



# Diversity in Central and Eastern Europe – The decisive next growth factor?

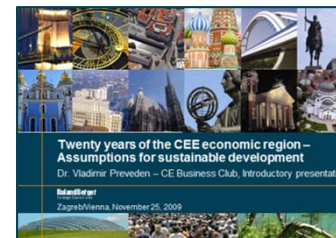
Study presentation

Vienna, November 13, 2013

# Erste Group and Roland Berger have established a long-standing and successful cooperation in CEE: the CE Business Club



- > Presentations and panel discussions on relevant issues for Central and Eastern Europe with participants from management and diplomacy
- > Since 2006, twice a year, we together address key issues for business performance in CEE through the CE Business Club platform



**Our common mission is to understand and further drive relevant business issues in CEE**

# Diversity in Central and Eastern Europe – Executive Summary



- 1 Diversity is not just an HR topic.** It requires true partnership and participation across functional areas in an organization that align their efforts in support of a **shared vision and goals** for diversity and inclusion.
- 2** Many companies have only focused on attracting and retaining diverse employees and **have not critically examined their organizational culture** to assess their capabilities to leverage that diversity for learning, innovation and achieving superior results.
- 3** Although participants of this study confirm **that there is a strong correlation between a company's financial performance and having a diverse top management team**, currently **no real measurable link** has yet been established.
- 4** **Maximizing and capitalizing on workplace diversity is an important issue** which requires a clear multi-annual program with objectives, actions, communication and measurement of performance and impact.

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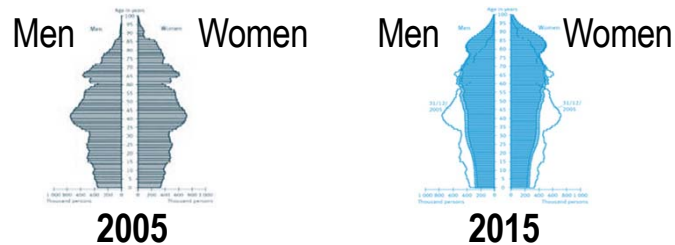


A. What is Diversity and Inclusion (D&I) and why is it relevant?  
Unleashing people's potential is understood as a driving factor for business success

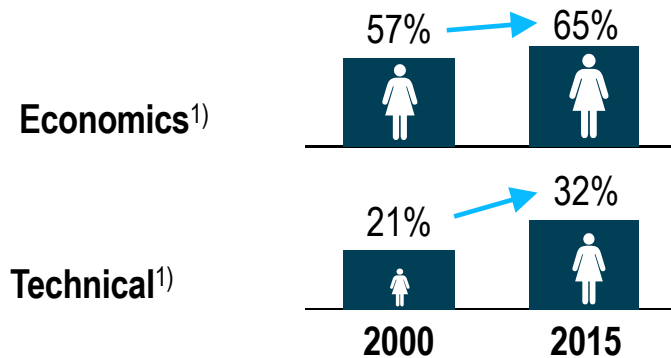
**Roland Berger**  
Strategy Consultants

# The changing demographics and job requirements in the CEE countries demand a fresh look at today's organizational capabilities

## YOUNG AND OLD



## GENDER MIX



1) Share of female graduates in EU-27

## CHANGES IN THE WORLD OF WORK



### JOB AND CAREER

- > **Cloud economy:** Digitization and virtual organizational structures
- > **Trend toward freelancers:** Project-based activities for multiple companies
- > **Work life:** Integration of work and everyday life



### VALUES AND VISIONS

- > **Beliefs and Family:** New Roles and responsibilities for partners
- > **Focus on Children:** Possibility of a longer parental leave



### PRIVATE LIFE AND FAMILY

- > **Demographic change:** More elderly family members to care for
- > **Urban lifestyle:** Concentration of highly qualified employees in big cities
- > **Individualization:** Solutions tailored to the individual



### SOCIAL ENGAGEMENT

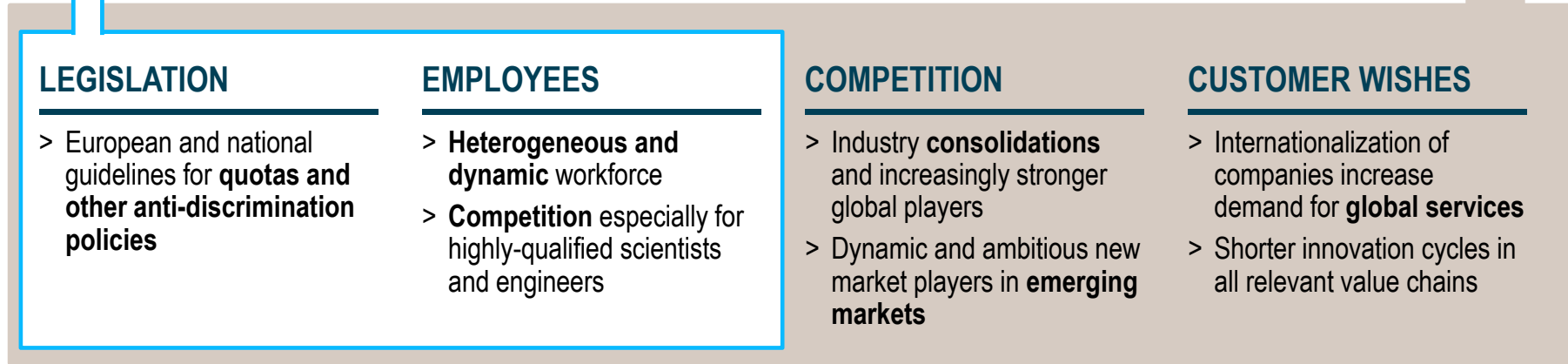
- > **Increasing awareness:** Increasing social pressure to reflect the population structure in the company's workforce structure
- > **Responsibility:** Infrastructural changes in order to allow efficient use of human resources (e.g. part-time work and care services)

# Companies understand the business relevance of diversity – They see workforce heterogeneity on par with legal requirements as the driver

Findings of the Roland Berger study on Germany

**80%** of companies find Diversity & Inclusion have **increasing business relevance**

**60%** of companies consider **legal requirements** and **workforce heterogeneity** as the main drivers



# Diversity and inclusion is about unleashing people's individual potential and focusing on common goals

## Definition



### WHAT IS DIVERSITY?

- > The **collective mixture of differences and similarities** that includes for example, individual and organizational characteristics, values, beliefs, experiences, backgrounds, preferences, and behaviors



### WHAT IS INCLUSION?

- > The **achievement of a work environment** in which **all individuals** are **treated fairly and respectfully**, have **equal access to opportunities and resources**, and can **contribute fully** to the organization's **success**

### BUSINESS RELEVANCE

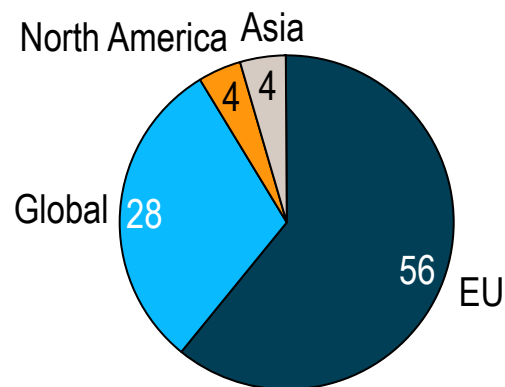
- > Companies have to make **the most of the full range of their people to succeed** – Businesses have to attract and retain the right skills and the best minds
- > Maximizing the potential of a diverse workforce is not only a **social imperative**, but can also be a **competitive advantage**



# In our research, we analyzed over 25 recent studies – Less than a fifth include more than one dimension of D&I

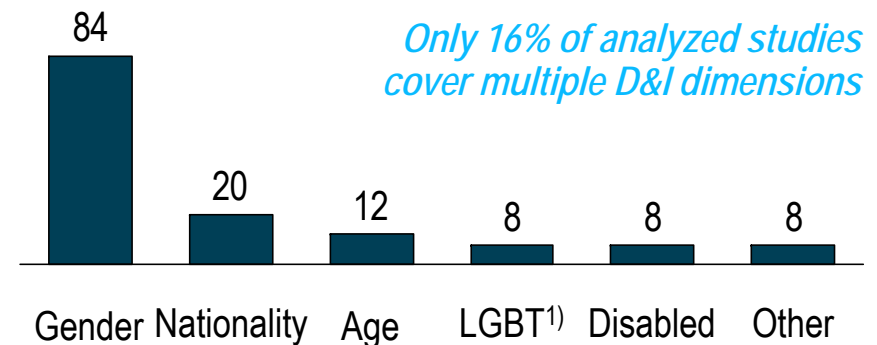
Literature overview of studies and articles, 2007-2013

## GEOGRAPHIES COVERED [% of all analyzed studies]



- > Most analyzed studies cover **EU countries** (mostly Western Europe) or the entire EU
- > Many are global and cover **leading world economies** or **largest companies**

## DIVERSITY DIMENSIONS COVERED [% of all analyzed studies]



- > Most studies focus on the **development of women into senior positions**, managing **retention** through **flexibility of working hours** and **child-care packages**
- > Nationality is a topic for **countries with minorities** and with ethnically diverse populations, but also in companies with **international professional**

1) Lesbian, Gay, Bisexual and Trans

# Overall, studies to date mostly analyze gender issues in large corporations on a worldwide scale – A CEE-view is missing

Overview of recent business research – Over 25 studies analyzed



## RECENT STUDIES MOSTLY COVER...

- ... the **largest companies** in **developed markets** (Fortune 1000, listed companies, etc.)
- ... **one country** or all of the EU<sup>1)</sup>
- ... but, only a **single dimension** of diversity (e.g. gender)

## AND STATE THAT DIVERSITY...

- ... leads to **better** financial and stock market **performance**
- ... **enriches** the process of generating **ideas**
- ... **improves communication** in board meetings

## HOWEVER NONE OF THE STUDIES...

- ... have **CEE in focus** as a region
- ... cover all **three diversity dimensions** relevant for CEE markets: age, gender and nationality

1) Studies of the European Commission



## B. Diversity and Inclusion in Central and Eastern Europe (CEE)

Diversity in the boardroom contributes to better financial results

**Roland Berger**  
Strategy Consultants

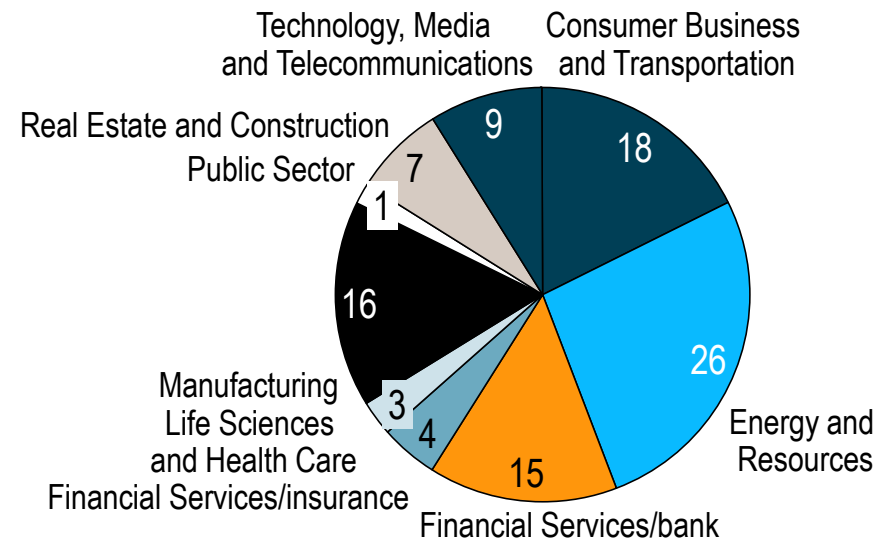
# As the basis for this study, we analyzed 68 major companies from various industries in ten CEE countries

## Scope of analyzed companies

### COUNTRIES

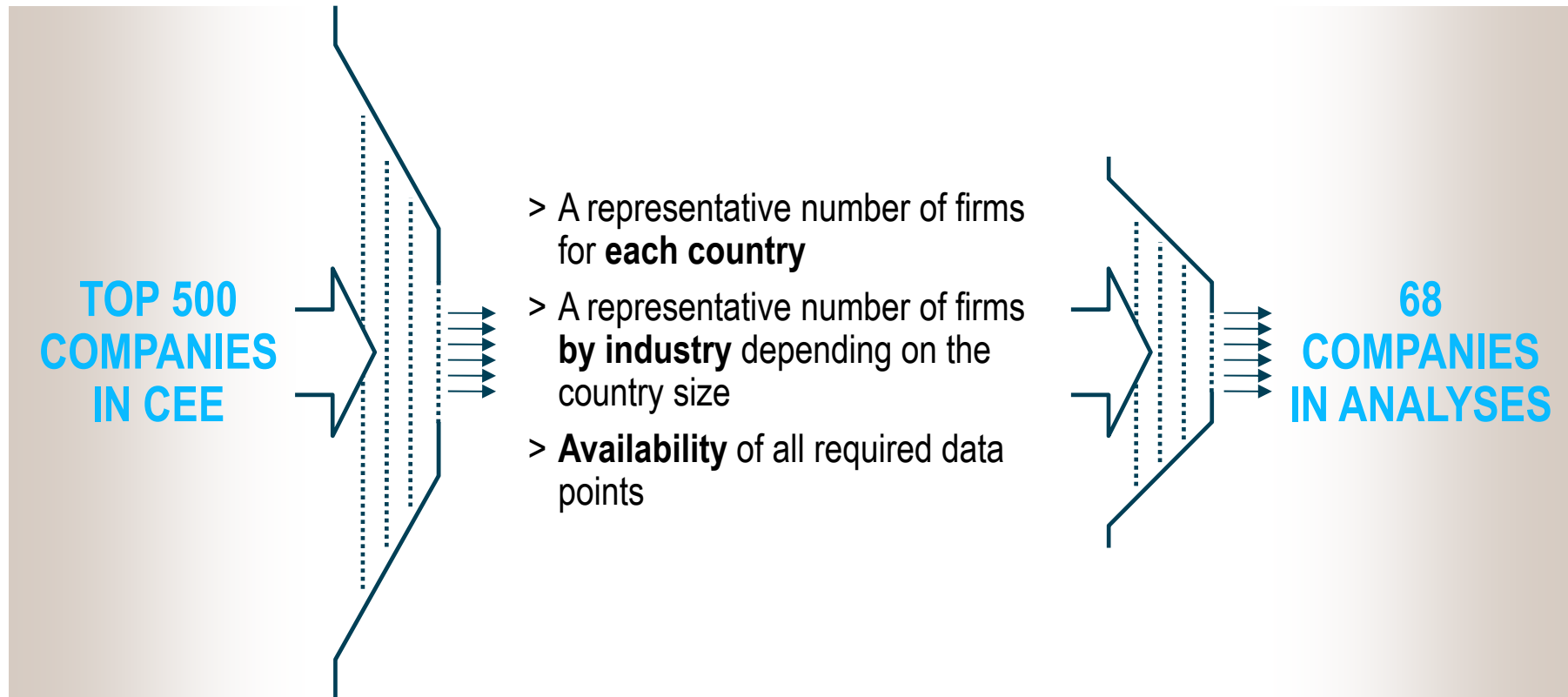


### INDUSTRIES [% of sample companies]

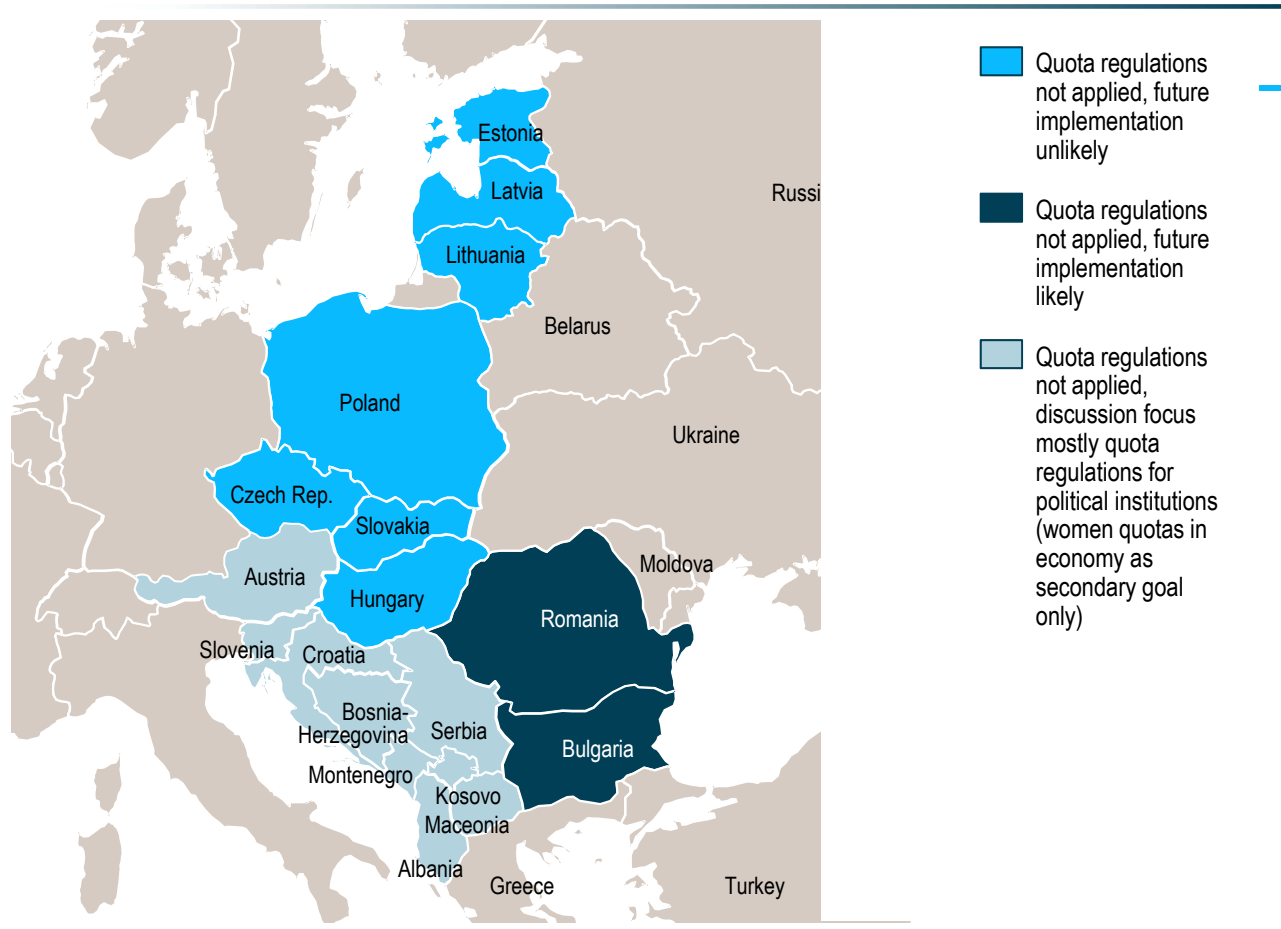


The original data set was comprised by a long list of companies – Reductions had to be made for reasons of data unavailability

Scope of analyzed companies



# Most CEE governments have not yet opted for regulatory quotas to increase diversity in the workplace



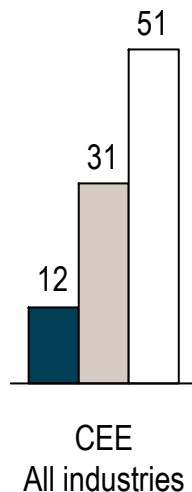
## COMMENTS

- > **CEE/SEE countries have not yet adopted** quota regulations for more women in management positions
- > Some EU **countries** in CEE do not have regulatory quotas yet, but a **fair chance** for their **implementation** in the future
- > Another **seven EU countries** in **CEE** currently without quota regulations are **not likely to adopt** such laws in the near future
- > **Six countries** focusing on quota regulations primarily for **political institutions** (business is not being the primary scope)

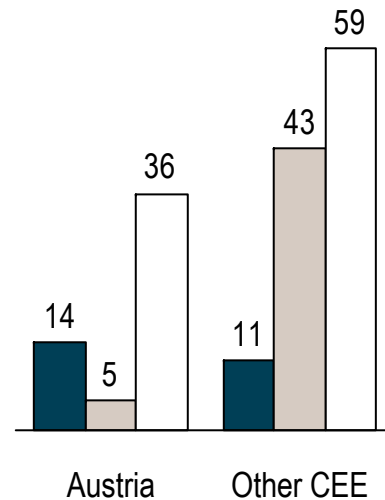
# Many CEE boardrooms are international and senior in age, but include female members only in a third of cases

Diversity in CEE boardrooms [% of 68 sample companies]

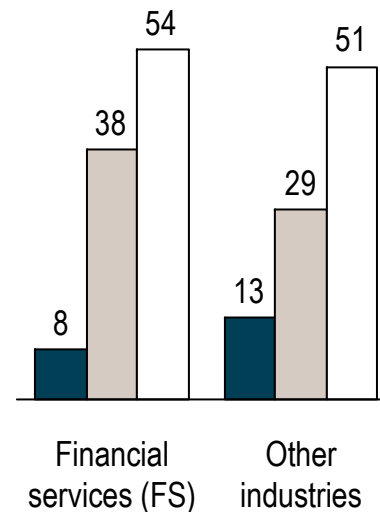
### CEE diversity



### Austria vs. other CEE countries



### Financial Services vs. other industries



Age standard deviation is greater than 10%  
 At least one board member is female  
 At least one board member has foreign background

### INSIGHTS

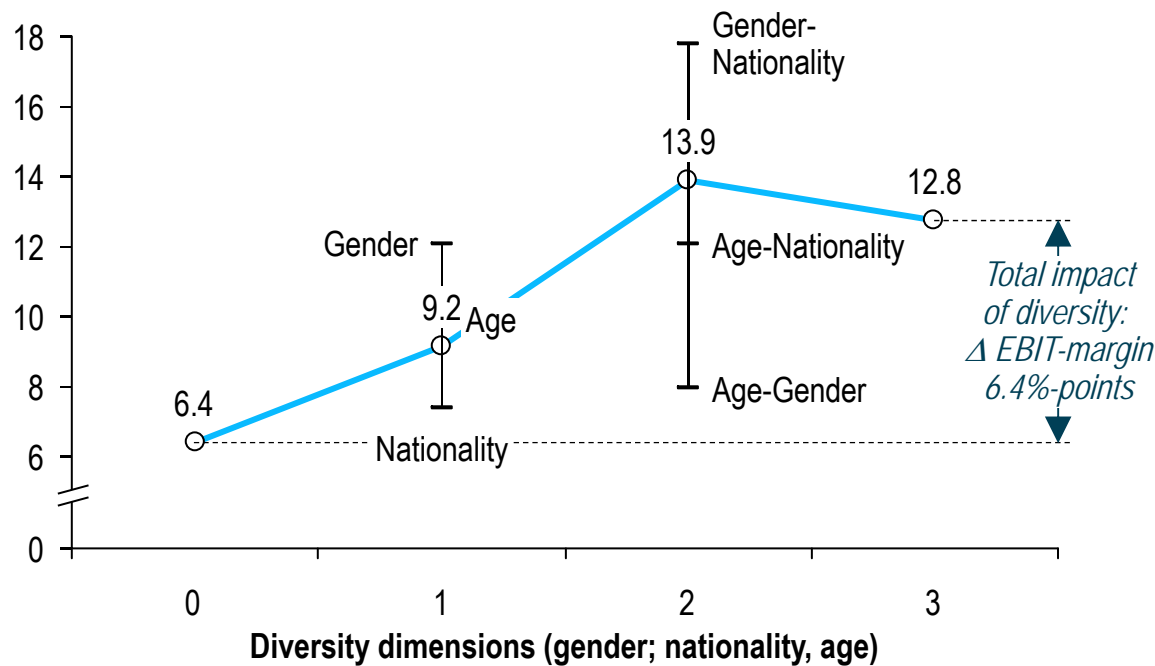
- > **AGE** of board members is **highly concentrated** around the average of 50 in over 85% of cases
- > **31%** of surveyed companies have **FEMALE board members** – the **least** of them are in **Austria** (5%) and most in financial services (38%)
- > **FOREIGN** board members are present in **more than half** of the CEE companies, yet only in 36% in Austrian companies surveyed

# Diversity in the boardroom seems to improve performance – Impact of gender and nationality mix of board members is strongest

Profitability improvement through diversity, average EBIT-margin 2008-12<sup>1)</sup>

## Number of diversity dimensions fulfilled

EBIT-Margin [%]



## INSIGHTS

- > The **impact of diversity** on profitability is **positive**
- > **Combining** the diversity dimensions **improves performance** – however, **not** in a **linear and consistent** way
- > On its own, **gender** is the **strongest single driver** of diversity
- > The most **"profitable"** diversity **combination** is that of **gender and nationality**

—○— Median per category

1) Based on a sample of 68 CEE companies and should be viewed as an indication, results can vary depending on sample size





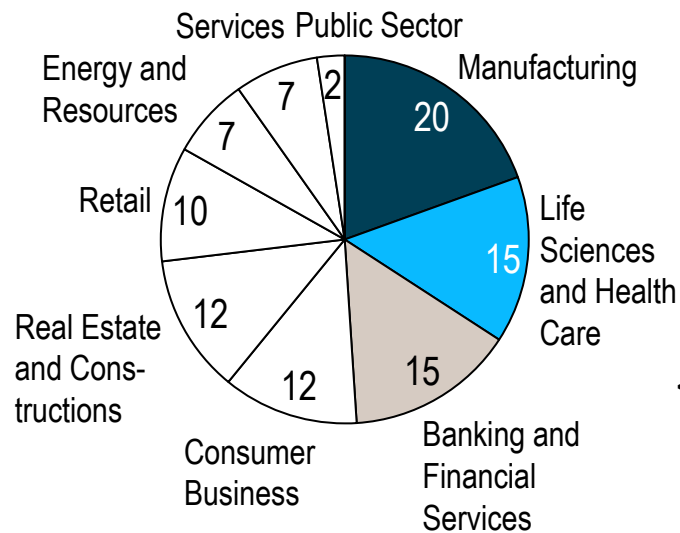
## C. CEE Managers' opinion

Significant room for the development of D&I programs in CEE exists

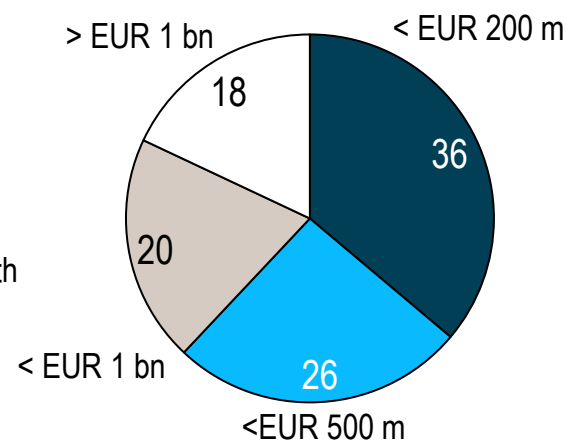
# Most of the surveyed companies belong to the manufacturing, life sciences & health care and banking & FS sectors

Fundamentals [% of all answers]

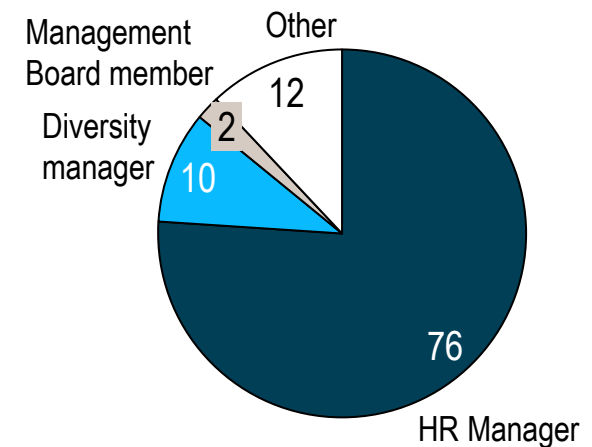
**Distribution of manufacturing industries**



**Annual sales of the company**



**Function / position of person interviewed**



# CEE managers are aware of the D&I issue, but have not yet approached it systematically

## Overview of key findings from our survey

### 1 PRECONDITIONS

- > **About 52% of major companies in CEE** conduct some **diversity & inclusion activities**
- > **Approx. 11 %** have at least one full-time employee dedicated to D&I
- > Interviewed **managers are aware of diversity issues** in terms of gender and nationality

### 2 MOTIVES

- > The driver of an active approach to diversity lies in **the financial benefit for the company and employee satisfaction**
- > **Regulatory quotas or targets are considered to be beneficial for gender dimension and counterproductive for the nationality dimension**

### 3 D&I MEASURES

- > In order to manage diversity in the workplace, CEE managers **do not opt for target-based measures** – they rather **implement specialized programs** targeted at attracting, hiring and retaining diverse talents and offering flexible working hours to those who need it

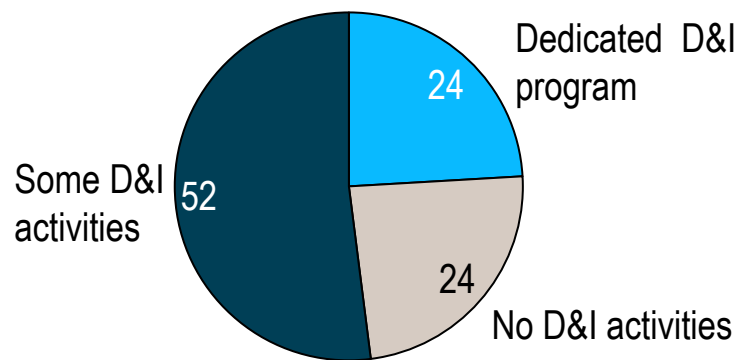
### 4 CHALLENGES & SUGGESTIONS

- > Clearly, **diversity is a boardroom and HR topic in CEE**, but it does **not yet** receive **enough attention on levels below the board**
- > **Initiatives remain one-offs** and are **not built into policies and procedures** – working **ad hoc has limits** to effectiveness – HR managers believe in a rule-based approach

# 24% respondents' companies have a dedicated diversity program – Focus of programs is mainly on gender and age

## Diversity programs and facts

Do you have a diversity program in your firm? [% of all answers]

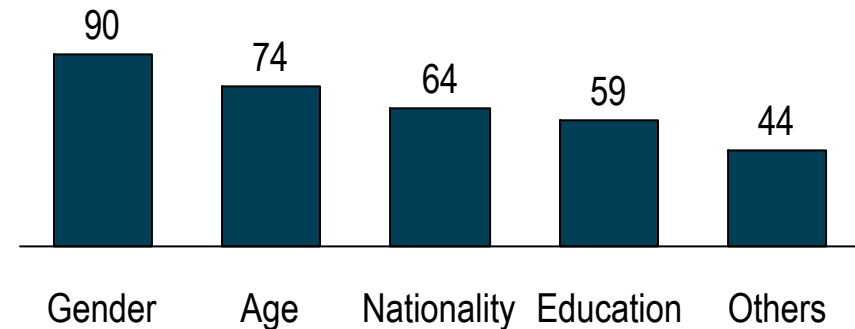


**24%** of surveyed companies have a dedicated diversity program

**52%** of surveyed companies mention to have some D&I activities

1) Multiple answers possible

On which D&I dimensions do you focus within your firm? [% of all answers]<sup>1)</sup>



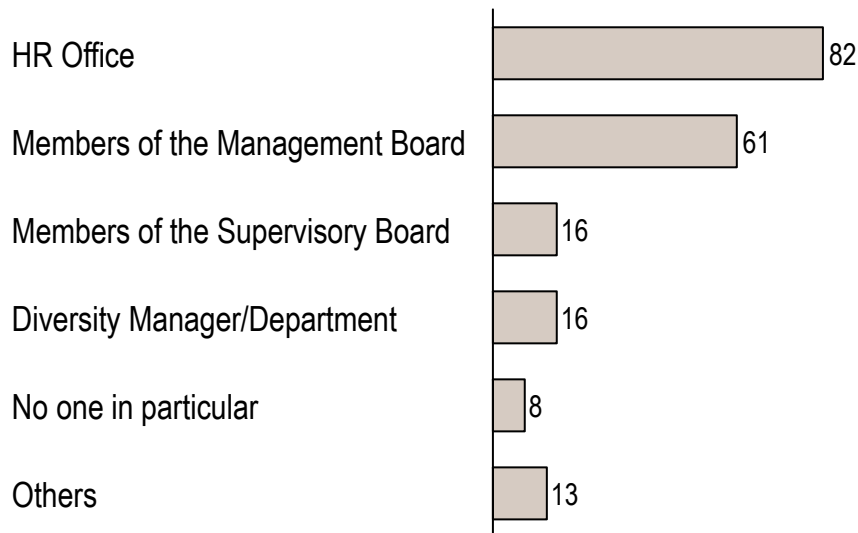
**90%** of companies' diversity programs focus on gender – other minorities targeted:

- > Nationality (64%)
- > Age (74%)
- > Education (59%)
- > Others (44%)

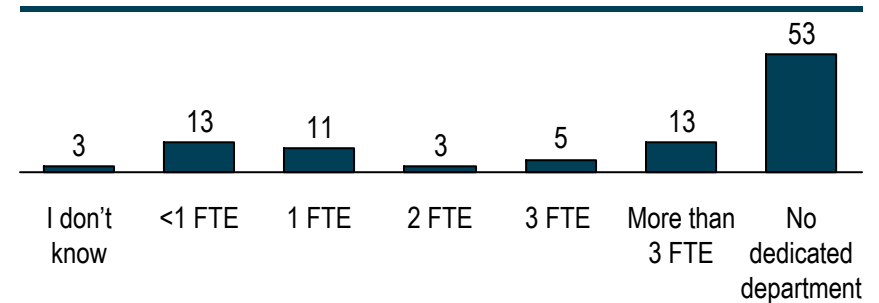
# HR is the most commonly responsible department for D&I, but often does not have a dedicated budget or capacity

## Responsible department, size and budget

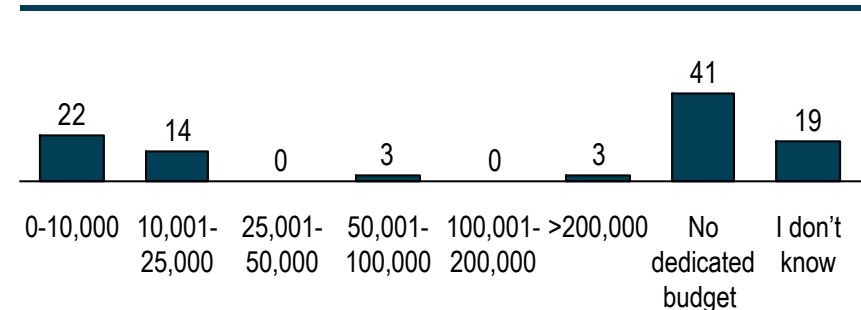
**Responsible department for diversity program in firm [% of all answers]<sup>1)</sup>**



**Size of diversity departments [% of all answers]**



**Budget of diversity departments [% of all answers; EUR p.a.]**

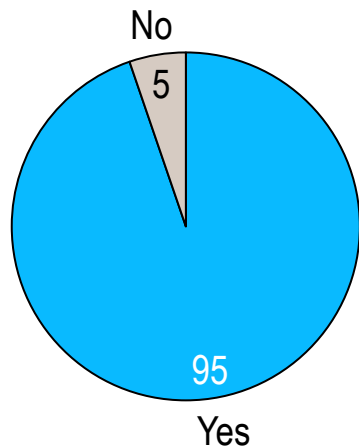


1) Multiple answers possible

# 60% of all surveyed managers think that diversity and inclusions is an important success factor for their firm

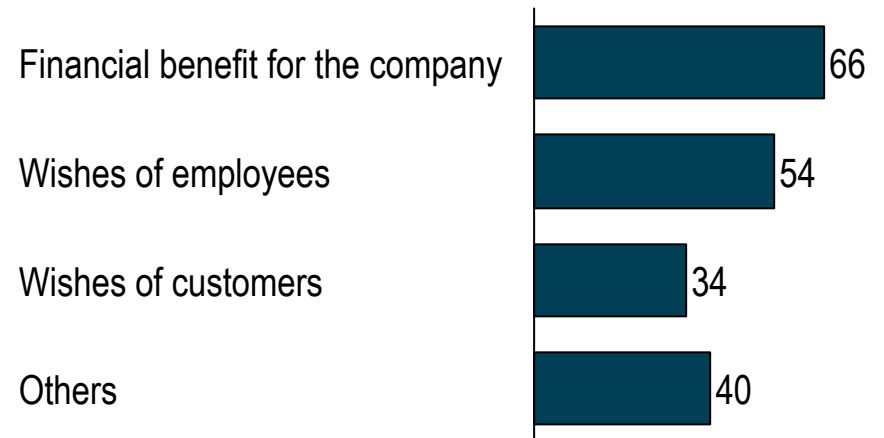
## Diversity programs and facts

**D&I as a success factor for companies**  
[% of all answers]



**95%** of surveyed companies think that D&I is a relevant success factor for their firm

**Companies' motivation to work on D&I**  
[% of all answers]<sup>1)</sup>

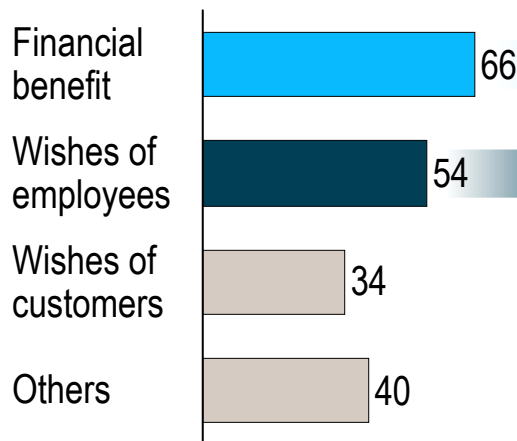


1) Multiple answers possible

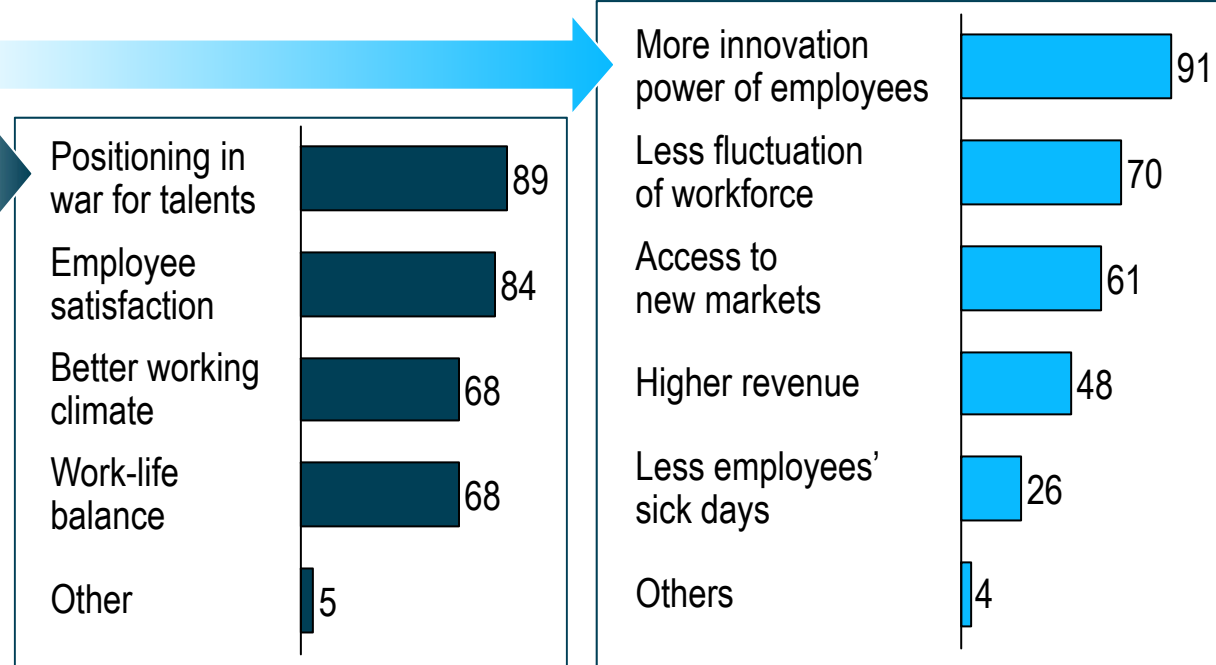
# Diversity in companies is mainly driven by expected financial benefit and the employees wishes for better working climate

## Drivers of diversity

**Drivers of diversity within companies** [% of all answers]<sup>1)</sup>



**What drives the demand for diversity?** [% of all answers]<sup>1)</sup>

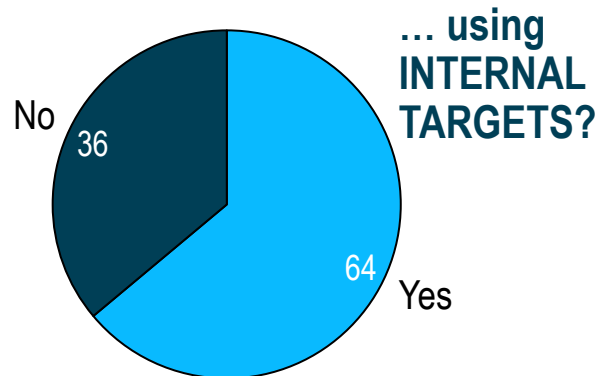


1) Multiple answers possible

# The opinion of companies on regulatory quotas and internal targets is ambiguous

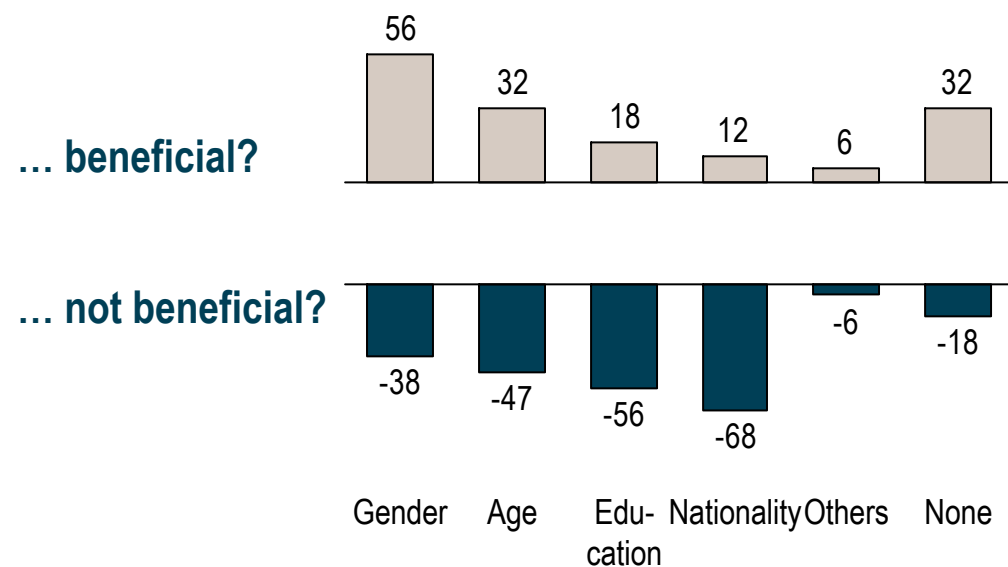
Regulatory quotas and targets as measures of achievement<sup>1)</sup>

Do you currently measure D&I within your company... [% of all answers]



**64% respondents** measure D&I using internal targets

For which dimension of D&I do you think regulatory quotas are... [% of firms]<sup>1)</sup>



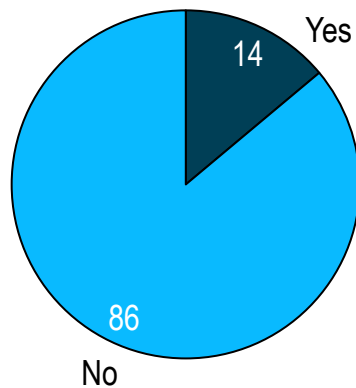
1) Multiple answers possible



# Most firms do not have D&I targets based on financial performance

## Usage of measures of D&I

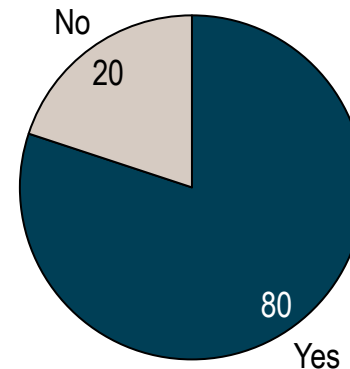
Do you currently measure D&I within your company... [% of all answers]



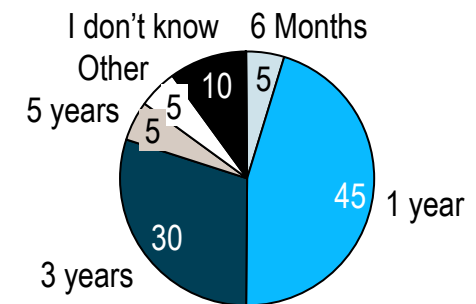
... based on FINANCIAL PERFORMANCE?

**86% of all respondents do not measure D&I based on financial performance**

Do you have internal D&I targets? [% of companies which use D&I measures]



...and what is the most frequently used time horizon?



- > Most companies do not have particular D&I targets
- > 45% of surveyed companies have a time horizon of 1 year for their D/I targets
- > 30% of surveyed companies have a time horizon of 3 years

KPI based on targets mostly refer to gender, whereas KPIs tracking financial effects relate equally to gender, age and other dimensions

## Measures

### Relation of D&I investments to firm's financial performance

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- > Companies are not aware of the impact of D&I on financial performance
- > They believe that the contribution of D&I is more on the "soft-side" (e.g. organization, communication, relationship building) and that it cannot be measured

### D&I related KPIs in use

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- > Only gender targets are being measured in managing bodies of companies and institutions
- > Specific KPIs for nationality and age have not yet been applied

### Examples for diversity effort

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- > Avoiding undesired departures/turnover of employees – managing retention

 Money

- > Investment into career development of women through specialized programs and counseling

 Money

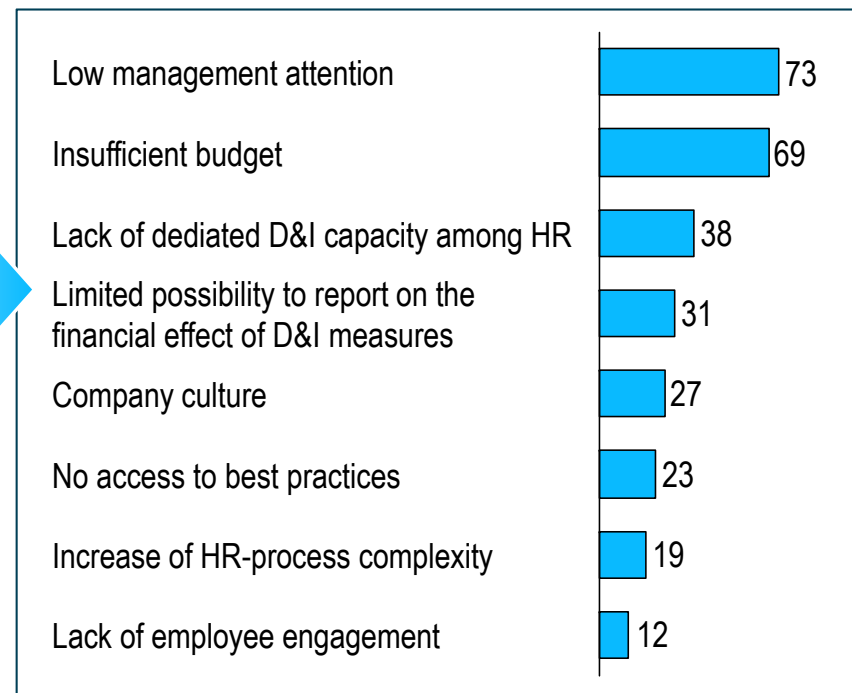
# 54% of all respondents think D&I does not receive enough attention within their organization – Reasons vary

## Challenges

**Does diversity receive enough attention within your company? [% of all answers]**



**Reasons for lack of attention [% of all answers]<sup>1)</sup>**

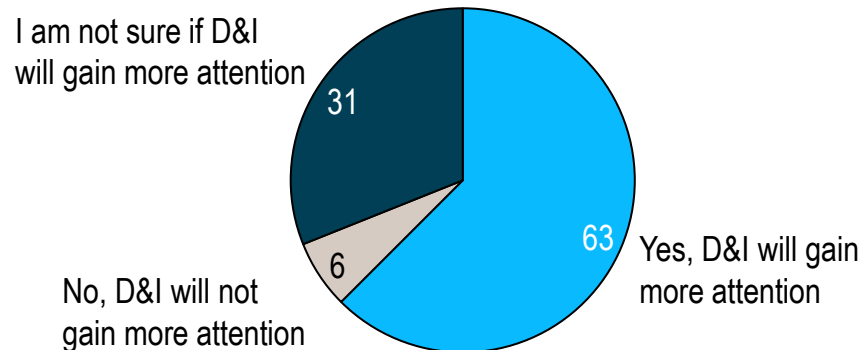


1) Multiple answers possible

63% of all respondents think D&I will gain more attention in the future – 31% of respondents are not sure

## Suggestions

### Future attention to D&I [% of all answers]



### Improvement potential for D&I

- > Dedication of talent management programs to D&I target groups
- > More flexibility in managing needs of women in the workplace
- > Generating more diverse potential recruits

### Specific developments in CEE

- > Internationalization of companies with a CEE origin
- > More working women than in most western economies, but not equally across all industries
- > Presence of managers with international background in foreign-owned companies

# In order to deepen our insights, we conducted 13 personal interviews with managers representing multinational firms

One-to-one interviews



## CONCLUSIONS FROM THE INTERVIEWS

- > Diversity reporting in CEE is still in its infancy
- > Most companies in CEE focus on the D&I dimension gender – In particular, equal career development
- > Diversity is already a board topic but has not pervaded into the organizations
- > Vast benefits of diversity have already been recognized, such as
  - A link between diversity, creativity, and innovation
  - Reduced absenteeism, employee turnover, increased client loyalty, etc.
- > Diversity programs have not yet reached the same degree of importance as talent management programs or similar

## ACHIEVEMENTS

**ALREADY ACHIEVED**

- > Introduction of a step-to-step program to manage diversity
- > Obtaining top management support
- > Develop training based on business needs
- > Encourage open communication

**TO BE ACHIEVED**

- > Formally assess the situation in your organization
- > Challenge cultural stereotypes and assumptions
- > Encourage mentoring and implement employee networks
- > Enhance succession and promotion planning process
- > Hold managers accountable
- > Develop a comprehensive retention strategy

# CEE managers generally realize the importance of D&I for sustained performance of their businesses

## Quotations from individual interviews

*"We try hard to **encourage men to lean into their families more**, especially since research has consistently found that children with involved and loving fathers have higher levels of psychological well-being and better cognitive abilities."*

*"For us it is important not only have diversity, but also have the **inclusion of diversity**"*

*"We would like to **hire more female managers**, but the number of potential candidates in our industry is very low"*

*"If we had **a female in our leadership team** we might be more effective and spend less time in fights"*

*"In our organization it is self-evident to give **female colleagues management positions**"*

*"Without full commitment and **flexibility of women working part-time** it is not possible for them to reach or keep a managerial function."*

*"We are an international company with **international clients**. If we wouldn't reflect that in our employee **diversity** (nationality, gender, age) **from board downwards** we would not be **credible towards our clients**"*

*"Personally, I am **against quotas** but I think that women would be able to get certain positions **more easily in a shorter time frame**"*

# Česká spořitelna wants to maximize the benefits from diversity within societal, gender, age and cultural mix in each team



## Česká spořitelna / Erste Group

- > A comprehensive and systematic Diversity & Inclusion Program "Diversitas" was implemented in the largest retail bank in the Czech Republic
- > Main reasons
  - Increase employee motivation and engagement
  - Lower turnover costs associated with hiring and training new employees
  - Retain qualified and experienced employees
  - Improve the perception as a first choice employer
  - Attract the best and the brightest
  - Encourage leadership styles receptive to innovation and change
  - Reach out to a diverse customer base

## KEY TO SUCCESS

### Maximize benefit of all diversity dimensions

#### Goal

- > Maximize the use of social, personal, gender, age and cultural differences within teams
- > Encourage a balance between work and family life
- > Provide mentoring and coaching for women
- > Open up work opportunities for people with disabilities and promote a sense of mutual respect among employees

#### Focus on gender issues

- > Increase the number of senior female managers in the branch network
- > Remove barriers to reaching executive management positions and narrow the gender pay gap – offer female employees back from maternity/parental leave flexible work arrangements
- > Leadership development for women

# Creativity and innovation arising from diversity drives invention and high performance of HP



## Hewlett Packard (HP)

- > HP believes that diverse work force helps the company realize its full potential
- > The company benefits from the creativity and innovation that results when HP people who have different experiences, perspectives and cultures work together



## KEY TO SUCCESS

### Accountability for implementation of D&I goals

HP's overall commitment is reflected in their diversity and inclusion philosophy:

- > A diverse, high-achieving workforce is the sustainable competitive advantage that differentiates HP. It is essential to win in the marketplaces, workplaces and communities around the world
- > An inclusive, flexible work environment that values differences motivates employees to contribute their best
- > To better serve our customers, HP must attract, develop, promote and retain a diverse workforce
- > Trust, mutual respect and dignity are fundamental beliefs that are reflected in behavior and actions
- > Accountability for diversity and inclusion goals drives the success



# Within the Odyssey program, both mentor and mentee are motivated to further develop their skills



## Vodafone Czech Republic

- > To unleash the potential of talented Czech female professionals, to foster a culture for mentoring in businesses and to provide center of excellence for the development of Czech female leaders, project Odyssey was launched
- > Goals
  - Uncover and activate the potential of Czech female professionals
  - Increase the diversity of the Czech business environment
  - Expand the pool of Czech female business role models for the future

## KEY TO SUCCESS

### Mentoring program

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#### Program results

- > Detailed insight for the mentee's personal and professional development – Both parties are motivated to further develop their interpersonal and professional skills
- > Growth experience that cultivates mutual respect and support for the parties involved and promotes a culture of mentoring in the Czech Republic
- > Exchange of information and knowledge between members of different organizations

#### Lessons learned and challenges

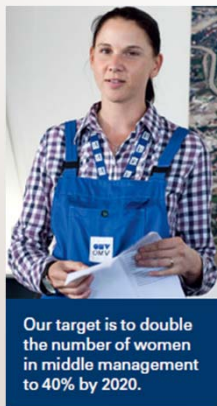
- > Developing a roadmap as a guideline for mentors, mentees and program organizations proved helpful
- > Developing a good marketing strategy for promotion of the program is crucial
- > Development of training activities, tools and techniques for an effective mentoring relationship is important
- > Finding willing mentors and the right matches between mentors and mentees poses a challenge

# OMV's Diversity Strategy 2020 focuses on gender and nationality – Initiatives range from scholarships to an OMV kindergarten



## OMV

- > Workforce diversity is not only a commitment but also an important enabler to create business value
- > OMV commits throughout the employment period from hiring to termination to adhere to its corporate anti-discrimination directive
  - Equal opportunities to all employee groups in all recruitment processes
  - Company procedures and
  - Employment contracts
  - Leading role is taken by OMV's Romanian subsidiary Petrom



## KEY TO SUCCESS

### Living Diversity is a Leadership Competency

- > To safeguard future agility as an organization, OMV is working on a group-wide diversity strategy that covers two areas
  - Nationality
  - Gender diversity
- > Efforts are being directed at the highest possible management level – All other levels will automatically follow suit
- > The target is to achieve a diversity mix throughout the group
  - KPIs are set for the Senior Vice President level, i.e. 18% women and 38% internationals by 2015, and 30% women and 50% internationals by 2020
- > Initiatives
  - Technical scholarships for young women
  - English as the company language
  - Flexible working conditions for parents and kindergarten for OMV employees' children
  - Various initiatives in order to develop diversity skills and awareness among leaders



## D. Lessons learned

Comprehensive programs, clear commitment and communication are necessary

**Roland Berger**  
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# CEE businesses are a fertile ground for diversity, but much remains to be done due to a lack of awareness rather than a lack of openness

## Lessons learned



- 1 Diversity and inclusion seem to have a **measurable positive impact on business performance** as indicated by a CEE sample
- 2 **Combining different dimensions** of diversity is key to achieving a financial impact – the **most value-adding combination** is the inclusion of both **female and international board members**
- 3 **CEE companies** are **focused on gender** issues – nationality comes second, whereas age receives little attention
- 4 Companies are **aware of the link between D&I and performance**, but **few have started measuring** the financial effects
- 5 Beside **potential financial benefits**, **employees** are the **key drivers behind D&I initiatives** in CEE – the boardroom is seen as the company's mirror
- 6 Not all companies have become fully **aware of the potential of international or multicultural talents**

## Against this background, the authors of the study recommend to...

- Set up a **diversity program** with dedicated **goals, capacity, budget and time frame**
- **Develop KPIs to capture and track and measure the right combination of diversity and inclusion dimensions** for the needs of your company
- Start **long-term planning for diversity** already in the **first stages of recruitment** and let it pervade into talent management and mid- and top management
- Examine diversity through **multiple dimensions** – **explore** the effects of **diversity in age go beyond focusing on single issues such as gender**
- **Learn from best practices** from in- and outside of CEE
- Watch out for **typical break points** within the program and/or a career, e.g. maternity leave
- **Communicate** publicly and internally **why and how D&I is a key success factor** for your company and business



## E. Authors

Contact us to further explore this fascinating topic

**Roland Berger**  
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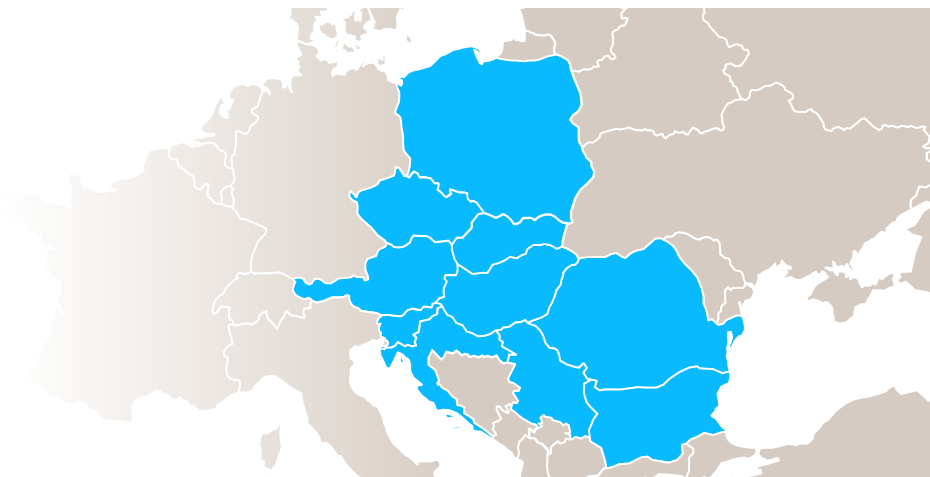
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**It's character  
that creates  
impact!**

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