

Creating an Inclusive Culture

“One of the key reasons that management attention and investment in diversity and inclusion programmes have not yielded better results is that organisations have focused on increasing the proportion of people from underrepresented groups, rather than tackling the underlying culture. The organisations seeing real gains are going beyond a simple focus on numbers. They are addressing the climate and behaviours that determine whether people from minority groups feel included. These organisations are not only achieving their diversity goals; they are also seeing substantial improvements in engagement, trust, creativity and performance.”

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Executive Summary

“Only when companies start thinking about diversity more holistically – as providing fresh and meaningful approaches to work – and stop assuming that diversity relates simply to how a person looks or where he or she comes from, will they be able to reap its full rewards.” **David Thomas and Robin Ely**

1. Today there is general agreement that it is desirable for organisations to have a diverse workforce that more closely reflects the population and customer base. Organisations have invested heavily in diversity programmes over the last few years. However, progress has been disappointing, particularly the proportion of senior women in the workforce. We think one of the underlying reasons is that organisations have focused on increasing the numbers of employees from underrepresented groups, rather than tackling the organisation culture that determines whether those people feel included and thrive.
2. We define an inclusive culture as an organisational environment that allows people with different backgrounds, characteristics, and ways of thinking, to work effectively together and to perform to their highest potential. In an inclusive culture, people feel that their contribution is valued, and their voice is listened to and respected. We contrast diversity – which is often focused on increasing the numerical representation of minorities in the workforce – and inclusion – which is about creating an environment that values the different contributions that a diverse workforce can bring.
3. Our study found that investing in an inclusive culture is seen to have broad benefits, including better financial performance, connection with customers, innovation, attracting talent and employee engagement. For many organisations it is also simply the right thing to do.
4. A survey of CRF members found that just over half (55%) of respondents report that their organisation has an explicit goal of creating an inclusive culture. However, there is a lack of clarity about what this looks like in practice, with only a third of respondents having a clear definition or set of criteria which guides their efforts. There is clearly also a long way to go. Less than half (41%) of respondents described their current culture to be ‘highly’ or ‘somewhat’ inclusive.
5. Organisations which have succeeded in creating an inclusive culture tend to focus on two key areas.
 - The values, attitudes and behaviours of leaders, both at senior leadership and front-line management level.
 - The systems and processes that define how work gets done, and who is recruited, promoted, rewarded and exited from the organisation.
6. Senior leaders play a critical role in driving an inclusive culture. We found the following differentiators of inclusive organisations.
 - The CEO and top team visibly ‘own’ the inclusive culture agenda. This means both saying the right things and following up consistently with actions.
 - Accountability for developing and sustaining an inclusive culture is broadly shared among leaders at all levels, and is not just seen as HR’s responsibility. This includes setting targets, tracking metrics, and making sure there is regular dialogue across the organisation about progress so far, and what else needs to be done.
 - The case for building an inclusive culture is explicitly linked to the core purpose, business strategy and values of the organisation.
7. We find that what really makes a difference to how individual employees experience the culture on a day-to-day basis is the relationship with their line manager and colleagues. Managers create a sub-culture within their teams that determines how each team member subjectively experiences the employment relationship. This has significant implications for manager selection, development and performance appraisal. We found inclusive managers tend to demonstrate the following behaviours.

“Our research in gender diversity and talent more broadly shows that until inclusion and diversity are embedded into the fabric of the organisation it will not sustain over time. At Mercer we see it as part of our engine for growth and innovation. To be successful, we have to make sure that our practices match our policies, for example around access to flexible working.” **Fiona Dunsire, CEO, Mercer UK**

- Treat every team member as an individual, adapting the way they interact to suit that individual’s needs.
- Create a climate where everyone has a voice, for example by running meetings that accommodate different personality types.
- They are aware of how personal biases can affect decision making, and build in checks and balances to ensure fairness.
- Build relationships with their subordinates which are based on trust, and foster trust between different members of the team.

It is important to note that, while inclusive teams may be more innovative and productive in the long run, they require effort to build and sustain cohesive working.

8. We discuss how systems and processes can be redesigned to support an inclusive culture. The field of behavioural economics has shown that, even if people intend to act rationally, they still make decisions based on snap judgments, shortcuts or biases. ‘Nudges’ can be incorporated into people processes to tame this innate human characteristic. These have the effect of steering – rather than coercing – people towards making more inclusive choices. Practical applications include the following.

- Making sure opportunities for progression within the organisation are fair, such as paying attention to who gets the plum assignments or big-ticket clients which are a prerequisite for promotion, or requiring that the shortlist for promotion to the next level up in the organisation is in proportion to the gender split of the level below.
- Making selection more objective, for example, making recruitment ‘blind’ by removing irrelevant biographical detail from CVs, crowdsourcing ratings from multiple appraisers, or using machines to screen applications.

We found that most effort to date has been put into making recruitment processes fairer, which is resulting in a more balanced pipeline at the entry level into the organisation. However, the key challenge for organisations remains how to create a context where people from minority groups are retained and promoted over the longer term.

9. We conclude by highlighting the following key elements that require focused attention.

- Creating an inclusive culture requires a systemic view, with a joined-up approach covering all elements of the relationship between the individual and the organisation.
- Leaders play a key role, but it is also important to engage employees, to raise their expectations and encourage them to take accountability for the culture.
- Decisions about what actions to take need to be built on evidence. Before initiatives are rolled out, careful consideration needs to be given to how the impact can be measured, and what data can be collected.

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