FTSE -100 companies are key players in our economy of the 21st century, as generators of wealth and employment. It is unsurprising, therefore, that we have an interest in knowing not only about the performance of their balance sheets, but also more about their record on employment issues. Do they treat their staff fairly? Can they be held up as role models for the rest of the corporate sector? Do they practise what they preach on equality and diversity?
1. Introduction: Revisiting Our Original Research

Of particular concern to us at the Runnymede Trust is how ethnic minorities fare in the recruitment, progression and retention processes that take place within large companies such as those in the FTSE-100. Here we present the findings of the most recent piece of research on racial equality in FTSE-100 companies in the UK – 18 months on from our Moving on Up? report, which was the first really detailed examination of this subject.

The twofold intention guiding the follow-up research was:
1. record a snapshot of company progress in taking on board the recommendations from Moving on Up?
2. sustain the momentum on issues of racial equality, and to keep them firmly on the business agenda

This briefing paper is primarily concerned with the results of the follow-up research, which was conducted between June and July 2001 by means of a brief questionnaire and telephone survey.

The findings were presented initially at a conference hosted by BT on the theme of 'Widening the Talent Pool'. Here we look briefly at what has come to be known in the business world as 'the war for talent', and then consider the evidence that points to a continued waste of talent through under-utilisation of qualified minority ethnic personnel in the marketplace.

The follow-up research revealed some positive examples of best practice, where a handful of companies have grasped the nettle and are pro-actively working the issue of racial equality. They are among the 'usual suspects' of companies that tend to take these issues seriously. Nonetheless, we believe that it is of great value to continue to showcase their developments as good examples for others to follow.

Finally, we consider diversity as a leadership issue, make some observations on progress, and suggestions about how to keep the momentum going.

2. Competing for Talent

Making War

Warfare terminology is rather unfortunate given the turn of events on 11 September 2001. Nonetheless, in the UK at this time there is a skills shortage, paradoxically going hand-in-hand with a volatile labour market.

There is a war for the best managerial and professional talent. What is more, the competition for high-calibre people, with the right mindsets and skills, is intensifying. One of the major challenges facing management currently is to be able to change fast enough, to cope with the new technology, and new, environmental, social and professional values. The consequent need for high-calibre, outstanding performers is perhaps greater now that it has ever been.

The Talent Foundation was set up in year 2000 to support businesses in developing talent. Its Director, Javier Bajer comments: Successful businesses are expanding so fast they just cannot get enough people to meet the demand'.

Average turnover in companies is currently at 25%. The growth of contract working in particular means that people stay with companies anything from a few weeks to a few years.

Currently 18% of the workforce is self-employed, a sector forecast to grow to 40% over the next 20 years. Ethnic minority-owned businesses feature significantly in this self-employment marketplace, owning 7% of small businesses.

Younger people are side-stepping the need for a job for life by developing their own culture of loyalty to outcomes and the next project, rather than to any one company.

The declining birthrate means fewer young people available to fill jobs in the future. As Stephen Bevan, associate director of the Institute for Employment policies, says: 'In the next decade, only a minority of the workforce – 20% – will be white, able bodied men under 45, so diversity won’t be a choice for employers'.

The paradox is that the very same companies that have been downsizing, or rightsizing, have also been recruiting new talent. With the slowdown in the economy, this trend is continuing.

IT recruitment in 2001, for example, was already down by 40% overall on the year before. But hidden behind that statistic is the fact that some organizations are stepping up IT recruitment to meet demand, while others are remaining stable.

Making Waste

We are all too aware of the depressing statistics around recruitment, retention and promotion of ethnic minorities. Indeed our Moving on Up? report pointed out that only 1% of senior managers from FTSE-100 companies are from an ethnic minority.

In The Future of Multi-Ethnic Britain, we read: ‘Particularly for the more competitive posts, individuals from black and Asian communities have to be not just as good as, but better than their competitors in order to get the job’. Companies, whether through lack of awareness, stereotyping or outright discrimination, and at a time when they can ill afford to, are wasting the talent available to them.

There is too the effect on people from ethnic minorities: the blow to confidence, the syndrome of, ‘I’ll reject you before you reject me’ reflected in not even bothering to apply, opting for self-employment or for the ‘safe’ professions like medicine, accountancy or the law.

This is a part of the equation that needs addressing as much as whatever it is that employers do or fail to do.

3. Key Findings from Our Original Research

As the purpose of this exercise is to ask ‘What has changed? since Moving on Up?’ was published, it is worth reminding ourselves of some of the key findings from the original report:

- Ethnic minorities were poorly represented in senior positions: only 1% of senior managers
- Minority ethnic professionals and managers felt excluded by subtle non-overt discrimination.

5 ‘IT Recruitment Falls by 40% as Crash Bites’, Computer Weekly, 10 May 2001
Responding companies, on the other hand, believed that their policies and procedures for progression did not discriminate against their minority ethnic employees, thus highlighting a mismatch in perceptions.

- Race was still not firmly on the business agenda, with only a few collecting data on minority ethnic representation and having developed a business case for racial equality
- But, a core group of 10 companies had taken the lead on racial equality, with a higher than average representation of minority ethnic employees.

4. Doing the follow-up research

As with the labour market, the FTSE-100 is itself a volatile and moveable feast. Over 30% of the companies listed in the FTSE when the original Moving on Up? research was carried out are in it no longer, replaced by a host of new players.

In mid-2001 we sent out a brief questionnaire, simply asking the current FTSE-100 companies whether or not they had implemented the recommendations from Moving on Up? – if they didn’t already have them in place. This enquiry was followed up in a brief telephone conversation with those who had completed the questionnaire and were agreeable to being asked further questions.

In all, 21 companies replied, their combined population amounting to some 700,000 employees.

Of course, the conversations we were having were with the HR community. From our original findings in 2000, we had noted that HR representatives tended to be more optimistic than their minority ethnic staff about how well their company was performing.

Of the 21 FTSE-100 companies questioned here, 17 had participated in the original research. Two of the responding companies were new entrants to the FTSE.

5. Best Practice Examples

As we have seen, one of the challenges of racial equality and diversity is to engage a wider spectrum of companies with the issues, with a view to taking action for change.

As always it’s just a handful of companies that are leading the way – which is not to belittle their efforts. Here we include some examples of good practice uncovered in the process of interviewing individual companies. Each has appointed a high-level champion to focus specifically on racial equality, and they have all developed a business case.

Other creative approaches include the idea of recruiting from non-traditional universities. One oil company in particular has built an agreement with a black American university to recruit its students with a view to widening the pool of applicants for top jobs as assignees around the globe.

Lloyds TSB
A company with 77,000 employees, also in the financial services sector, Lloyds TSB have taken a holistic approach to racial equality and developed a comprehensive strategy.

The problem they needed to address was their high turnover of minority ethnic staff. Looking to improve their record on retention, they have implemented a career development programme exclusively for minority ethnic junior managers, led by minority ethnic trainers. As a consequence, the attrition rate among minority ethnic leavers has been dramatically reduced.

British Telecom
BT’s scheme has trained 2000 staff to be diversity coaches. These are individuals from around the business who have taken on the extra role of running group discussions on ethnicity, equality and diversity issues. BT’s aim is to create a cadre of diversity-aware people who, in moving up and around the organisation, will take along with them their diversity awareness and enlightened attitudes.

Asta
Asta, with some 105,000 employees in the retail sector, set up listening groups a year ago to find out more about the issues concerning ethnic minorities. They discovered that ethnic minorities were more reticent about putting themselves forward for promotion, and that part of this reticence was to do with family influence, parents wanting their offspring to take up more ‘professional’ careers.

Having set up a positive action initiative called ‘Talent Race’, which involved a series of career development workshops for ethnic minorities and allowed family members to participate, Asda were able to demonstrate that they did indeed have a range of professional careers available, such as in law, finance or pharmacy.

They also set targets for line managers for representation in different stores.

As a result they now have a larger pool of minority ethnic employees who are eligible for promotion to management positions.

Cable and Wireless
Cable and Wireless provide business-to-business communications, with 6,900 employees in the UK, 40,000 worldwide and a good representation of ethnic minorities across the board, although, like many FTSE-100 companies, still white and male the higher up the echelons you go.

They have focused strongly on integrating diversity, including the 360-degree feedback process, into all aspects of leadership - their leadership model, their management development programme and they include diversity as a competence for the recruitment of all new managers.

The diversity function also works closely with talent management to ensure that it is integrated into all discussions about succession planning.

The Halifax
The Halifax, with 38,000 workers in the financial services sector, is an example of an organization that is extremely proactive in terms of developing and working a sound strategic framework. Most notable is how seriously they have worked racial equality as a business issue, with clear articulation and ownership of the business case throughout the company.

As a result there has been a significant increase in the numbers of ethnic minorities in specific branches. Line managers led the diversity training – thus involving the key players in the cultural change side.

The Halifax actively measure the impact on the bottom line, and so are able to see clearly where their focus on racial equality and diversity has paid dividends in winning business.
### Questionnaire and Telephone Survey Results

#### The 2001 response to the original Moving on Up (MoU) questionnaire

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>In Moving on Up? we recommended that in order to deal with racial equality in a really constructive way, there needed to be a Board Level Champion devoted to this issue.</td>
<td>• 16 (76%) say they have one. Just over a third have been appointed since Moving on Up? (hereafter referred to as MoU).</td>
</tr>
<tr>
<td>We recommended that there needed to be a strategic framework in place that covered all aspects of integrating racial equality into the organization, including both systems and cultural change programmes.</td>
<td>• 11 (52%) say they have one; 4 have put this in place since MoU.</td>
</tr>
<tr>
<td>We recommended that companies should collect data on minority ethnic representation and on employee attitudes to race.</td>
<td>• 15 (71%) say they do both; 9 have put these systems in place since MoU.</td>
</tr>
<tr>
<td>We recommended that companies develop a business case on racial equality.</td>
<td>• 13 (61%) say they have one; 6 companies have introduced one since MoU.</td>
</tr>
<tr>
<td>We recommended that companies conduct racial awareness training.</td>
<td>• 14 (66%) say they do; 8 have introduced this since MoU.</td>
</tr>
<tr>
<td>We recommended that companies set improvement targets both for representation of ethnic minorities and for improvements in attitudes to race in company surveys.</td>
<td>0 only 7 (33%) and 5 (23%), respectively, say they set targets for representation and for improvements in attitudes.</td>
</tr>
<tr>
<td>Not surprisingly the percentage of those that say they have achieved their improvement targets is very low.</td>
<td>• 6 (28%) say they have achieved their improvement targets on both minority ethnic representation and employee attitudes.</td>
</tr>
<tr>
<td>Finally we recommended that managers be engaged at all levels of the management chain.</td>
<td>• 13 (60%) of companies felt that they were engaged; 7 companies said there had been an improvement in this respect since MoU.</td>
</tr>
<tr>
<td>We also recommended that they sign up to the CRE's Leadership Challenge and to the Race for Opportunity Campaign.</td>
<td>• 7 (33%) had signed up (this campaign is currently being revamped); 6 have signed up since MoU.</td>
</tr>
</tbody>
</table>

#### Sample responses from the telephone survey

<table>
<thead>
<tr>
<th>Area of Concern</th>
<th>Key Quote</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The whole issue of leadership. So while people felt able to tick the box marked yes to having a high-level champion, it emerged from conversations that that did not necessarily mean in all cases that the business leader had demonstrated a specific focus on race, as well as on diversity in general. Nor did it mean that they had made the connection to the business. Where companies have got their senior line champion to buy in at both the head and heart levels, the result has been greater integration of racial equality into the mainstream.</td>
<td>'It remains a challenge getting senior management attention for this issue if they can't make the link to the bottom line.'</td>
</tr>
<tr>
<td>2. From the telephone survey, it became apparent that in some cases companies had a generic business case for diversity, but did not necessarily have one for racial equality. Some businesses cases consisted of vague motherhood statements from the Chairman or CEO, usually about being an 'Employer of Choice'.</td>
<td>'The business case for ethnicity isn't compelling. The business case for diversity is.'</td>
</tr>
<tr>
<td>3. Perhaps unsurprisingly the majority of participants saw line manager buy-in as being one of the most difficult areas to address. Some felt that business pressures were such that line managers had no alternative but to leave racial equality firmly at the bottom of the agenda.</td>
<td>'I'm not confident that all line managers have bought in - I feel they are the problem.'</td>
</tr>
<tr>
<td>4. Succession planning is patchy and unstable.</td>
<td>'Succession planning is patchy and unstable.'</td>
</tr>
<tr>
<td>Some felt that business pressures had made the connection to the business.</td>
<td>'Our suppliers say they find it difficult to provide diverse shortlists.'</td>
</tr>
<tr>
<td>Ethnic minorities don't push themselves.</td>
<td>'Ethnic minorities don't push themselves.'</td>
</tr>
<tr>
<td>There's resistance all along the resourcing line to the idea of targets.</td>
<td>'There's been more objection to positive action measures from minority ethnic staff than from white staff.'</td>
</tr>
</tbody>
</table>
6. Summary of Findings from the Follow-up Research

In a nutshell, what we found from both the questionnaire and from the telephone survey (on page 4) was that:

- a small minority of companies are actively moving racial equality up the corporate agenda in the fullest and roundest sense.
- the majority of those previously surveyed appeared to have made some adjustments, but at the same time were more or less where they had been 18 months before, and a small minority had let racial equality slip off the agenda altogether.
- in the case of one of the new entrants to the FTSE, they were just starting to think about the issue; while another new entrant did not think they had a problem, despite having low ethnic minority representation at senior levels.

Our small sample of respondents seems to represent common trends for racial equality issues in the corporate world. Race for Opportunity's (RFO) recent benchmarking report is drawn from a larger sample of 93 companies and public sector organisations, wider than just FTSE-100 companies, and shows a number of similarities with our own findings.1

- 83% have a Board level Champion, but a question mark hovers over what they 'tangibly do' to drive race equality through their organisation;
- 43% said that race continues to be driven by HR, with questions over the commitment of line managers;
- Only 38% of RFO’s sample said they have a ‘business case’. Not surprisingly, therefore, nearly a quarter of them (24%) felt their programme on race was not achieving a measurable impact and 14% didn’t know what impact it was having.
- Finally, while organisations are collecting lots of monitoring information, only 21% felt that they were fully integrating the results of their monitoring into their action planning, and only 18 organisations were prepared to divulge their complete workforce profiles.

In summary, then, it is fair to say that during the 18 months since Moving on Up? was published, while there has been some progress among the FTSE-100 companies that responded to our survey, minority ethnic representation at senior levels continues to be disappointingly low.

Particularly striking, however, is that for the handful of companies actively working on this issue, their efforts are represented by an increased minority ethnic representation at more junior levels, thus enlarging the pool of candidates for promotion to senior grades.

Increased representation, however, is only part of the story; so it is encouraging that many of the companies surveyed run racial awareness training and other cultural change programmes.

7. A Leadership Issue

FTSE-100 companies provide a barometer of the story we are likely to find elsewhere, of best practice and innovation, as well as challenges and concerns about racial equality of opportunity. In conclusion, it is clear that making progress on racial equality requires leadership attention. We have extrapolated the following guiding principles from this brief snapshot of FTSE-100 companies:

1. For racial equality to become fully integrated into the mainstream, it must be on the agenda at Board level, owned and led by a senior person, as is the case with a number of the more successful examples mentioned above.

2. Many companies seem to be seeking to contain racial equality within the envelope of diversity. Our recommendation is that both diversity and racial equality should be worked in tandem – creating a diversity culture, but conscious of the fact that redressing racial imbalances requires special and focused attention.

3. It is important to collect the data on employee representation, and on employee attitudes, but there needs to be a greater synergy between what the data says and the strategic framework, and most particularly the business case. As we’ve seen, successful companies in this area use the feedback to design strategies and programmes that make a real difference.

4. The work of cultural change does not stop with awareness training. Part of the problem with changing people’s minds is the ‘spin’ that’s put on information published about racial equality of opportunity, which can end up somehow being equated with unfairness. The most effective form of communication to counteract such ‘spin’ is what can be observed in the actions and demeanour of the line managers.

5. Businesses that set targets have more chance of succeeding with this issue. Let’s turn targets back into what they really are, which is simply a measurement tool.

6. People get switched on when they are involved in decision-making; when they are appealed to on both a head and heart level; when they can see win-win situations. As we have seen in the best practice examples, only by listening is it possible to really understand what motivates people to bring about change.

7. The marketplace for talent is much larger than just the UK. Working on diversity and racial equality is what will help build an internal culture that is truly accepting of difference. And as companies increasingly operate across the globe, that understanding and acceptance of difference has a direct relationship to market share.

8. Racial equality of opportunity needs to be broadly aligned with resourcing, so that the diversity consciousness is always there when making key decisions about succession and filling pivotal posts. Requiring suppliers of talent to develop that racial equality consciousness too is very important, given their role in accessing the talent pool.

9. Being able to effectively manage an issue such as diversity is a sign of emotional intelligence, an attribute that has been identified with success, over and above IQ. Building an emotionally intelligent workforce is another way of contributing to company success.

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10. One-to-one coaching on leadership and diversity provides individual managers with another level of support for cultural change – helping managers focus on the part they can play in building a diversity culture.

11. A 360-degree feedback has become exceptionally useful in improving performance, particularly as a management tool. Building in feedback on a manager’s performance from bosses, peers and team members, and following up with an improvement plan, is an effective way to support behavioural change.

8. Conclusions: ‘Moving on - Up or Down?’

When Moving on Up? was published (February 1999), the Stephen Lawrence Inquiry Report had started to concentrate the public’s attention, at work and in private, on issues of race and ethnicity. Some members of the corporate world seemed ready to ask tough questions and look for answers. Moving on Up? showed us that although race was not firmly on the business agenda, at least 40% of the FTSE-100 were willing to open themselves up for scrutiny on their race record.

A mere 18 months on, it is disappointing to find that race has once more slipped off the corporate agenda, beyond the handful of companies that take this issue seriously. We can only speculate about the story in the 79 companies that did not respond to our survey. ‘Today the pendulum is swinging back to an altogether more complacent and less challenging era’, says Gary Younge in The Guardian.

Recently a team of reporters from Newsweek contacted the top 100 companies across Europe to find out how many minority ethnic employees featured in their higher echelons of management. Only 31 companies would answer the question, and from among those 31, there were no minority ethnic CEO’s, just 6 minority ethnic board members, and only 16 senior managers.

Change is imminent, however, heralded by the new European anti-discrimination legislation about to come into force across Europe in 2003, which will shift the burden of proof of non-discrimination from employees to employers and will, most likely, have the effect of increasing attention for this subject in the corporate world. While changing demographics and increased migration across continents make this a subject that is going to have to increase in importance.

Widening the talent pool in UK FTSE-100 companies continues to be a challenge as they are faced with competing priorities. The danger is that this could slip off the agenda altogether for the majority, until confrontation and litigation force it abruptly back on.

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About the Runnymede Trust:

As a prominent, independent think-tank on ethnicity and cultural diversity, the Runnymede Trust has a long track record in leading edge research, working in close collaboration with eminent thinkers and policy makers in the private, public and voluntary sectors. Founded in 1968 as a Charitable Educational Trust, our mandate is to promote a successful multi-ethnic Britain – a Britain where citizens and communities feel valued, enjoy equal opportunities to develop their talents, lead fulfilling lives and accept collective responsibility, all in the spirit of civic friendship, shared identity and a common sense of belonging.

Registered charity no. 1063609

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### Appendices

1. Questionnaire Results: 21 Companies Responded

<table>
<thead>
<tr>
<th>Questions Posed</th>
<th>Responses Received - no. (+%)</th>
<th>Yes</th>
<th>No</th>
<th>Plan to already have one</th>
<th>Nil response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have you appointed a Board Level Champion on racial equality?</td>
<td>7 (33)</td>
<td>3 (14)</td>
<td>2 (9)</td>
<td>9 (43)</td>
<td>N/A</td>
</tr>
<tr>
<td>Have you developed a strategic framework for racial equality?</td>
<td>4 (19)</td>
<td>3 (14)</td>
<td>7</td>
<td>7</td>
<td>N/A</td>
</tr>
<tr>
<td>Have you gathered data on ethnic minority representation in the workforce?</td>
<td>9 (43)</td>
<td>4 (19)</td>
<td>3 (14)</td>
<td>6 (28)</td>
<td>N/A</td>
</tr>
<tr>
<td>Have you gathered data on employee attitudes?</td>
<td>9 (43)</td>
<td>4 (19)</td>
<td>2 (9)</td>
<td>6 (28)</td>
<td>N/A</td>
</tr>
<tr>
<td>Have you developed a business case on racial equality?</td>
<td>6 (28)</td>
<td>4 (19)</td>
<td>7</td>
<td>7</td>
<td>N/A</td>
</tr>
<tr>
<td>Have you conducted racial awareness training?</td>
<td>8 (38)</td>
<td>6 (28)</td>
<td>1 (5)</td>
<td>6 (28)</td>
<td>N/A</td>
</tr>
<tr>
<td>Have you set improvement targets for ethnic minority representation in the workforce?</td>
<td>5 (24)</td>
<td>11 (52)</td>
<td>2 (9)</td>
<td>2 (9)</td>
<td>1 (5)</td>
</tr>
<tr>
<td>Have you set improvement targets for employee attitudes?</td>
<td>3 (14)</td>
<td>12 (57)</td>
<td>4 (19)</td>
<td>2 (9)</td>
<td>N/A</td>
</tr>
<tr>
<td>Have you achieved your improvement targets for ethnic minority representation in the workforce?</td>
<td>3 (14)</td>
<td>5 (24)</td>
<td>24</td>
<td>5 (24)</td>
<td>14 (24)</td>
</tr>
<tr>
<td>Have you achieved your improvement targets for ethnic minority representation in the workforce?</td>
<td>3 (14)</td>
<td>6 (28)</td>
<td>3</td>
<td>14 (28)</td>
<td></td>
</tr>
<tr>
<td>Have you engaged all levels of the management chain in making a commitment to racial equality?</td>
<td>7 (33)</td>
<td>5 (24)</td>
<td>3 (14)</td>
<td>6 (28)</td>
<td>N/A</td>
</tr>
<tr>
<td>Have you signed up to the CRE’s Leadership Challenge?</td>
<td>6 (28)</td>
<td>10 (48)</td>
<td>3 (14)</td>
<td>1 (4)</td>
<td>2 (9)</td>
</tr>
<tr>
<td>Have you joined the Race for Opportunity Campaign?</td>
<td>8 (38)</td>
<td>7 (33)</td>
<td>1 (5)</td>
<td>4 (19)</td>
<td>1 (5)</td>
</tr>
</tbody>
</table>

2. Breakdown, by Sector, of Companies that Responded to the Survey

<table>
<thead>
<tr>
<th>Sector</th>
<th>Survey Participants (no.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>1</td>
</tr>
<tr>
<td>Communication</td>
<td>1</td>
</tr>
<tr>
<td>Electronics</td>
<td>1</td>
</tr>
<tr>
<td>Finance</td>
<td>6</td>
</tr>
<tr>
<td>Oil and Energy</td>
<td>4</td>
</tr>
<tr>
<td>Pharmaceutical</td>
<td>1</td>
</tr>
<tr>
<td>Retail</td>
<td>3</td>
</tr>
<tr>
<td>Telecoms</td>
<td>3</td>
</tr>
<tr>
<td>Transport</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>21</td>
</tr>
</tbody>
</table>

3. Useful Resources and Contacts

**Key:**
- CRE Leadership Challenge (to be re-launched in the Summer 2002)
- Race for Opportunity Business in the Community
- CRE website: www.cre.gov.uk
- Race for Opportunity website: www.raceforopportunity.org.uk
- CRE Leadership Challenge (to be re-launched in the Summer 2002)
- Race for Opportunity Business in the Community
- CRE website: www.cre.gov.uk
- Race for Opportunity website: www.raceforopportunity.org.uk
- The Talent Foundation
- 19 Buckingham Street
- London
- WC2N 6EF
- 0207 930 1524
- www.talentfoundation.org.uk