The Equity Effect

A report from
Henley Business School

Contents

Foreword

Dr Naeema Pasha
Director of Equity,
Diversity and Inclusion

Racial equity is not a separate conversation to a discussion on how businesses can achieve success. It is critical to any organisation wanting to achieve its aims and ambitions in this challenging world of work. Of course, we all want to say that racism has no place in business, education or society. But the experience of the pandemic and social movements like Black Lives Matter have shown us that we need to shift our organisational, cultural thinking to ensure we work on racial equity – not just because it is a good thing or seen as worthy, but because it is valuable and essential to organisational success.

Henley Business School has worked with organisations across the world for over 75 years, and we are seeing leaders grappling with complex choices on developing their organisation and dealing with newer changes ahead. We can see that business leaders want their organisations to progress and achieve growth through innovation, and to achieve competitiveness through creativity. We also know that most leaders understand that critical to these goals is harnessing great talent and engaging outstanding people who are committed to the organisation's purpose and output. However, what they may not see is how important racial equity is to that ambition.

Our research shows that achieving better racial equity is core to organisational success, and that failing to address racism in the workplace creates unhappiness and disharmony – which will detract from successful outcomes. In reality, racial prejudice and discrimination can creep into organisations and create division, causing feelings of disempowerment, which leads to disengagement – not just from Black and ethnic minorities, but people of all races who witness such acts. By letting these issues and negative behaviours fester, an organisation may defocus people and alienate staff, which could then affect productivity and creativity. For those businesses, the drain of racism is not only human, but financial too.

Having a strategy on racial equity not only focuses the 'organisational mind' on race, it also creates a culture of diversity and connection, and of belonging and engagement in all staff, who know they are able to contribute fully to the organisation. It also enables the organisation to really think about how to hire and develop the best talent – especially when driven with authenticity and commitment from the CEO and senior leadership.

Business leaders need to see that by tackling race and adopting an inclusive culture, they can improve almost all parts of their organisation, including wellbeing, engagement, sustainability and innovation – which all then contribute to the bottom line. Dedication to a culture of diversity drives creativity; if we all thought and acted the same, where would we get the innovation in our organisations? Fairness in diversity and inclusion leads to a better sense of belonging, which leads to better outcomes for all employees – of all races.

Professor John Board
Dean of Henley
Business School

This research sits alongside Henley's earlier reports that show how forward-thinking approaches to the world of work – the greater returns from a four-day working week and the benefits of permitting employees to have a side-hustle – yield benefits both to enterprises and to their employees. Attempting to maintain "traditional" working environments with fixed patterns of work, in fixed locations and with inflexible approaches to people can only damage business, the economy and society.

Our report into the prevalence of the lack of racial equity and its impact on businesses comes at an important time. The impact of discrimination in society has been highlighted by Black Lives Matter, but its deeper effect on apparently successful businesses is pervasive and damaging. It is worrying that only 35% of businesses acknowledge that racial discrimination is likely to

affect them when we all know that every business is, to some extent, affected. It is more worrying that addressing discrimination comes bottom of the priorities for workforce development. Worst of all is the lack of recognition that diversity, in all its manifestations, is good for business.

Henley's belief in 'bringing business to life' is founded on developing ideas and practices based on building responsible organisations and progressive business leaders.

It is well illustrated here – fairness and equity to employees yields profit for business, gains to the economy and benefit to society. As work and workplaces evolve, we can be clear that businesses will need to promote inclusion, tackle discrimination and build diversity. We all have work to do to ensure this happens.

Conversations on equity, diversity and inclusion

The year 2020 brought about change in a way most of us were never prepared to handle. From COVID-19 to the Black Lives Matter movement via the US Presidential elections and Brexit. The flood of events was felt especially heavily by Black and minority ethnic communities.

First, COVID-19 significantly impacted Black and minority ethnic people, with higher infection and morbidity rates. Next, the Black Lives Matter movement gripped the world. Gaining momentum following the unlawful murdering of Black people like George Floyd, who were simply going about their lives.

The voices of Black people on the streets brought attention to discrimination in areas beyond law and policing, to education, health and employment. Businesses across the globe paused to consider what they were doing, and what they could do, to advance equity, diversity and inclusion at work.

"Businesses are learning that we can no longer thrive sustainably on inequality, that economic success is communal and, critically, that we have to work for equality far harder than we worked to entrench inequality. Racism is a silent virus in the software of our minds, whose primary symptom is the capacity to fool its host that it isn't there. We believe we should fight racism wherever we find it, including in ourselves, and find nothing but freedom, relief, dignity and opportunity in eradicating it. Let's work together to see each other as equals and release our energy, talent, and growth."

Jon Foster-Pedley
Dean of Henley Africa,
Henley Business School

"In the light of Black Lives Matter, something that we've really tried to do as a business is talk more about our diverse and inclusive culture. We've always had it and we've always celebrated it. But we've just never used it as an attraction piece."

Zoë Mitton
UK University Partnerships Manager, FDM

"In compassionately respecting and empathising with others and appreciating the value anyone and everyone can contribute… only then can we truly leverage the richness of a diverse and inclusive perspective."

Dee Samra
Director of Data Governance & Quality, Liberty Global

Understanding equity

Racial equity means all employees are valued and treated fairly (even if this means being treated differently) irrespective of their race and culture, under the belief that strength comes through diversity. This includes the elimination of policies, practices, attitudes and cultural messages that foster racial discrimination and providing additional support and services to balance out inequities.

Equality

Equity

We wanted to understand the impact of diversity and inclusion in the workplace. Specifically, our aim was to understand the reasons racial inequity still exists in UK businesses, and what the barriers and challenges are to overcoming it.

Our research was conducted in March 2021 and included a sample of 505 business leaders and 1,005 employees of mixed ages, genders, ethnicities and industries.

We conducted a quantitative online survey with employees and business leaders to hear from them first-hand. We also worked with a specialist panel sample provider to include a spread of employees with a mix of characteristics and business leaders/decision makers across a mix of organisations.

We also carried out qualitative research, interviewing 22 business leaders and employees from a broad range of industries including automotive, technology, professional services, real estate and telecommunications. 10 interviewees were from White backgrounds, 12 were from ethnic minorities, 15 were leadership level and seven were in non-leadership roles.

We have included a selection of their insights from this research throughout this report. Additionally, Henley Business School academics from a range of research specialisms including HR, leadership, ethics, and organisational behaviour, have analysed the findings and shared their thoughts throughout the paper.

Further to this, we conducted research to gather specific business performance and diversity data points from companies listed on the FTSE 350. We used data modelling based on 100 companies across three trading years excluding 2020 as it was not an average year, with data points including total revenue, operating profit, market capitalisation and ethnic minority board representation.

Our research found that racism clearly exists in the workplace, highlighting the need to recognise and address biases as the next step towards progress. Factors such as perceived cultural differences (cited by 56% of employees and 52% business leaders) and a lack of diversity in leadership (33% of employees) are driving racial inequity and systemic racism within businesses.

Whilst there is still a lot of work to be done, the research also revealed a significant correlation between a more diverse and inclusive business environment and overall financial performance. We found that businesses which actively confront inequity and racism with practical measures, can expect to see an improvement in their employees' job satisfaction, loyalty, creativity and, ultimately, value, recording an average revenue 58% higher than those who did not.

33%
of employees felt that a lack of diversity in leadership was driving racial inequity and systemic racism within businesses

Racial inequity and racism today

Whilst the issue of race and ethnic diversity came to the fore for many businesses in 2020, there is still relatively little discourse around racial equity. Yet achieving this is the next important step for businesses on their diversity and inclusion journeys.

Racism is often thought of as individual acts of bias. Whilst discrimination still very much exists, focusing on individual acts of racism can obscure the realities that create and maintain racial inequity more broadly. Business leaders must shift their focus to addressing institutional and structural forms of racism.

"If organisations fail to create awareness amongst non-beneficiaries about actual ethnic bias and inequity in the workplace, diversity interventions such as positive discrimination can backfire. Diversity practices are likely perceived as reverse discrimination and unfair preferential treatment, undermining meritocratic principles."

Obiageli Heidelberger-Nkenke
PhD Researcher,
Henley Business School

"We see from the private sector that better diversity and higher levels of racial awareness leads to better business outcomes. So, it makes sense for the public sector to adopt a more inclusive approach by actively listening to all of its workforce in seeking material change for the better. The lack of diversity in senior leadership roles remains an issue in the public sector, so it is only when senior leaders are authentic about their desires and visions for change that it can happen and with lasting impact."

Sue Blackett
Lecturer in Accounting,
Henley Business School

"My personal experience of racial equity has not been about ticking the relevant boxes for confirming corporate charity delivery and has not been about minding various diversity quotas to ensure that my organisation surpasses the latest D&I morality tests, but instead, racial equity has been about being intentional about empowering every voice in the room to create a culture where everyone can truly belong, and one that feels sufficiently inclusive to allow for the kind of free flowing creativity that underpins the levels of success that teams and organisations are ultimately able to achieve."

Edosa Odaro
Head of Data at AIG

Seeing is believing

To effectively address racial inequity in business, it is important to first understand if people in business recognise that it exists. And although terms like *diversity, discrimination* and *equal opportunity* are all better known than the term *racial equity*, our research showed that employees and business leaders across the board believe there is racial inequity in their business.

We found that 30% of business leaders and almost a quarter (24%) of employees feel that racial inequity exists in their organisation, with that figure rising to as many as 2 in 5 (40%) of employees from ethnic minorities and 1 in 3 (37%) business leaders from minority backgrounds.

It may seem obvious to draw the conclusion that people from Black and ethnic minorities are more likely to acknowledge the existence of racial inequity in business, but our research found factors such as age, gender and what sort of company a person works in, can also predict how likely a person is to believe in greater levels of inequity.

For instance, business leaders from ethnic minority backgrounds, and in particular among those working in the public sector, are more likely to acknowledge racial inequity exists than business leaders from ethnic minorities in the private sector (60% vs 30%).

Younger White employees (29% of 18–34-year-olds) and younger White business leaders (41% of 18–34-year-olds) are more likely to acknowledge that inequity exists than older White employees (15% of +55-year-olds) and older White business leaders (15% of +55-year-olds). Ethnic minority female business leaders are also more likely than their male counterparts to acknowledge that inequity exists in their business (44% v 31%).

30%
of business leaders and almost a quarter (24%) of employees feel that racial inequity exists in their organisation

1 in 3 business leaders acknowledge racial inequity exists in their business

Acknowledgement of racial inequity within organisation

Legend: No, Yes
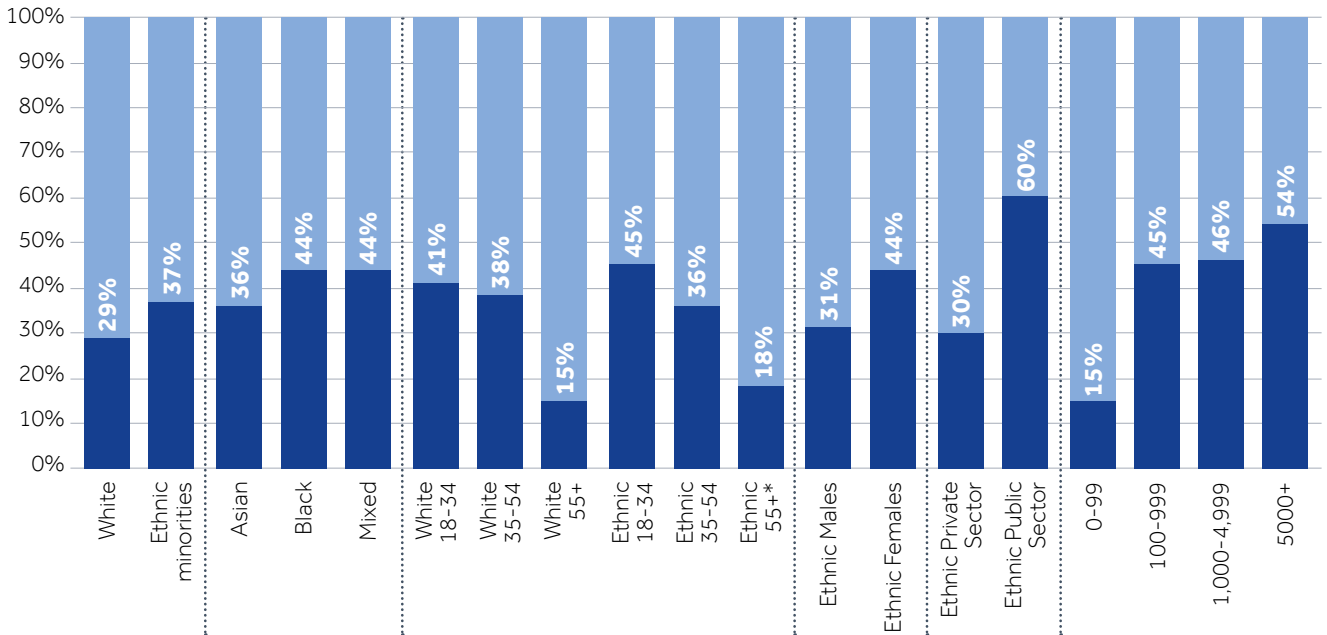
* Small base size

2 in 5 employees from ethnic minority backgrounds acknowledge racial inequity exists in workplaces

Acknowledgement of racial inequity within organisation

Legend: No, Yes
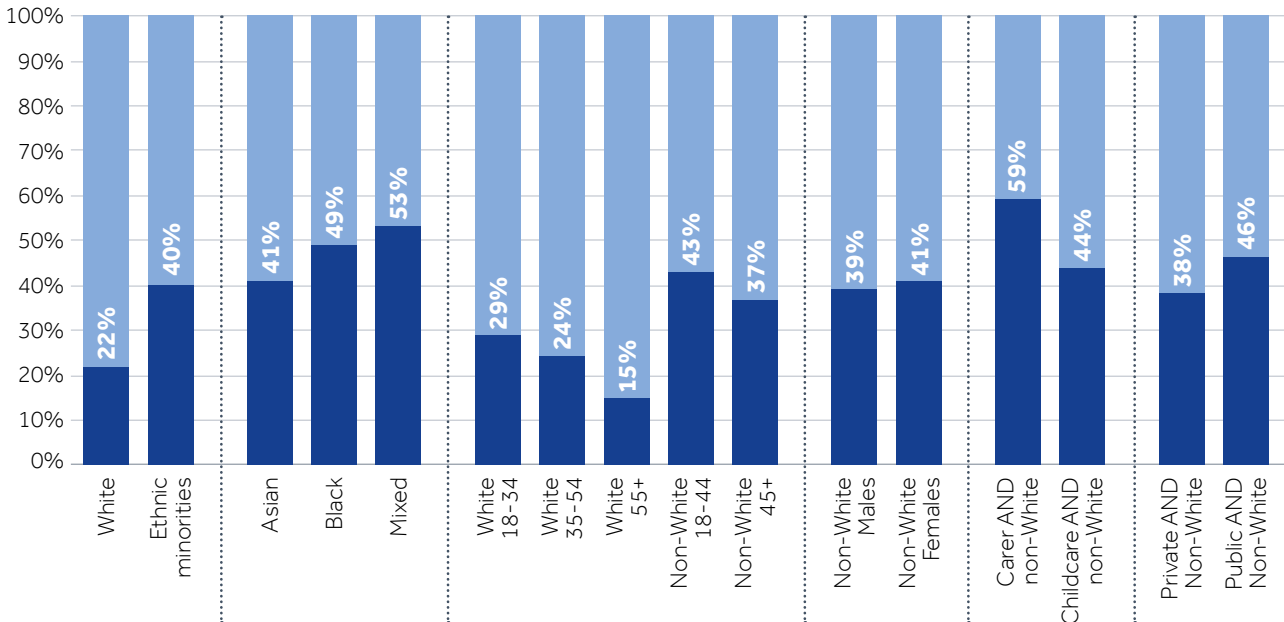
Different realities

As many as 22% of employees say they have personally experienced or seen discrimination of some sort in their workplace, with many citing race as the primary pretext (55%). In fact, over half (56%) of employees and 52% of business leaders said cultural differences are the root cause for inequity, followed by lack of understanding of backgrounds and history. Black employees (57%) and ethnic minorities in the public sector (50%) cite non-diverse leadership teams as the key reason for racial inequity in the workplace.

Not only do different people state different reasons for racial discrimination, but people from different backgrounds experience it differently, too. The two most common ways for discrimination to manifest for employees generally was verbal abuse (32%) and unfair rules and policies (32%), whereas 41% of ethnic minority employees say the key form of discrimination they face is in differentiation in work allocation.

Discrimination usually manifests through verbal abuse, unfair rules and intimidation

Types of discriminatory behaviour experienced

	Verbal abuse	Inappropriate and unfair application of work policies or rules	Creating an intimidating environment	Interference with work tasks	Discrimination in work allocation
	32%	32%	31%	29%	29%
	33%	29%	28%	18%	41%
	31%	33%	33%	33%	25%

Legend:
- All (yellow)
- Ethnic minorities (dark blue)
- White (light blue)

Discrimination in promotion
- All: 26%
- Ethnic minorities: 22%
- White: 27%

Inequal pay/pay rise
- All: 24%
- Ethnic minorities: 24%
- White: 25%

'Initiations' or pranks
- All: 19%
- Ethnic minorities: 19%
- White: 18%

Cyberbullying
- All: 17%
- Ethnic minorities: 7%
- White: 20%

Physical behaviour
- All: 16%
- Ethnic minorities: 8%
- White: 18%

Interference with your personal property of work equipment
- All: 16%
- Ethnic minorities: 17%
- White: 16%

Sexual harassment
- All: 12%
- Ethnic minorities: 14%
- White: 11%

Concocting reasons to discipline/fire
- All: 12%
- Ethnic minorities: 10%
- White: 12%

Racial inequity and racism today

Fear of being judged is the primary factor holding back people of colour from reporting racial discrimination

Challenges in reporting/accessing support

Category	Yellow	Dark blue	Light blue
Fear of being judged	35%	44%	34%
Cultural barriers	31%	32%	31%
Unconscious bias in the organisation	29%	38%	28%
Not knowing who to ask	29%	20%	30%
Language barriers	23%	20%	24%
Haven't seen examples of positive outcome	16%	15%	17%
Conscious bias in the organisation	15%	24%	13%
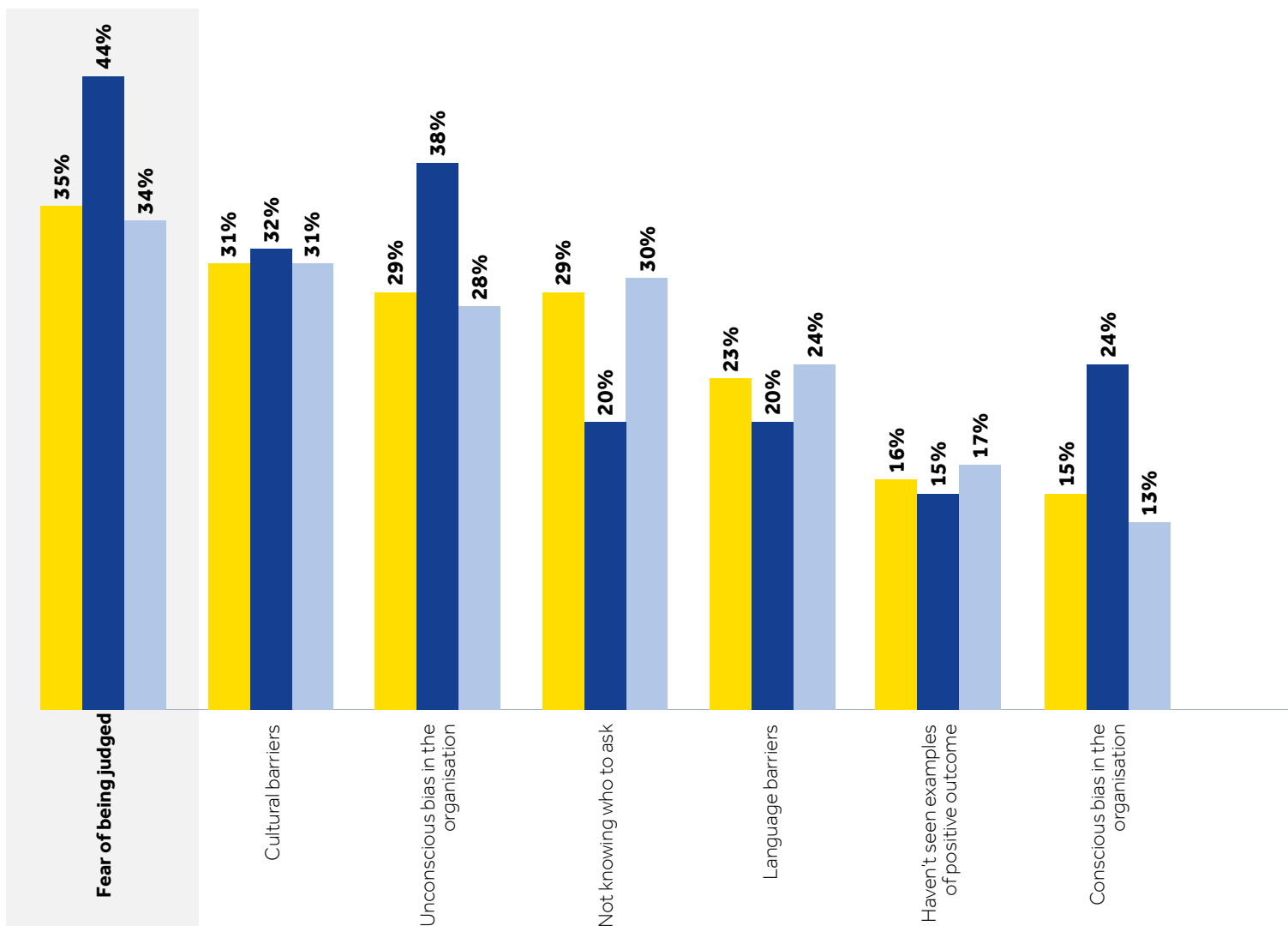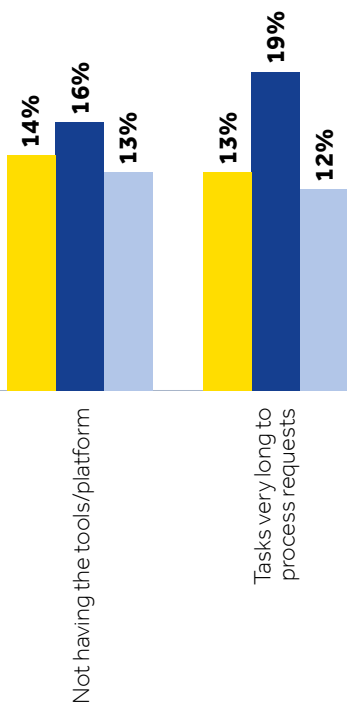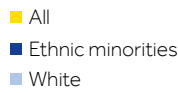
We also found that 35% of employees said fear of being judged was the primary factor holding back people of colour from reporting or accessing support regarding racial inequity. And 38% of employees from ethnic minorities consider unconscious bias a significant barrier preventing them from reporting or accessing support within organisations. We also found that public sector employees from ethnic minority backgrounds feel less confident to speak up and challenge than private sector workers (71% v 60%).

Furthermore, ethnic minority business leaders are significantly more likely to have received reports of discriminatory behaviour where employees were then disciplined or forced out of their job. We found that in these scenarios 19% of business leaders from ethnic minorities, compared with only 8% of business leaders from White backgrounds, mention "concocting reasons to discipline/fire".

If businesses can take stock of the reality for their Black and ethnic minority employees and business leaders, there is a real opportunity to make progress with the current state of racial inequity and racism in the workplace.

1 in 4 employees from ethnic minorities observed their colleagues from minority communities speaking up more on calls during lockdown. This could be because communicating online has helped break down behavioural boundaries, making it easier for these communities to express themselves than before, as one respondent told us: 'online working has levelled the playing field, we are all talking on one flat screen without videos. There's no physical hierarchy on Zoom'.

14%
16%
13%

13%
19%
12%

Not having the tools/platform

Tasks very long to process requests

What is stopping businesses from achieving racial equity?

"If organisations are serious about equity, diversity and inclusion, then they need to do more than just pay lip service to the ideas. They need to put their money where their mouth is, for example by supporting staff to learn more about EDI with work time set aside for this, or by enabling all staff to attend EDI training, and making it accessible to all. Organisations also need to be honest about their performance on EDI issues to-date, and acknowledge where they have failed, or where there has been only talk but no actual progress."

Aboodi Shabi
Lecturer in Coaching and Behavioural Change, Henley Business School

"Organisations are powerful actors in producing, reproducing, and diminishing racial inequity within and beyond workplaces. An organisational perspective on racial inequity could bring to the fore the ways in which social rules, beliefs, norms, values and practices are mediated through formal policies and informal practices to create and reinforce structures of social inequity such that they often become taken-for-granted."

Dr Washika Haak-Saheem
Associate Professor in Human Resource Management, Henley Business School

"It's about giving everyone a chance and the opportunity to build an incredible future. But equally, I think being able to build even more diverse and inclusive teams, things like the creativity, the ideas, the innovation and the way in which we work as a business is going to accelerate."

Hannah Gardiner
Global Talent Lead,
Austin Fraser

Our research clearly shows that racial inequity and racial discrimination remain prevalent in the workplace. For businesses to move forward, we must first ask why these issues still exist today and what barriers might be preventing businesses from moving closer to achieving real racial equity.

Employees, particularly those who are White (27%), see the fear of causing resentment by using wrong or insensitive terminology as the key barrier to achieving success in their organisation's diversity and inclusion programme.

However, ethnic minority employees see lack of understanding of the root cause, as the primary barrier (34%), followed by lack of empathy (26%), openness (25%) and reluctance to carry the burdens of educating others or fighting racism (24%).
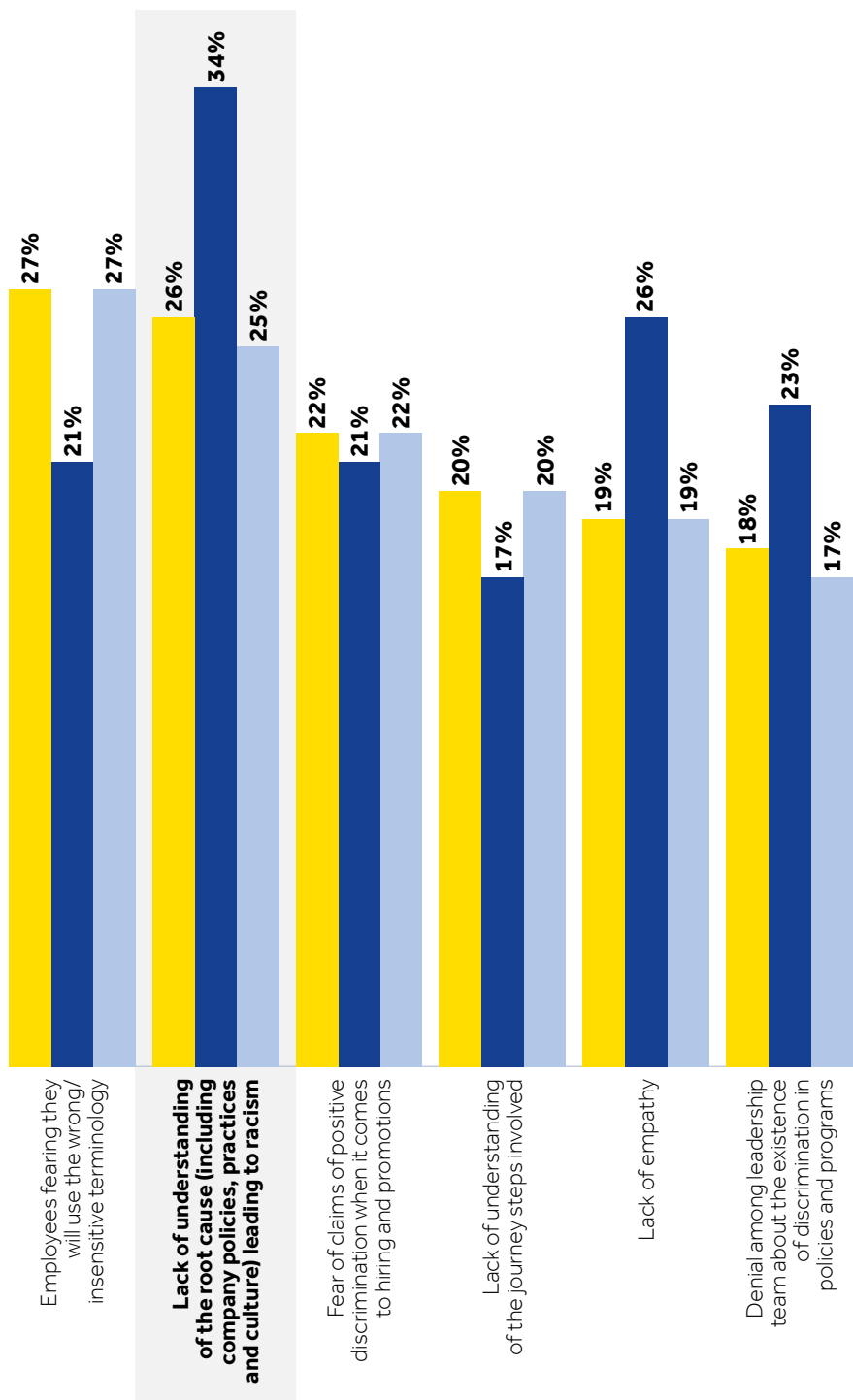
What is stopping businesses from achieving racial equity?

When it comes to White business leaders, 1 in 4 (25%) identify fears of positive discrimination and lack of understanding as key barriers. However, minority ethnic business leaders see a lack of empathy as the most significant barrier (34%). And those aged 18-34 (35%) are significantly more likely to identify positive discrimination as a barrier to success, in comparison with older business leaders aged 55+ (22%). Business leaders of large organisations believe denial among the leadership teams is the primary challenge (43%).

25%
1 in 4 White business leaders identify fears of positive discrimination and lack of understanding as key barriers

The primary challenge comes from White employees as they are afraid to cause offence or discomfort

Potential barriers for the success of racial equity

Barrier	Yellow	Dark blue	Light blue
Employees fearing they will use the wrong/insensitive terminology	27%	21%	27%
Lack of understanding of the root cause (including company policies, practices and culture) leading to racism	26%	34%	25%
Fear of claims of positive discrimination when it comes to hiring and promotions	22%	21%	22%
Lack of understanding of the journey steps involved	20%	17%	20%
Lack of empathy	19%	26%	19%
Denial among leadership team about the existence of discrimination in policies and programs	18%	23%	17%

Chart legend:
- All (yellow)
- Ethnic minorities (dark blue)
- White (light blue)

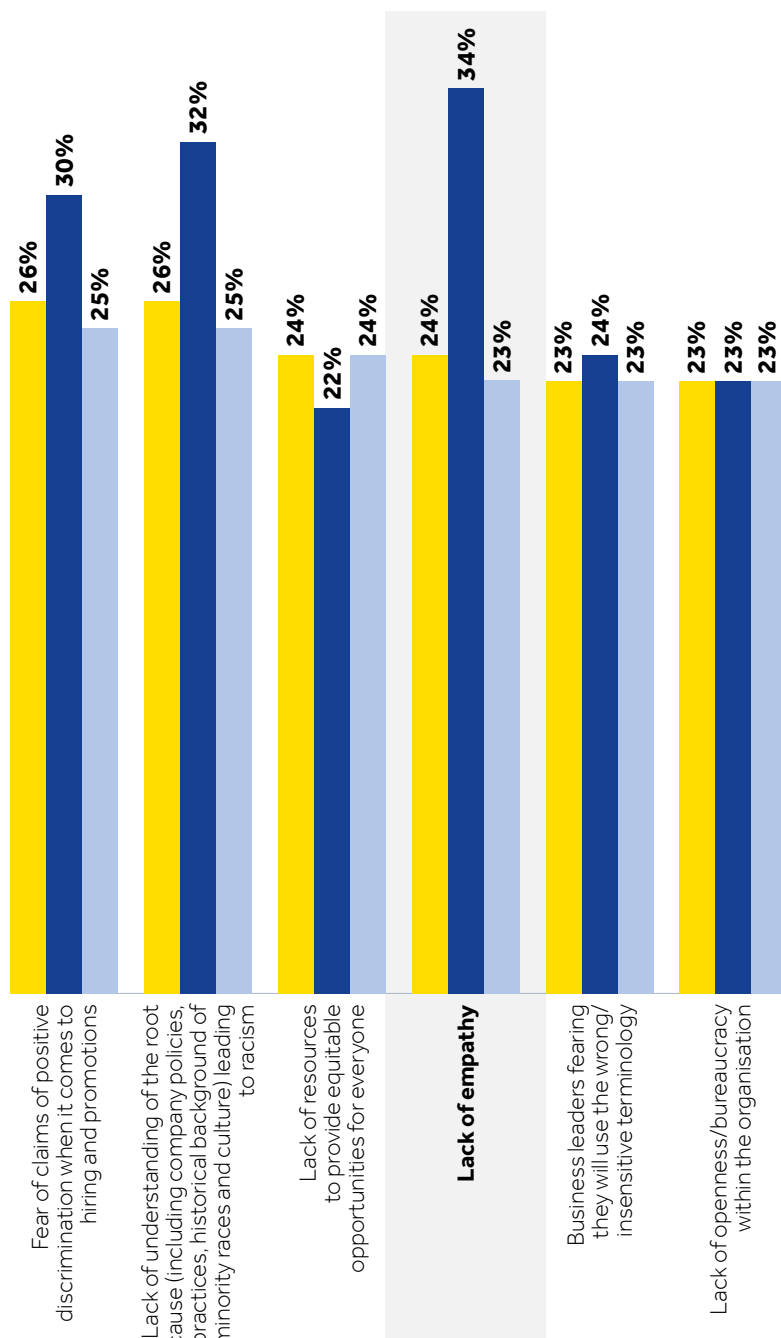| Category	All	Ethnic minorities	White
Lack of resources to provide equitable opportunities for everyone	17%	18%	16%
Lack of openness/bureaucracy within the organisation	16%	25%	15%
Propensity of managers to opt for quick fix solutions when problems arise rather than think longer term	16%	20%	15%
Opposition from White employees saying they are feeling victimised	15%	18%	14%
Reluctance among minority races to carry the burden of educating others and fighting racism	15%	24%	14%
Disinclination among senior managers to invest time and effort to implement the strategies	15%	18%	15%
Resistance from managers	13%	19%	12%
Lack of tools to manage and measure progress	13%	19%	13%
Company values (like integrity, commitment, ownership, innovation, etc.) diluting individual values	11%	15%	11%

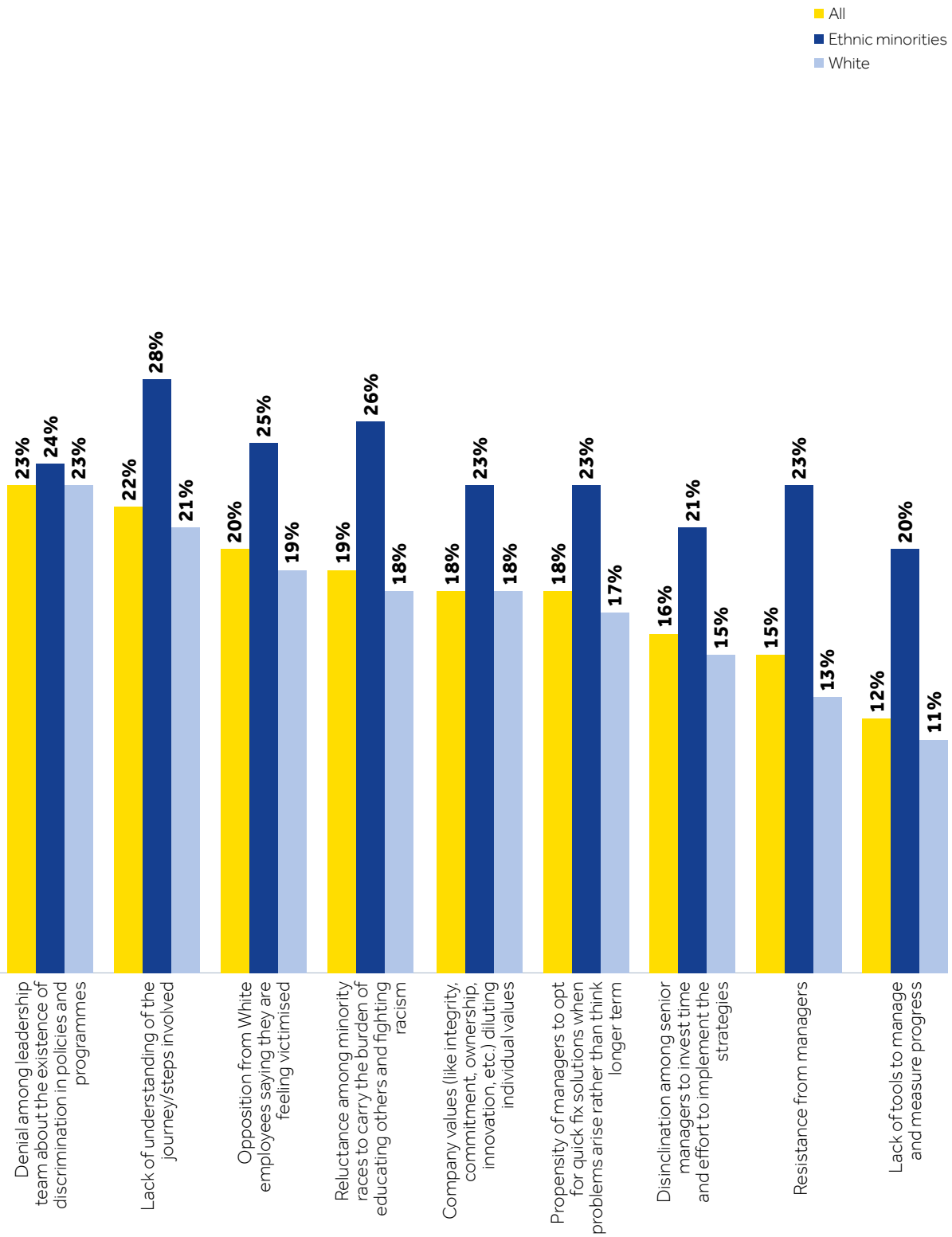# What is stopping businesses from achieving racial equity?

With that in mind, it's worth noting that 44% of employees from non-White ethnicities, particularly Black (57%) employees or those who work the public sector (50%), believe that lack of diversity in the leadership team leads to inequity. Meanwhile, both ethnic minority business leaders and employees in the private sector think cultural differences are the main driver of inequity (50% business leaders and 35% employees).

In general, public sector business leaders from ethnic minorities are much less likely to believe that employees in their organisations can be themselves at work or are free to express their ideas and opinions in their workplace vs. their counterparts in the private sector. 78% of business leaders from ethnic backgrounds feel employees in their organisation can bring their true authentic selves to work in private sector, compared with only 62% in the public sector.

1 in 4 business leaders identify fears of positive discrimination and lack of understanding as key barriers

Potential barriers for the success of racial equity

Bar chart showing potential barriers with values:

- Fear of claims of positive discrimination when it comes to hiring and promotions: 26%, 30%, 25%
- Lack of understanding of the root cause (including company policies, practices, historical background of minority races and culture) leading to racism: 26%, 32%, 25%
- Lack of resources to provide equitable opportunities for everyone: 24%, 22%, 24%
- Lack of empathy: 24%, 34%, 23%
- Business leaders fearing they will use the wrong/insensitive terminology: 23%, 24%, 23%
- Lack of openness/bureaucracy within the organisation: 23%, 23%, 23%

Legend:
- All
- Ethnic minorities
- White

Category	All	Ethnic minorities	White
Denial among leadership team about the existence of discrimination in policies and programmes	23%	24%	23%
Lack of understanding of the journey/steps involved	22%	28%	21%
Opposition from White employees saying they are feeling victimised	20%	25%	19%
Reluctance among minority races to carry the burden of educating others and fighting racism	19%	26%	18%
Company values (like integrity, commitment, ownership, innovation, etc.) diluting individual values	18%	23%	18%
Propensity of managers to opt for quick fix solutions when problems arise rather than think longer term	18%	23%	17%
Disinclination among senior managers to invest time and effort to implement the strategies	16%	21%	15%
Resistance from managers	15%	23%	13%
Lack of tools to manage and measure progress	12%	20%	11%

A problem of priorities

Business leaders rate achieving racial equity as the least important challenge to overcome in the next 12 months

Staff management challenges to overcome in the next 12 months

Legend:
- All
- Ethnic minorities
- White

Challenge	All	Ethnic minorities	White
Staff training	16%	17%	16%
Staff engagement	15%	13%	15%
Retaining top talent	15%	12%	16%
Recruiting the right talent	15%	21%	14%
Nurturing a motivating company culture	12%	10%	13%
Internal communications	8%	9%	8%
Achieving racial equality	7%	13%	6%
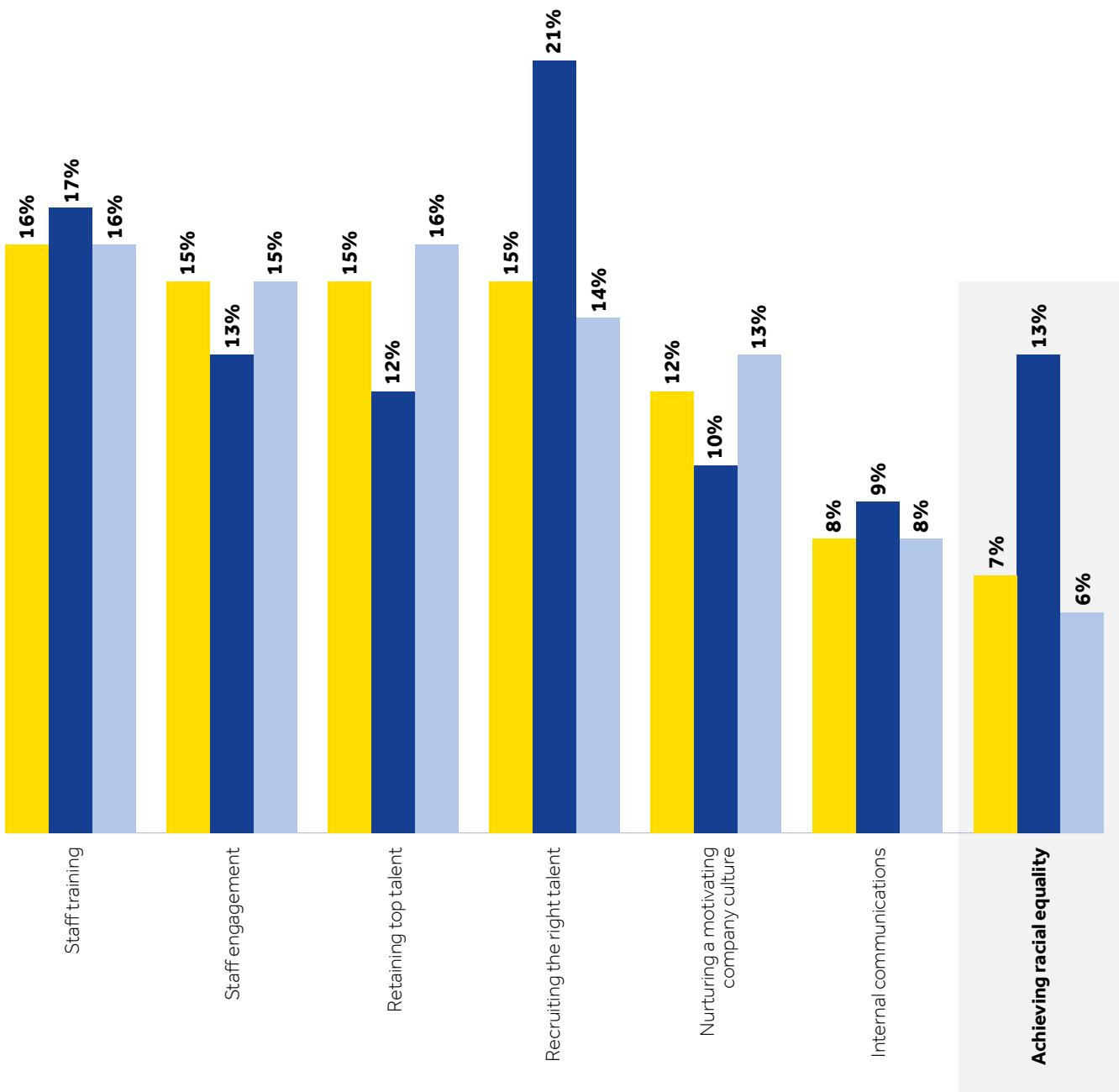
These are deep-rooted problems, which require serious commitment in order to fix. Progress will not come from quick wins, but from a dedication to achieving genuine racial equity.

But whilst more than half of businesses have communicated a zero-tolerance policy against racism (according to 52% of employees and 59% of business leaders), less than a fifth of employees claim their organisations have openly acknowledged racial inequity (18%). A fifth engaged in targeted training and development (21%) and only a quarter actively run diverse recruitment programmes (25%).

Furthermore, business leaders rated achieving racial equity as the least important challenge to overcome in the next 12 months. Only 1 in 20 business leaders (7%) considered achieving racial equity the primary challenge to overcome, with 16% rating staff training and 15% rating staff engagement as more important challenges to tackle.

However, business leaders from ethnic minorities would like to see their organisation engaging in fair treatment (37%) as a means to achieving racial equity in the next two years, second only to having open and honest conversations (41%).

This in itself shows the fundamental issue at hand. Equity is often viewed as a siloed problem. But in reality, it is essential to all parts of business success – from staff engagement to hiring and retaining talent to strengthening company culture.

18%
less than a fifth of employees claim their organisations have openly acknowledged racial inequity

Positive steps forward

"Enlightened organisations pave the way. Racial equity seems to progress in organisations that reflect broader human and societal orientations. We can challenge organisation and business leaders to be human-centric and in doing so bring equity on the agenda."

Professor Bernd Vogel
Professor of Leadership,
Henley Business School

"When employees feel valued, they have a strong sense of loyalty to the organisation. Valuing employees means that they are seen, respected authentically as persons, recognised, supported and given the space to thrive. Such employees would be happy to go the extra mile and this is where that additional productivity lies. In business speak, it is really a more efficient way for organisations to work."

Dr Yemisi Bolade-Ogunfodun
Lecturer in Organisational
Behaviour, Henley
Business School

"Microsoft is great around D&I when it comes to having an inclusive culture. We use the hashtags #Comeasyouare and #dowhatyoulove. This is the first organisation I have worked in where I can truly be myself. It is not based on what university I went to or what I look like, the culture is very inclusive. What I hope comes out of the agenda around race and ethnicity is that our workforce really starts to reflect on what UK society looks like. And that will enhance this sense of belonging."

Kema Davies
UK University Recruiter,
Microsoft Global Talent Acquisition

"The challenge is how to create an environment where racial equity, inclusivity and diversity are part of our DNA. We believe that the key to creating an inclusive workplace starts with ensuring all people act in accordance with our values. Our values set the standard for how we behave and how we treat each other, whilst creating an environment where people can be the best version of themselves."

Sat Sanghera
CEO, IP Integration

One of the most interesting findings from our research was that businesses which took practical steps towards achieving genuine equity recorded 58% higher revenue than those who did not. Showing a correlation between businesses which commit to investing in their people, and financial performance.

This finding came from our research where we examined a sample of 100 companies from the FTSE 350, looking at their reported market capitalisation, revenue and targeted racial equity measures. For those companies with targeted racial equity measures, their average market capitalisation was £4.3 billion higher than the average market capitalisation of companies which did not report targeted equity activities.

Positive steps forward

Not only that, companies with targeted racial equity measures also had an average revenue (across a three-year period) £2.1 billion higher than the average of companies without targeted racial equity activities.

Even more positive still, we found that employees are becoming aligned to the need for racial equity. Our research showed 2 in 5 employees (38%) would like to see all people from all ethnic backgrounds treated fairly, which they accept may mean treating people differently. Additionally, both employees and business leaders agree on the measures that might need to be taken in order to treat people fairly and achieve racial equity.

These measures include having open conversations about racial diversity and inclusion (40%), treating people from all ethnic backgrounds fairly, which may mean treating people differently (38%) and increasing empathy through appropriate workshops and discussions (35%).

Moreover, the businesses which undertook these measures (including allocating budget towards racial equity, organising targeted training for racial equity, committing to recruiting from underrepresented groups and including racial equity measures in business objectives) were also more likely to pursue CSR activities, including reducing carbon footprint, fair trade, charity and volunteering.

Therefore, multiple research sources point towards racial equity measures having a genuine impact on businesses bottom line. When companies invest in their people, their performance improves.

To investigate the kind of practical equity measures companies were putting in place to achieve such positive performance, we identified a number of organisations which had taken demonstrative steps to improve racial equity through targeted activities and commitment.

Firms with targeted activities have an average 58% higher revenue than those who don't

75 companies reported targeted activities for equality, and 20 did not report targeted activities

No reported targeted activites for racial equity **£3.6bn**

Targeted activities for racial equity **£5.6bn**

It is not just the companies with highest revenue or highest operating profit in our sample that have targeted activities towards racial equity (published), there are many companies with lower revenue and operating profit who have also invested in racial equity

Average Operating Profit (£m) 2017–2019

Average Total Revenue £m 2017–2019
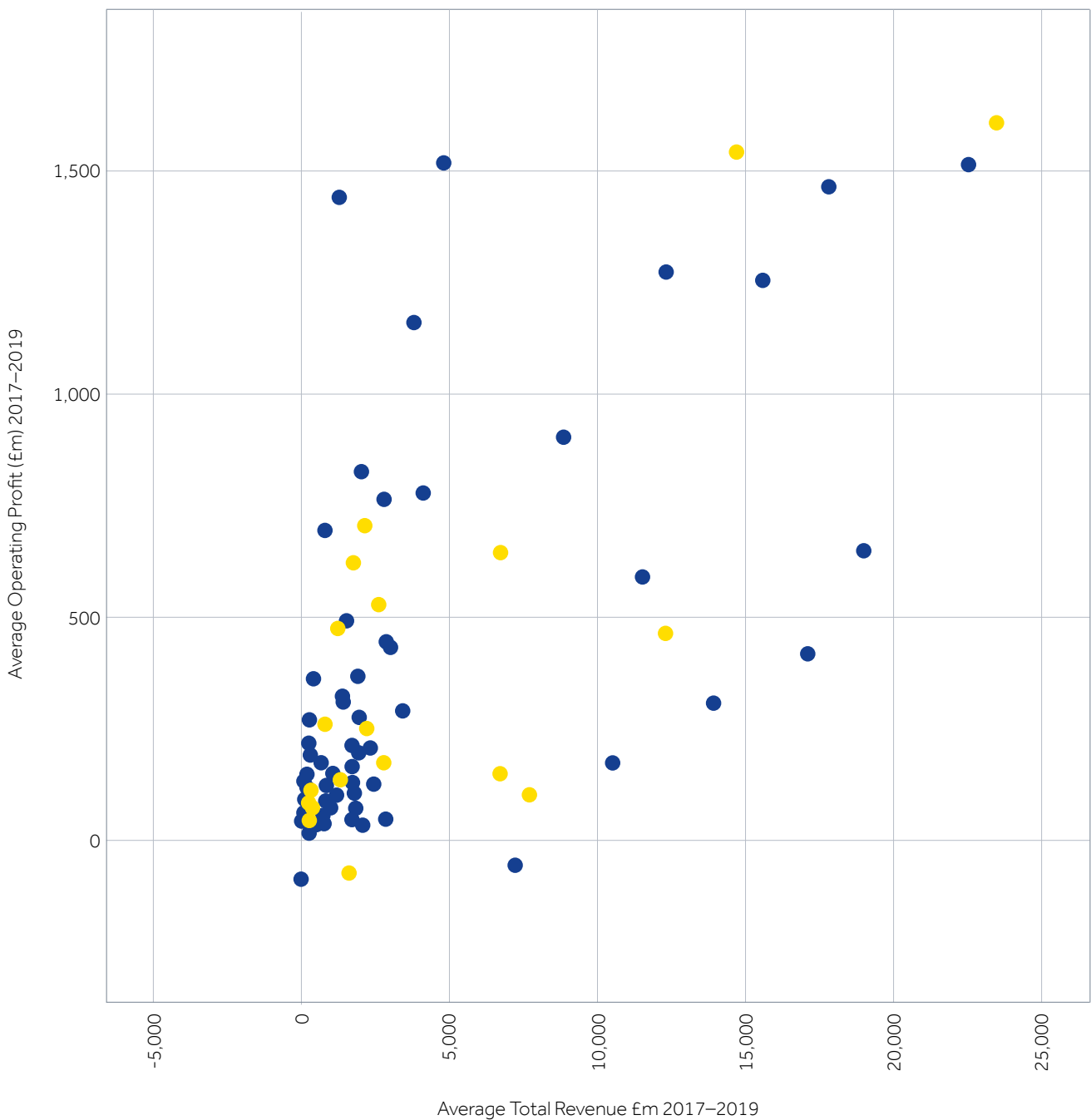
Positive steps forward

WPP

On 17 June 2020, WPP announced a set of actions and commitments to help combat racial injustice and support Black and minority ethnic talent. These include:

- Using its voice to fight racism and advance the cause of racial equality in and beyond its industry.

- Pledging to invest $30 million over the next three years to fund inclusion programmes within WPP and to support external organisations.

Coca-Cola

Coca-Cola has developed a Racial Equity Action Plan to strive for greater justice and equity within its own organisation and throughout society. Measures include:

- 10-year commitment on internal and external recruitment, hiring, development and advancement of Black and other ethnic minorities, particularly within leadership roles.

- $500 million committed for spending with Black-owned businesses over the next 5 years.

AstraZeneca

In the wake of the social issues highlighted over the last year, AstraZeneca set out actions to support racial equity in its organisation, including access to its medicines and within clinical trials. Actions include:

- Investing more than $5 million in early talent programmes to increase minority representation.

- Increasing promotion rates of under-represented demographic groups, in part by ensuring diverse candidate slates and interview panels.

The road to success

"Racial equity should be the ultimate destination for all race conversations in the workplace and society. The first steps towards this destination are open conversations around diversity, discrimination, and equal opportunity. However, merely providing equal opportunity may create a façade of equity, whereas the actual task is to dismantle how equal opportunities should translate into equity and ultimately the lived realities of minority ethnic groups with our polity."

Dr Adeyinka Adewale
Lecturer in Organisational Behaviour, Henley Business School

"Diversity brings different perspectives, enhanced creativity, and innovation."

Alice Scott
Chief People & Inclusion Officer, Austin Fraser

"We do have a diversity and inclusivity team who work globally across the organisation, we have a weekly newsletter that tells us about all the activities that are going on globally which we can join in with. And that team is very much about making sure everybody takes responsibility for that. There is also ongoing training, recently we had neurodiversity training, and there's a real push to make sure everybody has a personal sense of responsibility to being an inclusive as a business."

Zoë Mitton
UK University Partnerships Manager, FDM

"As we globally discern, through extensive research and actual business outcomes, the economic and ethical benefit of diversity, equity and inclusion, I am really proud to work for an organisation that is passionately DE&I focused. With forums erected supporting social and professional communication, mentorship and training, we are able to understand diverse perspectives, cultures and individual challenges. Where a focus on recruiting diverse talent at all levels, ensuring equity of opportunities to excel and progress and inclusion of all voices irrespective of background, is rightfully being normalised."

Dee Samra
Director of Data Governance
& Quality, Liberty Global

Although there is much work still to be done, both business leaders and employees are increasingly recognising the need to address racial inequity. There is cause for real hope that we are moving in the right direction, with more than two thirds (68%) of businesses having taken steps towards improving racial equity.

1 in 4 employees (28%) and 2 in 5 business leaders (39%) believe their organisation will achieve racial equity within the next two years. The question is whether business leaders are willing to do the hard work necessary to change the practices, policies and attitudes embedded in their workplace.

Through this research, we have identified a number of key areas for businesses to focus on, which will help them on the journey towards achieving genuine racial equity.

The road to success

Key takeaways

Insight 1

There is persistent bias related to race and ethnicity in workplaces as White employees and business leaders can be myopic and lack awareness and understanding about race.

Opportunity

- **Make a stand**. Businesses need to decide that discrimination is not acceptable in their organisation. A good place to start is with your data, to see if and where you may have an issue. Racial equity needs to link to organisational culture. The CEO needs to state the organisation's purpose and values, how valuable an anti-racism strategy is and the belief it will help everyone. They should acknowledge they are aware they may get it wrong, but know the organisation is willing to change and that it is a long-term strategy.

- **Fairness is critical**. It is important that CEOs also show they are not 'favouring' one group – but that inequity in the organisation is at odds with its values. Organisations need to support business leaders to drive culture changes by drawing on the experiences and expertise of ethnic minority communities to bridge the gap between minority races.

Insight 2

Perceived cultural differences and lack of diversity exists in leadership teams across most businesses.

Opportunity

- **Vision**. On a human level, racism is tiring and disruptive. Our research found that when the CEO/Director sets a clear vision that racial equity is core to business – not hidden under an HR or D&I plan that people don't take seriously – this can give motivation and connection to White and ethnic minority staff. Help businesses build an ethos of understanding history, interrogating personal biases, building empathy, respecting difference and getting comfortable with minorities' vulnerability through training and ongoing dialogue.

- **A top-down approach** is essential to this strategy as it gives endorsement and legitimacy to discussions on race. Of course, we know they have to be authentic but, even so, the CEO/senior leadership need to set the agenda and the pace.

- **Understand that race is a difficult area to develop**. We need to re-emphasise that everyone can make a difference and is valued in the workplace.

Insight 3

Few UK businesses have actively engaged in meaningful efforts to combat racial equity.

Opportunity

- **Ignore at your organisation's peril**. Our research showed that if the company does not have a clear racial equity strategy, employees tended to be unclear on the organisational stance on race.

- **Develop a race strategy** – even a loose one to start with. For example, it could start with clear expectations that discrimination is not acceptable. So, what does zero tolerance look like? What guidelines and repercussions are there? Initiate robust and targeted training and hiring models with selection and assessment methods that eliminate poor decision-making and unconscious bias.

- **Talking and walking is crucial** to embedding racial equity. Having training sessions on race, equity and inclusion are important and should begin at the point of induction and become a regular feature. For one thing, it helps with reducing the fear of upsetting others, which our research showed is a key barrier to conversations about race. It is contentious – but it is important to keep the conversations on race going, ensuring that they link with conversations on gender, class, orientation, disability and age. Keep reviewing the data and looking at areas the business needs to work on.

Insight 4

There is significant correlation between a more diverse and inclusive business environment and overall financial performance.

Opportunity

- **Encourage business leaders** to boost ongoing racial equity initiatives and invest time and assets to sustain them in order to improve creativity, employee satisfaction and loyalty, which will strengthen financial performance.

- **Create pipelines and pathways.** Recruiting talent in a fair and non-biased way to increase diversity is important. Your customers, users and clients will be from an increasingly diverse world. Make sure your staff are too. A sense of belonging and commitment to the organisation's purpose will mean better engagement.

By continually supporting the pathway of anti-discrimination, an organisation can also retain and develop its best talent.

- **Racial equity culture can impact across the organisation.** Our research showed that those organisations that had race equality plans also had positive approaches to their carbon footprint, fair trade, charity and volunteering. Once embedded, we will see that racial equity can form the foundation for all aspects of a business – from HR and marketing to product and even digital development.

Attitudes around racial equity

Quotes from our qualitative research

Attitudes around racial equity

"The older I get, the more I just don't care about calling it out or just don't care about tackling it head on. I would say, five years ago, 10 years ago, I would have felt really uncomfortable challenging it without worrying that my career was going to be affected."

"If we don't have that empathy for people, we don't have that respect for another human being having a completely different way of thinking, living, being, to yourself, then you can never leverage the value, right? You will never be able to see them for the benefit that they can bring and the insight they can bring you, you'll never be able to see it."

Beliefs around the power of diversity

"Having a cross-section of ideas skills, backgrounds, faiths or whatever it is definitely helps build that cultural aspect and I think you can't build a great company without having a culture that allows people to express themselves."

"Diversity in backgrounds brings diversity and ideas, and they are the important strands to creating great innovation."

"Human logic and human experience prove that if you build a safe environment for people regardless of colour, race, background, belief and all that sort of stuff, you give them an environment to express themselves. If you give people the environment to self-express, they will achieve, and they will feel good about themselves. Where people cannot express themselves, they will always feel like they're coming up against a dam."

"You can't have everybody be just like you, you know, it's just not going to give you the best business outcome."

Intersectionality

"It is a privilege to be a Black woman in the workplace and showcase that, aside from being Black, your skillsets, your experience, your knowledge, and what you contribute to the organisation will speak for itself. Being Black is an additional bonus."

"I'm often the only female in the room. But in this instance, I was the only Asian in the room."

"A lot of organisations don't know how to do intersectionality well, a lot of organisations have gotten to the point where their gender equality is good, but they don't understand the nuance between, for example... Black and ethnic minority women versus as a White woman and those different experiences. And I've noticed that, and I've also noticed that people don't always know how to be good allies, and that people don't understand that there's a difference between being an ally and taking up space, and there needs to be better education around about that."

Recruitment

"As an HR professional, I have recruited with managers and sat there and heard some of the questions that come out of managers' mouths and thought, "oh my gosh, we're gonna get sued for this" and we go hire the wrong people. People don't know what they're saying – it's an ignorance, people just don't think. There's definitely something around making people less ignorant – that education element, so that then that carries with them through their hiring practices."

"There's this whole quota about getting X amount of Black people in a particular role by X date, which is great, but I don't want firms to recruit people on the basis that we need a Black person to fill in this role."

"Every leader in the business has the accountability to make sure they are building a diverse team. For example, when I have done recent recruitment, my people and culture business partner has given me a friendly nudge to say, hey, the last couple of people we hired fit this profile, what are we actively doing to recruit talent more widely? We have those conversations a lot. And everyone in the business is expected to create an environment that is inclusive."

"For organisations, it starts from early intervention, at the end of the day, going into local communities, going to schools, to show young people that they can work at this organisation. It is important to show that they can have this type of lifestyle or progression within this firm if, like a lot of Black people in this country, they are first generation here and do not have the social capital, they do not have the right network to get into these firms in the first place. It starts from early intervention in secondary schools, to let them know about these roles."

Attitudes around racial equity: Quotes from our qualitative research

Leadership

"Our board is 100% White, I think there's one female and the rest are all White males. So, we're not very diverse at that level. But they are very much engaged in trying to drive this and the diversity inclusion policy has come straight from the top from our CEO."

"There needs to be really comprehensive education for leaders, because, for example, I'm mixed race and I'm a woman, but that doesn't mean that I automatically understand the plight of every protected characteristic and it's not right for me to lend my experiences to other people's. Leaders need to be educated, regardless of their own background and their own experiences, and that's hard, but you need to force leaders to have that uncomfortable conversation about implicit bias and the language to use. And that's the first step."

"If you've got a bad culture in a company, don't blame the people blame the leadership."

Experiences of inequity at work today

"You're never quite sure if it's racism. Or is it because I'm female? Is it because I'm Asian? Is it because of this? Is it because of that? Is it because maybe I just wasn't good enough? So, you always doubt yourself. My first response is always automatically to doubt myself, which I found really challenging."

"I would say the pandemic has affected race equality in the sense that it has ignited race as a topic, especially with the whole George Floyd situation. Because everyone was at home, everyone was quite emotional, and everyone was very alone. It heightened our feelings – okay, who am I as an individual? How can I play a part? How can my organisation play a part?"

"Unfortunately, some Black people are economically deprived. Maybe they're the first generation here in the UK, and they share a room with two or three siblings, working from home is uncomfortable for them because they cannot work in the living room, they must work out their bedroom, they have not got the equipment or furniture to really have a great conversation. A lot of them put maybe virtual backgrounds to hide their surroundings. From that standpoint, although they are in the corporate world, they may have issues at home such as their surroundings, such as sharing rooms."

Potential steps towards addressing inequity

"I've had some brilliant bosses and leaders that have really championed me, inspired me, and had my back. I know if I had any issues... I could challenge it without needing my boss or my leader to get involved."

"If you think about culturally, you know, their background, that actually, that's just the way that they are, that's the way they think and it's different from the way that you think, because they come from a completely different walk of life to you. And it's just that acknowledgement and understanding."

"I definitely think that we are moving in the right direction. The awareness right now is huge, and we have to keep that momentum up."

"There is an internal agenda to ensure that we are promoting Black individuals in the workplace and recruiting Black senior leadership. We do have a quota that we want to achieve by 2025, that is already underway."

"I would say from a sponsorship and mentorship perspective, there is a lot going on. They have also launched buddies, somebody who is a senior, or two levels above you, who can mentor you. Every two weeks you have a conversation with them around promotion and progression. But there's also senior leaders who are now sponsoring young Black people in the firm as well."

"I have just been lucky enough to have had great opportunities to excel and seek mentors and sponsors, who have always helped me along the way. And I want to provide that to other individuals. I feel that as I climb the ladder, I am trying to bring many more women into the workplace and be a role model for others as well. Not only by being a Black woman, but also by ensuring we have the right skill sets and talent to be retained in the workplace and to be progressed within the organisation."

Barriers to achieving racial equity

"I wouldn't say racism as much as ignorance or lack of learning..."

"It's easier to go against the grain once you have more power and influence, which is difficult, when a lot of the people that hold power and influence are of a certain racial background."

"I'm not sure that just going out and setting some targets at some senior levels is really ever going to address it."

"We don't yet have an EDI programme as such, that's kind of how the whole conversation came about in the first place, because we should be proactive in this space and that's absolutely our intention."

About the study

The research set out to investigate racial equity in UK businesses including why racial inequity in business exists, barriers to achieving racial equity, and the positive financial and staff engagement impacts businesses who have made inroads into racial equity have recorded.

The study included rigorous research across qualitative, quantitative and public resources.

Henley Business School first conducted qualitative research with 22 business leaders and employees from a broad range of industries including automotive, technology, professional services, real estate and telecommunications, to establish key themes and insights to form the quantitative study. 10 interviewees were from White backgrounds, 12 were from ethnic minorities, 15 were leadership level and seven were in non-leadership roles.

Henley worked with independent research agency ENGINE Transformation, who were commissioned to conduct two quantitative online surveys in partnership with the Business School, whose experts provided commentary and analysis on the findings.

The surveys were carried out among the following audiences and were conducted in March 2021.

Business leaders

- A national sample of 505 C-suite UK business leaders and owners, 18+

- The sample was structured to provide reportable sub-sample sizes of business leaders by different ethnicities (White and Non-White), age groups, gender, sectors (private and public) and business sizes

- The sample was post-weighted to nationally representative proportions of business leaders by age, gender and ethnicities

- Within the total sample we have sub-samples of ethnicities – White (337), Asian (75), Black (33), Mixed (40)

- The Margin of Error for a sample of n=500 is +/- 4.4% at the 95% confidence level

Employees

- A base sample of 1,005 working (currently employed) UK adults aged 18+.

- The sample was structured to provide reportable sub-sample sizes of employees by different ethnicities (White and Non-White), age groups, gender, sectors (private and public) and business sizes.

- The sample was post-weighted to nationally representative proportions of employees by age, gender and ethnicities.

- Within the total sample we have sub-samples of ethnicities – White (756), Asian (101), Black (70), Mixed (55).

- The Margin of Error for a sample of n=1,005 is +/- 3.09% at the 95% confidence level.

Research was carried out to gather specific business performance and diversity data points from companies listed on the FTSE 350. It used data modelling based on 100 companies across three trading years, with data points including total revenue, operating profit, market capitalisation and ethnic minority board representation.