THE COST OF EMPLOYEE TURNOVER DUE TO FAILED DIVERSITY INITIATIVES IN THE WORKPLACE

The Corporate Leavers Survey 2007
Over the past three decades, diversity in corporate America has shifted from a societal aspiration to a business imperative. Workforces now reflect the unprecedented diversity of backgrounds and perspectives of the nation’s population -- and in the current global war for talent, success hinges on a company’s abilities to attract, retain and develop a diverse employee base. In fact, failure to embrace comprehensive diversity efforts is a daily reality that can degrade workforces and damage an employer’s brand.

In view of this business imperative, Korn/Ferry has partnered with the Level Playing Field Institute, a non-profit organization dedicated to workplace and educational fairness, on a ground-breaking study of the costs of voluntary turnover in corporations across the United States. The result is The Cost of Employee Turnover Due to Failed Initiatives in the Workplace, including an executive summary of which we are pleased to enclose here.

The report examines both the fiscal and reputational damage of employer unfairness based on race, gender or sexual orientation. It estimates an astounding $64 billion in cost annually in employee turnover alone, in addition to costs around diminished morale, decreased sales and limited talent pools – all stemming from the failure to effectively manage diversity in the U.S. workplace.

World-class diversity initiatives are far more encompassing than inclusive hiring practices alone – they comprise efforts that begin in the executive suite and extend through every level of an organization. Companies that uphold a robust, integrated approach to diversity – and treat their programs as an opportunity rather than simply another cost – are poised to derive tremendous competitive advantage and innovation. They are also better positioned to attract top-flight talent, combat voluntary turnover and emerge as the “employer of choice” in their sector.

Regardless of geography, industry or size, we are all challenged with attracting and retaining the best and brightest talent available. On behalf of my colleagues at Korn/Ferry, I hope you find this report thought-provoking and valuable as you face the talent challenges ahead.

Regards,

Gary D. Burnison
Chief Executive Officer
Korn/Ferry International
Executive Summary
In today’s competitive war for talent, organizations that invest as much in recruiting the best talent as they do in retaining high-potential employees have a clear advantage in the marketplace.

When looking at unfairness in the workplace, The Corporate Leavers Survey, the first large scale review of its kind, shows that unfairness costs U.S. employers $64 billion on an annual basis – a price tag nearly equivalent to the 2006 combined revenues of Google, Goldman Sachs, Starbucks and Amazon.com\(^1\) or the gross domestic product of the 55th wealthiest country in the world.\(^2\) This estimate represents the cost of losing and replacing professionals and managers who leave their employers solely due to failed diversity management. By adding in those for whom unfairness was a major contributor to their decision to leave, the figure is substantially greater. This study also shows how often employees who left jobs due to unfairness later discouraged potential customers and job applicants from working with their former employer.

Beyond the financial costs of unfairness, the survey findings include:

- People of color are three times more likely to cite workplace unfairness as the only reason for leaving their employer than heterosexual Caucasian men and twice as likely as heterosexual Caucasian women.

- Gay and lesbian professionals and managers said workplace unfairness was the only reason they left their employer, almost twice as often as heterosexual Caucasian men.

- Among the specific types of unfairness we inquired about, the behaviors which were most likely to prompt someone to quit were: (1) being asked to attend extra recruiting or community-related events because of one’s race, gender, religion or sexual orientation, (2) being passed over for a promotion due to one’s personal characteristics, (3) being publicly humiliated and (4) being compared to a terrorist in a joking or serious manner.\(^3\)

- More than one-quarter (27 percent) of respondents who experienced unfairness at work within the past year said their experience strongly discouraged them from recommending their employer to other potential employees. Similarly, 13 percent of these same respondents said their experience strongly discouraged them from recommending their employer’s products or services to others.

- Responses concerning what employers could have done to keep them varied across demographic groups. Almost half of gay and lesbian professionals and managers (43 percent) said that if their employer offered more or better benefits they would have very likely stayed. In comparison, 34 percent of people of color said they would have very likely stayed if their employer had offered better managers who recognized their abilities.
The Korn/Ferry Institute

The Corporate Leavers Survey also reveals that each year in this country, more than 2 million professionals and managers leave their jobs, pushed out by cumulative small comments, whispered jokes and not-so-funny emails.

They leave without any of the attention given to the multi-million dollar gender or race based discrimination lawsuits, but they, and millions like them, leave at an annual cost which exceeds the cumulative settlements for all sex and race based lawsuits reported by the Equal Employment Opportunity Commission from 1997 until 2006. They leave at a time when people of color and women will soon constitute a majority of the global workforce and they leave committed not to use their former employer’s products or services and resolved not to recommend them to any of the professionals in their network.

The most fundamental conclusion to be drawn from this study is this: overt and illegal discrimination is no longer the largest threat to recruiting and retaining the “best and the brightest”. Unfairness, in the form of every-day inappropriate behaviors, such as stereotyping, public humiliation and promoting based upon personal characteristics, is a very real, prevalent and damaging part of the work environment. We found that experiences of unfairness vary by demographics, and thus generic trainings and laws alone cannot adequately remedy this complex problem. By identifying, studying and qualifying the problem of unfairness in the workplace, across demographics, we can work to remove the barriers and biases which create unfair workplaces.

Methodology - About the Study:
The Corporate Leavers Survey is based on a survey of 1,700 professionals and managers between December 2006 and January 2007 who had quit or volunteered to be laid off within the past five years due in part or in full to discrimination. Survey respondents were selected from an initial group of 19,000 people.

To order the full report, please contact the Level Playing Field Institute at (415) 946-3030 or at info@lpfi.org.

2 http://siteresources.worldbank.org/DATASTATISTICS/Resources/GDP.pdf
3 The actual incidence rate of being compared to a terrorist amongst the corporate leavers surveyed was small, 2%. However, when it did occur, it had a profound effect and was one of the behaviors most frequently associated with an employee’s decision to leave solely due to unfairness.
4 The term “corporate leavers,” as used in this report, is defined as those professionals and or managers who voluntarily left or volunteered for a layoff from their corporate employers (as opposed to public, government or not-for-profit employers).
Key Findings

Percentage of professionals & managers that left only due to unfairness

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caucasian Men (Heterosexual)</td>
<td>3.0%</td>
</tr>
<tr>
<td>Caucasian Women (Heterosexual)</td>
<td>4.6%</td>
</tr>
<tr>
<td>Gays and Lesbians</td>
<td>5.6%</td>
</tr>
<tr>
<td>People of Color</td>
<td>9.5%</td>
</tr>
</tbody>
</table>

Specific forms of unfairness experienced amongst respondents that left only due to unfairness

<table>
<thead>
<tr>
<th>Form of Unfairness</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Being publicly humiliated.</td>
<td>14.8%</td>
</tr>
<tr>
<td>B. Being passed over for a promotion.</td>
<td>14.9%</td>
</tr>
<tr>
<td>C. Being compared to a terrorist.</td>
<td>18.8%</td>
</tr>
<tr>
<td>D. Being asked to attend more recruiting or community-related events.</td>
<td>15.6%</td>
</tr>
<tr>
<td>E. Being bullied.</td>
<td>13.5%</td>
</tr>
<tr>
<td>F. Having their identity mistaken.</td>
<td>12.7%</td>
</tr>
<tr>
<td>G. Unwelcome questions about skin, hair or ethnic attire.</td>
<td>12.8%</td>
</tr>
</tbody>
</table>

Specific forms of unfairness experienced by respondents who strongly discouraged others from seeking employment from their previous employer

<table>
<thead>
<tr>
<th>Form of Unfairness</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Being bullied.</td>
<td>74.1%</td>
</tr>
<tr>
<td>B. Being publicly humiliated.</td>
<td>71.0%</td>
</tr>
<tr>
<td>C. Offensive jokes.</td>
<td>70.2%</td>
</tr>
<tr>
<td>D. Unwanted sexual attention.</td>
<td>71.4%</td>
</tr>
<tr>
<td>E. Being compared to a terrorist.</td>
<td>70.1%</td>
</tr>
<tr>
<td>F. Being passed over for a promotion.</td>
<td>66.8%</td>
</tr>
<tr>
<td>G. Being excluded from key groups.</td>
<td>66.8%</td>
</tr>
</tbody>
</table>
Specific forms of unfairness experienced by respondents who strongly discouraged others from purchasing previous employer's products or services

A. Being bullied.
B. Being publicly humiliated.
C. Being subjected to offensive materials.
D. Unwanted sexual attention.
E. Being compared to a terrorist.
F. Being passed over for a promotion.
G. Having their identity mistaken.

Percentage of heterosexual Caucasian men who were much more likely to have stayed for the following reasons

Percentage of heterosexual Caucasian women who were much more likely to have stayed for the following reasons

Percentage of Gays & Lesbians who were much more likely to have stayed for the following reasons

Percentage of People of Color who were much more likely to have stayed for the following reasons
Korn/Ferry International: A Tradition of Diversity
Korn/Ferry International is committed to identifying a diverse pool of candidates for all of our recruiting assignments. Our team of dedicated search consultants has a solid record of recruiting outstanding professionals, including minorities and women, who meet the most demanding client requirements. Our philosophy is that we, as a company, should reflect what our clients expect. Our own diverse population of consultants ensures that we have the knowledge and expertise to attract the best in the business for our clients.

Korn/Ferry’s diversity specialists include:

Victor Arias  
Dallas  
+ 1 214 665 3056

Eunice Azzani  
San Francisco  
+ 1 415 288 5325

Germayne Cade  
Chicago  
+ 1 312 881 1393

Mina Gouran  
London  
+ 44 20 7312 3108

Gil Griffin  
New York  
+ 1 212 984 9368

Iraj Ispahani  
London  
+ 44 20 7312 3158

Michael Kennedy  
Atlanta  
+ 1 404 222 4009

Kristin Mannion  
Washington DC  
+ 1 202 955 0955

Irene Ortiz-Glass  
Irvine  
+ 1 949 260 9505

Honor Pollok  
London  
+ 44 20 7312 3179

Michael Stein  
Miami  
+ 1 786 425 8933

Kalya Tea  
Paris  
+ 33 1 45 61 86 03

Kathy Woods  
Toronto  
+ 1 416 365 4036

About Korn/Ferry International
Korn/Ferry International, with more than 80 offices in 39 countries, is a premier global provider of talent management solutions. Based in Los Angeles, the firm delivers an array of solutions that help clients to identify, deploy, develop, retain and reward their talent. For more information on the Korn/Ferry International family of companies, visit www.kornferry.com.

About the Level Playing Field Institute
Founded in 2001 by Dr. Freada Kapor Klein, Level Playing Field Institute promotes innovative approaches to fairness in higher education and the workplace by identifying and removing barriers that prevent individuals from reaching their full potential. Its vision is that all students, regardless of socio-economic status, will have opportunities to apply to and graduate from top colleges and universities, resulting in communities and workplaces that benefit from well-prepared, competitive leaders representing broad perspectives and sectors of society. Additional information is available at www.lpfi.org.
About the Korn/Ferry Institute
The Korn/Ferry Institute was established in 2007 to commission, originate and publish groundbreaking research in the field of talent development. The Institute combines data mined through Korn/Ferry's preeminent position as the world's largest executive recruitment firm with an unparalleled library of behavioral research compiled by Lominger International and Korn/Ferry's Leadership Development Solutions group.

For more information on the Korn/Ferry International family of companies, visit www.kornferry.com

Our offices worldwide

The Americas
Atlanta
Bogota
Boston
Buenos Aires
Calgary
Caracas
Chicago
Dallas
Houston
Irvine
Lima
Los Angeles
Mexico City*
Miami
Minneapolis
Monterrey*
Montréal
New York
Northern Virginia
Philadelphia
Princeton
Quito*
Rio de Janeiro
San Francisco
Santiago
São Paulo
Seattle
Silicon Valley
Stamford
Tornoto
Vancouver
Washington DC

Asia Pacific
Auckland
Bangalore
Bangkok
Beijing
Guangzhou
Hong Kong
Jakarta
Kuala Lumpur
Melbourne
Mumbai
New Delhi
Seoul
Shanghai
Singapore
Sydney
Tokyo
Wellington

Europe, Middle East & Africa
Amsterdam
Athens
Barcelona
Brussels
Bucharest**
Budapest
Copenhagen
Dubai
Frankfurt
Geneva
Helsinki
Istanbul
Johannesburg**
London
Luxembourg
Lyon
Madrid
Milan
Moscow**
Oslo
Paris
Prague
Rome
Stockholm
Stasbourg
Vienna
Warsaw
Zurich

*Satellite Office
**Alliance Partner