

# RiskReview

*The monthly Enterprise Risk Management news and views*

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### **RiskReview, by:**

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## **Diversity-challenges of meaningful roll out**

Diversity and inclusiveness is a contemporary topic. You might be hearing it at your firm, but the chances are that you might have posed this question to yourself: are we diverse? everything looks the same!" Diversity in the corporate context refers to the fact that employees are different. Organizations differ in how wide or narrow they define these differences. Race, gender, age, religion, education background, functional capabilities, and disabilities are the most common characteristics.

Many organizations rave about their circumfusion of diversity initiatives and projects, but they face a colossal challenge to design it effectively. There are many reasons behind this challenge—first, an incomplete understanding of diversity. On the one hand, there are two levels of diversity, surface-level and deep level. Surface-level refers to race, religion, nationality, and gender. The deep level refers to the set of values, beliefs, and attitudes. People are attracted at the beginning to those similar to them on the surface level, but in the long run, they are more engaged with those who share their attitude, lifestyle, how they look at the world, set of values, etc.

On the other hand, people might share the same attributes on both levels, the surface and deep, but their personalities are different. You have the introvert line manager, and you have the extrovert, the industrious and the less industrious, for instance. The organizational focus for meaningful diversity should not be confined only to the demographical attributes. Personalities' differences should be understood, identified, reconciled, and embraced. Here comes the role of HR to eliminate prejudices and welcome all types of characters and give them a chance.

Second, similarity bias. Managers from the same educational background, social and economic status are biased in hiring toward those who share their backgrounds. Research shows that managers in making hiring or promotion decisions not only are biased toward those who are like them but become emotionally engaged against those who are different from their backgrounds (Jehn, Northcraft, & Neale, 1999; Pelled, Eisenhardt, & Xin, 1999; Chatman et al., 1998; Riordan & Shore,1997). Eventually, this bias builds a culture of protégés. Employees who are not part of that protégés will not rise and move smoothly along the curve. The third reason is the stereotypes. Stereotypes are a generalization of perception about a group or subgroup. Women are less assertive than men is an example of dangerous stereotypes that unjustly create a glass ceiling for qualified and competent women.



# inclusiveness- walking the talk

International Business Machines (IBM) Corporation, when its management wanted to enhance diversity and inclusiveness, did not set back waiting for the “diverse” resumes to arrive. They went to the schools and colleges of minorities educating and recommending to minorities' youngsters to major in science and engineering, and subsequently hired them. (Thomas, 2004).

When IBM saw that only 4% of the students graduating with a degree in engineering were Hispanic, IBM partnered with colleges in a program called EXITE (Exploring Interest in Technology and Engineering) in which they brought females and minorities students in middle school in intensive math and science workshops to sharpen their schools and to get them interested in becoming engineers. More than 3,000 students have gone through that program. What was the result? The number of minorities executives at the company offices across the world doubled and female executives has tripled.

## Legal Risk- is covert recording admissible evidence?

A video released in 2019 showing Heinz-Christian Strache, then vice-chancellor of Austria, and Johann Gudenus, former Deputy Mayor of Vienna, striking an illegal deal with a niece of a Russian businessman. On the tape, the Russian businesswoman was expressing her frustration of not being able to deposit 250 million euros in banks in Austria. Strache bargained with her to facilitate that she buys one of Austria's most widely circulated newspapers to influence voters in his favor in addition to casino licenses and constructions contracts through which she can get the 250 million into the banking system in exchange for financing his campaigns and party. (Spiegel International, May 5, 2019.) The party who recorded and released the video remains hitherto unknown. If it was a covert recording breaching the rights of all who were shown in the footage for privacy, will they be subject to litigation on fraud and corruption ground? The Strache's legal team sued the publications for showing the footage. In May 2020, the Austrian Supreme Court decided that the public interest outweighed the privacy rights since the footage shows politicians in public offices accepting bribes and facilitating gimmicks of money laundering. The recording was rendered lawful and admissible in the court of law.