

Aetna - Diversity

MICE

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EXECUTIVE SUMMARY

How diverse is the workforce?

Generally, the workforce at Aetna is a diverse one. From the demographics, we can realize all minority groups are well presented be it in the senior or lower management positions. Diversity is broad when it comes to Aetna as it puts into account the alliances with the communities, values of the company, business partnerships, among others.

Aetna is classified as one of the largest insurance companies in the US; in 2009 it was serving nearly 20 million members. Over the years since 1850 when the company was started, the company has expanded its services to large-scale pensions, healthcare, and group insurance.

In a turbulent economic environment of 2008, Aetna company board of directors upon review is looking to cut costs in any way possible. Diversity is one of the initiatives that the board has pointed to cut.

The purpose of this consultancy report is to address the advantages that Aetna accumulate from perpetuating and possibly extending their existing diversity initiatives with regard to recruitment and retention, employee development and retention, and the management of their correlation with suppliers, customers, and other stakeholders. This consultancy report will settle down the various values that diversity initiatives bring to Aetna Company.

This report will use a combined qualitative and quantitative research approach. In the analysis section, this report covers various diversity initiatives within the conceptualization of diversity and in specific the report focuses on the impacts of diversity initiatives on the company. The method of analysis is the content analysis approach of the various diversity initiatives, the standard of measurements, their expected impact and the affected areas. We will further conduct a quantitative analysis of the financial and demographic status of Aetna to have a glimpse of how diverse and diversity contributes financially to the Aetna Company despite the hard economic times. Not forgetting the analysis of the four key focus areas of diversity namely –workplace, workforce, suppliers, community.

The analysis brings out interesting direct and indirect benefits of diversity to Aetna Company. The direct benefits being the company faces increased expenses and reduced income; there has been an increase in the revenues. From the demographic analysis we can conclude that Aetna workforce is diverse, every minority group is well-represented women, LGBT, people of color, people with disabilities among others. These employees are classified into groups (ERG's) which have successfully promoted sales growth and the company brand.

After financial, demographic and value-based approach analysis, we described the various diversity initiatives used at Aetna plus their areas of focus. The different strategies used are the management strategy for an integrated workforce, the ICE strategy, and value-based approach diversity strategy.

From the analysis section, the key benefits of maintaining a diverse workforce are: diversity directly or indirectly contributes to the performance of the company, improved knowledge sharing, enhanced customer service, greater ideas and innovation, improved problem-solving. Adopting the suggested business diversity initiatives will have implementation costs to carry

along with them. This is a major drawback to the company in such a hard economic time; however, the benefits of the initiatives outweigh the incremental costs by far.

After data analysis, a LAMP model framework is developed which will answer the question “How does Aetna create value from the emphasis on diversity?” The model will provide the logic, analytics, measures and processes which leaders outside the HR profession comprehend and use the measurement system to make decisions.

The following are the recommendations for Aetna: diversity should be used as a business strategy; sound HR diversity practices should be in place for company success, investing in diversity helps in saving costs such as litigation, turnover, marketing, and branding costs, there are also actions recommended to achieve the diversity implications.

Diversity should be viewed in broader perspectives not just a compliance issue with the legal requirements. The board, therefore, should maintain the diversity initiatives due to their efficiency in enhancing Aetna productivity, and the company’s overall financial performance.

Abbreviations Used in the Report

EEO – Equal Employee Opportunity

ERG - Employee Resource Groups

GLBT - gay, lesbian bisexual, transgender

HR – Human Resource

ICE- Integration, Communication and education

MJE- Magic Johnson Enterprise

PR – Public Relations

ROI – Return on Investment

US – United States

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INTRODUCTION

Aetna has a network of more than 4,900 hospitals, and more than 800,000 professionals, and another more than 450,000 doctors and specialists at primary care. There are more than 30,000 employees at Aetna Company. Out of the more than 30,000, 31 percent represent people of color and 76 percent are women. Management/supervisory positions are held by 16% people of color and for the senior leaders' positions people of color represent 11%. For the management/supervisory positions, 64% are held by women, and as senior leaders, women hold 30% (Cascio et al., 2008, Aetna.com 2018). It is evident that Aetna is fully diverse.

The purpose of this consultancy report is to address the advantages that Aetna accumulate from perpetuating and possibly extending their existing diversity policies with regard to recruitment, employee development and retention, and the management of their correlation with suppliers, customers, and other stakeholders. To gain further insights we carried a value-based analysis, this enabled us to link the different company values to the diversity initiatives. To achieve this we, surveyed a sample of Aetna financial documents, demographic analysis, and the benefits reaped from having demographically rich employees, customers, and suppliers. For the financial analysis we noted that in the prior year 2007, Aetna revenue was more than \$27 billion this is despite the hard economic times.

From the findings of the analysis, we will recommend strategies that will be employed to address the benefits that Aetna can accumulate from a diverse workforce and develop a framework that summarises the whole analysis section.

Diversity Company Background

Figure 1 is a representation over the years Aetna diversity journey.

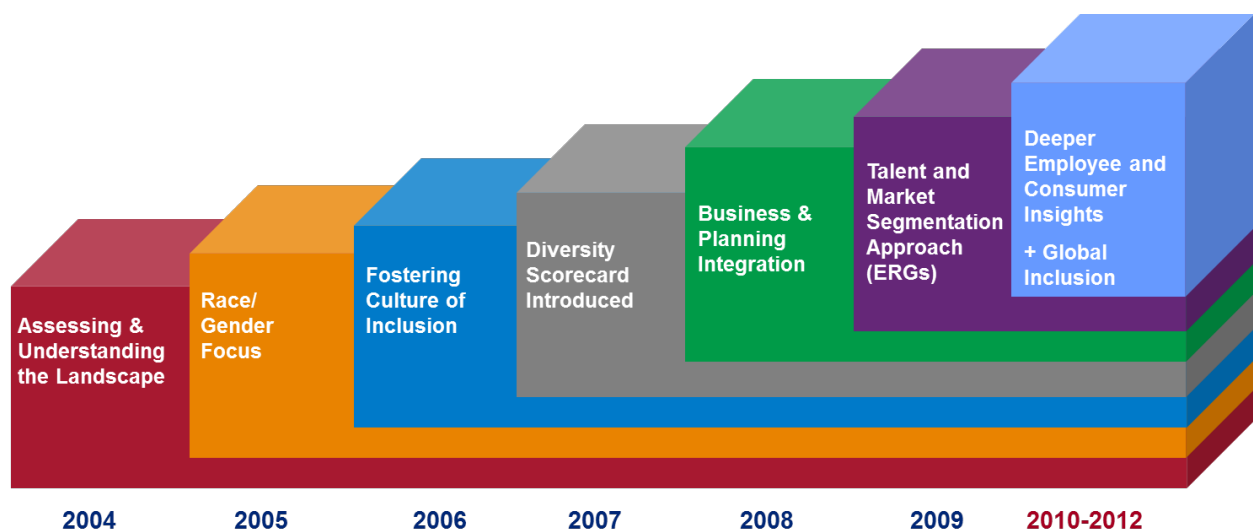


Figure 1: A representation of the Aetna Company diversity journey

ANALYSIS OF ISSUES

This report covers various themes within the conceptualization of diversity and in specific focuses on the benefits of a diverse workforce by conducting the financial analysis and demographic analysis. The analysis brings out interesting direct and indirect benefits of diversity to Aetna Company. The ultimate purpose of the analysis is to establish a connection between specific diversity strategies and company outcomes. This section includes statistics and a combination of both qualitative and quantitative research methodology to the relevant diversity issues that have been established. The diversity strategies, metrics and their influence on business results, as well as, the areas affected are identified.

A. Financial Analysis

Over the past few years Aetna's revenue has been steadily growing, this was driven by the healthcare business segment. This business segment has observed an increase in memberships and premium rates. The increase in membership came along with increased operating costs due to an increased general and administrative costs resulting from higher employee-related costs. This led to a steady drop in Aetna income and net profit in 2008. As a result, Aetna is seeking to increase revenues and cut on expenditures. One way of cutting costs that Aetna employed in 2009 was cutting their employees (Cascio, 2008).

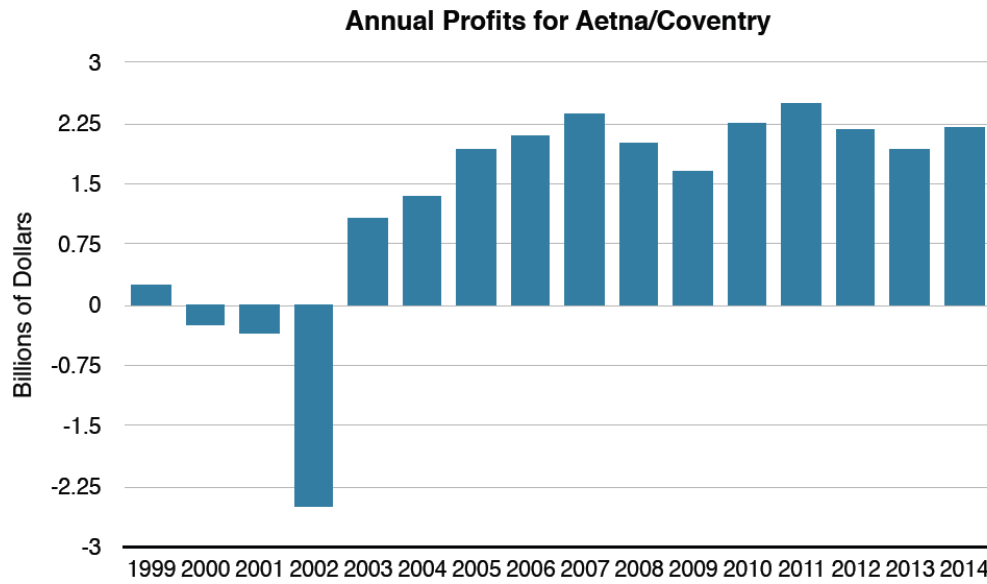
Table 1: Aetna Financial Performance

Millions (USD)	2009	2008	2007
Revenue	\$34,764	\$30,950	\$27,599.60
Net Income	\$1,276.50	\$1,384.00	\$1,831.00
Total Operating Expenses	\$5,761.60	\$5,479.50	\$4,787.80
Net Profit	3.70%	4.50%	6.60%
Employees	34,891	35,500	35,200

Source: Hoover.com

Despite the hard economic times, Aetna maintained an increase in profits, revenues the total operating expenses, however, increased during the tough economic times.

Figure 2: Annual profits for Aetna



Source: Hoover.com

Diversity can Increase the financial performance of an organization

There is a correlation between financial performance and diversity initiatives. Diversification is key to building any profitable investment portfolio. In the usual sense, this technique involves having investments that have a variety of industries, risk levels also financial products. At Aetna, the company strives for ethnic, racial, sexual orientation diversity amongst the owners or managers of businesses we invest in together with our investment partners. Aetna has invested in and with minority-owned businesses. The multicultural investments promote a strong company brand and competitive advantage (Cascio, 2008).

Indirect Payoffs of Diversity at Aetna Company

The company has received broad recognition as an industry leader by receiving the following awards (Aetna.com, 2018).

- The company has been identified in the top 40 diversity companies in the *Black Enterprise* magazine.
- They received an award from the *Black MBA* magazine as the top 50 companies to work for Blacks with MBAs.
- Top 10 companies for Executive women, National Association for Female Executives
- The *Essence* Magazine 25 great places to work
- The *Latina style* magazine, the top 50 companies for Latinas
- Reader's Choice, the best diversity company
- *Business Week* one of the best places to launch your career
- Diversity Inc. 25 noteworthy companies

These among other accolades have improved the company brand for Aetna when it comes to hiring they attract the best pool of talents as every employee want won work for the company (Cascio, 2008).

B. Workforce Demographics Analysis

Aetna employees are diverse. Aetna has maintained a balanced workforce. The diversity aspects of the more than 34,000 employees are demonstrated below. Aetna workers illustrate our commitment to diversity. The data was obtained from (Aetna.com, 2018, Cascio, 2008, Diversity Annual Report, 2008).

Race and Ethnicity

Approximately 26% of Aetna workforce is people of color; they hold 18% professional positions and 9% management positions. At senior management positions they hold 11%, at the board they hold 17%, during our latest hire 42% were people of color.

Gender

Women hold 75% of Aetna positions, 74% professional positions and 50% management positions. At senior management positions women hold 30% and 33% at the board members.

Veterans and Teleworkers/Life Arrangements

The company has introduced the Aetna vets as veterans ERG. This group is comprised of military members, marines, and veterans. The veterans are from 2% of the workforce. The teleworkers are linked via video conferencing; teleworker ERG helps to promote Aetna's virtual wellness initiative. The teleworkers make up to 45% of the total workers, 2% comprise workers with variable work schedules, while 3% work part-time.

LGBT

Three percent of the total work force comprises of employees self-identified as either transgender, gay, lesbian or bisexual.

Age/Generations

Aetna employees' age ranges between 18 and 85 years, the average age being 44. The silent generation (born 1925-1945) constitutes 1% of Aetna employees, 38% are the baby boomers (born 1946-1963), generation X form 46% (born 1964-1978), Millennial generation (Generation Y) (born 1979-1994) form the other 15%. The advantages of the various age groups are that for each generation there is knowledge sharing for the silent generation, individuals, innovation, new ideas for the millennial, enhanced customer service and problem-solving for the generation X, all these are beneficial to the company.

From the demographics analysis it is evident that Aetna is focused on employee diversity due to the numerous benefits associated with it.

C. Analysis of the Four Diversity Focus Areas

Aetna Company diversity focuses on four areas namely workforce and workplace, suppliers, marketplace, and community and professional analysis

i. Workforce

A survey was conducted in the year 2008 and 2009; the representation of people of color in management was the main focus. The focus is on the workforce entails, demographics, changing in skills, learning trends and education, plus attitudes and expectations.

ii. Workplace

Work experiences and perceptions of employees from different backgrounds are measured through an annual employee survey. Two questions are given in the employee survey and the company measures the differences in responses. The differences in responses between groups are described as diversity index gaps. The company works to understand the drivers on the differences and works to improve them as necessary. The segments measured, for instance, are employees without and with disabilities, gay/lesbian and heterosexual employees, teleworkers and employees who work in the office, white and employees of color, men and women.

The two questions asked in the survey, seek to know how employees strongly agree or disagree with the following statement about the company:

- Aetna deals with all employees fairly [an indicator of how a good manager should behave].
- Aetna enables people from diverse backgrounds (e.g., ethnicity, race, gender, religion, age, disability, sexual orientation, gender identity) to contribute to their fullest (Cascio, 2008)

iii. Suppliers

The supplier diversity programs at Aetna focus on minority, GLBT, and women-owned businesses; are invited to compete for company business. Aetna benefits from the insights of the groups in the marketplace. Supplier diversity has been made a priority by Aetna contributing to a range of successful relationships. Supplier diversity drives the company business strategy. These groups are able to serve effectively in their own communities. As a result, the market share rises.

iv. Community and Professional Alliances

Aetna seeks to build relationships with the local community leaders, chambers of commerce and other not for profit organizations this creates insight of the community health care needs.

D. Content Analysis of the various Diversity Initiatives, System of Measurement and their Expected Impact on Business

After careful consideration of the various diversity initiatives we came up with the following initiatives and their expected impacts on Aetna. The data was obtained from (Aetna Annual report, 2008, Aetna.com, 2018, Cascio, 2008).

i. Supplier Diversity

Aetna supplier diversity program includes minority-owned business, LGBT owned, veteran owned, woman-owned, disability-owned and small business enterprise. How Aetna purchases their products and services is an integral part of supplier diversity. The system of measurement is the number of suppliers and amount of expenses. This will have an impact on the business by increasing profit in the local markets. The areas affected are local markets and small and medium businesses.

ii. AARP

Aetna was selected to provide customized individual goods and services to AARP members ages 50-64 plus their families. This partnership supports the company goal of increasing access to affordable high-quality cover. The standard of measurement is the increase in new members of 50-64 years, this will result in an increase in profits and the company will be affected as a whole plus an expansion to 50+ demographics.

iii. Multicultural Investments

This is money invested with women and minority owned funds. This will promote strong company brand and increase competitive advantage. This will affect the whole enterprise.

iv. Cultural Competency Training

We will measure this by the number of employees who have completed their training. By understanding different population segments we will promote the brand of the company. This will affect the whole company.

v. Multilingual Capability

This will affect employees who can speak extra languages in addition to English. This will increase the percentage of materials that can be written in other languages apart from English. The impact on business is growth in market share and promotion of company brand as they will be able to understand different population segments. This will affect the company as a whole.

vi. Local Market Initiative and Targeted Growth Markets

The standard of measurement for this is the number of new markets and growth in the number of members. This will promote profitability due to growth in local markets. This affects the local markets and small and medium markets.

vii. Multicultural Customer Satisfaction Index

The metric of measurement is the number of customers satisfied with our products and services. This will promote strong company brand and an increase in market share from the multicultural market. This affects the whole company.

viii. HR Recruiting and Retention

The standard system of measurement is the differences among employees demographic segments, this has been achieved by having a diverse workforce where each demographic is well

represented. The business impact on this is reduced hiring and turnover costs, employer reputation and brand plus employee satisfaction. This affects the company as a whole.

ix. Diversity Index Gaps

The standard of measurement is the differences among employee demographics; this will have an impact on the company, increased employee engagement and productivity which will affect the whole company.

x. Diversity Annual Reports

Aetna provides annual reports on different business aspects diversity being one of them. The standard of measurement is diversity reports being provided in different languages, they should be printed and distributed. The business impact is increased market share and promotion of company brand which will affect the company as a whole.

xi. Miami Advisory Council

The metrics is growth in Miami market share, which will increase market share and company recognition. This will affect the County of Miami-Dade. The focus for Aetna is to become the provider of choice for the Hispanics in Miami. TV, printed media, web tailored the product promotions to appeal directly to Hispanic consumers, web traffic increased by 40%.

DIVERSITY STRATEGIES AND AREAS OF FOCUS

A. Management Strategy for an Integrated Workforce

In the Enterprise strategy statement, HR is responsible for the advancement of a diverse, workforce with high performance to sustain the industry leadership. Aetna should plan and forecast for a strong workforce to meet the ever-changing business demands such as growth in markets, attract innovation and be focused on results from their diverse workforce (Cascio, 2008).

The following will represent the key strategic goals, business priorities and success measures.

Goal 1: Workforce Management

According to (Cascio, 2008) the management should provide a qualified workforce that supports both the long and short-term business objectives. The business priorities to this are to attract an innovative workforce, be results-oriented, forecast and plan for future workforce need in the changing business needs, including local and targeted growth markets. To measure this successfully, firstly, we will have a diverse workforce that fully understands and reflects our constituents. Secondly, the effectiveness of the workforce plans by, for instance, having timely delivery of the required business resources to meet company needs. Lastly, aligned systems and practices that support the strategy, like using the information from the talent manager when hiring, identify training needs in the existing workforce.

Goal 2: Leadership and Key Talent Capabilities

The management should identify, nurture, use and keep talent with leadership and functional capabilities. This will be achieved by the company prioritizing in career growth in critical job functions, proper succession planning, and developing enterprise leadership to ensure the company has the ability to meet challenges of the growth strategy. To measure this, we will focus on talent retention, career progression, a pipeline of diverse talents both in internal and external leadership, placement of talents into new and expanded roles from within the company, and functional talent development in middle management (Cascio, 2008).

Goal 3: High-performance Organisation

The management should drive the workforce to meet high-performance organization in order to meet Aetna growth strategy. For the business to achieve this it should prioritise on, driving profitable growth, the company should retain, engage and performance of innovative results-oriented diverse workforce. The company measures this by the results of the diversity score-card, employee survey results that are improved, dashboard results of employee health, workforce contribution to market growth of market share or sales, and the pay for performance results (Cascio, 2008).

Strategic business partnerships to enhance diversity

An alliance between Aetna and MJE has been formed to improve basic understanding of health information, wellness, and racial (ethnic) equality in healthcare. By working together the two companies are aspiring to empower businesses and ethnically diverse communities' chances to make literate choices on their healthcare choices (Cascio, 2008).

B. The "ICE" Diversity Strategy

This strategy roots back from more than 30 years ago, it is a union of the company values with the business strategy. The ICE strategy core components are integration, communication and education (Cascio, 2008).

I. Integration

The diversity strategies that Aetna employs support the company business goals. There is an interaction between the company business goals and the diversity implications attached to them. In the integration component all diversity dimensions are focused, they include: age, sexual orientation, gender, ethnic background, veteran, telework, caregiver among others (Cascio, 2008).

The integration component work together across the enterprise HR, procurement, marketing, finance, sales, and investments, among others (Cascio, 2008). This component support Aetna Company business goals. The success measurement metric of each goal is presented in Appendix 1.

II. Communication

This component entails disseminating information to employees, suppliers, customers, shareholders and other constituents. Communication entails individuals sharing knowledge, progress and challenges. HR for instance communicates about diversity in external forums to position Aetna as the best-in-class company. The diversity score card is a tool used for communication. The diversity internal website has resources with information related to diversity, strategy, and other resources including the company's mission (Cascio, 2008).

III. Education

The components of education and the strategy used by Aetna are all inclusive they deepen the understanding of diversity. All employees depending on their positions are included in the education policies to have knowledge of what is expected of them. Tools that are required to increase such competencies in the marketplace are well defined. Results of education are well manifested in the company's business strategy (Cascio, 2008).

New employees during the orientation process are given an overview of the diversity strategy. Via a live webcast, Aetna sponsors speaker series "Diversity in Action Lecture Series," that is available to all employees. Articles on different diversity topics are published on the intranet.

The outcomes of the ICE strategy are twofold:

- To serve customers more effectively in the current markets
- Opportunities identification in the new markets (Cascio, 2008).

The ICE strategy understands that the future of Aetna business success depends on knowledge of employees in all segments, clear dissemination of information to customers, suppliers, employees, shareholders and other key constituents, and finally increasing focus on developing competencies and cultural awareness necessary to sustain the success of the business. The ICE strategy extends beyond the diversity awareness to business strategic advantage (Cascio, 2008).

The relationship between Aetna's diversity strategic focus areas and diversity implications are described below:

The Relationship between Aetna's Strategic Focus Areas and Diversity Suggestions

The strategy to increase profitability, market share and earnings will be achieved by the diversity implication of building a workforce that has knowledge in the racial, ethnic, gender, sexual orientation, among other aspects of the marketplace. Diversity, therefore, can be considered as key to increasing productivity. For example, the GLBT community understands the needs of the communities they serve, they, therefore assist Aetna to innovatively create tailored goods and services that meet customers in that segment with special needs (Cascio, 2008).

Increasing profitability and market share growth is also achieved by creating an environment that is all inclusive the contributions of each employee are used to the fullest thereby increasing company productivity.

The strategic focus to deliver the best-in-class customer experience will assist the organization to achieve diversity implication through initiating business alliances with local communities to assist communities-based marketing sales. This will provide Aetna customers with the best shopping experience which will build a positive relationship with the communities thereby increasing market share (Bamberger et al, 2014). The growth of sales will increase as a result of

fast and quick delivery of products and services to customers. There is a positive connection between the strategy and the implication since dealing with customer engagement will enlarge Aetna market share (Cascio, 2008).

The strategic focus to build customer value through technology and innovation, the diversity implication to this is by attracting potential of candidates during recruitment, the pool of candidates should be broad and deep. Filling positions with people that are specifically not from the US will bring new innovative ideas a good example is hiring from India.

The strategic focus for enhancing a diverse, high-performance culture and workforce, the diversity implication that matches this strategy is building a workforce that understands the racial/ethnic, gender, sexual orientation and generational diversity marketplace (Cascio, 2008). The two are interconnected such that they both promote diversity and business benefits. The strategic focus focuses on enhancing a diversified workforce and improved performance, on the other hand, the strategy ensures that diversity among employees is promoted.

C. Value-based Approach to Running the Company and the Company Broad-based Diversity Approach

The four company core-values should define how each employee is expected to behave using each one of the values. The values are integrity, excellence, inspiration and caring. The four values should be used in connection to diversity to increase business outcomes. The employees at Aetna live by the set core values. The four core values Aetna's senior managers believe, the core values are part of how the company achieves business results. These values are centered on the customers Aetna serves, these values define how employees are expected to behave. These four core values are linked to diversity and the people who use our products and services (Cascio, 2008).

Integrity: The employee should do the right thing for the right reason; they should behave ethically and honor commitments.

Excellence and accountability: The employee should be innovative, anticipate the future — listen, look and learn. The company should strive to deliver the highest quality possible through simple, easy and relevant solutions.

Employee engagement: The employees should lead people to success, value diversity, build confidence and brand of the company. Employees are inspired to explore ideas that can change the world.

Quality service and value: Service delivery should be easy and hassle free. Make Aetna the benchmark by which other companies are judged, build trust and valued relationships with all other enterprises.

The Link of the Above Values to Diversity

- The values are articulated by management, through the planning process they are reinforced and connected to the company individual rewards and strategy
- These values positively impacts our business results as they support the company goals

- The values are reflected when Aetna appropriately invest in its initiatives
- These values embraces all types of diversity and they are expressed in all work aspects
- The values are monitored and shared among employees on an on-going basis

RESEARCH FINDINGS

The key benefits of Aetna maintaining a diverse workforce

A. Incremental Costs

The adoption of the various diversity strategies is not free. Regardless of the current economic situation the additional costs incurred into adopting the diversity strategies should be viewed as investments in the company's long and short-term sustainability. The expected additional costs are:

- i. Investing in education and training employees, marketing and advertising, people resources
- ii. Travelling budgets to allow Aetna recruiters to visit institutions where the potential candidates can be found such as historical black colleges, gay or lesbians commerce chambers, among others
- iii. Some corporate peer group members spend more than they do on diversity efforts and strategies

The board should not just look at the costs incurred but also at the costs saved by successfully addressing diversity at the workplace. Benefits that are reaped by successfully integrating the diversity strategies should not be overlooked.

Diversity contributes to the financial position and financial performance of Aetna

The results of Aetna are impressive; their market value has increased from \$3 billion in 2001 to approximately more than \$29 in the year 2008 while the net income increased from \$1.8 billion to \$292 billion (Cascio, 2008). The turnaround can be attributed to the focused business strategy; the CEO noted that diversity is the key contributor (Annual Report, 2008).

B. Achieving Results through Diversity

More than 12,000 employees are members of the 15 ERG. The 15 ERG's are Generation X, Gen Y, Baby boomers, Women, Christians, African-American, Hispanics, Telework community, LGBT, Native-American, Caregivers, Asian-American, Employees with disabilities, Veterans, and Aetna families (Diversity Annual Report, 2008).

The groups are supported by the company and managed by the employees. People who share a common background or set of experiences help build careers skills and network (Cascio, 2008). For instance, the African-American ERG served to contribute ideas that enable Aetna to penetrate the urban markets; they give ideas on the product design, advertising, and distribution. Translation support is provided by Hispanic and Asian. The groups help develop high-quality English text translations for non-English languages. The group specializes in translating the

company's documents from English to convey the intended message the company intends to convey. Another advantage of ERG's are the Generation X, Gen Y, Baby boomers, the group is helping Aetna in making the right hires and improve employee retention that rhymes with this segment of employees. This ERG also assists with marketing efforts to individuals of this population. Through surveys the ERG shared a wide range of ideas, for instance, Aetna was able to publish a paper on Hypertension among the African-American population (Cascio, 2008). The expectations of ERG are indicated in Appendix 2.

C. Increasing Quality through supplier diversity

The diversity of suppliers is an integral part of how Aetna purchases good and services. Supplier diversity gives us a better understanding of how to serve multicultural markets. The success is to better understand and serve the multicultural world is critical to our success.

Through our Supplier Diversity Program, we are able to build concrete relationships with the minority, LGBT, women and other small-scale business suppliers. This program enhances their growth which brings more opportunities to the communities we serve. This will promote the brand of the company that will increase the profitability. Supplier diversity will positively affect the small and individual owned businesses (Cascio, 2008).

RECOMMENDATIONS

In general, Aetna maintaining a positive profit margin during the recession period ranks it as a strong company. Given the company's current position and its projected cash inflow for the next years, Aetna should evaluate the various initiatives and how to best position itself in future.

A. Saving Costs

If the diversity initiatives are addressed successfully Aetna Company can experience a reduction in costs on various aspects. Costs saved through successful diversity initiatives;

i. Turnover Costs

For many companies recruiting and retaining talented workers is a major expense. To cut this costs the companies must hang on with the employees they have. By skillfully addressing diversity employees who feel marginalized or discriminated are retained in the company by having strong diversity strategies and policies. When diversity is brought during hiring we lower the costs of turnover. A diverse workforce is creative and this makes a company more global in nature resulting to attracting a talented workforce from across the world. Turnover represents a considerable cost of doing business. Indeed, the full cost of turnover is not just the separation and replacement costs, but also the leaving employee lost leads, cost of advertising the new position. The productivity of the new employee is depressed while they are learning; the time spent by coworkers guiding the new employee can be approximately more than 160% of the exiting

employee's salary (Cascio and Boudreau, 2011). Turnover costs 1.5 to 2.5 times the annual salary depending on the job this is according to the pharmaceutical giant Merck and company. In the *Journal of accountancy*—reports that the costs are closely related namely, the cost of turnover per head ranges from 93-200% of a departing employee's salary, based on employee skills and responsibilities (Johnson, 1995).

ii. Litigation Costs

Fewer lawsuits are as a result of a diverse workforce that is well managed. Companies without proper diversity initiatives are at risk of law suits from employees for violation of civil rights. For instance in 2000, Coca Cola paid more than \$155M in settling a discrimination case (Winter, 2018). Nowadays, Coca Cola has a more diverse workforce and has minorities in managerial positions. Aetna may think that diversity costs are too high or not needed, but when civil rights lawsuits strike they will appear to be like peanuts. Companies that fail to comply with the EEO requirements pay hefty fines and their image is tarnished with bad PR. This directly contributes to business growth and final results.

iii. Marketing and Branding

When employees of accompany are the reflection of the customer base, the company gets an indirect raise. The employees are able to relate better with the customers because they are the customers. For instance, DuPont Merck had seen low sales of an anticoagulant drug in the Hispanic market, the Hispanic manager suggested including instructions in Hispanic which dramatically improved sales. Now the instructions are translated into 15 languages that bring in millions of dollars in sales (Thompson, 2013). Religion and race also plays a part in diversity by allowing distribution of ideas that reflect on a country and community.

B. Actions that Aetna could take to Achieve Diversity Implications

Honoring commitments is Aetna Company core value under integrity. For Aetna to achieve the diversity suggestions the company has to honor their devotion to the customers, suppliers, and employees. Aetna honesty in business dealings will elevate their brand increasing market size for their products and services through good reputation.

The excellence and accountability value of the company will assist the company to focus more on improving their technology. Improved technology facilitates faster production and delivery to customers. Innovations will also enhance effectiveness and efficiency thereby achieving the diversity suggestion (Cascio, 2008).

Employee engagement: employees help in the growth and success of an organization. Engagement is a core value has a direct link to achieving the diversity implications. Employee engagement creates a feeling of being valued leading to motivation and achieving organizational targets (Cascio, 2008).

In order to achieve the diversity implications, Aetna should recruit from different backgrounds, races, and ethnic groups, among others, so as to have a diversified workforce. After attracting a

diversified workforce, Aetna Company should ensure that their employees understand the importance of the diverse workforce (Sabharwal, 2014).

As the company has been doing, the diversity reports should be published regularly. The company at the same time should make sure that newly recruited employees understand the diversity strategy and incorporate it as soon as they join the company workforce. Publishing of diversity articles regularly on the company website and intranet could enable employees to give responses. The website has information on Aetna's diversity, mission, and other resources. There is a need for Aetna to publish the progress made by enhancing the diversity strategy.

The ICE diversity strategy supports the goals of Aetna, it is able to communicate information to customers, suppliers, and it educates people on tools needed in the marketplace (Cascio, 2008).

C. Diversity should be used as part of a business strategy

Diversity and inclusion should be viewed as business strategy and not as a HR program. There are continuous political discussions regarding income differences and fairness, #metoo movement, #blacklivesmatter all these are diversity issues which will force companies to step up.

Despite Google Inc. being in the technology industry, the company has successfully employed diversity as a business strategy. By adopting this strategy Google has benefited from diversity indirectly; the organization uses employees with diverse traits to provide information that is helpful in targeting certain customer segments. Google organization aims at having a 1% increase each year in the representation of women and women leaders, Blacks, Hispanics among others (Diversity Annual Report, 2017).

Diverse matters at every business interface —within our communities, in the talent pool, across operations around the world, in the marketplace, just to name a few. Recruiting for diversity is a smart business move, whereby the company will create a culture where individuals are respected for their differences in creativity, problem-solving and innovation. If not well implemented diversity strategies are a double-edged sword the strategies have capabilities for positive or negative outcomes (Chrobot-Mason and Aramovich, 2013).

An organization that has a diverse workforce has organizational commitment, climate for innovation, reduced turnover, psychological freedom, increased productivity; among others this has positive outcomes on the business (Chrobot-Mason and Aramovich, 2013).

Diversity as a business strategy engages employees, and drives business by helping the management to better understand the needs of customers and employees this is essential in business decision making (Homberg and Bui, 2013).

Aetna board should, therefore, embrace diversity as a business strategy and not a HR program they should look into the positive business outcomes related to diversity before considering cutting expenses on diversity initiatives.

D. Sound HR Diversity Management Best Practices

It is widely recognized that the primary roles of HR practice are recruitment and selection, hiring and retention, training and development, performance appraisal, and pay (Shen and Edwards 2006). Aetna should carry out cultural competency training to understand company brand by knowledge of different population segments. The best practices should be effectively used during hiring/retention, training, rewards, motivation among others. Sound HR diversity practices are able to identify discontinuous diversity goals and create selective organizational changes to fix them. From a report by U.S GAO a non-profit organization they gives a list of the best diversity practices, in our context two were applicable (U.S GAO, 2005). They are:

Measurement: Sound diversity practices should have a set of qualitative and quantitative measures to assess the success impact of the diversity program

Accountability: To ensure that leaders are responsible and committed to the diversity initiatives they should link their performance assessment and compensation to the diversity initiatives

v. Develop a Framework of HR Diversity Management

Kossek et al. (2005) the initial step to developing the framework is by measuring diversity and diversity management practices. Metrics, however, when used alone they are not enough in convincing doubtful decision makers (Cascio et al.2008). In Fig 2 a conceptual framework for diversity management for Aetna is proposed. To get to the other side of the wall HR need a model called the LAMP. The “LAMP” Framework is an abbreviation for logic, analytics, measures and process (Cascio and Boudreau, 2012).

The four components drive change and effectiveness in an organization. The vital connections between the four components are identified. We used turnover as an example to convince the board of the adverse effects of failing to invest in the diversity initiatives.

i. Logic

It is impossible to know where to look for real understandings without real logic. Based on good evidence, logic will assist the board of directors to make better decisions using the measurement system. The question to answer is “How Aetna creates value in investing in employee diversity?” We will demonstrate how investing in diversity creates value for the company. Value can be in form of productivity, reduced employee turnover, growth in market share, a good reputation for the company, among others (Cascio, 2008).

The logically derived measures are, increase in revenue, reduced costs such as litigation costs. There are many frameworks in HR, such as salary structures, employee contract structures these frameworks are important but they are not adequate to link decisions regarding HR investment initiatives to outcomes. This framework advocate for connection between HR and management practices, this, in turn, affect employees attitude, an engagement which affects sales or customer experiences (Cascio and Boudreau, 2012).

In Aetna case there is an increase in employee productivity, increase in profits, increase in market growth, increase in customer satisfaction, reduced absenteeism, when the company invests in diversity (Cascio, 2008).

The logical costs to include when considering turnover at Aetna are the separation and replacement costs. The costs can be more than 160% of the exiting employee.

ii. Analytics

Analytics involves drawing the right conclusion from the data. Analytics transforms both logic and measurements into relevant understanding. The qualitative and quantitative research design we employed in data analysis will assist us to identify the relevant diversity issues; Aetna's diversity strategies, metrics and their impacts on the business.

We have established a cause-and-effect relationship between specific diversity strategies and their specific business outcomes. For example, the strategy to increase profitability, market share and earnings will be achieved by the diversity implication of building a workforce that has knowledge in the racial, ethnic, gender, sexual orientation, among other aspects of the marketplace. The strategic focus to build customer value through technology and innovation, the diversity implication to this is by attracting potential of candidates during recruitment, the pool of candidates should be broad and deep. The foundation of good measurement is formed by good analytical principles (Cascio and Boudreau, 2012). For analytics, we refer to the turnover and costs associated with turnover formulas.

In appendix 3, we have indicated how to calculate the separation cost of turnover, how to calculate turnover rates, replacement costs.

iii. Measures

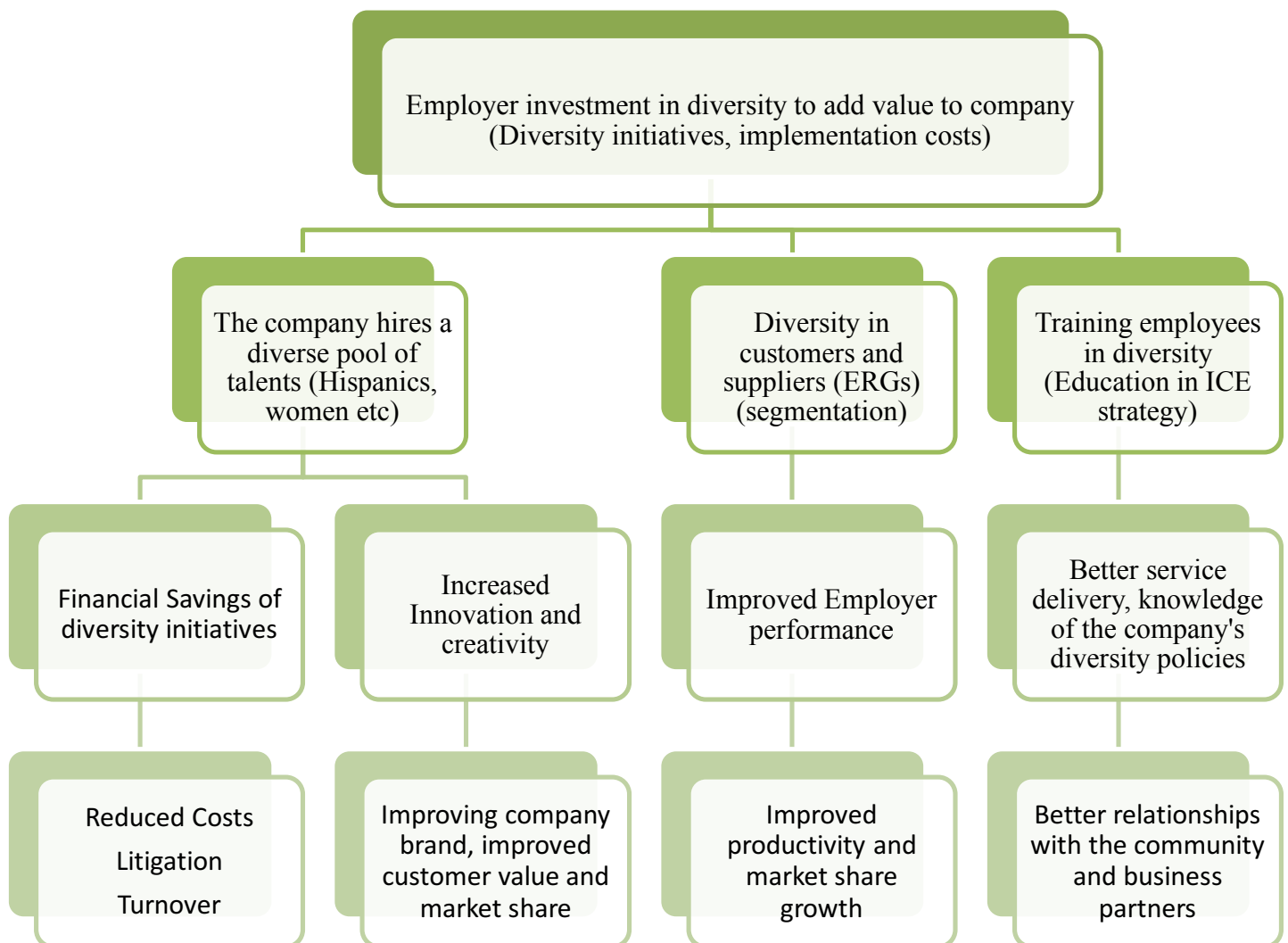
Diversity has received considerable attention at Aetna. Considerable time and attention is paid to enhance the quality of diversity, this is based on the criteria of timeliness, reliability and consistency. We will measure differences between new recruits and exits (Cascio, 2008).

iv. Process

Cascio and Boudreau, (2012) process entails making the insights made from measurements and logic actionable and motivating. The changes must fit within the broader larger organization, for example, knowledge frameworks and organizational cultural norms. This creates broader organizational value such as education, learning, and transfer of knowledge.

Sometimes organizations budgeting practices presents a chance to use the costs of turnover as part of a broader framework to demonstrate substantial economic considerations from effective management practices. Line managers create a prime opportunity to elevate the turnover conversation when they complain about not getting qualified employees to fill a vacancy.

Figure 3: The value of employee diversity initiative to Aetna Company LAMP model



From analysis of the various demographics and their business outcomes it is evident a diverse workforce adds value to the business. From the LAMP framework the benefits of diversity are much superior compared to the costs of implementation.

In summary, Aetna will benefit from the diversity initiatives by improved productivity which will affect the whole enterprise, increased quality service to the various communities, improved market share and growth, reduced in costs and improved company brand.

In Appendix 4 we have the a framework for measuring the benefits and costs of diversity

CONCLUSION

The findings in this report suggest that integrating diversity into Aetna results in superior performance. The workforce at Aetna is a diverse one. Despite the recession Aetna's diversity has spearheaded better financial and overall performance of Aetna as compared to other businesses in the same industry that have been negatively affected.

Diversity should not be considered as an issue of compliance with legal requirements. Diversity should be considered as an effort to nurture talents in a diverse environment that is all-inclusive.

The Board of directors should maintain diversity initiatives due to their efficacy in enhancing productivity and the organization's financial and overall performance. Etna's diversity activities, directly and indirectly, affect the overall performance of the organization. The review, however, indicates a need for continuous effective diversity management and the role for HR is irreplaceable in this.

However, there are a number of areas that Aetna need to develop to address the cases of diversity such as; Aetna should monitor the age profile while recruiting to guard the company against the increase of skewed aged workforce that could make Aetna be at risk to loss of talent.

The proposed framework suggests the benefits of diversity to an organization and the roles by management at different levels. There is the knowledge that emerges from the LAMP model framework that management should address.

More attention needs to be paid by employers on how to listen to employees, customers, and other stakeholders and thoughtfully lay it against quantitative data. This will align the values against defined actions.

The demographics of American society are changing; diversity at the place of work is a modern reality. There is a future risk to failure for organizations that fail to recognize this fact. Managing diversity is not a social, legal or moral concern, but a business affair. The challenge is in empowering a diverse workforce and not in making one. Diversity is about advising managers to influence the employees to increase their productivity by using all the available resources to their full potential, thereby efficiency, effectiveness, and productivity will increase. Diversity does not refer to only race and gender, sexual orientation; it borders differences such as old and new organizations in the same industry, merged companies, among other aspects. Organizations become competitive when they learn how to manage diversity. In order to manage diversity effectively, organizational diversity strategies are necessary.

The late Bob M. Beavers once a senior Vice-president at McDonald's expressed (Articles.latimes.com, 2018), "Those companies that have addressed ... diversity will be better prepared with people of color and women in key management positions to lead them into the next century. Those without people in the pipeline now will perish."

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How We Measure Success

Enterprise 2008 Diversity Scorecard



Goal	Metric
Improve workforce representation of ethnic/racial minorities and Generation Y employees	Enterprise % people of color and Gen Y representation
Create a more inclusive work environment	Diversity survey index results
Increase expenditures in supplier diversity	Percent of enterprise spend with minority-owned, women-owned, LGBT and small businesses
Customer care index / increase share of the marketplace	Customer care index (customers with disabilities, LGBT, women, and people of color)

APPENDIX 2



Expectations of ERG

APPENDIX 3

Computing the Rates of Turnover = $\frac{\text{Number of turnover incidents per period}}{\text{Average workforce size}} \times 100\%$

Total Separation costs = $Sa + Sb + Sc$

Sa-Administrative costs such as deleting the employee from payroll (1hr * \$30/hr * 288) \$8,640

Sb- Separation pay (1000 * 288) \$288,000

Sc- Exit interviewers time ((1hr * \$50/hr * 288) \$14,400

Total separation costs are 311,040

Replacement costs: these costs vary depending on the type of job

Entrance interview = $\text{Time required for each interview} \times \text{Interviewers payrate} \times \text{period of interviews}$

In this case we assume there is 1 hire for every interview, over a period of 1 year for hire we get:

Rate is 288 * 3 interviews will give us 864

Entrance interview cost = $1 \times \$50 \times 864$

\$43,200

APPENDIX 4

A framework for measuring the benefits and costs of diversity

