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**BUSINESS REPORT ON AETNA HEALTHCARE
FINANCIAL SERVICES DIVERSITY INITIATIVES**

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Table of Contents

1	INTRODUCTION	1
	INTRODUCING THE ISSUE	
	1.1 Inadequate support for diversity initiatives in the workplace	2
	1.2 Corporate Social Responsibility	7
2	Diversity in Aetna	8
	2.1 Workplace diversity in Aetna	10
	2.2 Global Crisis	12
	2.3 Benefits of Aetna's diversity initiatives	13
	2.4 Evaluating Aetna's Diversity initiatives and Business Strategies	15
	2.5 Evaluating the importance of diversity through Mckinseys' Diversity report	19
	2.5.1 Gender diversity linked with financial performance	19
	2.5.2 Ethnic/cultural diversity in workplace linked with Profitability and Value creation	21
	2.5.3 Inclusion & Diversity supports business Performance	22
3	Recommendations for Aetna Healthcare Diversity Initiatives	
	3.1 Incremental cost for additional support on diversity initiatives are investments - not a loss	23
	3.2 Value – Creation	27
	3.3 CONCLUSION	28
	References	30

1 Introduction

The business world is rapidly changing and organisations are constantly adapting to the change. Diversity is one such change that has been evolving, and organisations are validating their acceptance of it due to its competitive advantage in the global market. Diversity integrates employee with differences in culture and ethnicity, gender, age, race, sexual orientation, etc. It plays an important role in the organisation as it values the differences of each individual. Different people from different backgrounds working together can generate innovative and creative ideas, being quick in problem solving, bringing different skill sets and language skills to have better communication with clients.

Aetna is one of the top health care companies in the U.S and serves millions of people, and embraced diversity long ago, but their diversity initiatives are relatively minimal. Diversity initiatives are one of the important driving factors in organisation to achieve competitive advantage in the market. However, Aetna has not established diversity at its fullest, as it is lacking in the inclusion of social minorities such as LGBT and disabled employees. Thus, Aetna's diversity initiative requires additional support in including LGBT employees and disabled employees. This report evaluates the inadequate support for diversity initiatives and illustrates the valid evidence and reason that Aetna's diversity initiative requires additional support and is not ready for board members' decision making.

1.1 Inadequate support for diversity initiatives in the workplace

Diversity in Aetna is limited and not in a position to encounter any valid decision making. Although Aetna has been working hard on integrating diversity in the workplace, it requires considerable enhancements. Aetna's diversity falls short of including significant numbers of disabled employees and LGBT employees. This projects a negative image of diversity in Aetna, which, in turns, negates market value and affects the company's future. CIPD (2018) implied that corporate reputation is essential and one of the key factors in the market place. Diversity in the organisation projects a positive image that helps to retain customers and employees. Aetna has been projecting a positive image and has achieved a considerable number of awards, but moving forward, these issues must be addressed in order to implement full establishment of diversity in the workplace so as to enhance the prosperity of the organisation and increase market share. It is evident that Aetna requires additional effort to accomplish a prominent level of diversity, including various categories of diversity in the workplace. Therefore, Aetna's diversity initiatives require more support and enhancement and it is definitely not the time for any strong decision making on the diversity initiatives.

Riley (2008) insisted that LGBT people are opening up and coming into society's acceptance, so companies should come forward, embracing LGBT employees and including them in the workplace. However, he emphasised the importance of support policies that foster the inclusion of LGBT people in workplaces, which determines diversity equality. Cunningham (2011) interestingly examined the connection between sexual orientation diversity and organisational performance. He inferred that in terms of performance, organisations that established greater sexual

orientation diversity associated with a prominent diversity strategy surpassed their peers. These studies insightfully pointed out the growing visibility of LGBT and increasing inclusive and accepting nature in society. Aetna has been pioneering diversity and inclusion in the workplace for centuries, where it included women in the workplace, provided gender equality, and recently celebrated 100 years of employment of women. Therefore, it is essential for Aetna to sustain the pride and brand image in the market place and preserve the integrity and value in the global market. So, Aetna's board members should persevere, acknowledging the increasing demand of acceptance for the LGBT community and support in including greater numbers of LGBT employees in the workplace.

Paul, McElroy and Leatherberry (2011) suggested the buying ability of LGBT communities was an anticipated \$835 billion in 2011. This interpreted the growing visibility and acceptance of LGBT communities in society. In addition, the authors comprehended that LGBT communities are brand loyal, optimistic, online purchasers, and tech savvy. More importantly, the authors also argued that LGBT customers are normally loyal to LGBT-supportive organisations and brands and higher percentage of LGBT people agreed that they opt for organisations which specifically advertise to the LGBT market. In the study of the LGBT marketplace, Wangpimoon (2017) agreed with the above argument, implied that the LGBT community has higher buyer loyalty, and focused on connecting with LGBT-friendly companies. These studies lucidly illustrate the views and attitude towards brand loyalty of LGBT people. In addition, the fact that LGBT people are brand loyal elicits the importance of brand loyalty, as brand loyalty is one of the most important factors for the growth of the organisation in the global environment. This can be a great opportunity for Aetna to realise the significance of LGBT people's viewpoint that is

associated with brand loyalty, and provide additional support for the inclusion of LGBT employees in diversity initiatives. Thus, it is clearly evident that when Aetna embraces and includes LGBT in the diversity initiatives this attracts the targeted LGBT consumers, which in turn boosts their brand loyalty and also enhances organisational performance. This will also open ways to attract LGBT suppliers and stakeholders' attention and lure them into the business, therefore, Aetna board member should offer support in including more LGBT employees in workplace diversity.

The above argument of Riley (2008) that supportive policies strengthen inclusion of LGBT employees in the workplace is substantially fostered by Badgett et al. (2013), who claimed that LGBT supportive policies are correlated with significant business outcomes such as providing excellent job commitment, enhanced workplace engagement, and high levels of job satisfaction for LGBT employees. In addition, the authors also claimed that supportive policies suppress discrimination against LGBT and enable them to be more comfortable in the work environment. Similarly, Huffman, Watrous-Rodriguez and King (2008) also claimed that prominent support from organisations for LGBT employees elevates the positive organisational outcome. From these research studies, it can be understood that LGBT-supportive policies are required for continuous employee engagement in the workplace because these supportive policies can abolish unnecessary discrimination and ensure a better workplace for LGBT employees. Therefore, Aetna should consider fostering supportive policies for LGBT employees, as it is evident from the research studies that supportive policies offer greater employee engagement and job satisfaction.

In this context, Pichler et al. (2017) conducted one such study on the firm performance associated with LGBT-supportive policies. They argued that LGBT-

supportive policies have emerged and grabbed much attention due to the encouraging outcome from significant human resource functions. From the findings, the authors emphasised that LGBT-supportive policies correlated with higher organisational value, profitability, and productivity. These benefits from LGBT-supportive policies also endure in the perception of anti-discrimination laws. In this context, the authors analysed and claimed that disengaging from supportive policies massively decreases the organisational value, profitability, and productivity, and vice versa. This research study illustrates the strong and effective connection between the LGBT-supportive policies and the productivity, profitability, and performance of the organisation. This evidently proves the significant advantages of LGBT employees' inclusion in the workplace. Aetna's board members should acknowledge the positive influences of supportive policies for LGBT employees that can be formulated for the organisation's improvement and growth. In addition, this can also leverage market value from the global perspective. Hence, it is important for Aetna's board members to support LGBT inclusion in the diversity initiatives, supplemented by supportive policies that can enhance employee engagement and project a positive image for Aetna in the international market.

Similarly, Aetna, being cleverly diversified in grouping diversity initiatives, should support including disabled employees in the workplace. As disability is one of the diversity initiatives, that organisation should consider its inclusion to utilise the skills. CIPD (2018) insisted that from the business and moral viewpoint, recruiting disabled employees and utilising their talents is advantageous for the organisation's diversity business case. It depends on the organisation's noble interest in training disabled employees and retain their skills as required. HR plays a major role in analysing workable policies that eliminate bias and discrimination. Moreover, making

considerable adjustments and accommodation, ensuring the comfortable level, results in successful inclusion in the diversity initiatives. This illustrates the importance of including disabled employees, which morally boosts the value of Aetna globally and also enhances its market share.

Schur, Kruse and Blanck (2005) studied the corporate culture associated with disabilities. The authors suggested that to significantly improve the prospects of disabled employees, corporate culture must ensure the elimination of the hindrance that persists in preventing disabled employees from integrating with the workplace completely. Similar to LGBT, this substantial evidence for inclusion of disability in the workplace increases Aetna's moral value as well as business value in the market place, and also, this is associated with corporate social responsibility, thus enhancing the organisational profitability. However, this enormous step requires much increased support from Aetna's board members for the inclusion of disability in diversity initiatives.

In this context, Hartnett et al. (2011) researched and analysed the reasons for hire, retention, and promotion of disabled employees and their accommodation in the workplace. Interestingly, their analysis illustrates that organisations benefit from hiring, retaining, and accommodating disabled employees. These potential benefits, such as ability to retain valuable employees, amplified profitability and encouraged the avoidance of costs for recruiting and training new employee. In this perspective, Solovieva, Dowler and Walls (2011) also supported the above research and suggested direct and indirect benefits for the organisation from implementing disability accommodation. Both direct and indirect benefits improve the profitability and overall moral value of the organisation. In this way, it enhances the organisational culture and instigates the thought of the employer valuing the

individual as a human being. This study evidently elicits that including disability in the workplace provides manifest benefits for the Aetna. However, it requires appropriate support from Aetna to accommodate disabled employees' preferences, which not only empathises with the employee but also elevates Aetna's value in the global marketplace. Yet, this whole process is purely dependent on Aetna's board members to support and establish Aetna as a greater place for diversity. Therefore, considering the brand image and responsibility in society, which reflect the gauge level in the international market, board members should also recognise and acknowledge the substantial evidence from these relevant studies that have analysed the significant importance of inclusion of disability in diversity initiatives.

1.2 Corporate Social Responsibility

Rasche, Morsing and Moon (2017) stated that CSR has a positive impact on the financial bottom line: when their action on social and environmental matters produces a prominent effect that increases revenue growth. Du, Bhattacharya and Sen (2010) suggested that CSR not only creates benefits for stakeholders and investors in a company but also establish a strong corporate image, reinforces stakeholder relationships, and improves stakeholders' behaviour. Chandler (2016) argued that strategic corporate social responsibility focuses on creating value for the organisation, which in turns enhances the profit and performances and success in the market. Improving Aetna's diversity by including significant numbers of LGBT and disabled workers in turn addresses the prominent social activity that triggers corporate social responsibility at Aetna.

Arendt and Brettel (2010) and Pichler et al. (2017) argued that CSR generates firm performance and increases financial growth, as LGBT support policies can provide a

distinct view for the investors, perhaps increasing the market value. Also, CSR can elevate the corporate image-building process and enhance the relationship among stakeholders. Popoli (2011) claimed that brand image is the key factor for the organisation's competence. CSR strategy projects the brand image in local and international markets, which can significantly boost the organisational performance and sustain its competence in the global market. This way, Aetna can also amplify its brand name by including policies that support a significant amount of LGBT and disabled workers in diversity initiatives. As CSR improves Aetna's global market value, it attracts more LGBT community investors and increases its market share. He and Lai (2012) suggested CSR is an excellent marketing tool, as it has a substantial effect on customers' behaviour such as brand loyalty. However, the firm should also take into account customers' expectations while remaining socially responsible.

2 Diversity in Aetna

In the world of globalisation, companies depend on various employees, clients, and stakeholders from all over the globe to meet their business requirements. Diversity in the workplace provides a competitive advantage over peer companies and improves organisational growth. Providing an overview of Aetna's business portfolio, it can be said that it is one of the prominent diversified health care benefits organisation, delivering to 37.2 million members, covering various functional categories such as medical, dental, pharmacy, and so on. Aetna mainly focuses on customer-based insurance products, which lured a wide range of customers and also, Aetna has established its network with a very vast extent. It encompasses 4,919 hospitals, 843,000 plus health professionals, and more than 490,000 doctors and specialists.

Thus, Aetna has established an extremely wide customer base and exceptional networks to serve the needs of the customers (Cascio, 2009).

Parvis, (2013) stated that diversity is nothing but that different individuals possess different qualities. Price (2011) implies that people are not unique, they are separated by various aspects such as gender, age, culture, ethnicity, sexual orientation, level of disability, psychological traits, physical appearance, and race. However, the perspective of an individual towards these different aspects plays a major role in society as well as in the workplace, which can either have a positive or a negative effect that depends on the individual perspective. Diversity in the workplace provides equal opportunity to all range of people and values their differences. In accordance with that, Aetna's view on diversity is to value and appreciate the individual differences in the workplace by embracing a heterogeneous workforce of various races treated equally with no advantage or disadvantage, draws their whole potential together, so as to increase the organisational performance and growth of Aetna.

Armstrong and Taylor (2017) inferred that managing diversity in an organisation relates to recruiting and managing people of different backgrounds, ethnicity, gender, and age groups, to work together to increase the productivity and amplify the organisational growth. The authors also insisted that diversity can be enabled by amending policies and procedures, which should decrease the disadvantages whilst increasing the potential benefits of diversity. Aetna has been following a distinct form of diversity, which is not only employees of different sex, race, culture/ethnicity, but also those with different backgrounds, training, and functional experiences and of different generations. Robinson and Dechant (1997) implied that a solid business case for diversity would aid in attaining the commitment and resources required for

effective implementation of diversity initiatives. Likewise, Aetna has a mature perspective on business case diversity, which must offer a true strategic contribution in business development and result in a broader perspective of diversity from the market point of view. In order to meet the requirements of the diverse customer group, Aetna's business strategy focuses on amplifying the productivity, commitment, and creativity of the workforce.

2.1 Workplace diversity in Aetna

In Aetna, employees are potentially diversified in order to satisfy customer requirements. People are employed of various colour, culture, and ethnicity, and gender equality was attained by employing a significant percentage of female employees in management positions. Employee percentage data illustrated that 35,000 plus employees work in Aetna, out of which 31% are people of color and 76% are women. People of colour hold 16 and 11 percent in management/supervisory positions and senior leadership positions respectively. Similarly, women occupy 64% of management/supervisory positions and women hold 30% of senior leadership positions (Cascio, 2009).

The research study of Francoeur, Labelle and Sinclair-Desgagné, (2007) inferred that women's contribution in an organisation, particularly when employed in senior positions, tended to produce positive and significant returns in a complex business environment. Herring (2009) claimed that increases in sales revenue, market value, obtaining more customers, and profit efficiency are purely connected with gender diversity. Wegge et al. (2008) studied the influences of gender diversity in complex tasks and their performance, then concluded that diversity in gender in the population produced significant performance at problem solving and completing

complex tasks, which increases firms' growth. Aetna utilised the positive effect of gender diversity and included women in the organisation long ago. Recently, it celebrated 100 years of employment of women in the organisation. Since 1982, Aetna has portrayed African-American history in its yearly calendar with various renowned professions, and also accumulated African-Americans on Aetna's board of directors. Thus, illustrates the dedication of Aetna to gender and cultural diversity, which have been perpetual evidence of organisational growth and development (Cascio, 2009).

One of Aetna's business strategies is allocating dedicated work groups to serve the customers' needs and lure in potential consumers. However, Aetna implemented diversity initiatives allocated such as to acquire targeted diverse customers, which satisfies their requirements and improves the firm's growth. Aetna has been serving customers in the US, where multiculturalism is prevalent, so Aetna has structured resource groups to cater for different customers' needs. Cronin (2012) argued that translation plays an effective role in society and the economy. Translators play a crucial role in protecting and encouraging cultural diversity. Fagong (2002) also stated that the primary objectives of translation should include faithfulness, exactness, and consistency. These three significant factors act as a catalyst in conveying the business's selling objectives to the customer and fulfilling their needs appropriately. Another research study by Piekkari et al. (2013) illustrated the importance of translation in multinational business. He argued that translation plays a significant role in service delivery, where the business products are promptly delivered to the customers, thus increasing organisational performance. As Aetna has been serving in the U.S., where populations of Asian and Hispanic people reside in large numbers, which provided the opportunity for implementing cultural diversity

in service delivery teams, it can concentrate on targeting customers from diverse consumer bases, who require additional services such as translating content into their language. Aetna implemented dedicated translation support for effective knowledge transfer. It employed Hispanic and Asian employees in service delivery teams: because they are aware of Aetna's terms, it helps to convey the messages more effectively to the customers and improve customer satisfaction. Similarly, African-American focus groups are dedicated to providing innovative ideas for urban markets, product designs, and advertising. Weyland, (2011) suggested that the young generation, i.e. Gen Y, are self-motivators; they do not require much effort and think differently while problem solving, which in turn increases the performance of the organisation. In the same way, Aetna included Gen Y in its recruitment and retention strategy to draw in the younger generation and also aid with its marketing efforts (Cascio, 2009).

2.2 Global Crisis - 2008

In this section, report evaluates the global crisis occurred in year 2008 and how Aetna's core business performance remain solid but not a devastating loss. This global crisis jeopardised world's financial system. Erkens, Hung and Matos (2012) investigated the effect of the financial crisis during 2007 – 2008 around the globe. With gathered data, the authors inferred that organisation with more independent board and higher institutional ownership have undergone serious stock returns in the crisis. Many prominent research studies analysed this global crisis, especially the study from Crotty (2009) which illustrated that many financial innovations and booms ended in disaster, led the government to bail out many investors, and laid the foundations of a new beginning. Unemployment rates skyrocketed, especially for young people, who were affected even after the crisis (Verick, 2009). However,

Aetna has performed reasonably well during the turmoil of the financial crisis by offering board range of products and offering top-level customer services. Aetna endured this unprecedented global crisis and actively concentrated on promoting the importance of improved healthcare affordability and enhanced quality in its products, which gradually increases its medical membership from 169,000 to 17.7 million. Thus, Aetna maintained its business performance, which produced solid outcomes even during the crisis. This is because Aetna was able to comprehend the needs of its customer base by tailored products to satisfy its diverse customers and offered excellent customer service by employing diverse workforce (Cascio, 2009).

Aetna released its financial results during the third quarter of 2008. Excluding its capital losses, its revenue outperformed with a 14% increase compared to 2007 third quarter. However, net income plummeted with a total of \$232 million compared to 2007 third quarter. This loss was due to the decrease in market value of certain fixed investments, but Aetna was holding strong liquidity and capital adequacy. Aetna's CFO claimed that although Aetna experienced certain investment losses in the unexpected financial crisis, it maintained a robust balance sheet and exemplary cash flow and liquidity. With these good results, Aetna did not raise any additional capital and managed to continue with regulated cost and price (Cascio, 2009).

2.3 Benefits of Aetna's diversity initiatives

There are various advantages of diversity in workplaces and many are focused on the organisational benefits. An organisation with a diverse workplace has a competitive edge in the marketplace. Because of the diverse environment, it offers multiple ideas and talents, engage together and providing distinctive problem solving methods to solve complicated issues with ease, thus increasing the productivity and

effectiveness of the organisational performance (Bedi, Lakra and Gupta, 2014). Similarly, Chrobot-Mason and Aramovich, (2013) and Hudson (2014) suggested that a diversified workplace yields profound benefit for the organisation, provided that it manages and practises efficient diversity in the workplace. The need for diversity in the workplace is based on the requirements of the business, when the business decides to acquire demographic clients. In Aetna, it concentrates on a diverse customer base in the U.S. and also has a supplier diversity programme, where it seeks to find minority- and women-owned business. This way, Aetna collaborates with multicultural business and serves more efficiently. Therefore, Aetna's business strategy has constructed the need for diversity in the workplace, where it can offer efficient customer service to its diverse customer base and increase organisational growth. This can be bolstered by a substantial study from CIPD (2018) which suggested that a diverse workforce offers new market opportunities, aids in improving product, and provides excellent customer service; therefore, it can accelerate the capture of market share and establish a new horizon of customer base.

Mazur (2010) claimed that in order to increase the market share globally and lure external demographic clients, an organisation should stick with a multicultural diverse workforce. In order to satisfy customer needs, Aetna has implemented a wide range of diversity not only in terms of staffing with multicultural employees but also establishing supplier group. In this context, diversity is one of the factors that contributed in business results, which was satisfactory and the market value has increased from \$3.3 billion in 2001 to \$29 billion in 2008. Noticeably, the net income rose from a loss of \$291.5 million in 2001 to \$1.8 billion in 2007, which was utterly immense growth; the CEO has mentioned that one of the key reasons for the

amplified profit was diversity initiatives. This is quite remarkable growth in the market value and the greatest acknowledgement for diversity initiatives, thus, with increasing organisational performance, Aetna has amplified its market share value. In addition, there were quite a number of acknowledgements and awards received from various prestigious magazines such as *Top 40 companies for Diversity*, *25 Great places to Work*, *Top 10 Companies for Executive Women*, *Best Diversity Company*, *Top 50 Companies for Latinas*, *Top 50 Companies for Black MBAs to work*, and so on. These are some strong and significant pieces of evidence that diversity initiatives in Aetna have been noticed by many prominent networks (Cascio, 2009).

2.4 Evaluating Aetna's Diversity initiatives and Business Strategies

Aetna diversity initiatives are evaluated in order to analyse the business impact and business metrics from these initiatives. Aetna has various diversity initiatives which cover most parts of the business improvement sectors for diversity. First, as for supplier diversity, Adobor and McMullen (2007) studied a strategic approach to supplier diversity and claimed that if supplier diversity is integrated in corporate strategy, it can develop a competitive edge for the organisation. Johnston et al. (2004) studied the relationship bond between supplier and organisation. They have suggest that earning a supplier's trust depends on organisational behaviour. In Aetna, supplier diversity has been effectively pursued in order to promote efficient company branding, which increases organisational growth. Similarly, cultural diversity initiatives yield many positive outcomes. Martin (2014) suggested that globalisation is one of the key reasons why multiculturalism exists in many

organisations. However, the key advantage is that different employees from different cultures possess various way of solving a problem and think differently, therefore, issues can be analysed from several perspectives. Aetna has a multicultural investment diversity initiative, which enhances operational growth and provides a complete return from the market share.

In addition, Betancourt and Green (2010) conducted a study regarding cultural training competence and inferred that it helps in developing knowledge, skill, and attitude of the employees. Likewise, Lie et al. (2010) studied cultural competency training and concluded that it improves service quality and yields positive outcomes. In Aetna, it improves the customer service experience and creates an opportunity to offer serve to different population segments. One crucial diversity initiative is multilingual capability. Damari et al. (2017) illustrated the importance of the multilingual in a diverse workplace. The author claimed that employees with multilingual capabilities can proactively work and handle customers and clients from different cultures and countries. This provides a competitive advantage in the market place and increases the quality of customer service. Multilingual ability is in high demand, especially in industries such as health care, government, information services, and the administrative sector. Aetna implemented multilingual capability as one of its diversity initiatives, where Asian and Hispanic employees focused on enhancing customer service, promoting excellent company branding by comprehending various population sections, and strengthening market share (Cascio, 2009).

Aetna constructed diversity based on its Business strategy that is a value-based approach. Aetna believes that four core values, *Integrity*, *Employee engagement*, *Excellence and accountability*, and *Quality service and value* are the pillars which

uphold Aetna's business in its betterment. Downey et al. (2014) studied the importance of diversity which is associated with engagement and workplace well-being. The employee relationship and trust becomes stronger when inclusion in the workplace is attained, thus improving employee engagement. Aetna's business goals are targeted to improve organisational performance and Aetna's diversity focuses on improving employee diversity, which includes all dimensions of diversity and enhances the view of Aetna's diversity from the market perspective. Aetna also has a diversity strategy known as the 'ICE' strategy, that is, *Integration, Communication, and Education*. Integration is the most important factor that incorporates all diversity components and ensures that it works together with all the functional sectors such as HR, marketing, sales, procurement, etc. in the organisation. Integration is the crucial part of the strategy, as it is amalgamates with the 'Aetna's Way' that is Aetna's business strategy, part of the value-based approach, *Integration*. Thus, Aetna's diversity strategy is established to foster Aetna's business goals and improve overall performance of the organisation (Cascio, 2009).

Integration in Aetna's diversity strategy concentrates on four important areas: *workforce and workplace, supplier, marketplace, and community and professional alliances*, which supports Aetna's business strategy and enhances the customer relationship and supplier trust, and improves market share. CIPD (2018) suggested *Inclusion* occurs when the organisation values the differences in employees and makes it beneficial for profit. The Inclusion environment ensures employee contributions, values individual thoughts, and drives them to perform to their full potential, which enhances organisational growth. In Aetna's diversity strategy, Integration plays a major role in developing an inclusive work environment where

diverse employee groups work together so as to enhance employee engagement and employee contribution, which increases productivity and in turn improves market value. The Integration part of Aetna's business Way focuses on valuing customers through innovation and technology and targeting to provide excellent customer experience. This has been reinforced by Aetna's diversity strategy, Integration, where it is developing a diverse workforce by including various diversity aspects in the marketplace. Diversity established multicultural/multilingual elements, where employees can understand and design products based on diverse customers requirement in order to offer an excellent customer service (Cascio, 2009).

CIPD (2018) suggested that a diverse workforce enables market competitiveness, developing new products and enhancing customer service, which opens up new market opportunities, increases market share, and expands the customer base. Because Aetna has been exploring and extending the limits to reach out to various local communities, it has been able to lure in local community customers and minorities that increase sales, and also include diverse suppliers by opening opportunities at the local level. Aetna's diversity strategy enables them to offer excellent customer service and recognise new market opportunities (Cascio, 2009).

In Aetna's diversity strategy (ICE strategy), the other two important factors are *Communication* and *Education*. Communication is an essential factor as it distributes information to all employees and customers. Lastly, Education provides deeper insight to the diversity strategy and employees can develop necessary skills to handle the diverse customer base and improve organisational performance (Cascio, 2009).

2.5 Evaluating the importance of diversity through McKinsey's Diversity report

In this section, the report evaluates the significant importance of diversity via McKinsey's diversity report. McKinsey is one leading management consulting company that has observed the growing demand for diversity in the workplace and conducted thorough research on the importance of diversity and how diversity improves the financial performance of the company. In this context, Chandler (2016) written about strategic CSR mentioned in page no 7 is backed up by McKinsey, where it is emphasising that diversity policies can actually contribute to competitive advantage for company and continued the growth in the market. McKinsey has published its research on the need for diversity as Why Diversity Matters in 2015. Based on that, it pursued another research project to develop understanding of the correlation between diversity and a firm's financial performance. It claimed that diversity initiatives in the workplace increase financial performance and firm growth, and with a wide variety of approaches and perspectives would yield a competitive advantage in the global economy (Hunt et al., 2018).

2.5.1 Gender diversity linked with financial performance

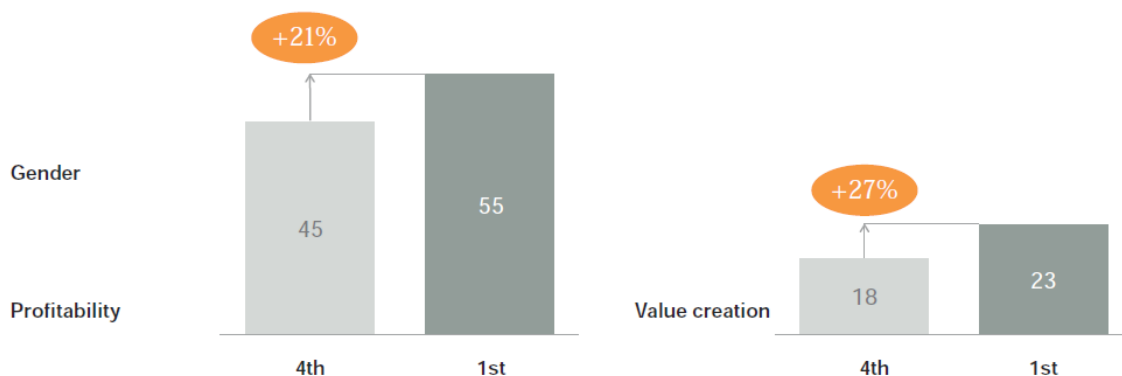
McKinsey has established significant positive correlation between diversity in executive team and financial performance. Based on the 2017 global data set, it claimed the relationship lasted and expanded over the years. In the top quartile, companies with gender diversity in the executive team produced 21% more productivity than companies in the fourth quartile (Exhibit 1). Hence, it is evident that gender diversity in the executive team is linked with profitability, and value creation in turn improves financial performance. As per the observation, there is a directly

proportional relation between higher gender diversity and greater financial performance. In the U.K. and U.S., at a broad level, the link between gender diversity and financial performance continues to grow positively. Outperforming companies in their executive teams have more women in line (revenue generating) roles than staff roles. It is evident that gender-diverse companies with women represented in line roles achieve above-average financial performance (Hunt et al., 2018).

How gender diversity correlates with financial performance

Likelihood of financial performance¹ above national industry median by diversity quartile
Percent

Executive team
N = 991



¹ Average economic profit margin 2011–15 and average EBIT margin 2011–15

NOTE: Results are statistically significant at p-value <0.5. Percentages shown here are rounded to the nearest whole number; however, calculation of the differentials in quartile performance uses actual decimal values

SOURCE: Company websites; McKinsey Diversity Matters database

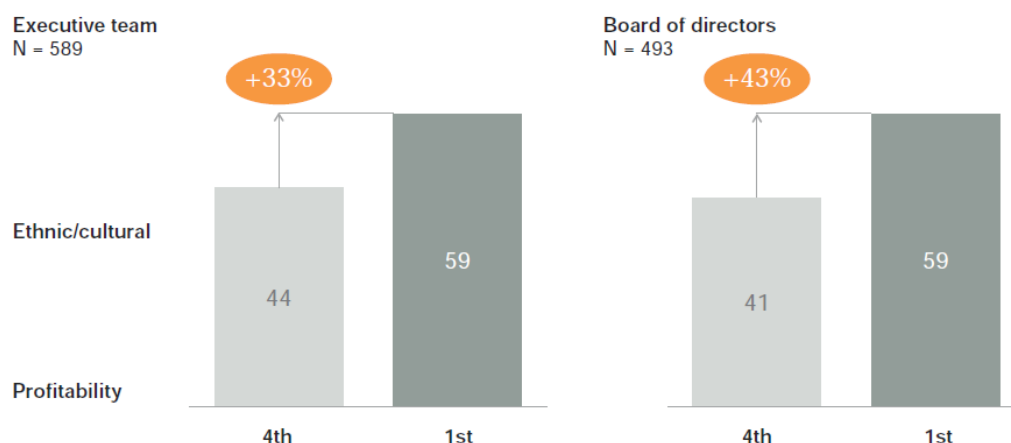
Exhibit 1: Gender diversity correlates with financial performance (Hunt et al., 2018).

2.5.2 Ethnic/cultural diversity in workplace linked with profitability and value creation

From the global data set, McKinsey claimed that ethnic/cultural diversity is linked with companies' profitability. Companies with a wide range and varied mix of ethnically/culturally diverse executive teams are more likely to yield high profitability compared to their peers.

How ethnic diversity correlates with profitability

Likelihood of financial performance¹ above national industry median by diversity quartile
Percent



¹ Average economic profit margin 2011–15 and average EBIT margin 2011–15

NOTE: Results are statistically significant at p-value <0.5. Percentages shown here are rounded to the nearest whole number; however, calculation of the differentials in quartile performance uses actual decimal values

SOURCE: Company websites; McKinsey Diversity Matters database

Exhibit 2: Ethnic/Cultural diversity correlates with profitability (Hunt et al., 2018).

In Exhibit 2, it is manifestly clear that companies outperform on profitability when they include ethnic and cultural diversity at board level. It is also illustrated that ethnic and cultural diversity at board level is more likely to coincide with higher profit. In addition, McKinsey also claimed that ethnic and cultural diversity offers more

value creation at both board level and executive level. On the whole, ethnic/cultural diversity continues to effectively correlate with companies' financial performance and value creation. Additionally, advanced levels of ethnic/cultural diversity in companies' leadership would significantly project a positive indication to the stakeholders and employees that in turns strengthens the values and also the customers served.

McKinsey also illustrated the downside of lower rates of diversity in the workplace. According to the statistics from McKinsey's data collection, companies with low diversity rates continued to underperform financially compared to their peers (Hunt et al., 2018).

2.5.3 Inclusion & Diversity supports business performance

McKinsey emphasised the importance of an inclusion & diversity strategy that fosters business performance. McKinseys' first report, *Why Diversity Matters*, illustrated that diversity & inclusion attract top talent, improve customer servicing, boosts employee satisfaction, and improves decision making. From the data sets, McKinsey inferred that statistically, multiple companies which included diversity in the workplace succeeded well and obtained potential benefits from diversity (Hunt et al., 2018).

In order to understand how CEOs craft I&D strategies, McKinsey managed to bring together 17 companies' CEOs to actively engage in creating a high impact I&D strategy for their companies. From this outcome, McKinsey observed that successful companies established I&D strategies that manifested their potential committed business growth priorities and business ethos. These findings indicated that the key factor for creating a strong I&D strategy was to articulate the connection between diversity goals and targeted business development priorities. McKinsey also insisted on four important key imperatives for implementing strong and efficient I&D strategy.

Firstly, commitment from the top, that is the CEO's vision for diversity and inclusion, which encourages those in other roles in delivering diversity initiatives. Secondly, companies must identify the business priorities, values, and driving factors based on these factors so that the diversity and inclusion strategy can be established. Thirdly, companies should prioritise the diversity and inclusion initiatives in line with the growth strategy. Finally, companies should tailor I&D strategies as per their opportunities and needs that have a positive local impact such as local adaptation where the company adapts to different societies and cultures they engage with as well as cross-sector collaboration (Hunt et al., 2018).

On the whole, McKinsey insisted that diversity has seen growing demand and attracted global attention. However, effectiveness in delivering a diversity and inclusion strategy completely depends on the decision making of senior board members and embracing of diversity by top-level teams. The McKinsey report illustrated that many successful companies incorporated inclusion and diversity and considered the potential benefits for business performance (Hunt et al., 2018).

3 Recommendation & Conclusion

3.1 Incremental costs of additional support for diversity initiatives are investments - not a loss

Additional support for including LGBT and disabled employees in the existing diversity initiative projects causes an incremental cost for the Aetna board members. In spite of other expenses and external & internal investments in Aetna, these diversity inclusions appear as an additional cost. However, these incremental cost show return on investment in the form of benefits from these diversity initiatives in the long run and the cost for implementing them in the workplace should be

perceived as an investment, not as additional cost, because it enhances Aetna's financial performance and profitability. In this context, Keep (2014) emphasised the significance of investment on employee development and argued that organisations should consider employees as a valued resource not as a cost or a commodity. Because the development of the employee reflects on the firm's economic performance, investing in employee staffing and development should be perceived as investment. From this perspective, to enhance the diversity initiatives in Aetna, it is necessary to include LGBT, and the additional cost of the development of LGBT employees should be viewed as an investment, because LGBT employees should be considered as a valued resource. On pages no 3 & 4, it is suggested that LGBT people are brand loyal and support businesses with organisations who support LGBT communities; this viewpoint can be utilised by including more LGBT employees in Aetna, which in turns attracts the potential LGBT customers and draws stakeholder attention and enhances the growth of Aetna in the global market. Thus, the return on investment from supporting LGBT people's inclusion in the workplace can be obtained as it is valuable and improves Aetna's financial performance and profitability.

Similarly, Marimuthu, Arokiasamy and Ismail (2009) argued for the importance of investing in resourcing employee development. As development of employee not only increases the economic growth of the organisation but also improves the performance of the employee as well as the organisation. In addition, Choi and Dickson (2009) studied the benefits of employee development programmes and inferred the significant impact of employee development. Employee staffing and development is an immense role for HR, as it must be effective in returning the investment made by the firm. However, employee development directly influences

employee satisfaction, which ultimately reduces employee turnover and so compensates for and balances the cost of investment. McKay and Avery (2005) implied that diversity staffing initiatives grab the attention of talented minority job applicants. In order to balance the workplace climate, firms maintain additional support that enhances employee satisfaction. The authors also insisted on the importance of diversity staffing, which increases the rate of new minority recruitment. These studies evidently prove that Aetna supports and invests in the inclusion of LGBT employees in diversity initiatives. Page no 4 & 5 clearly illustrated the importance of LGBT-supportive policies in the workplace, as LGBT is one of the minorities in society and requires additional support to ensure their comfort and care in the workplace to obtain maximum productivity. Investing in LGBT-supportive policies yields many advantages for Aetna, as mentioned on page no 4 & 5; literature studies support the higher correlation between supportive policies and organisational value, profitability and productivity. Moreover, these supportive policies enforce anti-discrimination law against minorities in Aetna in this way. This enriches the quality of work and comfortability of employees, which in turn reduces employee turnover and retains LGBT employees in Aetna. Therefore, the return on investment for LGBT employees and their supportive policies enhances the financial performance and profitability of Aetna as well as improving its market value globally. In addition, from pages no 7 & 8, supporting minorities such as LGBT reflects on corporate social responsibility and improves the brand image and value of Aetna in the international market. Thus, it attracts more customers, especially LGBT customers as they are brand loyal, and suppliers by including LGBT employees in diversity initiatives.

Similarly, Elnaga and Imran (2013) emphasised the complete advantages of investing in employee development. Strengthening employee morale and sharpening

their skills through development and support programmes, the investment in their welfare reflects on performance and productivity. In this context, Hameed and Waheed (2011) argued for the importance of employee performance as building blocks of the success/failure of the organisation. However, it requires strong investment for the potential development of employees in terms of skills, support, and policies in the workplace that enhance the performance of the employees. Armstrong et al. (2010) suggested that diversity and equality correlate with high productivity and innovation in the workplace; thus, it reduces the employee turnover and retains the talented employees. These studies illustrate the importance of investment in employees in the long term and eminent benefits that enrich firms. In this context, it is appropriate and necessary for Aetna to invest in staffing with talented disabled employees who can deliver their excellence in productivity. This argument can be supported from page no 6 & 7 that staffing talented disabled employee enables them to retain value, increase productivity, and reduce costs of recruitment from employee turnover. This way of respecting employees' disability and investing in providing additional accommodation in the workplace increases Aetna's moral value in the global market. Moreover, this also reflects on corporate social responsibility, as including disability in diversity initiatives amplifies Aetna's social value, which projects a positive impact on the global market. This argument can be supported from pages 7 & 8 with substantial literature evidence that suggest that social causes improve brand image internationally and enhance financial performance and profitability; thus, return on investment for supporting disability in the workplace can be achieved.

3.2 Value – Creation

LAMP is an HR measurement system referring to Logic, Analytics, Measures, Process as the four major elements in measuring strategic changes and effectiveness of an organisation (Cascio and Boudreau, 2011). In Aetna, this validates the fact that investment in supporting diversity initiatives is not a loss but an investment. Aetna's diversity initiatives require additional support to achieve a fully diversified workplace, but this additional support to diversity initiatives involves incremental cost. However, additional costs of supporting diversity initiatives are not a loss but an investment for the long term. To illustrate the effective return on investment, a logic diagram has been depicted below.

The logic of Additional support for Diversity Initiatives and Incremental cost



This recommendation is supported by the discussion that is illustrated on pages no 2 to 5. LGBT has acquired social acceptance all over the world. Similarly, disability is also linked with social and moral values. Aetna being an immense corporation, it bears a certain responsibility that reflects positive effects on society. In addition, it also increases the organisational and financial performance and global market value, as Aetna's brand value increases, which draw international stakeholders' attentions. In this context, pages no 3, 4 & 8 portrays the increase of brand image and value associated with CSR and, interestingly, LGBT communities are brand loyal. Likewise, additional support and accommodation in the workplace for talented disabled employees yields employee retention; this argument can be supported by substantial literature as given on page no 6. Therefore, investment in additional support for diversity initiatives can be returned in the form of increasing sales and profit, potential cost cutting on new recruitment and staffing, and significant increases in financial performance and profitability. Hence, additional costs are not a loss for Aetna but a potential long-term investment with excellent returns in the form of Aetna's financial performance and market value.

3.3 Conclusion

This report identifies the inadequate support for diversity initiatives in the workplace and it is not in a position for Aetna's board members to make the decision. Aetna has been working hard in incorporating diversity initiatives in the workplace and requires various enhancements. It requires valid support for including more LGBT and disabled employees in the workplace. This will not only enhance the diversity initiatives but also improve the brand image and value in the global market as these

initiatives are associated with corporate social responsibility. However, the additional costs for supporting these diversity initiatives are not a loss but an investment, because the returns on investment from these diversity initiatives are long-term sustainability such as increase in sales, cost reductions from employee turnover, and increases in financial performance, productivity,, and profitability, which have been significantly illustrated in the recommendation. On the whole, Aetna's board members should consider supporting diversity initiatives and perceive the incremental cost of additional support as an investment.

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