

INTEGRITY WITHOUT COMPROMISE

DURLER CONSULTING
TALENT DEVELOPMENT SOLUTIONS



Durler Consulting Limited

**Findings from a survey conducted for
Durler Consulting**

“DIVERSITY DRIVES VARIETY IN CORPORATE CULTURE”

January 2007

INDEX

Content	Page
Executive summary	3
Report findings	5
Traditional attitudes hamper dialogue	6
Long hours seen as unacceptable	6
New working practices	6
The business context	7
Business options	7
Pregnancy comes at cost	7
Selective job applications	8
Professions at risk	9
City at risk	9
Keeping in touch	9
Diversity requires board buy-in	9
Model contracts	10
Denton Wilde Sapte LLP embraces diversity culture	10
Extension to maternity leave rights	11
Contractual due diligence	11
Reassessing inputs and outcomes	11
Conclusion	12

BUSINESS WARNED DIVERSITY IN THE WORKPLACE IS VITAL FOR THE FUTURE

Executive Summary

The findings of a report commissioned by Durler Consulting on 'senior women returners' in the workplace has clearly identified that UK business must rethink its attitude to diversity. With many companies appointing Diversity/Leadership Directors this survey became a timely insight into what the workforce do and don't want. It clearly highlighted that senior executive women believe that they have a major part to play in their companies' future, but that open and honest dialogue about flexible working conditions was essential.

Another contributing factor is the traditional attitudes of a company's relationship with women executives going on maternity leave. The report highlights that this needs to be re-examined and changes made to ensure good engagement with senior women leaders in the future. This qualitative research underpins the need for a corporate cultural shift in attitudes to flexible working options.

The report identified that the long hours that UK companies work is bringing extremely high pressure on work pattern choices for all executives, and that flexibility to work when and wherever they want, will be important in attracting future high-flying talent. Additional benefits including holiday entitlement selections, sabbaticals, mentoring, coaching and more freedom to perform their job efficiently, whilst still delivering against performance targets, will be pivotal in defining new contracts of engagement.

Julian Dawson of Durler Consulting states that women candidates for senior management appointments are now being very selective about the organisations for which they will work. Primarily, they look to measure and review a company's work ethos, gender diversity programmes, family facility policies and returner's management cover. Men too are beginning to demand more flexibility from an organisation's culture, particularly where the partner is the major breadwinner and role reversal for child-caring is an issue.

Better Diversity Balance Increases Return on Investment

Research revealed that in the FTSE100 list 1 in 10 non-executive posts and 1 in 40 senior posts were held by women. In the US, companies with the highest representation of women in top management achieved 34 per cent better financial performance than companies with below average representation. Diversity in the workplace includes talent differentiation between men and women, cultures and ages. The options of choice proliferate across all age groups and a key conclusion of this research was the need for businesses to heed this 'wake-up' call.

The business case is proven by companies that have embraced this cultural change but resistance by UK traditional thinking organisations could inhibit future success and growth by not attracting the best talent. With a diminishing work force, as the population contracts, businesses cannot afford to lose well qualified and knowledgeable senior management, be they male or female.

Professions at Risk

In the UK it is the professions that run the highest financial risk by not putting in place adequate maternity management solutions. In the UK 23.9% of trainee barristers and two-thirds of medical students are now female. By 2012 the majority of doctors will be women. The loss of these exceptionally qualified women comes at a high cost if they decide not to return to work post maternity leave. It is estimated that the replacement period can stretch to as long as eighteen months. The cost to a company could run at three times a year's salary with bonuses, search and management costs. Most of the women interviewed in the survey were at director level earning over £100k.

In the city, women felt that the whole culture surrounding maternity leave needed re-addressing and 75% of those interviewed declared feeling very vulnerable and unsure that the same job would really be there when they returned to work, with their best clients being re-assigned to other executives. They felt that flexi-working or job sharing was deemed not practical both from a performance and financial perspective.

Redefining Executive Contracts

According to Simon Whysall, a Senior Solicitor in Denton Wilde Sapte LLP's leading Employment and Benefit Practice, the current legal framework is focused upon child care but this is an ever evolving area. New changes, being introduced in April 2007, will widen the right to maternity leave, encourage greater involvement from fathers and expand on the existing flexible working options. Employers recruit on a wide variety of contracts, however the crucial issue is for organisations to ensure that the documentation is legally compliant and correctly records the agreed terms and this encompasses the letter of appointment and the final contract with all the necessary support procedures to be in place at the same time. This is a complex area and the report highlights that senior executives are looking for working contracts that support their current needs.

Durler Consulting and Denton Wilde Sapte LLP have responded to the findings of this research by launching a new consultancy service which helps companies to undertake, analyse and implement 'model contracts' which offer diversity benefits across the board. The findings of the report suggest that adopting a new approach along these lines *could* aid staff retention.

THE REPORT FINDINGS

DIVERSITY – EVOLUTION OR REVOLUTION

Durler Consulting commissioned a six month survey which included part desk research and a series of focus groups on 'women returners in the workplace'. The research quickly found that 'culture change to flexible working' was the burning issue determining 'a return or quit' decision. With many companies appointing Diversity/Leadership Directors this survey became a timely insight into what the whole workforce want and don't want in terms of working patterns. The research highlighted that senior executive women believe that they are under-valued even though they have a major part to play in their company's future. They champion open and honest dialogue about flexible working conditions as a priority.

Traditional Attitudes Hamper Dialogue

Another contributing factor is the traditional attitudes of a company's relationship with women going on maternity leave, with the results of the survey suggesting that this now needs to be re-examined to consider whether changes are required to ensure good engagement with senior women leaders in the future. This qualitative research underpins the need for a corporate cultural shift in attitudes to flexible working patterns, which allow for both parents to cover key child-rearing needs.

Diversity is considered to mean valuing individual uniqueness and strengths in the workplace. Throughout focus group discussions a major issue of 'being valued and trusted' was expressed. Participants overwhelmingly stated that companies have to incorporate flexibility as a core and genuine business strategy in the future to retain cutting edge performance.

Long Hours Seen as Unacceptable

The UK is recognised for working the longest hours in Europe. The 9 to 5 culture disappeared years ago and new badges of success were measured by the 60 hour plus week. However, the survey found out that the new generation of high flyers, the late twenty/early thirty somethings, want more from life than being chained to a desk, living life on the blackberry and being hooked in to WiFi. They want working pattern choices, flexibility to work wherever they want, holiday entitlement selections, sabbaticals, mentoring, coaching and more freedom to perform their job efficiently, whilst still delivering against performance targets.

Diversity in the workplace includes talent differentiation between men and women, cultures and ages. The options of choice proliferate across all age groups and a key conclusion of this research was that businesses need to decide whether this is a 'wake-up' call they need to heed. With a diminishing work force as the population contracts, businesses cannot afford to lose well qualified and knowledgeable senior management be they male or female. Environmental concerns, such as the impact that travelling to and from work generates in pollution and traffic congestion, to say nothing of lost time, is also seen as important when re-evaluating the working formula.

New Working Practices

Part of the answer may lie in the introduction of new working practices. This will require an assortment of employment options and a mixture of contractual packages. This is a relatively straightforward process and can be easily and quickly implemented once a core structure is established. However, it may require specialist external consultants to determine the best framework to match both the expectations of the employees and the company. Durler Consulting has established a specialist team as a result of this research.

The Business Context

Durler Consulting research indicated that:-

- Gender diversity is a characteristic of companies with excellent financial performance.
- Where women have been given a seat at the decision-making table better business has been enjoyed.
- Where managers have been coached on new ways of leading their team, by the introduction of flexible working, greater productivity and often better quality work is being delivered.

Business Options

- Structured programmes for returners need to be put in place similar to those for relocating employees and ex-patriots.
- Mentoring and networking; keeping pace with new technology and industry trends, development of new skills and maintenance of professional qualifications must all underpin diversity programmes.
- Documenting company values and priorities at board level is vital in focusing on yearly goals.
- 'Unbundling' of standard consultancy projects and the identification of chunks of work that can be done by telecommuting or short stints in the office so that all participants remain on track and connected virtually.
- The compressed week or compressed fortnight could be more productive ways of work-home management.

Pregnancy Comes at a Cost

Maternity leave can be disruptive to the management team but an underlying and more serious situation is occurring which is an excellent illustration of why diversity is essential to thriving business practice.

A survey commissioned by Durler Consulting amongst 50 senior executive women, who either had children, were returning to work or were pregnant, suggests that UK Plc is seriously at risk of losing some of the most talented senior executives in business to the baby drain.

This situation is apparently driven by a number of key factors:-

- Lack of flexibility in the work place.
- Few reintegration programmes.
- Low understanding of work-life balance needs by employers.
- Fear by companies of introducing flexible working patterns.
- Trunkation of career progression as a working mother.

From a company perspective the key findings indicated:-

- Inability to introduce flexible working hours due to lack of commitment to expressed corporate values.
- Fear of the core changes needed on implementation and time accountability.
- Little management training to introduce a diversity culture.
- Poor budget planning to take account of maternity costs.
- Low awareness of the real replacement cost in losing senior executives on/after maternity leave.
- Isolationism due to legislation.
- Little forward planning on maternity cover by company or executive.
- Lack of support both pre and post maternity leave.

In addition, the survey suggests that business is also risking high financial losses when a woman on maternity leave, who was planning to return, changes her mind. On average the replacement period can stretch to as long as 18 months and the financial implications can run at three times a year's salary with bonuses, search and time costs. Most of the women interviewed were at director level earning circa £100k. However, perhaps the greatest concern should be about finding talented replacements, particularly in a diminishing labour market.

Durler desk research revealed that:-

- In the FTSE100 list 1 in 10 non-executive posts and 1 in 40 executive posts are held by women.
- In all UK listed companies 4 per cent of executive director posts are held by women and 6 per cent of non director posts are held by women. The fear is that these figures may not increase dramatically unless maternity leave and re-entry are better managed and rewarded.
- To ensure that business is reaping the best return on female employees it will be vital to offer more flexible working arrangements worldwide.
- In the US, companies with the highest representation of women in top management achieved a 34% to 35% better financial performance (as measured by return on equity and total return to shareholders) than companies with below average female representation.

If this new generation of high-flying executives are not encouraged and facilitated to return to the workplace through corporate cultural change then UK Plc may lose a major contributory group, struggle to recruit talent, which will ultimately reflect poorly on the overall economy in a very short time.

Selective Job Applications

Julian Dawson, MD of Durler Consulting, reports that women candidates for senior management appointments are now being very selective about the organisations for which they want to work. They now look to measure and review company work ethos policies, gender diversity programmes, family facilitation policies and the returner's management cover. This process can often start relatively early on in the career structure with major advancement decisions being predicated on how and what a future employer's flexible working policies are, their work/family values as well as reviewing maternity benefits.

Professions at Risk

These professions are running a higher financial risk than any other sector by not putting in place adequate maternity management policies. In the UK the majority of trainee barristers and almost 2/3rds of medical students are now female. By 2012 the majority of doctors will be women. Today female entrants to the legal profession outnumber men and the Law Society state that today 23.9% of barristers are women. This shows a rapidly changing dynamic within the profession, as an example the loss of a junior partner to motherhood is not only an expensive process but a major replacement problem.

City at Risk

In the finance sector the problem of ensuring that women high-flyers return to the workplace post maternity will require a major shift in attitude. Whilst it is appreciated that businesses have to continue over this period 75% of women interviewed in this sector stated real concerns about returning to work at the same level and with their hard earned client list intact. There was concern that male colleagues, particularly line managers, would wonder whether they were really there for the long-haul or until the next pregnancy. Moreover the realistic opportunity to discuss flexi-working or job sharing was not deemed practical both from a performance and financial perspective. This situation replicates itself in accountancy, management consultancy, and other support services.

Keeping in Touch

50% of the women interviewed who successfully reintegrated to work after childbirth either did so within eight weeks or earlier than the six months maternity leave, even if this was on a two or three day week basis. 20% had negotiated new contractual terms before going on maternity leave and accordingly a new working relationship with their companies. They recognised that as a director or senior manager there were high risks in being 'out of circulation' for too long.

Many of those interviewed felt they had been seen as 'breaking the mould', and comments like 'don't want to open the floodgates' or 'we'll give it a try but if it doesn't work then it will have to be reviewed' were the norm from HR or line managers. However, 65% of the women were also afraid to discuss the overall situation and waited to see if they could manage under the normal contractual agreement. All of the women commented on the need to 'keep in touch' with their organisation, to network where possible and some went as far as ensuring that they had appointed the person who would cover their maternity leave period, thereby reducing any reduction of their management role.

Diversity Requires Board Buy-In

Most of the women interviewed recognised that change can be very difficult to manage in business and rarely succeeds unless there is one hundred per cent buy-in from the board. Flexible working hours for many traditional managers is a cultural shift too far, yet those companies which have embraced it state that they have seen increased productivity, better working environments, increased employee loyalty and little mis-use of off-site working arrangements. It is not only mothers who want to work flexible hours but fathers and single people as well.

Model Contracts

Durler Consulting believe that if you take diversity to its natural conclusion, it is about offering contracts which recognise the needs of work-life balance by rewarding employees with trust to work efficiently off-site, and by providing management training to endorse and maximise this culture by line management.

Durler Consulting are leading the way in helping companies to undertake, analyse and implement 'Model Contracts' which offer diversity benefits. The focus groups suggested that implementation of new options by companies could add another dynamic to a business because:-

- It shows trust and commitment from the Board to new best practice thinking.
- It helps companies identify best flexi-working practice.
- It delivers a range of support options at all management levels.
- It aids employee retention.
- Delivers a clear undertaking to new employees on the company's commitment and welfare of its staff.

New ideas for implementation might include:-

- Flexi-working options for all staff.
- Sabbaticals taken after 4, 7 and 10 years service varying from 3 months on full pay to 1 year on half-pay.
- Extended holiday leave on full or half page up to 3 months but not all taken in one block.

Denton Wilde Sapte Embrace Diversity Contract Culture

According to Simon Whysall, a Senior Solicitor in Denton Wilde Sapte LLP's leading Employment and Benefits Practice, the current legal framework for flexible working is focussed upon child care but this is an ever evolving area: "Employees have been able to make a 'flexible working' application, to change their hours, times or work location, since 6 April 2003. This statutory right has been limited to employees who were making the request because they had to care for a child under 6 or a disabled child fewer than 18. However, this will shortly be extended and, as of 6 April 2007, 'carers' of adults will also be able to make a statutory request to work flexibly. The application process does not, of course, guarantee the employee's request will be accepted but the employer can only refuse on certain grounds."

Employers must also be mindful of the other claims which can arise out of a request to work flexibly. Female employees, whose requests are refused, might claim that they are being discriminated against indirectly on the grounds of their sex on the basis that fewer female employees can meet a requirement to work full time owing to their greater child care commitments. Equally, employers who refuse flexible working to male employees might face a direct sex discrimination claim.

Extension to Maternity Leave Rights

In addition, the Government has recently announced an extension of maternity leave rights to 1 year for all employees and for statutory maternity pay to increase to 39 weeks (from 26 weeks). Perhaps more significantly, though, is the expansion of statutory paternity leave and pay rights to up to 26 weeks. As currently envisaged, it is the Government's intention for a father to be able to share the overall leave period with the mother such that the father would take as leave a portion of the second six months after the child's birth provided the mother has returned to work. This will potentially provide fathers with the statutory right to take a significant chunk of time off after the birth of a child.

Simon Whysall points out that "At the moment, there is no statutory right allowing employees to ask for flexible working unless it is linked to the care of a child or, in time, an adult. However, it remains to be seen whether the business case for extending flexible working across the workforce is such that employers go further than the minimum".

Contractual Due Diligence

From our experience, it is very common for employers to recruit on a wide variety of contracts. The crucial issue is for employers to ensure that the documentation which records the employment relationship is legally compliant and correctly records the agreed terms. Consideration needs to be given not only to the letter of appointment but also to the contract, the handbook and all of the policies and procedures which might affect the workers. Employers need to take particular care when it comes to the salary and benefits offered as workers can be protected against differences in treatment by various legislation such as the Part Time Workers and Fixed-term Employees Regulations, which can cause expensive headaches for employers if they get it wrong.

Reassessing Inputs and Outcomes

Research indicated that the way an employee is assessed in terms of outcomes versus productivity clearly needs re-addressing. 70 per cent of the women interviewed found they were still able to achieve their targets within a more flexible time line. They achieved this by improving their 'in-work' concentration period against their 'family time' commitments.

Women going on maternity leave wanted more areas of support in their initial Family Contract. These included:-

1. Flexible options over financial rewards during maternity leave, which would enhance and not penalise their personal entitlements, were important.
2. They wanted an employment contract which would include an agreement on how their post was covered during maternity absence.
3. Assistance on pre-leave preparation to achieve seamless handover sessions.
4. Other health benefits.

Conclusion

The findings from this research suggest that UK Plc may have some rethinking to undertake if they are to stay ahead of the global game in the next ten years. Technology is outpacing working environment practices and the growth in IT ability provides reality to the 'virtual office' - but what cannot be replaced is quality management. Women accept that if they wish to continue their careers to the board room, then readjustment and rethinking of their contractual agreement is essential, but at a realistic cost. Durler Consulting and the focus group participants suggest that the fact that the report's wake up call is loud and clear – plan for change now and implementation will not only be easier and more cost effective but will also be welcomed by senior executives, and long-term provide competitive advantage in the preferred employer choices.

Durler Consulting Limited

**Offices nationwide
All correspondence to:
26 York Street
London
W1U 6PX
United Kingdom**

**UK:
t 0845 840 0031
International:
t +44 870 770 8083
f +44 870 770 8084**

**info@durlerconsulting.com
www.durlerconsulting.com**