CHALLENGE

The addiction to likeness in an age of

diversity = homogeneity

INCLUSIVE **TALENT** MANAGEMENT

PART ONE

THE FIERCE URGENCY OF NOW

The words of Martin Luther King Jr are as relevant today as they were when he said them in 1968. 'We are now faced with the fact that tomorrow is today. We are confronted with the fierce urgency of now. In this unfolding conundrum of life and history, there *is* such a thing as being too late. This is no time for apathy or complacency. This is a time for vigorous and positive action.'

This book highlights a simple contradiction in the way we manage our people and run our organisations that is too often overlooked – we are addicted to sameness in an age of diversity. That is fundamentally an unsustainable position to be in.

At one extreme, terrorists kill difference in the most unspeakable ways. At the other end of the spectrum, we all have our own prejudices and biases that orientate us towards people we like and agree with. Therein lies danger too.

Have you ever wondered why certain decisions were made? Have you ever been frustrated at the promotion of someone who is less able or diligent but performs better in a 'hands-up' culture? Have you ever been exasperated at the intransigence of the organisation and decided to vote with your feet, rather than take on the status quo?

If the answer to any of these questions is yes, then this book is for you.

Moreover, if you have colleagues who would answer no, or who would not even recognise the legitimacy of the questions in the first place, then this book is for them too. Because this is a book for people who believe that the only way to make our organisations work better, and therefore serve society better, is for the people within them to be organised according to their talent and skills.

Why isn't this the case already?

We'll answer this question during the course of the subsequent chapters, but here are seven potential answers to be pondering right now:

Because even though we claim to understand the business case for it, diversity is still seen as a 'nice to have', rather than a core component of strategic advantage.

Because vested interests get in the way.

Because we have an idealised view of what talent is and if people don't fit that image we reject them, even though they may add more value.

Because we make emotionally based decisions, then post-rationalise them as logical.

Because we dislike change.

Because we are afraid to challenge the norm.

And most of all, because we are fundamentally dishonest about our so-called like of diversity. The truth is, we prefer people similar to ourselves. An emotional connection, likeness and comfort, trump meritocratic diversity every time.

We undertook a number of interviews with organisations from different sectors that revealed how a handful of courageous and dedicated professionals are attempting to tackle these issues. We will share real insights, rather than proclamations of intent, throughout the book.

Read the chapters that follow as a series of observations, rather than accusations – we will be challenging, and give you the opportunity to get out of your comfort zone.

In Chapter 1 we assess the current situation in organisations, and how they have unconsciously adopted homogeneous talent management (talent management that fails to account for, or benefit from, difference) as their default way of managing people. We define diversity and talent at the end of the chapter.

In Chapter 2 we analyse how this situation arose with reference to history and bias. This is important context for the pages that follow. Chapter 3 looks at demographic and technological megatrends that are shaping our future world, before exploring aspects of diversity world wide. Chapter 4 proposes an alternative way to manage our people and run our organisations. We call it inclusive talent management.

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HOMOGENOUS TALENT MANAGEMENT

THE SEARCH FOR THE SAME PEOPLE

All over the world, chief executive officers (CEOs), human resources directors (HRDs), talent directors and other professionals are obsessing about talent. Talent consistently ranks in the top three priorities for CEOs, worldwide. They are rightly concerned with finding the people who will be able to best contribute to their business and so help their business grow and compete. It's about three main variables – whom can we recruit? Whom can we promote into the right positions? And whom can we keep?

The problem is that most of them are obsessing about the same people. At most, they are focused on a small group of similar people. They are all busily, and often unconsciously, engaged in homogeneous talent management (HTM).

Homogenous talent management is talent management that fails to account for or benefit from difference. Ever since the publication of *The War for Talent* in 1997,[1] HTM has prevailed. As a strategic business challenge, and a critical driver of corporate performance, the prevailing logic has been to compete for the best talent in a limited pool. The assumption is that demand will outstrip supply.

Michael Porter, of Harvard Business School, said that strategy was 'about deliberately choosing to be different'.[2] Yet in an edition of *Harvard Business Review* in 2015 there was a flyer for the bestselling business strategy book

Clear Blue Ocean.[3] It proclaimed how over 3.5 million copies had been sold and it had been translated into 43 languages.

There is something deeply ironic about offering an insight to the mass market – the credentials the book was using to further its sales are precisely those that will diminish its impact. If 3.5 million people all pursue the same strategy then any competitive advantage will be quickly eroded.

There is also a deep irony in the analysis of the average CEO, HRD or talent director. If differentiation is the key to competitive advantage then why are they all looking for the same people?

In 2015 a total of 477 of the top Fortune 500 global companies were run by male CEOs.[4] Malcolm Gladwell also found that 58 per cent of Fortune 500 company CEOs were over 6 feet tall, compared with 14.5 per cent of the United States (US) population. Furthermore, 3.9 per cent of the general US population of adult men are 6 feet 2 inches or taller, but among Gladwell's CEO sample a whopping 30 per cent were 6 feet 2 inches or taller.[5]

The lack of diversity at senior levels with regard to women, disabled people, gay people or ethnic minorities can be somewhat explained with reference to history, discrimination and cultural patterns. But how do we explain the exclusion of short people? How do we explain the relative absence of white men who happen to be below 6 foot?

In a US study researchers followed thousands of people from birth to adulthood. Holding all other variables constant (such as gender, age and weight) they concluded that an inch of height is worth $789 a year in salary.[6] That means that a person who is 6 feet 2 inches tall, but who is otherwise identical to someone who is 5 foot 5 inches, will make on average $7,101 more per year.

COMPETING IN A SELF-LIMITED POOL

Porter's Five Forces of competition are instructive here.[7] At the heart of the so-called 'war for talent' is competition between rival groups (organisations) for the 'best' talent. An obvious example would be the 'Big 4' professional services firms, Deloitte, EY, KPMG and PwC. Should one partner leave one firm for a rival, he or she is put 'on gardening leave' for up to a year in order to neutralise their competitive risk to the firm they are leaving. So intense is the competition between them for their star performers that anyone leaving is often immediately ostracised by their current colleagues before being welcomed into their new firm. Yet all four firms fish in the same, relatively small pool.

Similarly, in Olympic Games organising committees, a standard job description required 'previous Games experience'. The amount of highly talented people without 'previous Games experience' was substantial. This

means that the 'Big 4' firms and the biggest event organisation on the planet all deliberately limit the size of the talent pool they are competing in.

In addition to competition for talent between existing rivals, there also exists the threat of new entrants. Obelisk is a legal services provider started in 2010 by Dana Denis-Smith, a Romanian-British woman. Fed up with a male culture and inflexible work pattern in law firms and the associated negative effects on women in particular, she decided to set up her own practice, only differently. Obelisk employs women who can choose their hours from 2–50 per week. Obelisk contracts them back into law firms and other professional services organisations at a lower price point but a higher margin owing to lower operating and sunk costs. Obelisk is taking market share from the established legal big boys as a consequence of their refusal to change their existing culture.

When London 2012 challenged the Olympic Games norm by emphasising local recruitment and the employment of local talent, it threatened the vested interests of the 'Games circus' – those professionals who would otherwise and in normal circumstances travel from employment at one Games to the next almost seamlessly. The London 2012 bid had been based on including local people and refreshing the Olympics' 'licence to operate'. Had London 2012 not adopted this approach, it would have endured even tougher treatment at the hands of the British press and politicians, who were concerned with holding the Games accountable to its promises.

Closely related to the threat of new entrants is the threat of substitute products or services. In addition to new players like Obelisk, technology is also a game-changer. London's black cab drivers are world-famous for 'the Knowledge' – a demanding test of London's complicated geography which is required in order to gain a licence to operate. Cabbies pride themselves on the high bar to entry and the talent required in order to be a London cab driver. None of them anticipated the arrival of Uber. Now with GPS technology, a smartphone and a car, many people can sidestep the knowledge requirement and become a transport provider.

On one side exists the bargaining power of buyers (ie the recruiter). In some instances this can be significant. For example, Google enjoys the current luxury of approximately 400 candidates applying for every vacancy.[8] On the other side exists the bargaining power of suppliers(ie the candidate). The word candidate assumes an unequal relationship from the start – that the organisation holds all the cards and the candidate is passive. However, candidates can bargain more than they often realise. When it comes to salary, men do it rather better than women. This is partly because they are, on average, more money driven, partly because of temperament, partly because of ego. Research suggests that women are far more likely to argue on behalf of others but when it comes to their own interests they often defer.[9]

DIVERSE TALENT DOESN'T FIT HOMOGENEOUS CULTURE

While candidates are infinitely diverse, and bring different (needed) skills to the door of organisations, the organisational response is often crude. How often have you heard people obsess over 'fit'? Will he/she 'fit' into our existing culture? Even when recruiters are looking 'for women', they are often looking for women who will 'fit' into the existing (male) culture.

The response to the real and pressing talent management challenges of recruitment, development and retention is often a cookie-cutter one size fits all approach that fails to maximize the benefits of diversity. A flaw in the 'war on talent' that has been largely unanswered until now is that there is often plentiful talent; we simply unconsciously (and sometimes consciously) decide to ignore it.

Let us now look at what lessons we can learn from the world around us. First, we will look at lessons the natural world can offer us, followed by lessons from the financial markets, as shown in Figure 1.1. Finally, we will apply those lessons to looking at people, and reframing what we really mean by 'talent'.

Figure 1.1 Ecosystems, financial systems and people.

System	Ecosystem	Financial system	People system
Diversity benefits	Biodiversity increases productivity and resilience	Diverse portfolios mitigate risks, and increase resilience	Mitigates groupthink, correlated with higher financial performance
Diversity costs	Cost of conservation	Potentially lower short-run returns	Potential conflict (if unmanaged)
Importance	Each species, no matter how small, has an important role to play in the ecosystem = basis of human existence	Avoids system contagion and economic crises, maintains growth and standard of living	Improves decision making and mitigates social exclusion

ECOSYSTEMS, BIODIVERSITY AND EXTINCTION

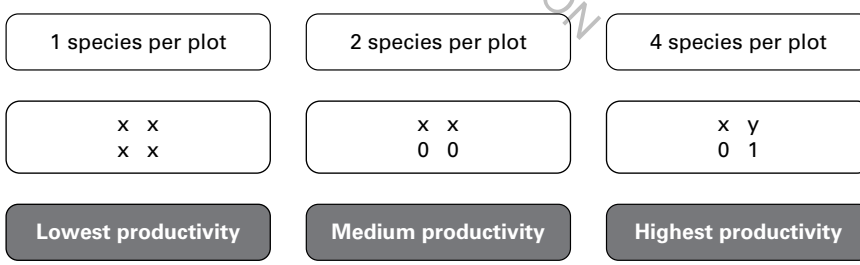
Ecosystems are communities of interacting and co-dependent organisms situated in a particular environment. In his 1859 book *On the Origin of Species* Charles Darwin postulated the need for diversity in the ecosystem in

order to sustain life. This is a fact often overlooked by the focus on the more famous (and clichéd) 'natural selection' and evolutionary biology aspects of the book. But in *On the Origin of Species* you will read that Darwin discussed how a field with distantly related grasses would be more productive than a field with a single species of grass. In other words, diversity (and not just specialisation, as is often assumed) is a key ingredient of productivity.

DIVERSITY CAN BE MORE PRODUCTIVE

Darwin's theory has been proved in more modern studies. Marc Cadotte from the University of Toronto grew 17 different plants in various combinations of one, two, or four species per plot, as shown in Figure 1.2. He discovered three things that are of interest to us. One, multi-species plots produced more plant material than single species plots. Two, plots filled with plants that were distantly related to one another were more productive than those that were closely related. For example, a plot containing goldenrod and the closely related black-eyed Susan was less productive than a plot with goldenrod and the more distantly related bluestem grass. Finally, species that were furthest apart in evolutionary terms produced higher yields than those that were closer together. He concluded, 'If you have two species that can access different resources or do things in different ways, then having those two species together can enhance species function. What I've done is account for those differences by accounting for their evolutionary history.'[10]

Figure 1.2 Modern-day Darwin grasses experiment.



Marc explained:

> What's going on isn't mysterious. Distantly related plants are more likely to require different resources and to fill different environmental niches. One might need more nitrogen, the other more phosphorus; one might have shallow roots, the other deep roots. So rather than competing with one another they complement one another.

SAMENESS CAN BE A KILLER

The importance of these different plants is seen in today's conservation efforts and the widespread recognition that if we don't preserve or enhance our ecosystem, it won't support human existence. In other words, we have implicitly signed up to the notion that biodiversity is important. If those bugs and bees don't thrive and pollinate other plants then the entire food chain will collapse. At its core, biodiversity is a risk mitigation tool for human survival.

Take the case of Chilean fish farms. In 2007 a virus killed millions of salmon that were being farmed in Chile's fish farming industry, the second largest in the world. With hindsight, three variables stand out as significant. One, they were being farmed at much higher density than is the case in Norway or Scotland, and this made the transmission of the disease via sea lice all the more potent. Two, the proximity of Chilean fish farms was far more co-located than in the case of other countries, again allowing disease to spread faster. Three, the salmon were treated with a high level of similar antibiotics, which made the farmed salmon more vulnerable to disease in the long run. In other words, this created sameness made them more vulnerable to a single threat. The World Economic Forum concluded, 'Chilean farmed salmon suffered from a viral disease in a homogeneous environment.'[11] When the farms had to be shut down, thousands became unemployed and the costs rose into millions of dollars.[12]

Conversely, we can increase resilience by taking advantage of 'eco-system services' – the services ecosystems provide us humans with, from agriculture and tourism to fisheries and medicine.[13] The value of biodiversity can be seen in relation to our resilience to disasters such as floods. Upland habitat restorations have increased flood resilience, for example the Pumlumon Project in Montgomeryshire, Wales or the Culm Grassland in Devon, England. Culm is a grassland sponge structure that is excellent for soaking rainwater for slow release, thereby mitigating the risk of flood. 'Biodiverse landscapes are species rich habitats such as grasslands, wetland and upland bogs that act as giant sponges, absorbing and holding water and slowing down water runoff.'[14]

It is the biodiversity (species richness, lots of specialists) that creates resilient structures. It was the lack of biodiversity (caused through the use of strong antibiotics) that exposed the salmon farm to catastrophic risk.

GOING DODO

The International Union for Conservation of Nature (IUCN) has highlighted the plight of the lemur. Ninety-four per cent of all lemurs are under threat,

with more than a fifth of all lemur species classed as 'critically endangered'.[15] The reasons vary from hunting for their meat, to habitat destruction in their native Madagascar. They have suffered in particular from illegal logging activity and increasingly from Chinese investments, including road construction. The disappearance of lemurs creates a reduction in biodiversity and a reduction in our future options.

A 2015 report led by the universities of Stanford, Princeton and California, Berkeley analysed extinction rates for vertebrates by assessing fossil records.[16] They concluded that vertebrates were disappearing at a rate 114 times faster than 'normal'. In 2014 a report by Stuart Pimm, a biologist at Duke University, warned mankind was entering a sixth mass extinction event. Stuart claimed that the current rate of extinction was more than 1,000 times faster than in the past. All these authors conclude that the Earth has entered a new period of extinction, and humans could be among the first casualties.[17]

Sir Ken Robinson, the former Education Adviser to the British Government, famously gave a warning and a lesson in humility. If all the insects were to disappear from the planet tomorrow then all life as we know it would be gone within 50 years. However, if all human beings were to disappear from the planet tomorrow then in 50 years' time all life as we know it would be thriving.[18]

SOLUTIONS

The authors of the aforementioned extinction reports conclude that salvation is still possible but it requires intensive and rapid conservation action. Back to our plots of grasses, we could actually use the evolutionary distance between plants to predict future productivity. If plant species disappear and the Earth becomes less productive, plants will draw even less carbon from the atmosphere, possibly increasing the rate of climate change. But if we use the diversity data to inform replantation efforts and conservation strategies, we could pick which combinations of species to introduce to have the most productive effect.

Marc's experiment of different species in different plots reminds us of Darwin's original observation; increased biodiversity leads to greater productivity. Conversely, the Chilean fish farm reminds us that a lack of diversity lowers resilience and can have catastrophic consequences. Consider the application to people and organisations. As we will discuss in Chapter 4, increased diversity of people can be correlated with increased productivity and financial performance. The human equivalent of the Chilean fish farm is witnessed in everyday 'groupthink' and intolerance of different perspectives. Groupthink is the tendency of humans to agree with each other in

order to prevent conflict. It is something we will explore in more detail in the next chapter. It can lower organisational resilience and increase the organisation's exposure to risk.

The professional services firm KPMG has placed beehives on the roof of its London offices to support the fight back of the bees. Others are encouraged to re-plant wild flowers and other vegetation to re-create bee-friendly habitats. There are things that can be done. All is not lost, not yet.

FINANCIAL MARKET VOLATILITY, MONEY AND RISK

Just as there are lessons for talent management from the natural world, so too can we learn from recent financial events. On 8 June 2009, in the year following the 2008 financial crisis, Jean-Pierre Landau, Deputy Governor of the Bank of France, said:

> Increases in complexity did not come with (corresponding)... diversity. On the face of it, market participants looked more and more different in their legal status, investment strategies, and business objectives. It has now become apparent that, behind these veils of diverse colours, there was a profound uniformity in the approach to risk, its measurement, its management, as well as in the drivers of risk appetite. This uniformity had very destabilizing consequences.[19]

THE DANGERS OF SAMENESS

The principles of biodiversity and the dangers of sameness can also be applied to the financial system. The financial system allows the transfer of money between savers (and investors) and borrowers. An analysis of the 2008 economic crisis shows that one of the major contributory factors was the proverbial 'all eggs in one basket'.

It was a logical consequence of capitalist endeavour (some may say greed) that financial institutions pursued an increasingly homogeneous set of strategies based on increasingly specialised products that offered the best returns. From a purely marginal returns perspective, it would be illogical to do otherwise. However, when those baskets let the eggs fall, they smashed. There was an insufficient number of other baskets with other eggs in to keep the wheels turning. And none of the eggs were hard-boiled; they were all of the same type and smashed at the same time.

Prior to 2008 many financial institutions were creating above average returns from an increasingly specialised product portfolio. They were running similar businesses, with similar people, competing over similar talent, paying similar wages.

Many banks were taking large positions in structured credit products based on the same underlying asset classes. They were fishing in the same pool for short-term credit and applying similar risk mitigation methodologies.

The most obvious one was the capital ratio risk model, whereby a bank could leverage up to a certain amount based on the probability of a shortfall. They were all relying on the same credit ratings that were being calculated in the same way and assurances were given that a fact was a fact, based on statistical significance with 95 per cent confidence probability. However when the 5 per cent probability arose, the US sub-prime mortgage bubble burst – the lenders all pulled out in the same manner at the same time.

Most calculations were based on a series of assumptions and a series of probabilities. However, the danger arose when banks that are supposed to be in competition with each other made similar assumptions that tranches of collateralised debt obligations were safe based on their AAA credit rating. This was a perfectly logical thing to surmise and it was based on the work of incredibly intelligent people.

However, in the pursuit of ever-higher returns and stretching ratios to the maximum, these assumptions failed to acknowledge that the ratings were based on precarious assumptions about default risk, house prices, and cross-correlations among the risks of the underlying assets. As the World Economic Forum concluded, 'Financial companies also kept large inventories on their balance sheets, and ultimately suffered substantial losses – failing to recognize that there would be a penalty on sameness and a prize for diversity.'[20]

THE HERD

A senior employee gave a presentation to the executive team at Lehman Brothers over two years before the crisis. He criticised the current strategy and presented some suggested amendments to the strategy. He was shut down in conversation in the meeting and then fired in March 2005. The two leaders at the top didn't want to hear what he had to say.[21] This example of groupthink and failure to tolerate difference now stands out as a critical milestone on the journey to Lehman Brothers' eventual collapse.

In a 2010 report the World Economic Forum investigated what the financial sector could learn from other sectors about managing risk.[22] The report concluded that 'Regulators thought nationally, not globally, until it was too late; firm, product and trading strategies became complex yet homogeneous, leading to a stampede once positions did deteriorate.'

Sameness is very seductive. When a rival institution is on to a winner, the shareholder of another firm will call its executives and ask them why they are not following the same path to financial enlightenment. An example

of this is how in the lead up to the 2008 financial crisis the demarcation between financial institutions became blurred. Retail banks began behaving like investment banks and hedge funds, in order to more efficiently recycle their capital (create larger returns). This actually reduced the diversity of the players in the market. In effect the retailers created a shadow banking system, whereby they copied many of the activities of their investment banking cousins. Even insurance companies began offering products traditionally only available through investment banks. This rush to sameness created a critical source of systemic risk.

It is easy to understand how a herd mentality can take over. In the face of expert 'best practice', intense competition and the desire not to be left behind, professionals succumb to intense shareholder pressure to keep up and to follow a 'proven' profitable path or course of action. However, while a herd mentality is understandable it is also deeply dangerous. The World Economic Forum stated, 'Institutions should avoid crowded business strategies and vary modelling assumptions for risk management. Boards, executives and investors should think for themselves rather than implementing me-too strategies and obsessing with benchmarks'[23]

This sameness was not only at the institutional level. In his 2013 book *The Hour Between Dog and Wolf* John Coates analysed behaviour on the trading floor. He described, in vivid detail, the 'inner biological storm' that takes place in the bodies of traders as they are making decisions:

> On a winning streak we can become euphoric, and our appetite for risk expands so much that we turn manic, foolhardy and puffed up with self importance. On a losing streak we struggle with fear, reliving the bad moments over and over, so that stress hormones linger in our brains, promoting a pathological risk-aversion, even depression, and circulate in our blood, contributing to recurrent viral infections, high blood pressure, abdominal fat build up and gastric ulcers.[24]

A key lesson from the trading floor is that people prone to risky decisions can create tremendous value, but they can also be delusional and take grave risks. Another is that if these people are all similar in outlook, the consequences can be catastrophic. A healthy body can tolerate a problem in one organ. But if there is multiple organ failure, the body is in trouble. Classical economics assumes rational man. Yet we know that people are deeply irrational, and even traders make decisions based on the emotional – and the biological.

There appears still to be a high degree of monoculture in the trading floors of New York, Tokyo and London. The culture is very selective and diversity in many senses is minimal. On a recent visit to a couple of trading floors at competitor banks, Steve couldn't help reflecting that their environments were remarkably similar (even down to the same type of pot plants),

their strategies seemed remarkably similar and the people executing them seemed remarkably similar.

SYSTEMIC RISK

Professor Simon Levin, from Princeton University, studies complex systems. These involve large numbers of component parts and occur in nature and finance. Their importance is only recently understood in terms of, for example, how diseases spread, or how a vaccination campaign could meet with success or failure. He identified that in order for a complex system to be robust, a critical ingredient was heterogeneity.

In complex systems, strong non-linear patterns can emerge, often without warning, and they can magnify underlying conditions leading to cataclysmic changes. Think of it as the financial equivalent of an earthquake, such as the run on a bank. The resilience of a system (such as an economy) is largely dependent upon heterogeneity – the ability to adapt, as per Darwin's work, and the ability to come up with new solutions in response to change. A lack of diversity equals a lack of options. Sameness creates future selection bias. This is a situation in which competitor banks found themselves during the dark days of 2008. This is the financial equivalent of the Chilean fish farm.

Consider the big variables in any system: time, space and scale. If people all act at the same time, if they are all co-located, and if the stakes are high, then the system is exposed to significant risk.

SOLUTIONS

We have come to accept that diverse financial portfolios are a way to mitigate risk in the financial system. For example, banks are now subject to capital reserve controls, meaning that they have to maintain a 'buffer' in terms of any over-exposure in their lending. Governments have imposed walls between the retail and investment parts of institutions to limit 'contagion' in the event of a repeat of 2008. This 'forced diversity' is in deliberate response to created sameness. It is an anti-sameness strategy.

One of the best things financial institutions could do is actively avoid 'best practice', as shown in Canada in 2008. Canadian banks proved to be comparably resilient during the crisis. On the whole, Canadian banks demonstrated the value of a more diversified and devolved strategy in avoiding the contagion that ripped through the US and UK banking sectors.

Financial institutions could actively encourage diverse and contrasting approaches towards modelling risk. They could actively cultivate 'ruffing' (inviting challenge in meetings to interrogate a proposed course of action)

and vigorous debate when determining business strategies. Regulators could encourage variation in institutions' risk management approaches by increasing capital charges for systemically crowded high-risk/high-return business strategies. However, just as sameness in strategy is to be avoided, so should sameness in regulation. Complete regulatory convergence is also a risk.

What we learn from finance is akin to what we learn from nature – diversity is correlated with decreased risk and increased resilience. Homogeneous systems are less resilient than diversified ones. Homogenous strategies based on a narrow definition of highest returns can be incredibly successful in the short term, but catastrophically disastrous in the medium to long term.

THE LIMITATIONS OF HOMOGENEOUS TALENT MANAGEMENT

If we review our conclusions from ecology and finance and apply them to people, what do we discover?

Fifty years ago, the average life expectancy of a Fortune 500 company was 75 years. Now it is 15 years and declining. Are companies facing extinction like the lemur? Only 61 companies that were in the Fortune 500 in 1955 still remain. The extinction rate is 88 per cent. In 2014 CNBC proclaimed '10 years to a mass extinction event in the Fortune 500'.[25]

As previously mentioned, when Marc grew his 17 different plants he found that combinations of plants that were distantly related to one another were more productive than combinations of plants that were closely related. Applying that to a team, the obvious answer is to forego black-eyed Susan in favour of bluestem grass in order to improve productivity when mixed with goldenrod (who let's say is already in the company, a lifer and doesn't want to leave). However black-eyed Susan performed 'better' at interview and the manager in the department knows her from his previous job. Even though bluestem grass would add more value to the company, make it more productive, more competitive, more differentiated and help build the team's resilience in the face of change, the company chose black-eyed Susan. Why?

When faced with the need to diversify its product portfolio to mitigate risk, a fund manager decided to concentrate his investments in a fund that was performing particularly well. Furthermore, when the regulator got involved, it imposed additional regulations that further narrowed the investment strategies available and by default increased the specialisation of the product selection even more.

Applying that to a team, the regulator, in an effort to decrease the chance of risky hires, has unintentionally narrowed the talent pool. Instead of supervising the process according to the nature of the skill set needed,

we have imposed our own (biased) view of what good looks like and screened out diverse candidates. We have displayed a lack of tolerance for different approaches in the same way that the Lehman bosses fired an employee who dared to offer a different strategy. Why?

In both examples, sameness is very seductive. In the first example, emotional ties are at play. The candidate is known to a current employee, and there is an emotional bond, as well as trust. Even though the other candidate may objectively be a better addition to the team, the company decides to recruit the sub-optimal candidate for emotional reasons. These will be fed back and justified in a logical fashion.

In the second example, fear is at play. The hiring manager is afraid of the unknown, in much the same way as the regulator. Just as the regulator cannot know more than product managers in individual companies, a hiring manager cannot know more than the candidate about the candidate's own abilities and skills. Going against the herd requires courage. In view of this, the hiring manager 'plays safe', even though this course of action could be quite the opposite, compounding systemic risk.

DIVERSITY TRUMPS INDIVIDUAL ABILITY

In his 2008 book *The Difference*,[26] Scott Page ran various tests to establish the Diversity prediction theorem. We'll discuss this in more detail in Chapter 4, but for now consider this. Using models and logic Page showed how diversity can trump ability. Furthermore, collective ability is dependent upon diversity in addition to individual ability. In other words, diversity among a group or team trying to solve problems is more important than any individual excellence within that team. This flies in the face of HTM.

In nature, the most evolved species (supposedly us) are dependent on every part of the ecosystem. Each piece plays its part. HR fails to realise that people systems are not so different from ecosystems. Just as in nature, in organisations too there is a talent food chain. Every player is important and when diversity is diminished it diminishes the resource base for future growth, productivity and risk mitigation.

TECHNICAL FIXES TO CULTURAL PROBLEMS ARE UNSUSTAINABLE

Furthermore, just as in finance, HR tends to apply technical fixes to cultural problems. HR too often prioritises process over reason. One of the reasons HTM persists is because of how we have been educated. Highly educated people in senior corporate positions tend to have a quantitative bias. These

people tend to assume they are rational and objective. However, if we accept the basic premise that diversity is infinite (see below) and that people are in fact irrational, cultural creatures, then applying logical, technical HR strategies to manage them will be highly inefficient and ultimately fail.

An example would be women on boards. Actually it's not about women, it's about cognitive diversity to increase the resilience of boards and improve their decision-making abilities, but more on that later. Take gender as a proxy for cognitive diversity. The solution has tended to be 'find women'. But by applying a quantitative method to a cultural problem, we have found the women most like men and most able to 'fit' into male culture. The women that are most likely to put themselves forward, most likely to respond to a hands-up culture are precisely those who are most similar to the existing men. So what about diversity?

When it comes to our people, we have yet to apply the principles of biodiversity or financial diversity to talent. While a great deal of thought has been given to preserving biodiversity through conservation efforts, and even more work has been put in latterly to rethink our approach to risk management in the wake of the financial crisis, we still haven't seriously considered risk and diversity when it comes to our people.

We still have an idea of what 'good' looks like, and it isn't diverse. As we discussed earlier in this chapter, most CEOs are over 6 feet tall, male and white. Most promotions go to extroverts over introverts. Most graduate recruitment processes discriminate against brilliant young talent that doesn't have a degree (either by choice or lack of financial means).

This means that we are in effect staring down the barrel of the gun. In failing to learn from the extinction of the Dodo, in failing to learn from what happened from financial specialisation and contagion, we are putting all our talent eggs in the same basket.

WHAT IS DIVERSITY?

There are 7.3 billion of us on this planet and each one of us is unique, determined by our individual DNA. A survey of HR practitioners reveals a strong focus on demographic diversity, most notably gender. So for many organisations 'diversity' is reduced to 'gender'. Rather than 7.3 billion talent permutations, we settle for two, men and women.

Diversity means 'a range of different things'. In one sense, diversity is simply our individual physical make up, such as gender, ethnicity, age, disability and sexual orientation. Even with this limited definition of diversity, physical make up can change over time. Obvious examples include women becoming pregnant, or people becoming disabled. While only

women can become pregnant, if we live long enough we all eventually become disabled. Less obvious and less common examples would include people who undergo gender reassignment, or some other major life-changing event.

However, diversity is also cultural, socio-economic, religious and linguistic. The difference in language can be profound, even within relatively small geographies such as the United Kingdom. In the UK there are literally hundreds of dialects of English, not to mention the significant cultural differences between the UK and USA, both majority English speaking countries. On one level Switzerland and Northern Ireland are not particularly diverse. However, Switzerland has four official languages; and in Northern Ireland your religion can be the salient individual characteristic that will determine your life and career trajectory.

How a person looks is one of the principal factors in discrimination. 'Lookism' has only recently been taken seriously, but how attractive we perceive people to be may in fact be the number one factor in whether someone gets hired or not. Physically attractive people are portrayed as positive stereotypes and are often shown in adverts as reliable and successful people. The reverse is true for people considered to be unattractive, who are given negative connotations.

If you compare brain scans of male and female brains at rest an interesting pattern emerges. In the female brain there is a whirr of activity with neurons working overtime at 3 am, while she is asleep, as she processes the day's activities and plans for tomorrow, analysing and re-analysing events. In the male brain, nothing is going on. He is at rest, and the neurons are taking a break too.[27] While of course we exaggerate for effect, this is statistically true and the differences in male and female brains are sufficient that gender can indeed act as a proxy for cognitive diversity. In recent research it has been shown that women have greater connectivity than men between left and right brain hemispheres, proving the stereotypical multi-tasking ability.[28]

Or take the example of how people view the same object differently. To some, the Confederate flag in the United States is a symbol of the different cultural heritage of the southern United States, a struggle in the face of overbearing government. To many more, it is a symbol of racism and the pro-slavery Confederacy that predates the Union.

Ultimately, diversity is a combination of a person's physical DNA, their life experience to date and the social context they find themselves in – nature and nurture, or raw materials, location and education. This leads us to a more sophisticated understanding of diversity, rarely articulated within corporations. Diversity, ultimately, is cognitive difference. In this sense diversity is infinite – 7.3 billion permutations of homo sapiens.

DO WE LIKE DIVERSITY?

In Old French, diversity also had the distinct honour of meaning 'repugnant'. This is, truth be told, how many people still view it.

Most people will, in public, claim they like diversity. When Londoners are polled about why they live in London, one of the top reasons they give is its diversity. Whenever Steve gives a class he often ask the students if they like diversity. In front of fellow classmates, almost everyone raises their hand in the affirmative. People want other people to think that they like and value diversity.

However, if we ask the question anonymously the response is often different from our publicly stated views. A professional services firm in Ireland was considering setting targets for gender representation in the firm. Publicly, most partners said it was a good idea. However, when voting was conducted using anonymous keypads, it turns out 69 per cent of them were against. The majority male audience did not want targets for increased female representation, even though it was incredibly low and getting worse, and even though they said they did.

If we ask a question privately, we get an even more divergent response to the publicly stated one. If we ask people to consider, privately in their own head, their closest friends and family, a more homogeneous picture emerges. When asked to name their top five friends, students more often than not name people of the same gender and ethnicity. There is increasing incidence of sexual orientation diversity but declining religious diversity and still very little inclusion of disabled people.

If we ask professionals to consider their partner or spouse (or, if it's not going so well, the partner they would like to have) we tend to find evidence of another 'half' that reinforces the world view of the individual being asked. Isn't love about making us whole, complete? Isn't the very idea of love to reinforce our sense of self and find a 'partner' who has a similar world view?

If we ask people where they live, it tends to be according to affordability and/or neighbourhood choice. 'Nice' neighbourhoods tend to be euphemisms for neighbourhoods where 'people like me' live. Where I feel safe.

So even though people claim to like diversity, a brief analysis of the facts of whom they love, who their friends are and where they live suggests something rather different. We call this cognitive dissonance, or the intention/action deficit. It's not an accusation (though much corporate diversity work presents it in such a way), it's just an observation. But it is an important one, and it has ramifications for the rest of this book.

If we are honest about it, most of us dislike diversity, as evidenced in our actions as opposed to our proclamations. We prefer sameness because it is easier to live with than difference. That's one reason why most CEOs in the USA are tall white men.

WHAT IS TALENT?

A partner at a professional services firm said what many people refrain from saying – talent can be seen as one of those meaningless management euphemisms for, essentially, paid labour. Talent may indeed be over-used as a term, but do we really understand what we mean by it and why it is important?

Talent means good people with ambition and potential. Talent refers to the aptitudes of different people matched to the needs of an organisation. Talent management strategy is the attraction, deployment, development, reward and retention of people in specific strategic positions or projects. The value of it comes in the development of a culture of opportunity for all employees in order that the organisation can achieve its business goals and objectives.

Talent used to be viewed as an audience; fish that were simply waiting to be caught. Now we view talent as a community, an ecosystem, fish swimming all over the global talent pool that are harder to catch. Talent 1.0 focused on succession planning, Talent 2.0 on the attraction of 'star' CEOs and executives, and Talent 3.0 on the attraction of high-potential and specialist individuals. Only now is Talent 4.0 catching up with the world around us, focusing on talent management in a multi-generational, multi-cultural, mobile, high-expectation, networked, information-transparent global environment.

Nazia Mahmood, Mariam Namagembe and Alison Taylor are three fictitious women's names invented by British government researchers in 2009. They were then placed at the top of three separate but identical CVs/resumes and mailed out to real job vacancies in the UK marketplace. What happened? Alison received one response per nine letters mailed. Nazia and Mariam received one response per sixteen letters mailed.

In this experiment, identical CVs presented with different names received wildly different responses. Yet on the evidence presented all were of equal 'talent'.

The report authors concluded, 'The key strength of the correspondence test based on applications to vacancies... is that there are no plausible explanations for the difference in treatment found between white and ethnic minority names other than racial discrimination.'[29]

Applicants with a 'white sounding name' were 29 per cent more likely to succeed. While this only applied to the initial recruitment stages, it was that all-important foot in the door. Candidates were denied access to a range of jobs in a range of sectors across British cities as a result of having a name associated with an ethnic minority background.

Researchers have labelled this an 'ethnic penalty' in the labour market. Aside from the moral and ethical issues raised by this experiment, it lays bare the inefficiency in HTM processes.

BIAS AND GROUPTHINK

Up to 98 per cent of brain activity is unconscious.[30] Much of this activity is low order maintenance activity, such as repair, processing food and so on. Part of it, however, is high order activity that actually determines our behaviour.

When we answer a question in a group setting about whether we like diversity, we consciously decide to answer in the affirmative. That could be because it's what we actually consciously believe, or it could be because we are socially conditioned to say so. We are socially conditioned to believe that racism is bad and diversity is good. In recent years, in the West, we have become socially conditioned to the idea that homophobia is bad and equal marriage is generally a good thing.

But when we make hiring and promotion decisions, we are still being influenced by the unconscious brain.[31] This causes bias. We all have implicit biases based on our individualised life experiences to date and the social context we find ourselves in. We are all deeply flawed creatures. Even though we think we are objective, we are the opposite. This is important – not only are we biased, we don't even recognise it. Rather than mitigating it, we proceed as though we are objective and so compound it.

Ironically, we actually learn this behaviour. As children we often interpret things literally. So, for example, a child may point at a wheelchair user in the supermarket and ask why they are in the chair. The parent responds by reprimanding the child for 'being rude', as we have become socially conditioned to refrain from asking personal questions. In the United States, hiring managers consistently fail consciously to ask race-based questions for fear of incurring litigation. We'll explore more on bias in the next chapter and how to mitigate it in Part Two.

Talent is ultimately about the best skills in the best body and mind matched with the right opportunity. Unfortunately, so much other stuff gets in the way. We usually don't acknowledge that and continue with our own illusion of objectivity that we are the right selectors to determine the right candidates.

When diversity is understood as cognitive difference, the practical question for professionals is, why do we persist in separating it from talent? Diversity is talent. Talent is diverse. Yet, of the organisations we surveyed for this book, over 90 per cent had segregated talent management and diversity functions. Diversity is a reality. So separating it from talent seems rather strange. It's akin to entering a new market but not wanting to countenance hiring locals to assist you. Inclusion is a choice and, as we will see in the next chapter, it's a choice many of us are not even aware we are rejecting.

Time and time again we see the consequences of groupthink, homogeneous talent management and the intolerance of diversity. Diversity is not without

its own costs and problems of course, but they can be managed, as will be discussed in Part Two. What remains is a body of evidence that sameness in ecosystems, in financial markets and in people practices has led us astray. There is a seductive pull from sameness. This is understandable, but increasingly hard to justify, given the consequences.

KEY TAKEAWAYS

1. Biodiversity in nature is correlated with increased productivity. Reduced diversity lowers resilience and threatens ecosystems.
2. Diversity in financial markets is a critical tool to mitigate risk and increase resilience. The homogenisation of strategies and products exposes the system to systemic risk and was a key driver of the 2008 financial crisis.
3. Homogenous talent management systems in current HR thinking ignore the plentiful evidence from nature and finance in terms of the value of diversity. They are not fit for purpose.
4. Diversity is a combination of a person's physical DNA, social context and life experience. Gender and other demographic aspects are simply proxies for cognitive difference.
5. Talent is infinite and comes in all shapes and sizes. However, because we are biased we don't always recognise it and therefore we fail to incorporate it.

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