

FOSTERING GSRD AND STEMMING DISCRIMINATION IN THE ORGANISATION

A CULTURAL APPROACH

Josep Escoda i Canals

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Prof Josep Albet Tetas

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ABSTRACT

This dissertation examines the problem of GSRM discrimination in complex organisations: what is the scope and the nature of the problem, why we should care and how to address it. We propose organisational cultural change as the ultimate solution and offer a clear roadmap through Diversity, Equity and Inclusion Institutionalisation to foster such a change. We also emphasise the importance of interactions between national and organisational culture throughout the transformative process and present the case of Japan as an illuminating example.

Keywords: «GSRM, DE&I, organisation, culture, Japan, diversity, discrimination, gender»

A NOTE ON THE TERMINOLOGY AND REFERENCES

In this dissertation we use the acronym GSRM to refer to ‘gender, sexual and romantic minorities’, which is a catch-all term that encompasses every non-hegemonic gender identity, and sexual and romantic orientations. This term appeared to us more inclusive than other acronyms such as LGBT, LGTBI, LGBTIQ or LGBTIQA, which only comprise a subset of the communities within the GSRM.

Although the acronym LGBTQ+ can be used with the same purpose, throughout the dissertation we will favour the term GSRM when talking both of an individual who belongs to the minority groups, and when referring to the minority in itself. The acronym GSRD stands for ‘gender, sexual and romantic diversity’ as a noun, and for ‘gender, sexually and romantically diverse’ as an adjective. Many surveys and research conducted on this topic employ other terms when talking about GSRM and GSRD (LGBT or LGBTQ+). In the references, as well as when we quote them, we will preserve the original terminology.

Finally, it should be noted that an effort has been made to find an equilibrium between male and female authorship. Accordingly, the Harvard referencing style has been slightly modified to allow for first names to be included in the citation whenever the author was a natural person, since some people have the tendency to assume that all authors are male when only their initials are included.

THE PROBLEM

Acceptance of GSRM in particular and of diversity at large still varies significantly across countries. As of December 2020, only 81 countries had employment protection laws against discrimination based on sexual orientation. At the same time there were 113 countries with no legal protections in place, 57 of which punished consensual same-sex sexual acts between adults by imprisonment, and 11 by death penalty¹.

Even in countries that have enacted legislation to protect the rights of sexual and romantic minorities, the differences in legal protection vis-à-vis gender minorities are still staggering: as of 2017 only two countries have explicitly banned discrimination based on sex characteristics and intersexual status, and only one has prohibited surgery on intersexual newborns².

Furthermore, the progress made in law does not always translate directly into higher levels of acceptance—not even towards the most accepted members of the minority. In a recent European Union survey, homosexual and bisexual respondents who reported having been assaulted in the past year due to being LGBTI range between 2 to 9% depending on the country. As for transgender and intersexual respondents, the percentage rises to 5-23%. In this as well as in other statistics they consistently report worse experiences³.

GSRM are vulnerable to such acts of hatred and violence in every sphere of life. Discrimination has been reported in the context of law enforcement, in news coverage by the media, in educational institutions, hospitals and clinics, and in other third sector activities. Hence, it should be no surprise that GSRM are also discriminated against in the workplace, and that many employees go back to the closet when they start a new job, despite being out in their personal life.

This fact, which has been referred to as the ‘recruitment closet’, holds true for 41% of the young LGBTI respondents in a recent Out Now Consulting survey, and for 30% of the total sample. The survey was conducted in eighteen countries, and the finding that many hide their sexual orientation or gender identity at work despite being out in their personal life is robust regardless of the respondent’s nationality⁴.

¹ For a visual summary of the situation of sexual orientation laws in the world refer to the ILGA’s world maps: ILGA World (2020). *Sexual Orientation Laws in the World*. Available at: <https://ilga.org/maps-sexual-orientation-laws> (Accessed: 27 April 2021).

² United Nations, Office of the High Commissioner for Human Rights (2016). *Living Free and Equal: What States are Doing to Tackle Violence and Discrimination against Lesbian, Gay, Bisexual, Transgender and Intersex People*. Available at: <https://www.ohchr.org/Documents/Publications/LivingFreeAndEqual.pdf> (Accessed: 27 April 2021).

³ European Union Agency for Fundamental Rights (2020). *LGBTI Survey Data Explorer*, electronic dataset. Available at: <https://fra.europa.eu/en/data-and-maps/2020/lgbti-survey-data-explorer> (Accessed: 28 April 2021).

⁴ Out Now Consulting (2018). *LGBT+ First Job*, pp. 17-20. Available at: <https://www.outnowconsulting.com/media/51274/finalreport-vodafone-final-04jul18absm.pdf> (Accessed: 22 April 2021).

The respondents were also asked why they concealed such a fundamental part of themselves in the workplace. The most quoted reasons were: 'I felt people would react negatively', 'Other people would find it uncomfortable' and 'It would be too awkward to discuss'. A significant number of people also pointed out that they did not know of any other person open about their sexuality at work, that they were used to hearing negative comments about LGBT+ people from coworkers, and that they feared it could have a negative impact on their careers⁵.

Note that all the reasons cited above are extrinsic: they have nothing to do with the perception the GSRM employees have of themselves, but rather they relate to fear of how other people in the workplace will react. It is precisely because these fears exist that every firm, big or small, state-owned or privately-owned, needs to develop and effectively implement a plan to promote GSRD and stem discriminatory attitudes.

THE GROUNDS FOR ACTION

The Universal Declaration of Human Rights states that 'all human beings are born free and equal in dignity and rights' and everyone is entitled to this rights 'without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status'⁶. The onus to respect and protect human rights, including those of GSRM, is on governments. However, companies have a complementary responsibility, since the preamble of Declaration also states that every individual and every organ of society should strive to promote respect for these rights.

Even though the Universal Declaration of Human Rights is not a treaty, and hence it does not create a binding obligation for the UN member states, it does not mean that the corporate responsibility not to discriminate is unrelated to legal obligations: in many countries the spirit of the Declaration has been embedded in domestic law instituting legal requirements for diversity and outlawing discriminatory practices⁷. Consequently, in at least 81 countries discrimination based on sexual orientation ostensibly entails some sort of sanction.

Therefore, firms must work towards building an inclusive and diverse work environment regardless of the costs, just as they would comply with any existing environmental regulations and minimum wage requirements. The International Labour Organization synthesised this idea in their Declaration on Social Justice: 'the violation of fundamental principles and rights at work cannot be invoked or otherwise used as a legitimate comparative advantage'⁸. In the narrowest sense, this means that eradicating discrimination is a matter of **compliance**.

⁵ Ibid., p. 81.

⁶ United Nations, General Assembly (1948). *Universal Declaration of Human Rights*, arts. 1-2.

⁷ ILGA World, loc. cit.

⁸ International Labour Organization (2008). *ILO Declaration on Social Justice for a Fair Globalization*. Available at: https://www.ilo.org/global/about-the-ilo/mission-and-objectives/WCMS_099766/lang--en/index.htm (Accessed: 28 April 2021).

In addition to this, for the last decades scholars and businesspeople have witnessed the production of vast volumes of literature linking diversity and anti-discriminatory practices to business success. It should be noted then that, although ethics and respect ought to be the primary reasons not to discriminate, there is also a business case for diversity, endorsed by extensive research on the economic gain driven by hiring and retaining a diverse workforce.

For instance, as the competition for talent intensifies both in emerging markets and in developed economies⁹, focusing in minorities can help a company **win the ‘war for talent’** in at least three different ways. Firstly, by increasing the sourcing talent pool; after all, if employers reject talented people because of personal characteristics that have little or no relevance for the job (such as sexual orientation or gender identity) they might end up not hiring the best candidate.

Not only will they be undercutting their own productivity and ability to deliver, but they will also have to pay additional costs to amend their error of judgment: costs associated with dismissing the mismatched employee (legal fees, severance payment and reputational cost), and the costs of hiring a new employee (screening, selection process, drafting the contract, onboarding and training). This aggregated cost, both in terms of money and time, can be thought of as an implicit **‘discrimination tax’** payed only by companies that base their hiring decisions on prejudice, either wilfully or unknowingly.

Secondly, firms with a positive outlook on diversity have **lower turnover rates** than those that are hostile or uninviting towards GSRM. This seems to be the case because workers who are open about their sexuality and gender identity at work socialise more than those who are not, so they are more likely to bond with their colleagues¹⁰. Out Now Consulting estimated that those who are in the ‘recruitment closet’ are 16.6% more likely to leave their job than those who are out¹¹.

Thirdly, building a safe space for GSRM—as well as for other minorities—can improve significantly firms’ **Employee Value Proposition** and strengthen their employer branding, hence attracting more talented people both from within and outside the minority. Indeed, for some of its members, LGBT+ inclusion policies, programmes, networks and activities are equally important for choosing an employer than health benefits, pensions and holidays¹². Allies (people who are not GSRM but supporters) are also more likely to accept a job at an inclusive company¹³.

⁹ Lund, Susan; Manyika, James, and Ramaswamy, Sree. (2012). ‘Preparing for a new era of work’, *McKinsey Quarterly*, November.

¹⁰ Sylvia, Ann H., and Sumberg, Karen. (2011). ‘For LGBT Workers, Being “Out” Brings Advantages’, *Harvard Business Review*, July-August.

¹¹ Out Now Consulting (2015). *LGBT Diversity: Show Me The Business Case*, p. 26. Available at: <https://www.outnowconsulting.com/media/24545/Report-SMTBC-2015-V30sm.pdf> (Accessed: 29 April 2021).

¹² Out Now Consulting, 2018, op. cit., p. 83.

¹³ Coqual (2016). *Out in the World: Securing LGBT Rights in the Global Marketplace*. Available at: <https://coqual.org/wp-content/uploads/2020/09/CoqualOutInTheWorldInfographic090720.pdf> (Accessed: 29 April 2021).

Needless to say, discrimination not only impairs the firm's capacity to access and retain talented people, but it also undermines the motivation, engagement and performance of talented people who are already working in the company. There is evidence that GSRM employees in a work environment with low perceived discrimination are significantly **more committed** to the organisation and more inclined to collaborate with their peers¹⁴. Employees who are out to their colleagues feel more valued and productive as well¹⁵.

Higher productivity and loyalty to the work team might be explained by the fact that diverse groups can come up with more **innovative solutions**, because they can analyse problems from multiple perspectives and backgrounds, and thus tend to think outside the box. Besides, having people from different backgrounds also helps companies find new market niches and **understand the needs of key customers** that belong to minority groups. For instance, transgender employees will be in a better position to grasp what products or services the transgender community demands. This is now more important than ever, since global capital of the GSRM was estimated to be \$3.9 trillion in 2019¹⁶, which is a consumer segment worthy of consideration.

The positive impact that diversity can have in consumer demand does not only come from the GSRM segment, but also from their allies, since social responsibility is becoming increasingly important in many countries, where now many **consumers reward** companies that speak up for the rights of minorities. In fact, 71% of GSRM and 82% of allies claim that they prefer to buy goods and services from companies that support the equality of gender, sexual and romantic minorities¹⁷.

For all the reasons stated above, it should be no surprise that research has found evidence of the existence of a '**diversity dividend**' in some countries. That is to say, diverse personnel and diverse leadership are positively correlated with better financial performance and stock returns¹⁸. More specifically, McKinsey analysed data from 366 companies in the UK, the United States, Canada and Latin America, and found a significant difference in performance between those firms in the top quartile for ethnic and gender diversity and those in the low quartile¹⁹.

Even though McKinsey's study was applied to gender and ethnic diversity, the main point remains valid for the case of GSRD: firms that have an effective anti-discrimination plan and that actively promote diversity in every level of the organisation have a set of competitive advantages that are

¹⁴ Muñoz, Corey S. (2005). 'A multi-level examination of career barriers for sexual minorities employees'. University of Georgia. Unpublished doctoral dissertation.

¹⁵ Out Now Consulting, 2015, op. cit., p. 28.

¹⁶ For a breakdown of the data by region refer to: LGBT Capital (2019). *Estimated LGBT Purchasing Power: LGBT-GDP*. Available at: [http://www.lgbt-capital.com/docs/Estimated LGBT-GDP \(table\) - 2020.pdf](http://www.lgbt-capital.com/docs/Estimated_LGBT-GDP_(table)_-2020.pdf) (Accessed: 30 April 2021).

¹⁷ Coqual, loc. cit.

¹⁸ Berger, Eric, and Douillet, Nicole. (2014). 'What's the Effect of Pro-LGBT Policies on Stock Price?', *Harvard Business Review*, July.

¹⁹ Hunt, Vivian; Layton, Dennis, and Prince, Sara. (2015). 'Diversity Matters', *McKinsey & Company*, pp. 3-4.

out of reach to other competitors who refuse to do the same. This diversity-based competitive advantages will be instrumental in securing a dominant position in the market.

Admittedly, not all the benefits of diversity we described here are equally strong or relevant in every country and sector. Indeed, some of the research and data we have presented to endorse the ‘business case for diversity’ were collected or conducted in the United States and other countries with generally accepting attitudes towards GSRM. The results may well differ in other countries where GSRM are perceived to be immoral or threatening to the very social fabric of society.

For example, having pro-GSRD policies in a firm located in an overtly homophobic country will attract at most talented foreigners, but probably not talented locals. Similarly, consumers that oppose equality for GSRM can boycott a pro-GSRM firm as a result of their stance on these issues: purpose-driven consumption can cut both ways²⁰. It is for this reason that it is essential to assess the cultural context and the causes of discrimination, both in the country and in the company, before devising an action plan. The next sections of this dissertation will be devoted to that.

THE ROOT OF THE PROBLEM

Given that we have established both that discrimination is costly and that there is certainly a business case for diversity, the pervasiveness of discrimination in some countries and sectors might seem irrational or, at the very least, counterintuitive. Why do firms discriminate, then? Answering this question is fundamental for the purpose of this dissertation, because only by understanding what motivates discriminatory behaviour can we propose effective solutions.

However, we should not forget that firms are not sentient beings; they are made up of people. So instead, the proper way to formulate our previous question would be: why do people discriminate? And there is no simple answer, since not everyone does it for the same reason: motives to discriminate can vary from country to country, from firm to firm and between individuals.

In order to understand why some people treat others unfairly, in this section we will explore the literature on occupational segregation by sex, and on racial discrimination in the labour market. The analysis on what causes racial discrimination and sexism can then be extended with no difficulty to GSRM.

TASTE-BASED DISCRIMINATION

A good place to start is to define the notion of discrimination. There is a multiplicity of such definitions, but their essence is fundamentally the same, despite sometimes differing in wording: discrimination is ‘unjustifiable negative behaviour towards a member of a group simply because of

²⁰ One of the most recent and high-profile case occurred in Poland: Santora, Marc. (2019). ‘Coke Ad Riles Hungary Conservatives, Part of Larger Gay Rights Battle’, *The New York Times*, 9 August. Available at: <https://www.nytimes.com/2019/08/09/world/europe/gays-hungary-poland-lgbt-ideology.html> (Accessed: 30 April 2021).

their membership in that group'²¹. Note that this definition has three key elements: 'unjustifiable', 'behaviour' and 'because of their membership'.

The 'behaviour' part emphasises that discrimination has to be a negative action or attitude; not just negative thoughts or feelings. In the context of the labour market, discrimination is 'unjustifiable' in the sense that decisions that concern an individual belonging to a minority group are not only made on the basis of properly relevant factors, such as their performance, but also taking into account 'their membership' to that minority (GSRM, for the scope of this dissertation).

The idea that employers and managers value personal characteristics of the workers other than qualities relevant for their job performance is not new. It was Becker who first argued that some people dislike working with individuals that do not belong to their group (race, gender, religion, etc.), and either the salaries or the employment level will adjust accordingly: the firm will hire less people that belong to that minority than it would be optimal, or alternatively it will pay them less to compensate for the 'cost' of possessing an undesirable trait²².

In this form of discrimination, which Becker called 'taste-based', who dislikes the minority need not be the employer. If customers do not like interacting with GSRM staff, employers will be compelled not to hire people that belong to that minority, or they will have to pay them less in order to compensate for the loss in customers, regardless of how they feels about GSRM. In a similar way, if other employees dislike working with GSRM they will demand a salary premium, which will equally result in a wage differential²³.

But even after acknowledging that some people dislike interacting with individuals outside their group, we still need to understand what causes such distaste. On that front, a key step forward has been the introduction of the concepts of identity, stereotype and prejudice from social psychology into economic analysis. It is particularly important the idea that identity can be a critical factor in driving economic decisions.

When we use the term 'identity' we are referring to our sense of self, which according to the Social Identity Theory²⁴ and the Self-Categorisation Theory²⁵, depends partially on our belonging to a number of social groups or social categories. Each social group, in turn, is associated with a common set of attributes, which we then generalise to every individual that we consider to be part of that group through a process of abstraction and depersonalisation. This process is called

²¹ *Principles of Social Psychology* (2015). Minneapolis: University of Minnesota Libraries, p. 555.

²² Becker, Gary S. (1957). *The Economics of Discrimination*. Chicago: University of Chicago Press.

²³ Ibid.

²⁴ For a collection of studies on social groups and prejudice refer to: Tajfel, Henri. (1981). *Human groups and social categories: Studies in social psychology*. Cambridge: Cambridge University Press.

²⁵ Turner, John C., Hogg, Michael A., Oakes, Penelope J., Reicher, Stephen D., and Wetherell, Margaret S. (1987). *Rediscovering the social group: A self-categorization theory*. Oxford: Blackwell.

‘stereotyping’, and the resulting generalisations, ‘stereotypes’.

Stereotypes often bring about negative feelings. These negative feelings towards members of a group simply because of their membership in that group are called ‘prejudices’, and you will note that this definition is nearly identical to the one we wrote above for discrimination; the only difference being that discrimination refers to negative behaviour, whereas prejudice alludes to a negative emotion.

This is not coincidental. Stereotypes, prejudices and discriminative behaviour are all different parts of the same process: our thoughts and beliefs have an influence on our emotions, and how we act depends both on our emotions and our thoughts. Thus, stereotypes (the cognitive component) gives rise to prejudices (the emotional component), and together they lead to discrimination—the final behavioural consequence.

Understanding this cause-effect relationship is of the utmost importance for tackling GSRM discrimination—and any type of discrimination, for that matter—because once the relationship is understood it becomes clear that to stop discriminative behaviour it is imperative to correct the negative misconceptions on which such behaviours are built. Hence, an essential part of any policy against taste-based discrimination must include programmes to help deconstruct existing stereotypes.

Nevertheless, tackling discrimination can still be arduous because individuals often ignore that their beliefs are based on wrong stereotypes. In other words: prejudices are often implicit. After all, our brain has a natural tendency to generalise and make associations in order to create an illusion of certainty and to reduce the perceived complexity of our environment²⁶. Because of this, the mechanics of stereotyping are deeply embedded in our brain, and the fact that this fundamental human process begins in early childhood, drawing from culturally shared knowledge, makes implicit prejudice all the more common and unnoticed.

A MODEL FOR DISCRIMINATIVE AGGRESSIONS

Stereotypes and prejudices—also implicit prejudices—can help explain why some employers have reservations about hiring GSRM and why some managers treat GSRM unfairly. But there is an important part of the picture still missing: we need to understand why GSRM face aggressions in the workplace. Why are they threatened to the point that they feel the need to hide part of their identity at work? How can we explain such hostility?

To answer these questions we first need to revisit the basic principles of Social Identity Theory and Self-Categorisation Theory: (1) people classify themselves and others into social groups or categories; (2) people’s sense of self and identity depends partially on their belonging to those groups; (3) each group is coupled with a set of prescriptions that define what a member of the

²⁶ Bustin, Gaëlle M. (2019). ‘Lecture 14 & 15 - Stereotypes, prejudices and discrimination’ [PowerPoint presentation]. *20683: Human Resources I*. Available at: <https://aulaglobal.upf.edu/course/view.php?id=25117> (Accessed: 13 May 2021).

group must and must not do if they really are part of that group; for instance, ‘real men never wear skirts’ or ‘real women only date men’, and (4) people’s happiness or ‘utility’ depends upon abiding by these prescriptions.

Knowing this, it is easy to understand why heterosexual and cisgender people might think of themselves as belonging to a different group than GSRM: their gender expression, sexual and romantic behaviour is distinctly different; but their hostility vis-à-vis GSRM cannot be explained merely in terms of difference between groups—moths and butterflies are different lepidopterans, but they do not attack each other in the wild.

The missing piece of the puzzle was provided by Akerlof and Kranton in 2000, and it is the following insight: our sense of self (and our identity) not only depends on our actions complying with the prescribed behaviours for our group, but it is also affected by the behaviour of other people that also belong to our group²⁷. A man who thinks that ‘men should never paint their nails’ can feel his identity is being threatened when another man wears nail polish at work, and he may respond with some form of aggression.

Actions that challenge the validity of ingroup beliefs cause psychological distress among the members of the group, since cognitive dissonance arouses emotions that were repressed during the long process of internalisation. In order to relieve this distress, some group members will act against the person who challenged their beliefs, and hence their identity²⁸. As a result, gender minorities may suffer discriminatory treatment at work because their colleagues feel the need to punish them for challenging their established notion of gender. The presence of sexual and romantic minorities in the workplace may also challenge internalised gender roles and creeds, thus eliciting aggressions of similar nature.

To formalise these ideas we will now attempt to show through a simplified three-stage game (figure 1) an interaction between a GSRM worker and a prejudiced peer by applying Akerlof and Kranton’s ‘identity model of behaviour’²⁹. We will also show the subgame perfect outcomes of the game and discuss their implications for tackling discrimination.

The population in this game is comprised of GSRM and heterosexual cisgender people, which we will call ‘straights’ for the sake of brevity. The population can only do two activities: activity one is ‘acting like a prototypical heterosexual cisgender person’ (for example, dating and having sex with someone of the opposite gender), while activity two is ‘not acting like a prototypical heterosexual cisgender person’ (being married to someone of your same gender, for example).

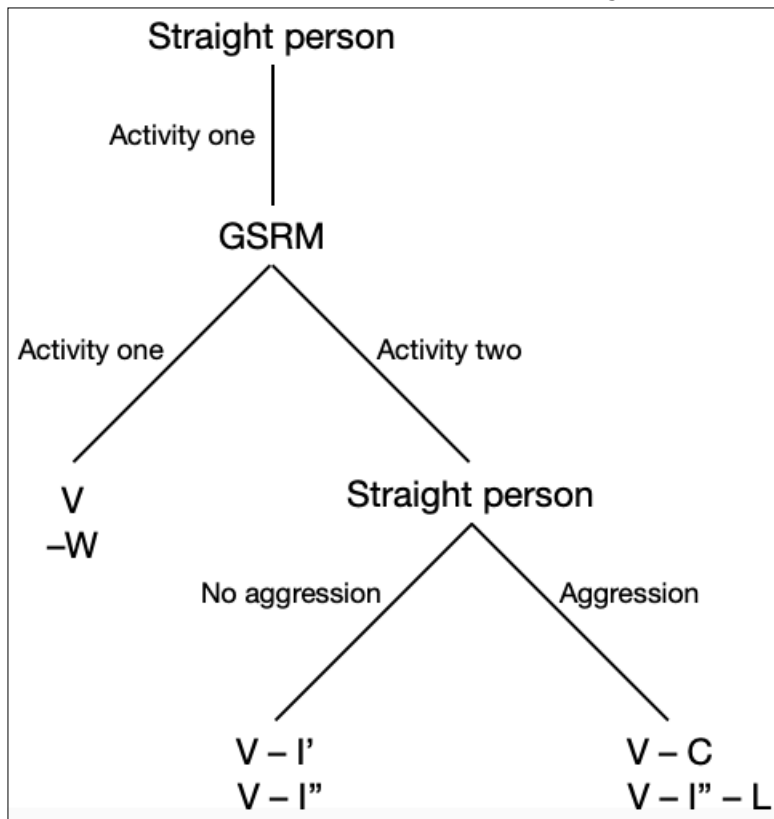
²⁷ Akerlof, George A., and Kranton, Rachel E. (2000). ‘Economics and identity’, *The Quarterly Journal of Economics*, 115 (3), pp. 718-726.

²⁸ Thomas, Kerry. (1996). ‘The defensive self: a psychodynamic perspective’, in Stevens, Richard (ed.) *Understanding the Self*. Thousand Oaks, California: SAGE Publications, pp. 281-338.

²⁹ Akerlof and Kranton, op. cit., pp. 727-731.

In this game, the straights enjoy activity one, but do not want to perform activity two. GSRM have the opposite preference: they enjoy activity two, but strongly dislike activity one. That is to say, GSRM dislike pretending to be straight in the workplace, just as straight employees would not like to pretend to be GSRM. Accordingly, in this model an individual who performs an activity that they like gets positive utility V , whereas anybody performing their disliked activity would get disutility (unhappiness) W .

FIGURE 1: Game tree of interaction between straight and GSRM



Source: Adapted from Akerlof and Kranton, 2000, p. 729, figure 1.

Next we make assumptions about identity-based preferences: in this game everyone should do activity one (act straight); activity two is viewed as repulsive and no-one should be GSRM. Therefore, as we discussed earlier, if a straight person sees someone else openly doing activity two (not acting typically straight) they feel emotional distress—their internalised beliefs and identity are being challenged. As a consequence, the straight person would suffer a loss in utility I' . Moreover, if the GSRM has internalised homophobia, transphobia or another phobia of the sort (because they were raised in an intolerant country or household, for example) it is possible that they also experience a loss in utility I'' when they perform activity two.

But the game setup is not complete yet. Remember that when a person feels that someone else is challenging their identity or their internalised beliefs they may react to restore their identity and relieve the anxiety caused by cognitive dissonance. In this game then, if the GSRM performs activity two instead of activity one, the straight person can respond with an aggression (humiliation by insult or physical violence, for instance). This aggression reduces utility from the GSRM by L , but it can also entail a cost C for the straight person.

A one-time interaction between a GSRM worker and a straight prejudiced worker, as the one we have just described, is represented in figure 1. Solving by backward induction we will see that this game has four possible subgame perfect equilibriums:

1. When the cost of aggression for the straight worker is lower than that of the emotional distress they would feel if they saw another person 'not acting straight' ($C < I$), and the utility of choosing activity two for the GSRM worker does not compensate the cost of humiliation and the internalised hate for his preferred activity ($V - L - I'' < -W$), the threat of aggression intimidates the GSRM worker so much that he chooses activity one (pretending to be straight) instead of affirming his identity at work. This equilibrium is what we formerly called the 'recruitment closet': GSRM employees conceal their identity and pretend to be straight to avoid hostilities.
2. It is also possible that the internalised homophobia, transphobia, etc. of the GSRM individual is so weighty that they will never choose activity two, regardless of what the straight worker does ($V - I'' < -W$).
3. In another equilibrium, the GSRM worker prefers activity two even after taking into account the aggression and the cost of his internalised hate for that activity ($V - L - I'' > -W$). The straight worker relieves his cognitive dissonance with an aggression ($C < I$), but that does not deter the GSRM worker from being himself.
4. The ideal equilibrium is that in which the straight worker does not respond with an aggression ($C > I$) and the GSRM worker chooses his preferred activity ($V - I'' > -W$).

Note that there are two ways of stopping prejudiced people from responding with an aggression ($C > I$), both in firms and in society at large: we need either to increase the cost of aggression C , or decrease the emotional distress that some people feel when they interact with GSRM (I). The design of our anti-discrimination policies will depend greatly on which of these objectives we pursue. A government may enact laws to criminalise intolerance and discriminatory behaviour in order to raise C . Similarly, a firm can communicate a zero-tolerance policy against discriminatory actions and punish forcefully those who perpetrate them.

Alternatively, firms and countries can attempt to eliminate both I and I'' by working their way to a GSRM-friendly culture, eliminating prejudices by challenging the stereotypes they feed on. This brings us back to the point we made earlier about programmes being critical to deconstruct taste-based discrimination.

AN ADDITIONAL CONSIDERATION

So far, we have been dealing with discrimination understood as 'unjustifiable negative behaviour towards a member of a group simply because of their membership in that group'. Nonetheless, narrowing down the notion of discrimination and circumscribing its source to stereotypes and prejudices can be dangerous, because it could bring us to dismiss other equally relevant motivators of discriminative behaviour.

Think about the last time you did a favour, for example. Did you feel ashamed or proud? In accepting and open societies people tend to feel ashamed of their discriminative behaviour, but often take pride in doing favours; it is perceived as a sign of generosity and kinship. However, what

we often fail to recognise is that when we favour someone we are at the same time putting someone else at a disadvantage.

This would appear harmless if it were not for the fact that we tend to favour people similar to us, or to use the same vocabulary as before, we tend to favour people we deem to belong to the same group as ourselves. Thus, when people of privilege allocate scarce resources (such as jobs, tasks, holidays and promotions) to people like them, they are taking part in a pernicious form of discrimination: ingroup favouritism³⁰, which contributes to magnifying the effects of taste-based discrimination.

Even in the most open and accepting corporate cultures it is not uncommon to see recruiting practices that unintentionally undermine diversity via ingroup favouritism. Every time a manager encourages their employees to refer their friends and family for job opportunities, for instance, it is very likely that they will attract talent with which they share the same characteristics, and the firm will end up with a homogeneous pool of candidates. So even in open cultures firms need to remain vigilant for ingroup favouritism if they want to maintain a diverse talent pool.

THE DE&I PLAN

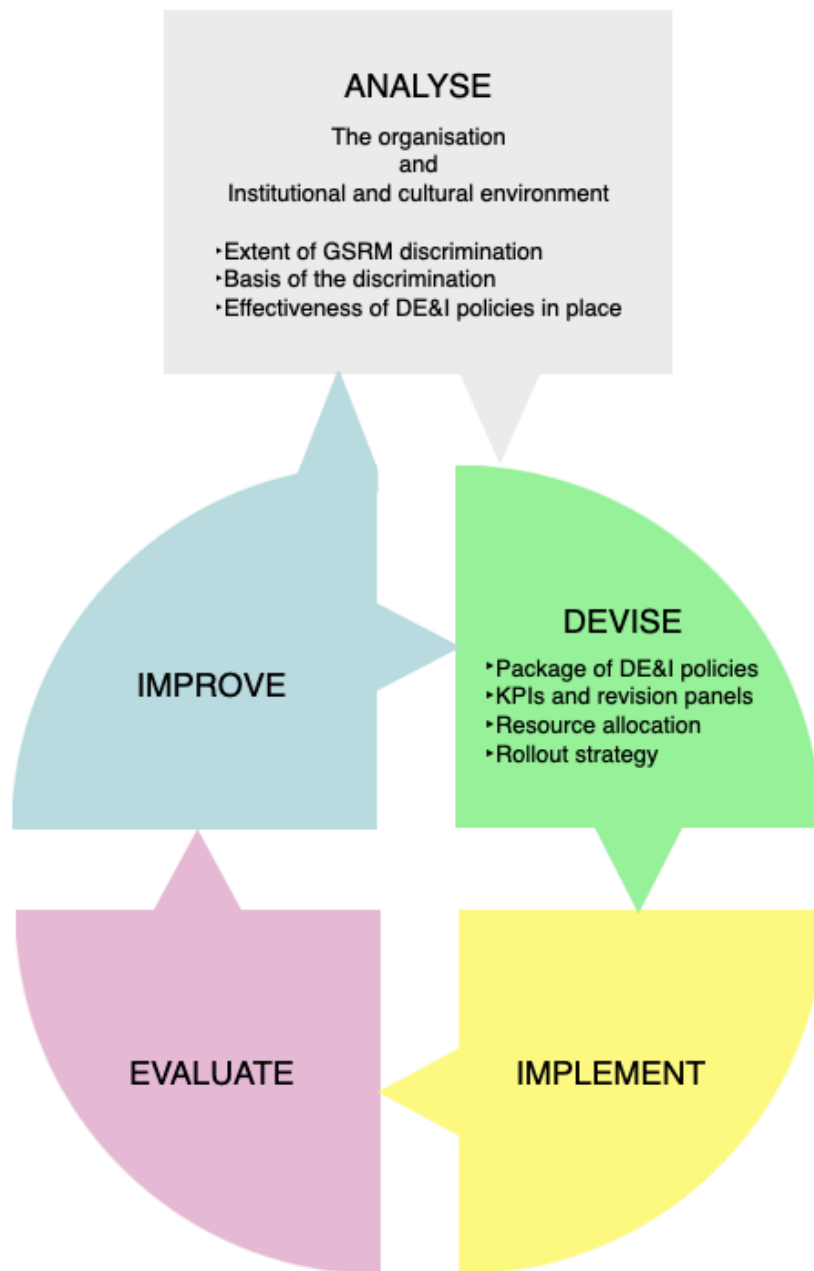
The ultimate objective of a Diversity, Equity and Inclusion (DE&I) Plan is to transform the corporate culture by changing the mindsets of the individuals that comprise the organisation in such a way that GSRD becomes not only tolerated, but also cherished and understood as an asset that provides value to organisations and all their stakeholders. In summary, a DE&I Plan is about ingraining GSRD in the culture of the firm, or in other words, institutionalising it.

More often than not this is a daunting task, mainly because it involves dealing with informal rules and customs, which are by nature unwritten and taken for granted. As a result, in order to avoid a costly trial-and-error process the DE&I Plan implementation must be preceded by thorough analysis and planning, and followed with rigorous monitoring and revision panels. This process, which we call the 'Cycle of DE&I Institutionalisation', is summarised in figure 2.

THE CYCLE OF DE&I INSTITUTIONALISATION

Given that each organisation sets off with embedded beliefs, values and procedures that can work either against or in favour of reform, the Cycle must start with an **analysis** of the current situation. We focus on three goals: to measure the extent of GSRM discrimination, to understand the basis of such discrimination, and to audit the current DE&I Plan and anti-discrimination policies if there are any. A good rule of thumb is to check to what extent the firm is inclusive of other minorities, because firms that have effective anti-discrimination policies already in place and are welcoming of different groups (culture, language, ethnicity, age, etc.) can also be more likely to extend their inclusion efforts to GSRM.

³⁰ Banaji, Mahzarin R., Bazerman, Max H., and Chugh, Dolly. (2003). 'How (Un)ethical Are You?', *Harvard Business Review*, 81 (12), p. 60.

FIGURE 2: The Cycle of DE&I Institutionalisation

Source: Own elaboration.

In order to conduct an informative diagnosis about the extent and motivation of GSRM discrimination we recommend combining anonymous questionnaires with individual interviews. Generally speaking, questionnaires can reach virtually everyone in the organisation and allow to gather quantitative data; whereas interviews have a much limited scope, but they can help obtain valuable qualitative information. Since both methods have advantages and disadvantages, by combining them the firm not only will gather insightful statistics and understand better the mindset of the staff, but will also spark GSRM-related conversations in the organisation.

The type of information we will be looking for encompasses (1) perceived aggressions towards GSRM in and outside the workplace, (2) percentage of employees that belong to the GSRM, (3) representation of the GSRM at the top levels of the organisation, (4) discrepancies in

compensation and speed of promotion, (5) perceived level of implication of the board of directors and the executive team vis-à-vis GSRD, and (6) usage of inclusive language in the workplace, the intranet and the corporate website.

The former list is not exhaustive, but admittedly enquiring employees about their sexual and romantic orientation, as well as their gender identity, can be controversial and have serious legal implications. Therefore, in order to minimise the risk of backlash it is fundamental to clarify the objective of the study from the outset, to make participation voluntary and anonymous, and to protect all the respondents' right to privacy.

The gathered data can be analysed aggregately, but it will be most useful when examined separately for employees that do not belong to the GSRM (cisgender and heterosexual) and for GSRM employees, since this comparison will reveal discrepancies in the perception of reality between the two groups. Furthermore, analysing the data after breaking it down for every community that exists within the GSRM can shed light on which measures are most needed in each community³¹.

However, it is important to remember that no matter how much data we collect from the organisation the analysis will be incomplete as long as we disregard the institutional and cultural environment. The local landscape must be considered as well (restrictions on freedom of speech or association, hate-motivated violence, risk of family rejection or social ostracism, lack of legal protection for GSRM and cultural patterns of behaviour), since local customs shape the culture of the firm. Below, in the section titled 'The DE&I Plan and the local landscape: the case of Japan' we will show by example how to analyse a foreign culture (Japan) and customise the DE&I Plan to improve its fitness.

The next step in the Cycle of DE&I Institutionalisation is to devise the actual DE&I Plan, which comprises the specification of the package of policies (we have compiled an extensive list of initiatives to foster GSRD in the next section) as well as key performance indicators (KPIs) and revision panels. For KPIs to be interpretable and for policies to elicit meaningful change, the firm must have completed thoroughly the analysis of the previous phase and set a few clear, measurable targets.

In the devising process it is also essential to differentiate initiatives by community, because some policies that work well for a community do not always resonate well with other minorities; for example, policies that increase intersexual acceptance will not necessarily have the same effect on transgender acceptance. Ideally, each community deserves a tailor-made approach. In addition, the firm must also work out the budget, and plan out how it will assign resources (people, time and money) to the different initiatives included in the DE&I Plan.

³¹ Ajuntament de Barcelona, Regidoria de Feminismes i LGTBI [City Council of Barcelona, Councilorship of Feminisms and LGTBI] (2019). *Gestió de la diversitat LGTBI a l'empresa: guia de bones pràctiques* [LGTBI diversity management in the firm: guide of good practices], pp. 40-41. Available at: <https://bcnroc.ajuntament.barcelona.cat/jspui/handle/11703/116539> (Accessed: 22 April 2021).

Besides the budget and the specifics of each policy, the organisation must plan ahead the rollout strategy; that is, the order in which the thread of initiatives will be applied. It is often recommended to launch a small number of highly visible flagship projects at the beginning to signal to the entire workforce the commencement of a serious DE&I effort³².

The moment of truth, after careful analysis and devising the Plan, is its **implementation**: the firm will execute the package of DE&I policies following the sequence outlined in the rollout strategy statement. If the organisation is a multinational, it is advisable to start implementation in the headquarters of the holding company, so that the parent company can offer assistance later to the subsidiaries, if need be.

Simultaneously, throughout the implementation phase, the organisation will gather data from KPIs for the upcoming **evaluation** process and revision panels, which are a crucial factor of success for any DE&I endeavour. Said evaluation must be scheduled periodically and in advance, and must cover the monitoring of KPIs (including anonymous surveys and internal data from the Human Resources Information System), verifying whether the preset targets were met, and comparing results to discern which policies are underperforming and need additional effort.

The result of this evaluation will be a 'progress report', which the staff, management and the board of directors should receive regularly. Through this reports, the organisation informs of the progress that has been made and signals to the entire workforce that DE&I are being taken seriously. Furthermore, progress reports can be instrumental in motivating key internal stakeholders, since they publicly highlight positive DE&I achievements of other employees, departments and business units; thus acting as a reputational reward.

Finally, note that the Cycle of DE&I Institutionalisation never ends—it is an approach based on continuous improvement, understood as a way of eliciting profound cultural change in heterogeneous organisations. Hence, the Cycle continues with the identification of new opportunities, the **improvement** and furthering of existing policies, and the proposal of additional measures. At this point, a new or updated DE&I Plan can be devised, and in the event that we detect significant cultural or institutional change, deeper analysis can be conducted as well.

A COMPILATION OF DE&I POLICIES FOR GSRM

In this section we follow up the description of the Cycle of DE&I Institutionalisation with a list of specific measures and tips to foster GSRM DE&I in the organisation. The compiled measures have been drawn from international firms and associations with a solid tradition of advocacy for diversity (the consultancy firms Korn Ferry³³ and McKinsey & Company³⁴, the Japanese association work

³² Hunt, Layton and Prince, op. cit., p. 14.

³³ Korn Ferry (2021). *The DE&I hiring champion: If DE&I hiring initiatives fall short what will you do?* Available at: <https://rb.gy/6bskt0> (Accessed: 24 May 2021).

³⁴ McKinsey & Company (2021). *LGBTQ+ voices: Learning from lived experiences*. Available at: <https://www.mckinsey.com/business-functions/organization/our-insights/lgbtq-plus-voices-learning-from-lived-experiences> (Accessed: 2 June 2021).

with Pride³⁵, and the aforementioned International Lesbian, Gay, Bisexual, Trans and Intersex Association), as well as from manuals from public institutions that are committed to eradicating GSRM discrimination and promoting inclusion (the UN Office of the High Commissioner for Human Rights³⁶, and the aforementioned Councilorship of Feminisms and LGTBI from the City Council of Barcelona).

It should be noted that the list is not exhaustive. Remember also that each policy in the DE&I Plan must be adapted to the cultural context after careful analysis and should constitute a coherent strategy in whole. In order to make the list of measures easier to navigate we have divided it into five distinct parts: (1) actions to formalise the organisation's commitment to GSRM DE&I, (2) learning opportunities, (3) measures to increase representation of GSRM in the firm, (4) policies to extend equal rights and benefits to GSRM within the organisation, and (5) initiatives to engage in DE&I beyond the limits of the organisation.

(1) The first package of measures is aimed at **signalling a solemn commitment** to DE&I and a momentous shift in the organisational attitude towards GSRM. These measures lay the groundwork for further reform by formalising the firm's adherence to the principles of DE&I before its stakeholders. Albeit necessary, these changes are not enough on their own, and will likely be perceived as cosmetic if not followed by additional reform.

- First and foremost, the firm must answer the question 'what values should form the cornerstone of the new organisational culture?' In order to change the values of the organisation, first you will have to change the beliefs those values are built on, but that will be impossible without having a clear roadmap or without knowing exactly what kind of cultural change you want to achieve. Answering this critical question should be the result of a collective reflective process encompassing the entire organisation, and not just a top-down decision.
- Active and enthusiastic support from the executive team is not enough, but it is essential. Supporting messages coming from the C-suite and other trusted leaders will lead by example, getting across the point that the DE&I effort is honest and unswerving, and raising the number of allies to the cause.
- In some cases it may be unavoidable to fire people who are unwilling to follow the procedures and align with the anti-discrimination policies. Especially when management has been involved with decisions that harmed GSRM in the past, it might be better to have an outside, independent agent spearhead the much-needed change³⁷.
- Draw up a formal policy with regard to GSRM, such as a code of conduct or an ethical code. It must include an explicit prohibition of discrimination based on gender identity, sex characteristics and sexual and romantic orientation, a detailed protocol for dealing with discrimination cases, an

³⁵ work with Pride (2020). *PRIDE shihyō to ha* [What is PRIDE index?]. Available at: <https://workwithpride.jp/pride-i/> (Accessed: 2 June 2020).

³⁶ United Nations, Office of the High Commissioner for Human Rights (2017). *Tackling Discrimination against Lesbian, Gay, Bi, Trans, & Intersex People: Standards of Conduct for Business*. Available at: <https://www.unglobalcompact.org/library/5471> (Accessed: 30 July 2020).

³⁷ Anand, Vikas; Ashforth, Blake E., and Joshi, Mahendra. (2004). 'Business as usual: The acceptance and perpetuation of corruption in organizations', *Academy of Management Executive*, 18 (2), pp. 50-51.

anonymous reporting procedure, the consequences of contravening the policy, and a clear delimitation of responsibilities, both for the company and its employees.

- Send a Public Action Declaration, both within and outside the organisation, stressing the existence of GSRM members in the organisation and the ethical code, as well as the commitment of management and the board of directors to changing the organisational culture. The Declaration will clarify the organisation's stand on this issue to the entire workforce, hence discouraging discriminatory acts and showing support to GSRM. The intranet, new employees' handbooks, newsletters, social media, press kits and the corporate website can all be used for this purpose.

(2) As we stated above, the previous set of actions are necessary to make cultural change happen, but they will fall short if we do not change people's minds as well. Earlier, when we examined the causes of discrimination—the 'root of the problem'—we saw that taste-based discrimination feeds on stereotypes, many of which are often implicit. Hence, an effective DE&I Plan must include **learning opportunities** that nudge employees to deconstruct (unlearn) stereotypes and internalise the new DE&I culture. In short, we need to change the beliefs of the people that comprise the organisation before attempting to change the values of the organisation itself.

- First, help everyone involved with the organisation realise they also have implicit prejudices. Many people genuinely believe that they are unbiased and unprejudiced, and with that mindset there seems to be no need for either learning or change. A useful tool to expose personal implicit prejudices is the Implicit Association Test (IAT)³⁸, which is available online for free. We recommend using the IAT as an educational tool, not as an evaluation tool, and thus to handle the results confidentially.
- Then provide learning opportunities on GSRD. The learning programme should include (1) GSRD terminology, (2) how to best handle a GSRM coming out in the workplace, (3) why it is important to address this issue in the organisation, (4) offensive things to say to GSRM and why they are offensive, (5) debunking GSRM-related stereotypes, and (6) internal policy in place regarding GSRM (ethical code, protocol and reporting procedure).
- Offer ongoing learning experiences rather than one-time training courses.
- Conduct group seminars on these topics so as to practise empathy and learn new ways of thinking, and not just new concepts and words.
- Make media tools and online resources available as well.
- If the organisation is small or has no experience in providing GSRD education it can resort to external resources and firms specialised in supplying educational services.
- The aforementioned learning programme should be imparted to the entire workforce in a cascading manner: prioritise people in the human resources department, since they are the recruitment process gatekeepers, and managers, because employees will feel more inclined to come out at work if their superior is supportive; then extend the programme to the rest of the staff, starting with influential members of the organisation who can persuade others to take it with them.

³⁸ Greenwald, Anthony G., McGhee, Debbie E., and Schwartz, Jordan L. K. (1998). 'Measuring individual differences in implicit cognition: The Implicit Association Test', *Journal of Personality and Social Psychology*, 74 (6), pp. 1464-1480.

- People who make recruitment decisions should receive specific training to reduce their hiring biases: offer them interview coaching and remind them of ingroup favouritism and outgroup homogeneity bias before interviews³⁹.
- When naming and referring to the learning programmes the organisation should avoid words with negative connotations, such as ‘reeducation’ or ‘discrimination’. Be mindful that most people are not aware that they discriminate—and those who are aware often are not willing to admit it. So instead use terms with positive connotations to foster involvement such as ‘leadership development’, ‘diversity learning’, ‘bias training’, etc.
- Keep in mind that people can be made to take a course, but they cannot be forced to learn; learning is volitional. Often obliging employees to take courses to increase GSRM acceptance will bring about the opposite effect. Hence, it is better to have optional programmes and to limit compulsory GSRD education to the onboarding process.

(3) Nevertheless, learning programmes are only one step towards getting rid of stereotypes; simple informative measures (leaflets or seminars, for example) do not suffice on their own. The ultimate way to learn about GSRM is through repeated interaction with GSRM, exposing people to environments and situations that challenge stereotypes. Because of this, our next package of measures seeks to **increase GSRM representation** in the organisation and to foster interaction between groups.

- Obviously, we cannot have interactions between GSRM and the rest of the staff if there are no GSRM employees in the organisation in the first place. Accordingly, any strategy to increase representation must begin with a revision of the recruitment process so as to ensure that every part of it is truly inclusive.
- On this matter pay special attention to the wording of job descriptions and job offers—make sure that the language is gender-neutral and include diversity statements. Provide also clear standards for hiring and promotion decisions.
- When developing the talent pool, there are different strategies the organisation can use to tap into GSRD talent: ask for GSRM referrals, introduce internship programmes directed at GSRM, and look beyond your traditional industry or functional speciality pools.
- Developing diverse talent pools and posting inclusive job offers will be in vain if your method for assessing the candidates is biased. As we mentioned in our discussion on learning programmes, interview coaching and reminding interviewers of biases before the selection process can reduce bias in decision-making. Additionally, the organisation can make the assessing method more objective by introducing blind screenings, having multiple and diverse raters, and using structured interview guides.
- Another option is to rely on algorithms to make hiring decisions. Nonetheless, treating algorithms as a miraculous cure for prejudice can be very risky because they base their decisions on statistics of past behaviour, which means that if old recruitment decisions were biased by prejudices and stereotypes the algorithm will continue to make the same mistake.
- Once the organisation has managed to increase GSRM representation it should make sure that it has return-to-work programmes in place, in order to facilitate the reentering of GSRM employees after childcare leave or gender-affirming surgery.
- Diverse workgroups will bring together GSRM and other people in the organisation—resulting in

³⁹ Hunt, Layton and Prince, op. cit., pp. 15-16.

opportunities to learn about GSRM and reducing stereotypes and discrimination—as long as the groups meet the ‘I’M NICE’ criteria: group members must be Interdependent and should have Multiple contacts, Norms supporting equality, Informal interactions, a Common goal and Equal status⁴⁰.

- Another initiative that will foster interactions between groups and increase GSRM visibility is the creation of an Employee Resource Group (ERG) for GSRM and allies within the organisation. The ERG will act as a forum where GSRM can make suggestions to the firm and exchange opinions. It is important to point out that GSRM need not be the only members of the ERG; the group must be open to all employees regardless of their gender and sexual and romantic orientation. Otherwise, employees would be compelled to reveal their gender identity or sexual and romantic orientation when joining, and ERGs would lose effectiveness at connecting people.
- The human resources department can get the ball rolling by finding an employee who would be interested in being part of an ERG and offering them organisational and financial support to start it. Usually ERGs do not need big budgets to function, but if the organisation is small and it does not have enough people interested in an ERG for GSRM and allies another option is to have the organisation participate in an outside network.
- To further increase visibility hold company events to promote awareness and show wide-ranging support to significant dates for GSRM⁴¹.
- Finally, make sure that the work environment does not send cues that reinforce stereotypical associations. If there is a Wall of Fame, confirm that not everyone featured there is cast from the same mold, and stay vigilant not to use sexist analogies and metaphors. Instead, start mentorships and shadow programmes with admired GSRM leaders to prime newcomers to respect GSRM from the very moment they enter the organisation.

(4) Along with increasing GSRM representation and deconstructing existing stereotypes, the firm must persuade GSRM to stay—talent retention is as important as talent attraction—and extend to them the **same rights and benefits** that any other employee with a similar job title and performance would be entitled to. In countries where GSRM are criminalised, the organisation must make every effort to compensate for the lack of tolerance and protection in the local environment, and strive to create a safe space within the workplace.

- The firm must take every legal step to delay and resist implementing abusive orders that may violate GSRM’s human rights. An effort must be made to protect the right to privacy of every person involved with the organisation. This includes keeping information related to gender and sexual and romantic orientation secure and confidential, and not sharing it with third parties, including public authorities.
- The organisation should also consider the potential risks for GSRM when asking them to transfer to a country where they are being criminalised, and offer them alternative destinations or, at the very least, give them the option to opt out without repercussions.
- If the GSRM is transferred to a country where they are being criminalised, consider their partner as well. In extreme cases some firms hire private security to escort targeted GSRM employees and their families; others have been reported to pay rent and cleaning fees for two-bedroom

⁴⁰ Bustin, loc. cit.

⁴¹ For a list of GSRM-related dates and celebrations refer to: Ajuntament de Barcelona [City Council of Barcelona], op. cit., p. 46.

apartments to create the illusion that the same-sex partner lives in a separate room⁴². Additionally, if a country denies entrance to same-sex spouses the organisation should assist the employee by providing them with additional leave and travel allowance to visit their family.

- Internally, the firm must confirm that all their policies and programmes are applicable to GSRM: leave of absence (for marriage, childcare, adoption, hormone treatment or gender-affirming surgery), allowances (travel expenses and congratulatory and condolence payments), and other benefits such as company-owned housing, family days and family discounts.
- Recognise gender identity of transgender and intersexual workers regardless of whether it is correctly specified in their official documents. This includes the name and pronouns you address them by, the dress code and uniforms, if there are any, and company health checks.
- Every physical space of which the organisation makes use should be equipped with gender-neutral facilities (toilets and changing rooms, for instance).
- You should attempt to have hormone therapy and gender-affirming surgery covered by employer health insurance.
- Refrain from assuming people's gender and romantic and sexual orientation, and acknowledge transgender and intersexual people in meetings by asking everyone to include their pronouns on their name tag. These microsupports counterbalance microaggressions and avoid the nuisance of having to come out multiple times at work⁴³.

(5) Up to this point we have been discussing initiatives and measures that will raise GSRM protection and DE&I only within the organisation. Although some firms consider this to be enough, others take an 'advocate approach'⁴⁴ and attempt to change the societies where they operate so as to make them more accepting of GSRM. The purpose of this last package of measures is to **engage with all the stakeholders**, internal and external, in proactively transforming society for the better.

- Partner and consult with local associations working to advance GSRM rights. Make your public commitment with them and DE&I tangible—even financial—by donating, and promote and sponsor GSRM-related events.
- Coordinate with trade unions at the national, regional and sectoral level if there are any. In countries where trade unions are independent and have bargaining power they can become natural allies for tackling discrimination and promoting equality, given their objective of achieving a fair treatment for all workers. Trade unions should have their own policies and protocols to protect GSRM, participate in GSRM-related activities, and work hand in hand with the firm to raise awareness and deconstruct stereotypes.
- Use your leverage with associates and suppliers to demand respect and equality for their GSRM workers and customers. Some institutions include an 'equality and non-discrimination clause' in their contracts, which requires the signatory to have a DE&I Plan, hence expanding the adoption of DE&I measures across industries⁴⁵.
- Participate in forums to share your experiences with other organisations and learn about novel

⁴² United Nations, op. cit., p. 34.

⁴³ McKinsey & Company, loc. cit.

⁴⁴ United Nations, op. cit., p. 21.

⁴⁵ Ajuntament de Barcelona [City Council of Barcelona], op. cit., pp. 51-52.

DE&I initiatives.

- Lastly, firms and institutions should also extend their DE&I principles to their customer base: include non-binary gender options in customer forms, add sections to the online shop that help identify products directed at GSRM, design inclusive advertising campaigns, and measure GSRM customer satisfaction.

ABOUT KEY PERFORMANCE INDICATORS

As we pointed out in our discussion about the Cycle of DE&I Institutionalisation, the organisation has to specify KPIs for each policy when devising the DE&I Plan, and measure them periodically during implementation for their subsequent evaluation. The compilation of DE&I initiatives listed above can be used both as guidance for devising your own DE&I Plan and as a checklist to measure your progress in advancing GSRM DE&I Institutionalisation.

However, this list should not be treated as a substitute for KPIs, since these have to be tailor-made for each policy and will normally differ among organisations depending on their budget, their number of workers, their scope of action, their business activity, and the degree of commitment and ambition to end discrimination and promote GSRM equality.

As a broad example, we can use anonymous questionnaires to measure the staff's perceived level of support from the executive team and the board of directors, or the level of awareness regarding the existence of a formal policy for dealing with GSRM aggressions. The firm should track the answers periodically and compare the evolution of responses from GSRM with those coming from employees who are not GSRM.

The organisation should also monitor participation in learning programmes, both with volume indicators (number of courses offered, number of people who participate, average training hours per person, completion rate per programme, etc.) and qualitative indicators (satisfaction rate, abandonment rate, what induces employees to participate in the programmes?, etc.)⁴⁶. Similarly, volume and quality KPIs can be pre-established to keep track of ERG for GSRM, GSRM-related events and the smoothness of the transition process in the firm. The objective is to uncover patterns of conduct and identify influential people within and outside the organisation.

Nevertheless, the ultimate method to assess whether the DE&I Plan has the desired effect is to verify if acceptance, inclusion and GSRD are increasing over time in the organisation. There are multiple ways to check this: if GSRM appreciation is on the rise, people should be more at ease at work and we would expect the number of people in the 'recruitment closet' to drop; reported harassment should also decrease eventually, perhaps after rising in the first years of implementation of the protocol for dealing with discrimination cases. Human Resources Information Systems can also be used to monitor discrepancies in promotion rates, hiring rates and salary between GSRM and other employees.

⁴⁶ Albet Tetas, Josep. (2020). 'Tenth Session: HR Indicators & OKR's' [PowerPoint presentation]. 21861: *Human Resources II*. Available at: <https://aulaglobal.upf.edu/course/view.php?id=25983> (Accessed: 6 June 2021).

For measuring GSRD at any level of the organisation (employees, executive team and board of directors) we recommend the Herfindahl-Hirschman Index (HHI). This indicator has been widely used to measure market concentration, but in the last years McKinsey has applied it to diversity as well⁴⁷. The formula is the following:

$$HHI = \sum_{i=1}^N (s_i^2)$$

The s_i is the percentage of employees who belong to community i , and N is the total number of communities we are taking into account for the study. For instance, imagine we have a board of directors with 5 heterosexual cisgender men, 1 homosexual cisgender woman and 1 bisexual cisgender man. In this case N is 3 and the index would give us:

$$HHI = (5/7)^2 + (1/7)^2 + (1/7)^2 = 0.55$$

Now imagine that a new board of directors is appointed: 4 heterosexual cisgender men, 1 heterosexual transgender woman, 1 homosexual cisgender woman and 1 bisexual cisgender man. The N is 4 now, and the index will give us a lower number:

$$HHI = (4/7)^2 + (1/7)^2 + (1/7)^2 + (1/7)^2 = 0.39$$

This is the case because the HHI is sensitive to changes in the number of communities that have representation in the firm—in the board of directors, in this case—and the more diverse it is, the lower the HHI. Conversely, an index of 1 indicates perfect homogeneity and no diversity at all. Note also that the index can be applied to other groups besides GSRM (generation tiers or ethnic background, among others) and to the entire organisation, not just the board of directors.

THE DE&I PLAN AND THE LOCAL LANDSCAPE: THE CASE OF JAPAN

When we introduced the Cycle of DE&I Institutionalisation, we emphasised how important it is to analyse the extent of GSRM discrimination and to understand the basis of such discrimination before jumping to the design and implementation of the DE&I Plan. As already mentioned, the analysis must transcend the organisation and reach the institutional and cultural environment as well, since local customs and beliefs have a sizeable influence on organisational culture. Because of this, the local landscape cannot be ignored, especially when the DE&I Plan is to be implemented in a culturally-distant country.

Hence, in this last section we show by example how to carry out the analytical process of a foreign institutional and cultural environment, and how to adapt the DE&I Plan to the revealed cultural patterns. The country under study is Japan, which has significant cultural distance vis-à-vis the

⁴⁷ Hunt, Layton and Prince, op. cit., p. 2.

major English-speaking countries in terms of Hofstede's cultural dimensions⁴⁸. We will start with an overview of the current situation of GSRM in the country, which will be followed by an examination of institutional factors that may facilitate change in Japanese society. We will conclude with the customisation of some DE&I policies so as to tailor them to the Japanese idiosyncrasy.

GSRM IN JAPAN

In Feudal Japan it was not uncommon for men of high status, such as the samurai and priests, to have male lovers; homosexuality and homoromantic behaviour were considered traditional 'human feelings' and did not fall in the realm of moral judgement as long as they did not interfere with one's duties to the family and the country⁴⁹. Women's 'homosexual indulgences' were not tolerated in the same way, because their duty to family was incompatible with having such 'distractions'; but the fact of the matter is that homosexuality was not perceived as sinful or immoral at that time.

When Emperor Meiji (1867-1912) set out to westernise Japan through militarisation and industrialisation, the Meiji government adopted western customs and laws to win the approval of the West. Among many societal reforms, between 1872 and 1880 Japan ruled that sexual acts between people of the same sex should be punishable by law. The Penal Code of 1880 abolished the outlawing, but the lack of understanding and stigma remained.

Currently, homosexual acts are legal, but GSRM rights are very limited. The Constitution of Japan (article 24) defines marriage to be between 'both sexes', and thus, as of June 2021, same-sex marriages are not allowed, which means that same-sex couples are not granted the rights derived from marriage, such as adoption of children. Furthermore, Japan does not recognise foreign same-sex marriages either, and Japanese citizens cannot endorse their partners to help them get a visa for immigration purposes.

Moreover, employment discrimination against GSRM is not explicitly prohibited. Article 5 of the Act on Securing of Equal Opportunity and Treatment between Men and Women in Employment (enacted in 2003, amended in 2011) requires firms to provide equal employment opportunities for men and women, but most provisions are recommendations, not obligations, and there is no mention of GSRM. However, in 2017 the government updated the Sexual Harassment Guidelines, which are legally binding, to recognise the fact that sexual harassment can occur between people of the same gender⁵⁰.

⁴⁸ For comparing over 50 countries across cultural dimensions refer to: Hofstede, Geert. (2001). *Culture's Consequences: Comparing Values, Behaviors, Institutions and Organizations Across Nations*. (2nd ed). Thousand Oaks, California: SAGE Publications.

⁴⁹ Benedict, Ruth. (2019). *The Chrysanthemum and the Sword: Patterns of Japanese Culture*. Naples, Italy: Albatross Publishers, pp. 187-188.

⁵⁰ Stonewall Equality Ltd (2018). *Stonewall Global Workplace Briefings 2018: Japan*, p. 1. Available at: https://www.stonewall.org.uk/system/files/japan_global_workplace_briefing_2018.pdf (Accessed: 8 June 2021).

The situation is not much better for transgender or intersexual people. There is an Act on Special Cases in Handling Gender for People with Gender Identity Disorder (enacted in 2003) that categorises identifying with a gender different than that assigned at birth as a disorder. The law allows for changing gender in legal documents—with the only exception of the birth certificate—with prohibitive requirements: to be diagnosed with the ‘disorder’ by two different physicians, to be sterilised, not having underage children, not being married, to be an adult (over 20), and to have completed gender-affirming surgery⁵¹.

Changing the name in legal documents is possible under article 107-2 of the Family Register Act (enacted in 1947, amended in 2007); but only with permission from the Family Court, which is only granted if the applicant can prove that they have ‘Gender Identity Disorder’ and that they have already been using the new name in their daily life⁵². These oppressive requisites are probably due to nationwide misrepresentation of transgender people (trans women are often presented as drag queens in the media), which results in discrimination both in schools and in the labour market.

The root of the problem seems to be a lack of understanding of what it means to be gay, lesbian, bisexual, transexual, and a GSRM in general, but this seems to be changing quickly. Indeed, a recent survey by Dentsu Diversity Lab showed that familiarity with the term LGBT in Japan has increased from 37.6% in 2013 to 80.1% in 2020⁵³. Only 63.8% know what being transgender means, however, and within the GSRM the Japanese are not familiar with the terms ‘asexual’, ‘aromantic’ and ‘pansexual’⁵⁴.

Nevertheless, it does seem that awareness is on the rise, and accordingly the government of Japan local administrations have driven timid reforms to improve GSRM’s lives. For instance, transgender people can marry a person of the opposite gender, but only after receiving gender-affirming surgery, and since 2017 the National Health Insurance covers 70% of the surgery. Additionally, since 2015 over 100 municipalities have introduced same-sex partnership recognition certificates, but they lack nationwide validity.

In conclusion, although the Constitution of Japan states that ‘all of the people shall be respected as individuals’ (article 13) and ‘all people are equal under the law’ (article 14), GSRM rights are still limited despite recent generally positive initiatives because of a lack of understanding of GSRD and a strong emphasis on traditional conservative values—as of 2020, 27.3% of the Japanese are estimated to be either confused or appaled by GSRM, in contrast with the 29.4% who are active supporters⁵⁵.

⁵¹ ILGA World: Chiam, Zhan; Duffy, Sandra; González Gil, Matilda; Goodwin, Lara, and Patel, Nigel T. M. (2020). *Trans Legal Mapping Report 2019: Recognition before the law*, p. 80. Available at: <https://ilga.org/trans-legal-mapping-report> (Accessed: 7 June 2021).

⁵² Ibid.

⁵³ Dentsu Diversity Lab (2021). *LGBTQ+ chōsa 2020 [LGBTQ+ survey 2020]*, figure 2. Available at: <https://www.dentsu.co.jp/news/release/pdf-cms/2021023-0408.pdf> (Accessed: 2 June 2021).

⁵⁴ Ibid., figure 3.

⁵⁵ Ibid., figure 1.

There are also stark differences between Japanese organisations: some have GSRM DE&I Plans in place, whereas some actively bully and harass GSRM employees into quitting. The truth is that most Japanese companies have only recently started to grapple with gender equality, and they still have a long way to go to have truly inclusive policies for GSRM and transform Japanese society at large.

THE CATALYSTS OF CULTURAL CHANGE

By now you may have already realised that Japan is a country that combines an impressive degree of economic, industrial and technological adaptability with complex social hierarchies and rigid gender roles. In fact, as late as in 1992 prominent newspapers still divided job offers by gender, so women were not invited to compete for the same jobs as men⁵⁶. Although the situation has been improving since then, in 2018 approximately 65% of GSRM in Japan have not come out to anyone⁵⁷, and one quarter of the population disagree with the proposition ‘I want to understand LGBT individuals better to avoid hurting their feelings’⁵⁸. How can a country with such resistance to change build up the momentum for real transformation?

For that matter, how can any country—or any organisation—be collectively persuaded to change? We have reiterated that change is not something that can be forced upon anyone, it must be wholeheartedly and willingly accepted. But what is needed to spark that willingness of transformation? To answer this question we first need to acknowledge that any process of transformation—in this case, DE&I Institutionalisation—is always accompanied by a process of deinstitutionalisation of the old culture and procedures through which the old culture and customs are substituted by new ones.

Christine Oliver defined deinstitutionalisation as:

‘the process by which the legitimacy of an established organisational practice erodes or discontinues [...] as a result of organisational challenges to or the failure of organisations to reproduce previously legitimated or taken-for-granted organisational actions’⁵⁹.

This suggests that organisations are subject to shocks, which can come from external agents or stem from within the organisation, and when a series of shocks pose a threat to the viability of the organisation as it has been known, stakeholders might well start challenging their beliefs and become more open to the idea of change. Both whether such change actually takes place and its

⁵⁶ Kukuk, Becky. (1998). ‘Eastern Men, Western Women: Coping with the Effects of Japanese Culture in the United States Workplace’, *Golden Gate University Law Review*, 28 (2), p. 195.

⁵⁷ Dentsu Diversity Lab: Ito, Mima. (2019). *LGBT he no kigyō no mukiai* [Companies facing LGBT], figure 3. Available at: <https://dentsu-ho.com/articles/6764> (Accessed: 10 June 2021).

⁵⁸ Dentsu Diversity Lab: Yoshimoto, Taeko. (2019). *11nin ni hitori ga LGBTsō LGBT wo torimaku saishinjihō* [1 out of 11 people is LGBT. Latest conditions surrounding LGBT], figure 3. Available at: <https://dentsu-ho.com/articles/6542> (Accessed: 10 June 2021).

⁵⁹ Oliver, Christine. (1992). ‘The Antecedents of Deinstitutionalization’, *Organization Studies*, 13 (4), p. 564.

direction will depend on the vision of the organisation's leaders and their capacity to take advantage of the new situation.

Figure 3 is a list of empirical predictors of deinstitutionalisation elaborated by Christine Oliver and later adapted by George Olcott to study cultural change in Japanese organisations⁶⁰. The list is an enumeration of factors or shocks that increase the perceived need of change, and they are divided in three subgroups for clarity: changes in political distributions, caused by performance problems and conflicting interests; changes in functional necessity, or how the stakeholders perceive the current culture to be valuable, and changes in the social consensus.

FIGURE 3: Empirical predictors of deinstitutionalisation

Changes in political distributions
Increasing workforce diversity
Declining performance or crises
Power reallocations
Threat of obsolescence
Changes in functional necessity
Increasing technical specification
Increasing goal clarity
Changes in social consensus
Increasing turnover or succession
Weakening socialisation mechanisms
Culturally disparate mergers and alliances
Increasing diversification, dispersion or differentiation

Source: Adapted from Olcott, 2009, p. 42, table 1.1.

Note that not all of these shocks must happen at once to trigger cultural change, but the more factors are present in a society or an institution the more likely will be for cultural change to occur. Therefore, this list of predictors can be used as a guide to analyse the proneness to change of any organisation or country. In the case of Japan, all these changes (in political distributions, in functional necessity and in social consensus) have been ongoing for the past four decades.

In the 1980s the whole world was talking about the Japanese economic miracle—about how Japan had achieved a record economic growth after the devastation of the Second World War—but everything changed in the 1990s with the burst of an asset bubble, a period that would be known as the 'Lost Decade': the unemployment rate soared and reached its peak at 5.37% in 2002; annual inflation rates and the interbank interest rate remained near or below zero through most of the period; 180 depository institutions needed financial assistance from the government between 1992 and 2002, and real GDP annual growth never rebounded to the pre-crisis levels⁶¹.

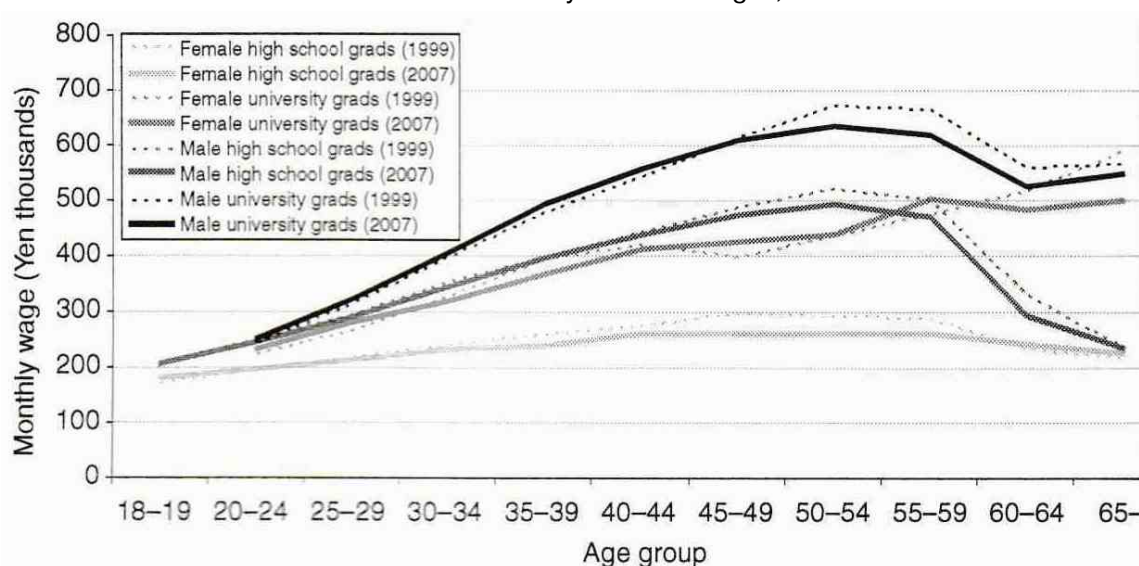
⁶⁰ Olcott, George. (2009). *Conflict and Change: Foreign Ownership and the Japanese Firm*. New York: Cambridge University Press, pp. 41-43.

⁶¹ For a complete discussion of Japan's economic and political developments from 1980 to 2007 refer to: Cargill, Thomas F. and Sakamoto, Takayuki. (2008). *Japan since 1980*. Cambridge: Cambridge University Press.

Since the Lost Decade massive stimulus plans have ridden the country with debt, Japan is the country with the highest life expectancy, which is becoming a working-age-population-shortage problem⁶², and foreign workers are slowly entering the country to compensate for the lack of labour force, despite the government having a strong bias against immigration. Even as recently as in 2017, more Japanese believed that the economy was getting worse (48%) than better (32%)⁶³. Note that all these issues match the four shocks that Christine Oliver referred to as ‘changes in political distributions’ (figure 3).

Moreover, the social contract between employees and companies started unravelling after the long period of stagnation. Since money was a scarce resource after the Second World War, the traditional work arrangement was a combination of (1) lifetime employment, with students entering a firm immediately after graduation and usually staying until retirement; (2) seniority payment, with initial low wages that increased invariably with experience, regardless of productivity or individual performance (figure 4); (3) many fringe benefits, such as company housing or family discounts, and (4) high job security.

FIGURE 4: Seniority effect on wages, 1999 vs 2007



Source: Olcott, 2009, p. 140, figure 5.1.

Job security was so important that throughout the Lost Decade the unemployment rate never reached 6%, despite massive revenue losses and widespread bankruptcies. Managers engaged in labour hoarding and avoided separations as much as possible by implementing generalised salary and benefits reductions. In 1995 Masaru Yoshimori asked employees from Japan and four Western countries which of the following two options a CEO in their country would choose: to maintain dividends or to lay off a number of workers⁶⁴. The difference in answers between countries is

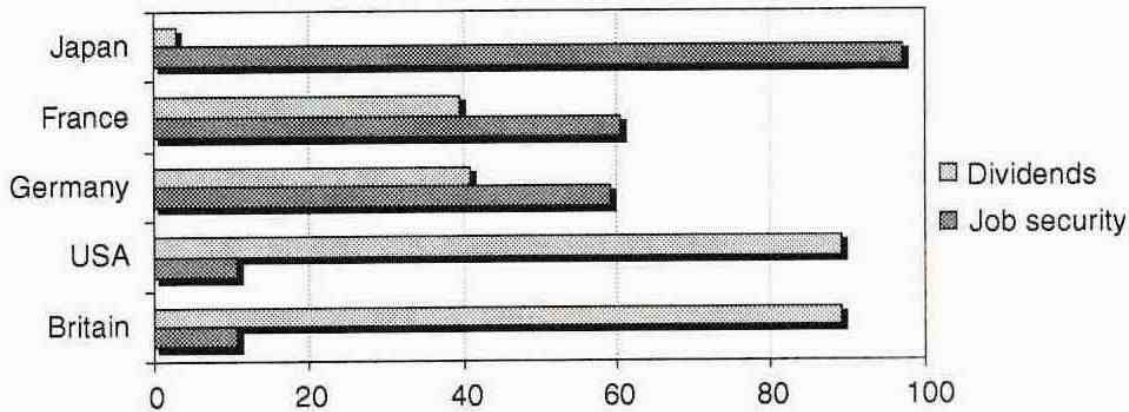
⁶² Organisation for Economic Co-operation and Development (2021). *Data on Japan*. Electronic dataset. Available at: <https://data.oecd.org/japan.htm> (Accessed: 10 June 2021).

⁶³ Gallup, Inc (2017). *State of the Global Workplace*. New York: Gallup Press, pp. 138-139.

⁶⁴ Yoshimori, Masaru. (1995). 'Whose company is it? The concept of the corporation in Japan and the West', *Long Range Planning*, 28 (4), pp. 2-44.

displayed in figure 5, and demonstrates the overwhelming power of the aforementioned Japan’s social contract.

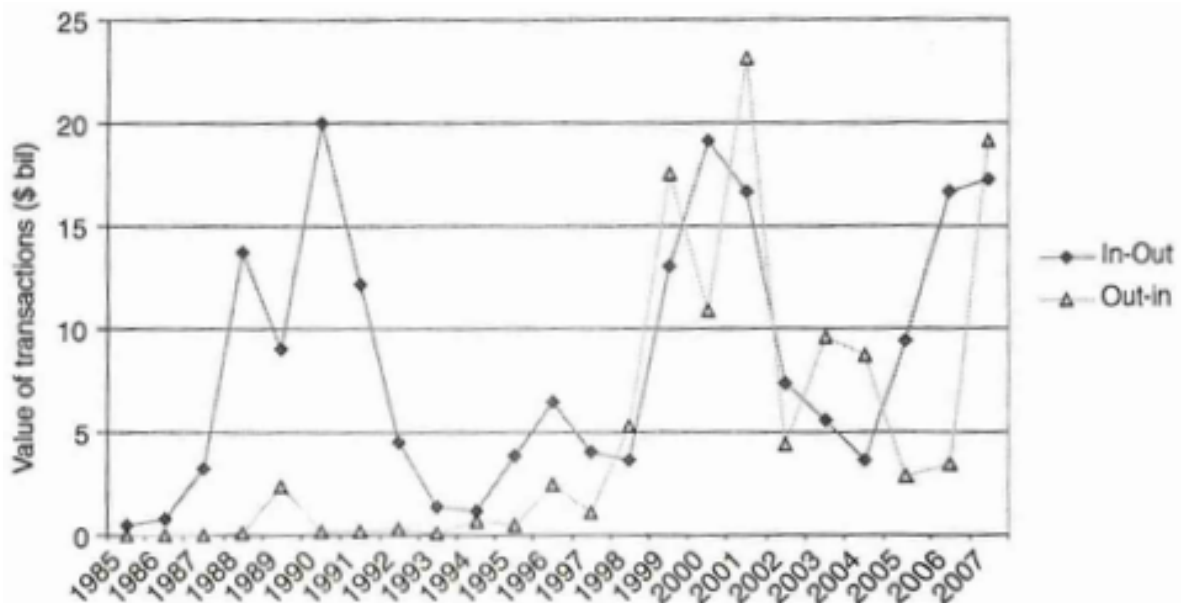
FIGURE 5: Maintain dividends vs job security (%)



Source: Adapted from Yoshimori, 1995.

Now, however, this arrangement is viewed by some companies and by a fraction of society as a hindrance. Many firms have come to realise that seniority payment and lifetime employment crush motivation. In fact, as of 2017 only 6% employees in Japan were engaged at work⁶⁵. The breakdown of the social contract is increasing goal clarity and eroding the social consensus regarding the legitimacy of all these practices, pushing cultural change in Japanese firms. Also, foreign mergers and acquisitions (out-in M&A), which were virtually nonexistent before 1996, became commonplace operations in 1999 (figure 6), partly due to the Liberal Democratic Party liberalisation policies; hence further increasing the inflow of foreign cultures and normalising new organisational arrangements.

FIGURE 6: Trend of M&A transactions in Japan, 1985-2007



Source: Olcott, 2009, p. 6, figure 0.1.

⁶⁵ Gallup, op. cit., p. 133.

In conclusion, it is not an overstatement to say that in the previous decades Japanese firms and Japanese society at large have been struck by deeply transformative political, functional and social shocks that, despite the resistance of traditional Japanese values, have acted as catalysts for change, and they will probably continue to do so ever more forcefully. This might explain why GSRM acceptance and gender equality have been advancing recently both within and outside the corporate sphere.

In 2018, for instance, Tokyo's municipal government passed a law prohibiting LGBT discrimination⁶⁶. More recently, in March 2021 the district court in Sapporo ruled that article 24 of the Constitution of Japan cannot be used to justify denying marriage to same-sex couples, because that would conflict with article 14 (all people are equal under the law)⁶⁷. Firms operating in Japan are also devising and implementing their own DE&I Plans, from which other Japanese firms can learn much. We will examine some of these in the following and final section.

CUSTOMISING DE&I POLICIES

In the section 'A compilation of DE&I policies for GSRM' we elaborated on five packages of measures that organisations should implement in order to make their culture welcoming of GSRM. Now we expand on some of those measures by customising them to fit better the patterns of Japanese culture. In doing so we hope that the reader will grasp how important it is to adapt policies to the local landscape to prevent them from backfiring. We complete the discussion with a number of real DE&I Plans implemented by companies that are currently operating in Japan.

(1) The first caveat concerns the most essential step any organisation has to take in order to successfully transform their culture: as we pointed out, the organisation must internalise that some degree of change is needed and through a collective reflective process it has to decide the values that will form the cornerstone of the new organisational culture. We observed that this process should **involve the entire organisation** and not just the board of directors and the executive team. This last idea is paramount in Japan.

We have already discussed the Japanese social contract, whose convenience is increasingly being questioned, and the importance that Japanese managers confer to job security (figure 5). Although it is true that the labour market is becoming more flexible and job rotation is increasing, which is leading to a deterioration of the lifetime employment system⁶⁸, the Japanese vision of the firm is different than that of the West in that they view the firm as a societal institution that belongs to the people that devote their whole lives to working there.

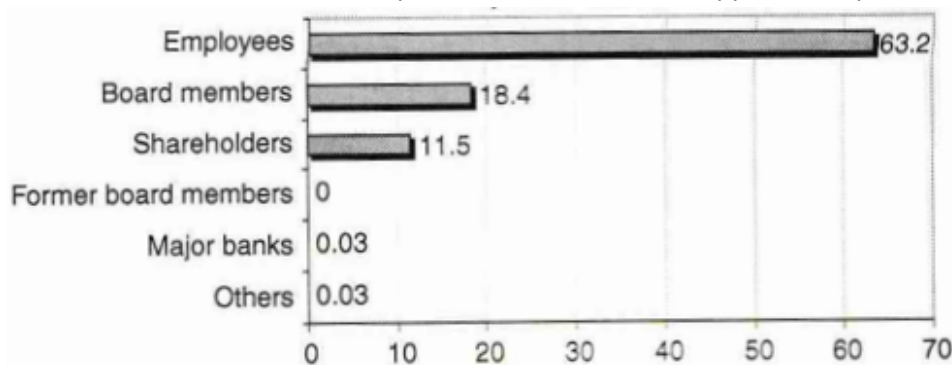
⁶⁶ Knight, Kyle. (2018). 'Tokyo's "Olympic" LGBT Non-Discrimination Law', *Human Rights Watch*, 11 October. Available at: <https://www.hrw.org/news/2018/10/11/tokyos-olympic-lgbt-non-discrimination-law> (Accessed: 11 June 2021).

⁶⁷ Shiraishi, Sakiko. (2021). 'Japan court finds same-sex marriage ban unconstitutional', *BBC News*, 17 March. Available at: <https://www.bbc.com/news/world-asia-56425002> (Accessed: 11 June 2021).

⁶⁸ Olcott, op. cit. pp. 114-136.

This notion—sometimes called ‘employee sovereignty’⁶⁹ or ‘communitarian firm’⁷⁰—can be readily understood by looking at figure 7, which displays the answers of Japanese CEOs when asked which stakeholder’s support is most important to them. In contrast to Western countries, many managers in Japan believe they work for their employees, and their interests are prioritised over those of shareholders (note that this is consistent with what we saw in figure 5). The ordering of priorities might be different for foreign managers working in Japan; but for many experienced Japanese executives, driving DE&I reforms without the enthusiastic support of the majority of their staff would be inconceivable.

FIGURE 7: Importance of stakeholder support for Japanese CEOs (%)



Source: Adapted from Yoshimori, 1995.

Because of this, managers who want to foster GSRD in the Japanese firm will need to gather enough support from their employees first. They can do so by appealing to the universal principles of individual respect and equality, which are recognised in the Constitution of Japan. Additionally, they can elaborate a business case for GSRD tailor-made for the Japanese labour market. For instance, in Japan recognising the existence of same-sex families and their right to have children can be a partial solution to their low birth-rate problem, and low job mobility makes DE&I Plans even more important for employer branding.

The positive side of employee sovereignty is that, in Japanese firms with Japanese managers, employees who are committed to GSRM equality have the power to drive bottom-up reforms for GSRD. On the other hand, a pro-GSRM board of directors might have no other choice than appointing a foreign executive team if the current Japanese executives are reluctant to implement DE&I policies because they do not want to break the consensus-decision-making rule.

(2) Another essential ingredient of any DE&I Plan that we mentioned is the drawing up of formal policy with regard to GSRM—a code of conduct or an ethical code with an explicit prohibition of discrimination and a detailed protocol for dealing with harassment or aggressions. An important component of these policies is an anonymous and secure reporting

⁶⁹ Itami, Hiroyuki. (1994). ‘The “Human-Capital-ism” of the Japanese Firm as an Integrated System’, in Imai, Kenichi. and Komiya, Ryutaro. (eds.) *Business Enterprise in Japan*. Cambridge: MIT Press.

⁷⁰ Dore, Ronald. (1973). *British Factory-Japanese Factory: The Origins of National Diversity in Industrial Relations*. Berkeley, California: University of California Press.

procedure to inform against the offenders. However, in Japan there is one factor that might render the reporting process ineffectual.

That is, **many Japanese do not report aggressions** because according to traditional Japanese values lawsuits are an embarrassment, given that they disturb social order and run against the paramount Japanese principles of harmony (*wa*), apology (*ayamaru*) and reconciliation (*wakai*). In fact, most lawsuits against Japanese companies settle before reaching an actual trial⁷¹. The following account exemplifies how important harmony is in Japanese society:

'When three-year old Yasuyuki Yamanaka drowned in a reservoir [...], his parents sued the neighbours, who had been baby-sitting. The court [...] awarded the parents \$24,000 in damages. But the Yamanakas became public pariahs. They received hundreds of calls a day shaming them not only for taking money from neighbors but even for bringing suit against them. TV crews camped on their doorsteps, and poison-pen letters flooded their mailbox. Less than a month later, the Yamanakas went back to court, returned the money and dropped the case'⁷².

Yutaka Yamamoto argues that virtually every nation in the world values harmony, apology and reconciliation. The difference between Japan and other nations is that in the former these values are almost sacred. In the Yamanaka case, the neighbourhood was more upset about Yamanaka's family suing the baby-sitters than about their negligence resulting in the death of a child⁷³. It should not be surprising then that most victims of harassment and discrimination do not bother to report.

Furthermore, when women have reported cases of sexual harassment at work to Japanese managers in the past, the common course of action was to ignore, ridicule or dismiss them; they were treated as problems instead of victims⁷⁴. Organisations based in Japan that employ Japanese workers must wipe the slate clean and demonstrate top management's commitment with a zero-tolerance policy against discrimination and sexual harassment by penalising those who perpetrate them. In some cases it might be unavoidable to dismiss people implicated in previous harassment. Only when it is proved that reporting leads to actual protection and reparation for the victim, reporting procedures will be operational.

(3) Needless to say, for Japanese employees to report discrimination Japan also has to get rid of the idea that doing so is shameful (to the extent that it disturbs harmony), which brings us back to the basic need of deconstructing old beliefs in order to set up a new organisational culture—remember that by replacing old beliefs with new ones a new value system is born that supports the new DE&I culture.

⁷¹ Kukuk, op. cit. p. 183.

⁷² 'Japan: A Nation in Search of Itself', *Time: Special Issue*, 1 August 1983, p. 65.

⁷³ Yamamoto, Yutaka. (1990). 'A morality based on trust: Some reflections on Japanese morality', *Philosophy East and West*, 40 (4), pp. 451-469.

⁷⁴ For a notorious case of Japanese sexual harassment mismanagement refer to: Grimsley, Kirsten D., Swoboda, Frank, and Brown, Warren. (1996). 'Fear on the line at Mitsubishi', *Washington Post*, 29 April.

Regrettably, Japanese companies do not usually offer leadership development programmes or opportunities to learn about diversity⁷⁵; although they are renowned for their training programmes, these do not include people management, emotional skills or GSRD education. On the other hand, this means that there is a lot of untapped potential in this area: since Japanese workers are already used to participating in training programmes, persuading them to learn about GSRD should not be difficult.

In fact, there is one particular feature of the Japanese behavioural patterns that can be very useful to increase participation in GSRD learning programmes and to increase commitment to GSRM DE&I in general. That is **isomorphism**, which can be defined as ‘imitating others’. There is a Japanese word that describes this notion perfectly: *yokonarabi*, which literally means ‘to align with whom is next to you’. *Yokonarabi* is sometimes translated as ‘copying’ or ‘following the crowd’.

As it was the case with the concept of harmony (*wa*), imitating others in order to fit in is not a unique characteristic of Japanese behaviour; to a greater or lesser extent, many people do it to reduce perceived risk regardless of their country of origin. However, in Japan there is a tendency to justify the legitimacy of certain practices by pointing out at how many people or organisations support them, not by assessing their merits⁷⁶. In other words, the idea that ‘if a lot of people do something it must be right’ is widespread.

There are many culturalist explanations of how this behaviour came into existence. Many anthropologists say that there are historical reasons behind Japan’s isomorphic tendencies and its hierarchal organisation⁷⁷. This goes beyond the scope of this dissertation, but what is important to remember is that many Japanese employees will enthusiastically participate in a GSRD seminar with an open mind if their colleagues also do so. Provided that the firm manages to get a critical mass of employees to accept GSRM and DE&I policies, it will be easier for the rest to follow suit.

(4) Another key measure we discussed is the creation of an ERG to foster interactions between GSRM and the rest of the staff, to raise awareness and increase the number of allies in the organisation. Nonetheless, a dynamic ERG for GSRM and allies is easier to build up in theory than in practice. In actuality, **ERG often struggle** to convince people to join them. This is specially true in societies where GSRM awareness is low and therefore joining these groups can carry a stigma.

In the PRIDE index 2020, which measures the commitment with GSRM DE&I of some firms operating in Japan, over one hundred companies answered questions related to the participation of their employees in ERG and other arrangements for GSRM and their allies. In 2020 only two firms claimed that more people than expected took part in these arrangements; more than half of the

⁷⁵ Gallup, op. cit., p. 140.

⁷⁶ Olcott, op. cit., p. 32.

⁷⁷ For a discussion on the importance of hierarchy in Japan, and its historical roots refer to: Benedict, op. cit., pp. 70–97. For a discussion on Japan’s vertical organisation refer to: Nakane, Chie. (1970). *Japanese Society*. Berkeley, California: University of California Press, pp 23–86.

respondents said that they had less participants than expected, and 55 firms responded that no-one joined⁷⁸.

Companies were also asked about why they thought these ERG did not work as expected. The three most common answers were: (1) 'the potential risks of coming out were perceived to outweigh the potential benefits', (2) 'people were hesitant because it was necessary to come out to apply', and (3) 'the arrangements were not well understood'⁷⁹. Ultimately, the problem was that employees did not understand the advantages of belonging to such associations and most people in the organisation thought that ERG were only for GSRM and not for allies. Because of this, belonging to the ERG was interpreted as being GSRM, which appeared too much of a risk for the vast majority of workers in these companies.

To avoid this, Japanese organisations must clearly communicate that it is not necessary to be GSRM to join one of these groups, as well as the advantages of ERGs and other arrangements to foster GSRM-allies interaction. In the end, ERGs are worth the effort: recent data shows that in Japan GSRM who are in a partnership system feel that their human rights are being respected significantly more than those who are not⁸⁰.

(5) We do not want to conclude without mentioning some firms that are **success cases** in setting up DE&I policies. For instance, Goldman Sachs Japan has had an operational LGBT network since 2005, which has grown to over 180 members. Among its achievements there are a networking programme for LGBT students; a 'reverse mentoring programme', whereby managers are helped by their LGBT employees to understand better GSRM, and a 'Managing Director allies strategy', through which senior leaders play an active role in sending positive messages about GSRD⁸¹.

But not only foreign firms are bringing forward initiatives for GSRM DE&I. In June 2017, Rakuten Group, the Japanese online retailing company, established the official Rakuten LGBT Network, one of the first ERGs among Japanese companies. The Network hosts DE&I learning activities for both managers and the staff, and works also as a meeting point for GSRM and allies within the firm⁸².

Before doing that, in 2016 Rakuten was also one of the first major Japanese companies to extend equal rights and benefits to GSRM—if a perk was offered to married couples, it had to be offered to same-sex couples as well. Rakuten also expanded its company services to fit the needs

⁷⁸ work with Pride (2020). *PRIDE shihyō 2020 repōto* [PRIDE index 2020 report], p. 17. Available at: https://workwithpride.jp/wp/wp-content/uploads/2020/12/prideindex2020_report.pdf (Accessed: 11 June 2021).

⁷⁹ *Ibid.*, p. 18.

⁸⁰ Dentsu Diversity Lab, 2021, *op. cit.*, figure 6.

⁸¹ Stonewall Equality Ltd, *op. cit.*, p. 3.

⁸² Rakuten, Inc (2017) 'Rakuten's LGBT Network and championing inclusivity in the Japanese workplace', *Rakuten Today*, 23 June. Available at: https://global.rakuten.com/corp/innovation/rakuten_today/2017/0623-1178/ (Accessed: 3 August 2020).

of GSRM, such as being able to share the Rakuten family credit card with a partner regardless of their gender, or filtering results in their search engine to display GSRM-friendly services⁸³.

Due to what we defined as *yokonarabi*, we can expect Rakuten to inspire with its meaningful example other Japanese firms to do the same. For example, they could regard the same-sex partnership recognition certificates that are being issued by increasingly more and more municipalities as official documents, and treat their GSRM employees' partners as *de facto* spouses, extending family benefits to them as well. This would ameliorate the situation of GSRM in Japan while the Diet works on granting them full equality.

CONCLUSION

All societies struggle to some extent with GSRM discrimination. Governments, legal entities and individuals must take on their share of responsibility to end it, not only because discrimination has been proven to have a negative economic impact on income statements and GDP, but mainly because it is costly for the sufferers. In addition, governments and companies must act in compliance with the provisions of articles one and two of the Universal Declaration of Human Rights, which have been reflected in domestic laws regulating business activity.

In times of economic downturn, DE&I runs the risk of receding some positions in the list of organisations' top strategic priorities. However, we argue that firms disengaging from DE&I efforts will be putting themselves at a disadvantage in the medium run, since they will fail to attract the right type of talent and forfeit future growth opportunities. Adaptability and creativity are two features that distinguish GSRD companies, and both are needed to recover from any crisis.

In our inquiry into the causes of discriminative behaviour we observed that discrimination is often triggered by erroneous beliefs (stereotypes) that lead to negative emotions (prejudices) towards a group of people with shared attributes, and this is a process that often goes unnoticed. Therefore, in order to vanquish discrimination we need to deconstruct those beliefs; only then a new value system can emerge that sustains a transformed culture based on GSRM DE&I. We also concluded that proactive and enthusiastic learning is an essential step towards deconstruction.

Accordingly, we made learning opportunities and leadership development a pivotal measure in our compilation of DE&I policies. Among them, we also emphasised the need to have formal anti-discrimination policies, active support from the executive team, inclusive recruitment practices, fostering interactions between GSRM and allies, extending equal rights and benefits to GSRM, and engaging in DE&I beyond the limits of the organisation.

Nevertheless, policies included in the DE&I Plan should never be implemented without forethought —they must be the result of a process of collective reflection and planning. We called this process the 'Cycle of DE&I Institutionalisation': an approach based on continuous measurement of objectives, analysis and improvement, where analysis is both the beginning and the end of the

⁸³ Ibid.

Cycle and it must be understood as an examination of intra-organisational culture as well as of local culture. No matter how much information we collect within the organisation, the analysis will always be incomplete if we disregard the institutional and cultural environment.

We also want to note that the comparative study of cultures asks for generosity—it is not possible when the analyst is defensive of their own culture and to them it seems the best and only solution to every problem. With that spirit and an open mind, we wrapped up the dissertation with an analysis of Japan's culture and behavioural patterns, attempting to show by example how to conduct such analysis and how to adapt the DE&I policies to the local landscape.

By applying Christine Oliver's empirical predictors of deinstitutionalisation we observed that demographic changes in Japan and the erosion of their old social contract, based on job security and relative equality, are gradually changing Japan's national and organisational culture vis-à-vis foreigners and GSRM. However, Japan is a unique combination of conservative and adaptive, and thus the final form that this gradual cultural transformation will take is yet uncertain.

Nonetheless, there is little doubt that a new Japan is emerging—one steered towards greater GSRM appreciation. But as long as Japan continues to be Japan, the solution to GSRM discrimination will still be Japanese: the new GSRD organisational culture will be inclusive and different from the old regime, but it will still be their own. Hopefully, this dissertation will become another guide to help organisations in this and other countries to foster GSRD and will bring forth more successful case studies in the future.

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