accessing markets and doing so consistently are faced by all SMEs as well as minority ethnic businesses. However, weaker networks can make market access even more difficult. Public sector agencies and large corporates can adopt a range of procurement policies which can make a real difference.

Making the business case for tackling leadership diversity

When it comes to competitive advantage our research makes it increasingly clear that organisations with diverse workforces perform better because they tend to attract diverse talent, have greater employee satisfaction and are better at problem solving, decision

making innovation and have higher financial returns. However, the research highlights that workforce diversity is not a standalone issue, but interconnected to the chain of political, social and economic change. Industries, organisations, and businesses that do not have inclusive leaders cannot solve this problem by a single initiative, but need a whole systems solution which requires collaboration across geographies, sectors and organisations.

Inclusive leadership is not just about diversity quotas or numbers on boards, it's about ensuring staff, regardless of background, are included in decision-making, strategy and operations.

In short, there is now an economic and business imperative for greater leadership inclusivity in addition to the frequently cited social imperative for greater equality.

About the author

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Professor Trehan is a key contributor to debates on leadership, enterprise development and diversity in business. Professor Trehan was a commissioner and co-led Leaders Like You, a major report on leadership and diversity as part of Andy Street's Mayoral Leadership Commission in the West Midlands.

Find out more about Professor Kiran Trehan's work and how her research is impacting the lives of real people: www.birmingham.ac.uk/unfiltered-lives



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